The Existence of Local-Owned Enterprises in the Regional Financial Management System in Indonesia

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Abstract

Regional-owned enterprises or abbreviated as Local-Owned Enterprises are companies that are engaged in managing regional finances as a supporter of the nation's economy at the regional level which actually needs to be considered as their existence considering that currently Local-Owned Enterprises is a central issue when legally it starts to appear to be a little weak as a result of regulations that have just visited yet. after being promulgated by the legislature, because the old regulations were inadequate with the current developments in the globalization era, starting from the sophistication of electronics that allowed companies to actually align them so that they could be more advanced and adapt according to their circumstances to be more advanced and developing, therefore the old regulations are no longer enforced resulting in a legal vacuum in running the organizational wheels of the company's institutions.


1. Introduction

The existence of Local-Owned Enterprises as the means of organizing general welfare through an economy that favors the people in the regions, Friedman in theory conveys that the state has four roles as follows; first, the provider (guarantor) of people's welfare where the state guarantees a minimum standard of living for its citizens in the form of social security such as the national social security system, secondly, the regulator (regulator), where the state uses its power to make regulations or policies for the welfare of the people, for example Law No. 24 of 2011 concerning the Social Security Organizing Agency and Law Number 17 of 2012 concerning Cooperatives, third, entrepreneurs where the state runs economic businesses in certain sectors through state owned corporations side by side with the private sector; and last, efforts to promote general welfare through the role of entrepreneur are carried out by the Central Government together with Regional Governments through the concept of regional autonomy referring to Law no. 32 of 2004 concerning Regional Government which was later amended by Law Number 23 of 2014 concerning Regional Government. Based on this Law, Regional Governments have the opportunity to manage, develop and develop their respective regions according to the needs and potential of each of these regions. Therefore the regions must be able to increase their income through regional corporate programs and policy directions that are able to produce internal business units.

This step can be realized in two ways; first, the formation of State-Owned Enterprises carried out by the Central Government; secondly, the formation of Regional Owned Enterprises carried out by the Regional Government at the provincial or district or city levels. The objectives of establishing State-Owned Enterprises and Local-Owned Enterprises are in principle the same, including providing benefits for economic development in general; secondly, organizing public benefits based on good corporate governance; and obtain profits and/or profits based on corporate governance.

The objectives of establishing State-Owned Enterprises and Local-Owned Enterprises are similar, but the laws and regulations governing State-Owned Enterprises and Local-Owned Enterprises
Enterprises are different. SOEs have been specifically regulated through Law no. 19 of 2003 concerning State-Owned Enterprises so that this becomes the legal basis for the management of State-Owned Enterprises. If the management of State-Owned Enterprises is related to other laws and regulations, then management can use the principles of laws and regulations, namely lex superior derogat legi inferior, lex specialis derogat legi generalis, and lex posterior derogat legi priori so that the harmonization of laws and regulations regarding the management of State-Owned Enterprises can be carried out.

The situation of Local-Owned Enterprises is now a dilemma in implementing the financial management system of regionally owned companies, at the glance of the shift in regulation that makes Local-Owned Enterprises lack confidence with the emphasis on waiting for new regulations for this, this is according to what is meant in the elucidation of Article 2 of Law Number 5 Year 1962 mentions what in Appendix III contains material and issues that need to be accommodated in a new law. In connection with the completion time of the law, to avoid a legal vacuum, the declaration of invalidity of the law is stipulated at the time the law replacing it comes into effect. Implications regarding the new provisions have not yet emerged for the replacement of Law no. 5 of 1962 concerning Regional Companies so that the provisions regarding Regional Companies still refer to the old rules.

