

The Development of Regionally Owned Enterprises (BUMD) in Indonesia

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ABSTRACT--Regionally Owned Enterprises (BUMD) are companies established and owned by local governments. In general, BUMDs in Indonesia in carrying out their business are charged with three missions, namely as a public servant, as a source of Local Revenue (PAD), and also as an agent for driving regional economic growth.

The authority of regional governments to form and manage BUMDs As mandated in the 1999 GBHN and Law No. 25 of 2004 concerning the National Development System. The embodiment of regional autonomy in economic growth and equality among regions is carried out through various policy directions, primarily to develop regional autonomy in a broad, tangible, and responsible manner in the context of community empowerment, as well as various economic and community institutions in the region, conducting further study and policy advice concerning the enactment of regional autonomy for provincial, district and city areas as well as rural areas and realizing a equitable financial balance between the center and the regions by prioritizing broader regional interests through decentralization of licensing and investment and management of resources in the regions.

The presence of BUMD is expected to contribute to the development of an area so as to create equity and growth in an area.

Keywords: economic growth, regional autonomy

I. INTRODUCTION

In economic life we know the terms companies and business entities. The two terms are different but are given the same meaning. This means that as an organization in which organizing cooperation between factors of production to produce goods or services to serve the public interest as well as business continuity.

The choice of company form is a problem that arises when the company is founded. The selection of the form of the company needs careful consideration to prevent the things that are not desirable. With a clear form according to the law it is expected that the company will be able to firmly determine the steps that must be taken to achieve the goal.

The Government of Indonesia established the BUMD with two main objectives, namely economic goals and social objectives. In economic objectives, BUMD is intended to manage strategic business sectors so that they are not controlled by certain parties.

Along with the development of BUMD the classic problem befalls BUMD, some issues that arise are the legal umbrella for the existence of BUMD, and some are related to aspects of BUMD management itself. The emergence of Law No. 23 of 2014 concerning Regional Government which specifically also discusses BUMD,

has divided BUMD into two forms, namely in the form of a company and in the form of a public company. Before the emergence of a new regional government law, Law No. 5 of 1962 concerning Regional Enterprises concerning Regional Enterprises and Permendagri No. 3 of 1998 concerning the form of BUMD legal entities, placed the BUMD's position in a difficult and unclear position. The current condition makes it difficult for BUMD to face business competition with agility, and experience dependence on the Regional Budget, it is based on Jawa Post article.

Regionally Owned Enterprises (BUMD) are businesses owned by local governments, where the aim is as one source of regional revenue (PAD). But in reality that the existing BUMDs have not been able to make a significant contribution to PAD, there are actually more injections of funds from local governments than the benefits that can be. These conditions become a burden for the budget. So that the purpose of the establishment of BUMD is that one source of regional government revenue is not achieved.[4]

II. FINDINGS AND DISCUSSION

A. Definition Of Bumd

State-owned enterprises managed by regional governments are called regionally-owned enterprises (BUMD). Regional company is a company established by the regional government whose capital is most / wholly owned by the regional government. The purpose of the establishment of regional companies for the development and development of economic potential in the area concerned. Examples of regional companies include: drinking water companies (PDAMs) and Regional Development Banks (BPD). Regionally Owned Enterprises (BUMD) have a very important and strategic position in supporting the implementation of autonomy.

Therefore, the management of BUMD needs to be optimized in order to truly become a reliable economic power so that it can play an active role, both in carrying out its functions and duties as well as the strength of the regional economy. Profit from BUMD is expected to make a large contribution to the Original Regional Revenue. Regional autonomy has significant consequences for the role of Regionally Owned Enterprises (BUMD) in sustaining Local Revenue (PAD).

In fact, regional economic activities and activities originating from BUMD have been running for

a long time before the LAW on regional autonomy was passed. To achieve the objectives of the BUMD as one of the PAD facilities, it is necessary to optimize the BUMD by increasing professionalism in terms of management, human resources as well as adequate facilities and infrastructure so that it has a position equal to the strengths of other economic sectors.

B. Bumd Legal Basis

The legal basis for the formation of BUMD is based on LAW No. 5 of 1962 about regional companies. This LAW was later strengthened by LAW No. 5 of 1974 concerning the principles of local government (Financial Note on the RAPBN, 1997/1998). The characteristics of BUMD are as follows:

1. The government holds the rights to all wealth and business
2. The government is domiciled as a shareholder in the capital of the company
3. The government has the authority and power in setting company policies
4. Supervision is carried out as a complement to the authorized countries
5. Serve the public interest, in addition to seeking profits
6. As an economic stabilizer in order to improve people's welfare
7. As a source of state income
8. All or most of the capital belongs to the state
9. Capital can be in the form of shares or bonds for companies that go public
10. Can collect funds from other parties, both banks and non-banks
11. Directors are fully responsible for SOEs, and represent SOEs in court

Purpose Of Establishing Bumd:

1. Contributing to the national economy and receiving state cash
2. Chasing and looking for profit
3. Meeting the lives of many people
4. Pioneering business activities
5. Provide assistance and protection to small and weak businesses
6. Carry out regional development through services to the community
7. Organizer of public benefits, and increase local government income

Based on the target categories in more detail, BUMDs are divided into two, namely as regional companies to serve the public interest in the service and business sectors. However, it is clear from these two objectives the purpose of establishing a BUMD is to increase PAD.