With regard to financial issues in the management mechanism within Local-Owned Enterprises where there is still no legal certainty, the DPD has then designed and proposed a Draft Law but has not been realized until now. Local-Owned Enterprises will not progress if regulations are not adapted to current conditions. So that Local-Owned Enterprises also does not have legal standing regarding Local-Owned Enterprises financial management, so that it creates an unclear orientation of the Local-Owned Enterprises itself whether it is for public services or profit oriented. reviewed from the year it was issued, of course the legal substance contained in the law does not meet the requirements with the development of current conditions. With regard to financial issues in the management mechanism within Local-Owned Enterprises where there is still no legal certainty, the DPD has then designed and proposed a Draft Law but has not been realized until now. Local-Owned Enterprises will not progress if regulations are not adapted to current conditions. So that Local-Owned Enterprises also does not have legal standing regarding Local-Owned Enterprises financial management, so that it creates an unclear orientation of the Local-Owned Enterprises itself whether it is for public services or profit oriented. reviewed from the year it was issued, of course the legal substance contained in the law does not meet the requirements with the development of current conditions. With regard to financial issues in the management mechanism within Local-Owned Enterprises where there is still no legal certainty, the DPD has then designed and proposed a Draft Law but has not been realized until now. Local-Owned Enterprises will not progress if regulations are not adapted to current conditions. So that Local-Owned Enterprises also does not have legal standing regarding Local-Owned Enterprises financial management, so that it creates an unclear orientation of the Local-Owned Enterprises itself whether it is for public services or profit oriented. With regard to financial issues in the management mechanism within Local-Owned Enterprises where there is still no legal certainty, the DPD has then designed and proposed a Draft Law but has not been realized until now. Local-Owned Enterprises will not progress if regulations are not adapted to current conditions. So that Local-Owned Enterprises also does not have legal standing regarding Local-Owned Enterprises financial management, so that it creates an unclear orientation of the Local-Owned Enterprises itself whether it is for public services or profit oriented. With regard to financial issues in the
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Moving on from this, legally, regional finance for managing the economy of Local-Owned Enterprises is not clear, resulting in no legal certainty in the management of Local-Owned Enterprises. The researcher glanced at the reviewers to examine these problems in the analysis of studies on regional financial management in growing regional revenues in the life order of the nation in every district, city, and city area as well. province because the existence of Local-Owned Enterprises in national law is needed in order to create legal certainty in the management of Local-Owned Enterprises economy to achieve the goal of welfare of the people through local revenue.

2. Research methods

The discussion of this research is normative juridical research. The data used is in the form of secondary data which consists of; primary legal materials and secondary legal materials. Data collection is done through literature study and document study. Data analysis was carried out using a conceptual approach and a statutory approach. So that the data analysis uses qualitative analysis by concluding in an inductive way, so that the theory used in this study is the theory of legal certainty with the consideration that the management of Local-Owned Enterprises aims for welfare interests at the regional level.

3. Result and Discussion

3.1 Local-Owned Enterprises Capital and Regional Finance

The establishment of Local-Owned Enterprises is regulated in Law no. 23 of 2014 concerning Regional Government where the establishment of Local-Owned Enterprises takes into account regional needs and the feasibility of the Local-Owned Enterprises business sector to be formed. The formation of Local-Owned Enterprises is carried out based on Regional Regulations whose capital comes from regional capital participation, loans, grants, and other sources of capital in the form of reserve capitalization, assets and stock revaluation profits. In accordance with Article 1 point 40 of the Regional Government Law, it is stated that a Regional Owned Enterprise is a business entity whose capital is wholly or substantially owned by the Region. In addition to regional capital participation at the time of establishing a Local-Owned Enterprises, the Regional Government can also invest in capital after the Local-Owned Enterprises is established through additional capital sourced from regional finance, namely in the form of regional money or goods.

Based on this, the capital in Local-Owned Enterprises companies located in the regions is regionally-owned finance that will be managed in such a way as to boost regional economic progress through regional-owned enterprises so that the business being carried out is able to deliver progress for the region itself which is inseparable from good management. effective and efficient.