C. Types Of Bumd Activities

BUMD business activities in general are businesses that involve the lives of many people, including the following:

1. Public Transportation

The public certainly needs transportation services that can facilitate its mobilization in the community, so that the local government develops BUMD in the field of transportation, for example in Jakarta there is Transjakarta and in the city of Bandung there is Trans Metro Bandung (TMB)

2. Provision of Clean Water

Clean water is a basic need for the community in an area, so that each regency or city is ensured to have a BUMD that manages clean water for its people, known as the Regional Water Company (PDAM). The PDAM is one of the regional-owned business units, which operates in the distribution of clean water to the general public. PDAMs are available in every province, district and municipality throughout Indonesia. PDAM is a regional company as a means of providing clean water that is monitored and monitored by regional executive and legislative apparatus. The modern state-run drinking water company has been around since the Dutch colonial era in the 1920s under the name Waterleiding while in the Japanese occupation the drinking water company was named Suido Syo.

3. Market Management

The market becomes a meeting place for the selling community and the buying community to interact to meet their needs. The existence of a market is very important so that people can easily find goods that are their daily needs and goods to be bought and sold. Almost every regency or city province has regional companies that manage markets in their area. As in Jakarta, there are PD. Pasar Jaya which manages traditional markets in the Jakarta area, there are PD in Makassar. Makassar Market, in Surabaya there is PD. Pasar Surya Surabaya, in the city of Bandung there is a PD. Dignified Market, and so on.

4. Banking Services

Through the previous article, you may already know that the Bank functions as an intermediary institution or intermediary between people who are overfunded and those who are underfunded, both for productive or business activities and for consumptive needs. Because of the important role of banks, each provincial government established a Regional Development Bank (BPD). For example, in Jakarta there are Bank DKI, in West Java there are Bankjabar and Banten (BJB), in West Sumatra there is Bank Sumbar, in Papua there is Bank Papua, in Bah there is Bank Bali, in South Sulawesi there is Bank Sulselbar, and so on. Above efforts, in some regions that develop BUMD engaged in insurance services such as ASKBIDA Insurance. There is also a type of business activity in the fields of property, hotels, tourism and so on.

D. The Role Of Bumd In The Indonesian Economy

State/regional-owned enterprises have a large role in increasing the prosperity of the Indonesian people in general and in particular regions. Based on article 33 and the explanation of the 1945 LAW, the roles of BUMN and BUMD are as follows:

- a. Developing the country's economy and state revenue
- b. Foster profits (Persero) and revenue
- c. Organizing public benefits (Perum) in the form of highly competitive goods and services for fulfilling the lives of many people
- d. Pioneering business activities that cannot yet be carried out by private and cooperative business entities
- e. Carrying out business activities that are complementary to activities and private and cooperative business entities
- f. Guide the private sector, especially entrepreneurs in the weak economy (informal business sector) and the cooperative sector.
- g. Implement and support the implementation of government programs and policies in the economic and development fields

E. Bumd In Regional Economic Development

The existence of Regionally Owned Enterprises (BUMD) as a business institution owned and managed by the regional government has a strategic role in regional economic development. The existence of the BUMD is believed to be able to provide a very large multiplier effect on the economy of the community. With the establishment of BUMD, it will open new jobs, drive productive economic sectors, and be a stimulant for economic growth in the region.

The Directorate of Regional Revenue and Investment, Director General of Regional Finance, Ministry of Home Affairs said that the BUMD will encourage the emergence of new ventures as supporting businesses. If the BUMD can be a driving force for the overall economic downturn, it will directly increase revenue from the Local Own Revenue (PAD) through the tax and retribution sectors. "BUMD is more than just a contributor to the PAD, but it is one of the regional economic drivers.

F. Bumd Strengths And Weaknesses

As with other forms of business entity. BUMD also has advantages and disadvantages,

1. Advantages of BUMD
 - a. Economic activities carried out to serve the public interest
 - b. Capital comes from separated state assets
 - c. If you suffer losses, the government will bear it
 - d. Employee status is governed by government or local regulations
 - e. Obtaining facilities from the State
2. Lack of BUMD
 - a. Many facilities obtained from the State make employees less disciplined.
 - b. Management of BUMD is less efficient, so it often suffers losses. BUMD was established of course to

assist the government in managing the economy at the regional level.

G. Problems And Constraints Of Bumd In Their Development And Development

Relatively small revenue share The share of regional company profits as a source of regional PAD, except in certain regions such as DKI Jakarta, West Java, Central Java, East Java, East Kalimantan and North Sumatra, is that most of the businesses are relatively medium and small scale, in addition many of them have not been implemented based on the company's economic principles, but relatively more based on public service considerations.