Regional capital participation in Local-Owned Enterprises results in Local-Owned Enterprises capital being part of regional finance. The scope of regional finance is regulated in
Article 2 of Government Regulation Number 58 of 2005 and Article 2 of the Minister of Home Affairs Regulation Number 13 of 2006 as amended by the Minister of Home Affairs Regulation Number 21 of 2011 which states that the scope of regional finance includes: a. regional rights to collect regional taxes and regional levies as well as make loans; b. regional obligations to carry out regional government affairs and pay third party bills; c. regional acceptance; d. regional expenditure; e. regional assets that are managed by themselves or by other parties in the form of money, securities, receivables, goods, and other rights that can be valued in money, including assets that are separated into regional companies;

Based on Permendagri No. 21 of 2011 concerning the Second Amendment to the Second Amendment to the Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management Further in Permendagri Number 21 of 2011 concerning the Second Amendment to the Second Amendment to the Minister of Home Affairs Regulation Number 13 of 2006 concerning Guidelines for Regional Financial Management Article 71 paragraph (9) also states that: "In the event that the regional government intends to increase the amount of equity participation that has been stipulated in the regional regulations regarding equity participation, changes to the relevant regional regulations regarding equity participation are made.

Furthermore, in Article 5 paragraph (1), it is stated that: The regional head as the head of the regional government is the holder of regional financial management authority and represents the regional government in the ownership of separated regional assets. In order to carry out its authority as the holder of regional financial management powers and as a representative of the regional government in the ownership of separated regional assets, several authorities are granted, including: a. Establish policies regarding the implementation of APBD; b. Establish policies regarding the management of regional goods; c. Determine the power of budget users/goods users; d. Determine the receiving treasurer and/or spending treasurer; e. Assign officials who are in charge of collecting regional revenues; f. Appoint officials in charge of managing regional debts and receivables; g. Assign officials who are in charge of managing regional property; and h. Assign officials who are in charge of testing invoices and ordering payments. In Article 66 it is stated that the proceeds from the sale of separated regional assets as referred to in Article 60 paragraph (1) letter c are used, among others, to budget for the proceeds from the sale of regionally owned companies/Local-Owned Enterprises and the sale of assets belonging to the regional government in cooperation with third parties, or the proceeds from the divestment of investments local government capital.

Regional financial sources must not go through regional companies, but there are many more that can be used as a source of income in each region through taxes, levies, other natural resources, private companies that are established in the area and so on, which is basically how all lines in generating regional finance can be obtained in each region with the aim of advancing the region by prospering the community from the results of the regional income itself. So that there is a need for a legal umbrella to make a concrete definite foundation for companies in the regions even though they are waiting for a new regulatory process, for example there are government regulations and presidential decrees or statutory regulations as a substitute for laws that are waiting before the law is issued.

3.2 Local-Owned Enterprises Company in Management Order

Natural wealth needs to be managed in areas that have potential that needs to be extracted as regional financial income with an asset management system that is comprehensive management of requests, planning, acquisition, operation, maintenance, repair/rehabilitation,
disposal/disposal and replacement of assets to maximize the rate of return on investment on the service standards expected of the present generation and the next 18 years. Meanwhile, according to Lemer, asset management is the process of maintaining/maintaining and utilizing public capital, this is done in order to carry out the orderly administration of regional property management so as to create government management that can work efficiently, effectively and economically.

Management of each business entity is carried out in accordance with the form of business entity as a form of process mechanism for running a type of business to obtain financial income for the business entity. In this case, Local-Owned Enterprises can take the form of a Regional Public Company or a Regional Public Company as follows:

1. Regional Public Companies are Local-Owned Enterprises whose capital is entirely owned by one Region and is not divided into shares. Regional public company organs consist of regional heads as regional representatives as owners of capital, directors and supervisory boards.

2. Regional Liability Company is a Local-Owned Enterprises in the form of a limited liability company whose capital is divided into shares which are wholly or at least 51% (fifty one percent) owned by one region. Regional Company Organs comply with the provisions of limited liability company organs as stipulated in the Law;

3. 2007 concerning Limited Liability Companies, namely (a) General Meeting of Shareholders (GMS); (b) the board of directors and (c) the board of commissioners.

The Regional Government Law does not outline the duties and responsibilities of Local-Owned Enterprises owners, whether in the form of a Regional Public Company or a Regional Public Company. The owner of capital in a Regional Public Company is the regional representative, while the owner of Local-Owned Enterprises capital in the form of a Regional Public Company is the shareholder. The duties and responsibilities of the owner of the capital, the owner of the capital holds the highest authority in Local-Owned Enterprises and holds all authority that is not delegated to other company organs. In Article 62 paragraph (2) of Law Number 40 of 2007 concerning Limited Liability Companies, it is stated that the GMS has the right to obtain all information relating to the interests of the company from the Directors and Commissioners. Here it is clear that the authority of the GMS cannot be delegated to other organs.

Regulations about Regional Governments also do not regulate the duties and responsibilities of Local-Owned Enterprises directors specifically, thus creating uncertainty for Local-Owned Enterprises Directors to carry out their duties and responsibilities. Local-Owned Enterprises directors hold an important position in Local-Owned Enterprises. In carrying out its functions, the directors are given authority along with full responsibility for the management actions they carry out. In a limited liability company there are several stakeholders such as shareholders, employees, community, environment and the limited liability company. Particularly for PTs which are Local-Owned Enterprises, there are regional interests that must be protected, namely economic development and general benefit in the region. More specifically, PT Local-Owned Enterprises that carry out business in certain fields must comply with regulations in that field, for example Local-Owned Enterprises in the banking sector must comply with regulations in the banking sector, Local-Owned Enterprises in the plantation sector must comply with regulations in the plantation sector.

If adopting the duties and responsibilities of directors in general, the Local-Owned Enterprises Board of Directors is the organ that manages and represents Local-Owned Enterprises, which means that Local-Owned Enterprises management must be carried out in accordance with the interests, aims and objectives of Local-Owned Enterprises. Local-Owned Enterprises
Enterprises directors are Local-Owned Enterprises trustees and agents because Local-Owned Enterprises directors manage Local-Owned Enterprises assets and Local-Owned Enterprises directors act out for and on behalf of Local-Owned Enterprises. The relationship of trust between the directors and Local-Owned Enterprises creates a fiduciary duty. In this case, the directors have a duty of loyalty and good faith, and a duty of diligence and care for Local-Owned Enterprises.

In its implementation, Local-Owned Enterprises directors have rules of immunity or protection from any responsibility arising from transactions or activities carried out by them in accordance with the limits of authority and power given to them by taking into account that these activities have been carried out with full care and good faith (business judgment rule). The Business Judgment Rule does not apply if the directors do not comply with the required processes and procedures and are not carried out solely for the benefit of the company and stakeholders.

Decisions are made by fraud, having a conflict of interest, gross negligence. In addition, the directors are said to have violated their duties if there are ultra vires actions, namely taking actions outside the aims and objectives of the Local-Owned Enterprises and acts of fraud on the minority, namely actions or acts against the law made by Local-Owned Enterprises which in this case are carried out by the directors which are detrimental to Local-Owned Enterprises in general, even though it is approved by other majority shareholder.