In addition according to LAW No. 5 of 1962 underlying, there are details that stipulate that the use of the company's net profit, after first being reduced by depreciation, is determined as follows (Kunarjo, 1993):

1. Regional companies which have total capital consisting of separated regional assets are:
 - a. For 30% regional development funds.
 - b. For the 25% regional budget.
 - c. For general, social and educational reserves, production services, pension and contribution contributions, 45%.
2. Regional companies whose part of capital consists of regional assets separated after zakat is deemed necessary
 - a. For regional development funds 8%.
 - b. For the regional budget 7%.
 - c. The rest (85%) is for shareholders and for general reserves.

Thus the share of the profits of regional companies which are relatively small in various regions becomes even smaller by the determination of the share of the region in the use of net profits which is destined for relatively small regional revenues. Even sometimes in certain regions and certain budget years practically the share of the company's regional profits is "unrealized" because the region itself is forced to add capital (or investment) to the relevant BUMD whose amount is equal or even exceeds the portion of the regional company profit that should be deposited in support the relevant regional budget.

From the report of the study results of the Ministry of Finance's Regional Financial Analysis Bureau on Performance Analysis of the Performance of Non-PDAM BUMNs, it was stated that the various problems faced by BUMDs in the course of their lives can be summarized as follows:

- a) Weak management capabilities of the company.
- b) Weak capacity of business capital.
- c) The condition of machinery and equipment that is old or outdated compared to other similar businesses.
- d) Weak service and marketing capabilities so it is difficult to compete.
- e) Lack of coordination between BUMDs, especially in relation to upstream and downstream industries.

- f) Lack of attention and ability to maintain the assets owned, resulting in low productivity, as well as the quality and accuracy of production results.
- g) The amount of administrative burden, due to the relatively large number of employees with low quality.
- h) The loss of BUMD is still maintained, with the excuse of avoiding layoffs and the "obligation" of providing public services to the community.

Apart from that, from various observations and complaints that are often conveyed by internal and external parties from the regional companies themselves there are various other obstacles in the development and development of the BUMD business. Among them felt the presence of considerable local government interference over the course of the BUMD organization as well as the existence of certain limitations of authority in the operation of the company. Furthermore, often the placement of directors is inseparable from KKN considerations or the proximity of the candidates to regional leaders. In this connection, there are many directors and even workers that are not based on professionalism, expertise and skills considerations, and sometimes even placement in the regional company as a "place of exile" for certain officials displaced.

H. Bumd Development

Quantitatively, the number of BUMDs in the regions, especially in the form of companies, is more than one in each region, so it is necessary to do mapping and grouping. The large number of BUMDs in the form of companies in the regions does not guarantee that all business entities can develop properly. of course it also requires a good management and handling strategy. Management of state-owned enterprises in the group company group aims to further improve efficiency and become one of the agenda of revitalization of BUMD. One of the objectives of the establishment of a company is to look for profits or profits, whatever the construction and system that is applied in the company. Such conditions apply to the provisions of regionally-owned enterprises (BUMD), especially now that many BUMDs are in the form of companies. In order to increase the ability and income the company can make various efforts. In order to maintain the company's existence so that it can compete with other companies, one of the strategies undertaken by the company is to expand the business and renew or restructure the company. Expansion of business internally can be done without involving a unit outside the company and by way of company independence, by establishing a new independent company in the sense of legal entity status as part of the core company or group. The strategy of forming a group company cannot be separated from the business reality that occurs when managing a business through the construction of a group company is considered to provide more economic benefits compared to a single company. In general there are two main reasons for the formation or development of a group company. The first reason is as an effort to accommodate the laws and regulations -invitation. Ambar

Budhislistyawati states that the second reason is the company's strategic efforts to obtain economic benefits as a group company construction. In the context of managing BUMD professionally and in accordance with the principles of good corporate governance and in line with the purpose of revitalizing BUMD, a BUMD management strategy is needed specifically in the form of a company by using the strategy of forming a group company.

III. CONCLUSION

BUMD management needs to be optimized so that it truly becomes a reliable economic force so that it can play an active role, both in carrying out its functions and duties as well as the strength of the regional economy. Profit from BUMD is expected to make a large contribution to the Original Regional Revenue.

Considering that the role of the BUMD is considered particularly important as one of the sources of PAD in the Region, of course, the BUMD is demanded to be more professional and more efficient in carrying out its business. Policies and efforts in this direction have been carried out, but due to various obstacles, it turns out that BUMDs in general, especially outside the PDAM and BPD, have shown encouraging results.

This can be seen, among other things, the relatively small role and contribution of BUMD profits in regional PAD revenues, both at the provincial and district and city levels. The following is first stated how far the role or contribution of PAD, both provincial and district / city, is in total regional revenue. Then proceed with how far the role or contribution of the company's profit share.

Let's improve the service quality of this BUMD, because so many BUMDs are providing services to people carelessly. The government should conduct strict supervision of this BUMD because corruption, collusion and nepotism often occur. We as a community must also participate in conducting supervision of this BUMD.

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