### 3.3. Problems in Regional Wealth Management by Local-Owned Enterprises

The policy direction for implementing the functions of Regional Owned Enterprises in managing regional assets, of course, has experienced several problems or obstacles. This is what needs to be done in the settlement process with a persuasive method approach so that it can produce effective solutions in managing regional assets. With a lack of injection of funds from the local government which was only given an independent system which was actually allocated funds at the beginning and was not given in continuation so that the provision of business capital was limited and only managed in that form of finance, this requires regulations related to the Management and Development of Local-Owned Enterprises that do not specifically provide direction or guidelines in the management of Local-Owned Enterprises, so that in its implementation a legal umbrella is needed in the form of Regional Regulations concerning the Management of Regionally Owned Enterprises. In addition to these legal umbrella issues, the still unclear grouping of Local-Owned Enterprises has led to distortions related to Local-Owned Enterprises management. If reviewed according to the theory of vertical synchronization, the legal umbrella for Local-Owned Enterprises management is in accordance with the hierarchy and order of laws and regulations. Several things that need to be considered are related to the effectiveness of these laws and regulations. With the issuance of Law no. 23 of 2014 concerning Regional Government, where in the Closing Provisions revoke Law Number 5 of 1962 where the substance of the law has not been able to keep up with the current Local-Owned Enterprises developments which need to be revised or replaced according to the conditions and developments of Local-Owned Enterprises. Provisions regarding Local-Owned Enterprises are regulated in several articles namely Article 331 paragraph (6), Article 335 paragraph (2), Article 336 paragraph (5), Article 337 paragraph (2), Article 338 paragraph (4), Article 340 paragraph (2), Article 342 paragraph (3) and Article 343 paragraph (2). Based on that, further arrangements regarding Regional Owned Enterprises are regulated in Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises, so that in Article 4 paragraph (3) it explains the form of Local-Owned Enterprises that there are two forms of Local-Owned Enterprises, namely
Regional Public Company (Perusda) and Regional Public Companies. The existence of differences in the form of this company, of course, has implications for differences in management. This PP does not explicitly regulate the differences in management between the two types of companies. Whereas in reality, these two types of companies have different goals and different types of business. The closing provisions also do not expressly revoke all implementing provisions related to regulations regarding regional companies, so that all regulations related to regional companies are considered to be still valid as long as they have not been revoked.

With the unclear regulation, it is feared that there will be overlap in the management of Local-Owned Enterprises. Therefore, further arrangements should be made regarding the management of Local-Owned Enterprises, for example in the form of a Regional Regulation. Another problem, namely the small profit generated by Local-Owned Enterprises which aims to increase PAD, because in reality, Local-Owned Enterprises is generally organized as a form of public service to the community. According to Kunarjo, the relatively small amount of revenue sharing for regional companies as a source of local revenue (PAD), most of the businesses are relatively medium and small scale, besides that many of them have not been organized based on the company's economic principle, but are relatively more based on public service considerations. According to Law Number 5 of 1962, there are details that stipulate that the use of the company's net profit, after first deducting depreciation. In addition, the development of the number of Local-Owned Enterprises companies has increased considerably since the beginning of Pelita I (122 according to the Bureau of Regional Financial Analysis, 1997) has reached 613 in 1995 (BPS, 1997), but in recent years it has tended to decrease somewhat, i.e. 611 pieces (1996) and 607 pieces (1997). It turned out that the increase in quantity was not accompanied by an increase in the performance of Local-Owned Enterprises in general and as a whole. This is, among others, reflected in the many problems and obstacles faced by Local-Owned Enterprises, the low contribution of Local-Owned Enterprises profits to Regional Government finance (PAD), as well as the relatively poor financial condition of Local-Owned Enterprises in general, and various other weaknesses. In this connection it can be added that in 1997 of the number of existing Local-Owned Enterprises, only 276 made profits (45.5%) and 331 lost as many as 331 (54.5%). The lack of specialization and main concentration in the Local-Owned Enterprises line of business causes low efficiency and the burden of operating costs that must be borne is relatively large. So that in addition to relatively low income, the debt burden and high operating costs result in relatively low operating profit or even suffer losses.

From the report on the results of a study by the Bureau of Regional Financial Analysis of the Ministry of Finance on Performance Analysis of Non-PDAM SOEs (1997) it was stated that the various problems faced by Local-Owned Enterprises in their life journey can be summarized as follows: 5%) and 331 losers (54.5%). The lack of specialization and main concentration in the Local-Owned Enterprises line of business causes low efficiency and the burden of operating costs that must be borne is relatively large. So that in addition to relatively low income, the debt burden and high operating costs result in relatively low operating profit or even suffer losses.
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From the report on the results of a study by the Bureau of Regional Financial Analysis of the Ministry of Finance on Performance Analysis of Non-PDAM SOEs (1997) it was stated that the various problems faced by Local-Owned Enterprises in their life journey can be summarized as follows:

1. Company management capability is weak;
2. Weak working capital capacity;
3. The condition of machines and equipment that is old or outdated compared to other similar businesses;
4. Weak service and marketing capabilities making it difficult to compete;
5. Lack of coordination between Local-Owned Enterprises, especially in relation to upstream and downstream industries;
6. Lack of attention and ability to maintain assets owned, resulting in low productivity, as well as the quality and accuracy of production results;
7. The large administrative burden, due to the relatively large number of employees with low quality; and
8. The loss-making Local-Owned Enterprises is still being maintained, with the excuse of avoiding layoffs and the "obligation" of providing public services to the community.

Other than that, from various observations and complaints that are often submitted by internal and external parties from the regional companies themselves, there are various other obstacles in fostering and developing the Local-Owned Enterprises business. Among them, it is felt that there is significant interference from the regional government in the running of the Local-Owned Enterprises organization and the existence of certain limitations of authority in the operation of the company. Furthermore, oftentimes the placement of directors is inseparable from KKN considerations or the closeness of the candidates to regional leaders so that in this relationship there are many placements of directors and even workers who are not based on considerations of professionalism, expertise and skills, and sometimes placements in regional companies as "places exile" for certain officials who are displaced.

3.4 Good Company System in Local-Owned Enterprises Management

Along with the development of competition at the regional level to show that regional companies are able to earn good income as a form of regional income which leads to generating PAD, sometimes efforts are made, it is necessary to build a system of cooperation between the regions and the central government which boosts its management so that it looks in a direction that is more capable of producing good, to successfully run a good corporate system. Parameters in determining companies that run as well as possible in the order of life carried out in regional companies can be seen from some of the basic principles of Good Corporate Governance. So that according to the National Committee on Governance Policy, good corporate governance has the following basic principles:

1. Transparency, namely openness in carrying out the decision-making process and openness in disclosing material and relevant information about the company. In this case, Local-Owned Enterprises must provide information in a timely, adequate, clear, accurate and comparable manner and easily accessible to stakeholders according to their rights in the form of vision, mission, business goals and corporate strategy, financial condition, controlling shareholders,
monitoring system, and internal control, systems and implementation of Good Corporate Governance and the level of compliance, and other important events that may affect financial conditions. In this case, the principle of transparency does not reduce the obligation to comply with the provisions of corporate confidentiality in accordance with statutory regulations, professional secrets and personal rights.

2. Accountability, namely the clarity of functions, implementation and accountability of the organization so that the management of the company is carried out effectively is carried out in a way (rephrase the sentence) (a) Companies must provide opportunities for stakeholders to provide input and express opinions for the interests of the company and open access to information in accordance with the principle of transparency within the scope of their respective positions; (b) The company must provide equal and fair treatment to stakeholders in accordance with the benefits and contributions given to the company; (c) Companies must provide equal opportunities in recruiting employees, having a career and carrying out their duties in a professional manner regardless of ethnicity, religion, race, class, gender and physical condition.

3. Accountability, namely compliance in the management of the company with the applicable laws and regulations and sound corporate principles.

4. Independence, namely a situation where the company is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with applicable laws and regulations and sound corporate principles. Local-Owned Enterprises must determine the details of the duties and responsibilities of each company organ and all employees clearly and in line with the company's vision, mission, values (corporate values) and strategy where all company organs and all employees have the ability according to the duties and responsibilities, and their role in the implementation of Good Corporate Governance. Besides that,

5. Fairness; of all the GCG principles, the biggest challenge is...not...but independence... because of a political appointment; there is a conflict between the local government and the principles of GCG, namely justice and equality in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations.

The purpose of managing Local-Owned Enterprises with the principles of good corporate governance must have clear goals. On the one hand, the local government is not a business actor but has the main responsibility of carrying out development and service to the community. On the other hand, the implementation of development requires quite large amounts of capital. Therefore, the existence of Local-Owned Enterprises must be aimed at supporting development and community services by not harming regional finances, and must even provide benefits for regional finances. Local-Owned Enterprises was established as a complement to the Regional Government in building the community’s economy in its territory where the essential establishment of Local-Owned Enterprises is:

1. Commercial or Profit (APBD), the establishment of Local-Owned Enterprises was established with the pure intention of profit motive with the aim of increasing Regional Original Income from dividends deposited into the Regional Treasury. The dividends obtained from the Local-Owned Enterprises will then become regional government revenue which will increase the ability of the APBD to finance regional development. The success of Local-Owned Enterprises’ performance is based on how much it is able to contribute dividends to the APBD;

2. Improving public services. The establishment of Local-Owned Enterprises can also be intended to improve services to the public. If the goal is to improve service, then profit is not...
the motive for the company's operations. Appraisal of its financial performance is carried out by looking at its ability to carry out cost recovery with the level of efficiency and quality of service;

3. *pioneering*, Local Governments sometimes have to take the initiative to enter into a high-risk business that the private sector may not dare to enter. This risk must be taken over by the Regional Government because the business or industry is actually very strategic. Thus Local-Owned Enterprises whose establishment is intended as pioneering may incur losses due to business risks so that the Regional Government must provide funds for additional capital to cover losses incurred;

4. *Prime movers* regional economy. Companies that are positioned as prime movers of the regional economy are usually engaged in the upstream industry, where their production is used by the downstream industry. With the establishment of the upstream industry, it is hoped that it will become a locomotive for the growth of the downstream industry so that the acceleration of regional economic growth will accelerate. The upstream industry usually requires large capital, sophisticated machines and highly competent human resources;

5. Weak economy drivers, Local-Owned Enterprises can also be assigned to foster weak entrepreneurs with a view to equity, education and development of small and medium enterprises to be able to move up to a higher class.

The existence of various problems faced by Local-Owned Enterprises both internally and externally, of course, can affect Local-Owned Enterprises’ performance in regional wealth management. In relation to improving the performance of Local-Owned Enterprises as a Report on the Results of a Non-PDAM Local-Owned Enterprises Performance Analysis Study, the Bureau of Financial and Monetary Analysis, Ministry of Finance, stated various steps and actions that can be taken to improve Local-Owned Enterprises’ business performance, with strategic actions that can be grouped into three the strategy section, namely business strategy, growth strategy and company restructuring strategy. Thus a Local-Owned Enterprises company must be able to provide an established strategy in implementing a principle of progress in managing its essential business to be able to generate income in the company.

Thus the company has a system that is able to manage with an established plening so that management can be more wise and prudent, because that is what is expected of each region so that it can contribute to revenue from the management of natural resources and mineral resources along with the rise of regional agricultural products not managed by regional companies so that the income in the area itself is small, precisely this is a motivation for regional companies to take advantage of the situation in the best possible way that is able to have a good effect on income with a management system that is expected locally with the glory and success of the regional company itself.

4. **Conclusion**

The existence as the position of regionally owned company institutions is a direction that does not yet have legal certainty with changes in the new regulatory order so that the old regulations cannot automatically be enforced waiting for new rules to be issued so this shows that there is a state of turmoil in the Local-Owned Enterprises body in the regional financial management system which is actually expected to be able to boost the economy to become regional original income so that there is a need to accelerate the making of laws and regulations regarding Local-Owned Enterprises companies so that they do not become regulations through presidential regulations or ministerial regulations that regulate such matters with the aim of strengthening the body institutionally for Local-Owned Enterprises as a business belongs to the area in
Indonesia. Reprimanding companies at the regional level by hanging the rules of the game actually makes regional companies start to lose their identity before the latest regulation is issued regarding regional companies. have not been able to accommodate the existence of a regional company management system. if the government is slow to work so that it is not paying attention it will have a significant impact on PAD revenues in the regions with regulations that have not been able to accommodate the existence of a regional company management system. if the government is slow to work so that it is not paying attention it will have a significant impact on PAD revenues in the regions with regulations that have not been able to accommodate the existence of a regional company management system.

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