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SOEs under the Soeharto's New Order Regime and Reformasi Era

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Abstract

Research aims to understand, report, and evaluated performances of SOEs (BUMN) in the era of Soeharto New Order and Reformasi post Soeharto, in connection with political-economy dynamics with Literature Review Method. State-Owned Enterprises (SOEs or BUMN) reform policy in Indonesia that optimally aligns the company's internal policies and industrial policies, and optimizes the principles of good corporate governance as a whole in order SOE revitalization, bring results and progress. However, when compared to the performance of similar private businesses, even more so with companies owned by other state governments, SOEs in Indonesia still need a lot of improvement in order to catch up. This research found if the performance of SOEs the greater the role that can be carried out both depends on their leader. For this reason, we conclude that they have to five important points that must be present in the future figure of SOE.

Keywords: *BUMN, SOEs, Reform, policy, Business Judgment Rule, good corporate governance.*

1. Introduction

State-Owned Enterprises (BUMN or SOEs) in Indonesia are bodies formed by the government through legal means so that they can take part in commercial activities. Basically, SOEs were created to carry out commercial activities on behalf of the government. In most countries with an abundant supply of resources, the state usually has a stake in locally produced minerals, oil and gas. Resources are obtained because state-owned companies own or operate shares through what is known as an operating license.

BUMN is a business owned by the state and has a very significant role in the Indonesian economy. BUMN is a contributor to national economic growth. SOEs provide goods or services not covered by private companies by providing employment, providing guidance for support for small and medium entrepreneurs, and are a source of government revenue.

In this regard, the role played by BUMN (SOEs) is clearly seen how big the functions are carried out by companies which are majority controlled by the state. Behind the size of the functions carried out by SOEs, their birth is actually based on political-strategic factors, rather than constitutional reasons. That is, the decision to own a company is a strategic action for the interests of the country.

2. Notes on Methodology

This study uses qualitative methodologies with involves a phenomenological perspective, participant observation and personal reflections whereby our aim to understand, report, and evaluated performances of SOEs (BUMN) in the era of Soeharto New Order and Reformasi post Soeharto, in connection with political-economy dynamics.

The focus of these qualitative methodologies is the ways in which participants (rather than the researcher) interpret their experiences and construct reality. The steps in this qualitative study implies an emphasis on process and in-depth understanding of perceived meaning, interpretation, and behaviors, in contrast with the measurement of the quantity, frequency, or intensity of some externally defined variables. We will also use participant observation method which the writers are immersed in the action being observed but our role as researchers is not obvious and unstructured interviews[1]

As researchers who is using participant observation, we must be aware of the ethical implications of this methodology. In this, we are as researchers still participates in, as well as observer, the action which requires us as the researchers to reflect upon, and evaluate, our own experiences, memories, values, and opinions in relations to a specific issue or topic.

4. Discussion on BUMN (SOEs)

At the beginning of the birth of state enterprises in 1950s, Indonesia adopted a parliamentary democracy system with the Constitution UUDS as a constitutional foundation. In the Constitution UUDS, there are no clear regulations which outline the state to enter the business realm to ensure the prosperity of the people. This is because the Constitution UUDS is more oriented towards a liberal economy, which provides enormous opportunities for private companies to enter various economic sectors, including sectors that are the livelihood of many people. This condition opens the possibility for anyone to freely conduct their business in Indonesia. Including Dutch-owned companies [2]

In this case, the fall of the Parliamentary Cabinet led by Ali Sastroamidjojo in 1957 became a turning point for the strengthening of radical nationalist forces in the arena of politics in Indonesia. Djuanda was appointed by President Soekarno to occupy the position of prime minister of the non-party RI in 1957. He led a cabinet called the "Working Cabinet (Zaken Kabinet)". In this era, the forerunner to SOEs began to be born. Many strategic economic sectors were then taken over by the state, one of which was through the decision of nationalization. The decision to nationalize was based on the view that foreign companies (the Dutch) were a symbol of colonialism and were the target of nationalist hatred. This was the reason Dutch companies were nationalized.

There were many Dutch-owned companies that were taken over by the Indonesian government at that time. Where, these companies are engaged in various fields: plantation, finance, electricity, construction services, manufacturing to transportation [3]. The financial sector later became the state banks that controlled the domestic banking market share, while the plantation sector became the forerunner to PT Perkebunan Nusantara (PTPN).

Entering the Soeharto government, the business carried out by the state continued to develop more rapidly. In fact, expansion is no longer focused on the primary industry, but has entered the secondary and tertiary levels. However, during the Soeharto's New Order era, the history of SOEs in the New Order era in Indonesia was also marked by bankruptcy due to mismanagement, mismanagement. But mismanagement is not a major problem and does not stand alone. [4]

The mismanagement was greatly influenced by the political frenzy of the New Order era, especially to a large extent because of President Soeharto's political debts to the armed forces, especially the Army which at that time helped his struggle to crush the Communists and give birth to the New Order [5]. With the support of the Army, Golkar and the New Order bureaucracy, Soeharto was able to survive for about 30 years in power.[6]

In the New Order era, middle and high-ranking officers in the Army, because their services were given important and strategic positions, were not only in SOEs, even in positions such as governors, regents / mayors, to important positions in ministries and the chancellor though. The goal, aside from being a gift and award, also at that time Soeharto set development priorities on security stability, because it was well understood that at that time the challenges of security and order, especially from within the country were still felt.

The mismanagement of SOEs due to compensation and placing army officers as directors, commissioners and echelon-level officials has made SOEs worse. Originally presented as a state economic actor who could bring profits to finance development and open employment, it turned out to be reversed.

BUMN management from time to time also experienced differences. In the transition period from the Old Order to the New Order the number of SOEs reached around 240 companies, and then continues to decrease until now around 141 companies. During the New Order, the leadership of BUMN was carried out by many bureaucrats and generals, although BUMN at that time experienced progress. In the past SOEs have tended to enter the vortex of politicization, and serve as political vehicles.[7]

BUMNs in Indonesia during the New Order had developed into a bureaucracy or even an extension of the government bureaucracy whose performance was very inefficient. There are many employees and most are not productive. When compared, it seems clear that the ratio of the number of employees to the business productivity of BUMN companies is very far below that of private companies operating in the same line of business. Through privatization, the improvement of BUMN's performance is expected not only to occur in the short term, but also in the long term.[8]

During the New Order era - under President Soeharto - SOEs management was carried out by the Ministry of Finance, under the Director General of BUMN, and for technical assistance it was under the relevant technical department. In this era, which will be discussed separately, a State-Owned Enterprise was created that was not managed properly. Data from 1990/1991 to 1995/1996 shows that SOEs are unable to show proud performance.[9]

SOEs were instead turned into cash cows, ATM machines, and even financial resources to finance the activities of the party and the Golkar wing organization which at the time seemed to be a forum for democracy. Such facts continue and are difficult to control, because in the government there has been a political conspiracy, not only the government but also Golkar and the military. In 1990/1991 the contribution of SOEs from dividends to total non-tax revenue amounted to Rp 1.096 trillion to Rp 2.338 trillion, or around 46%. In 1995/1996 the contribution of SOEs from dividends to the total non-tax revenue amounted to Rp 1.477 trillion to Rp 7.801 trillion, or about 14%. So, the contribution of SOEs from dividends to non-tax revenue between 1990 / 91-1995 / 96 fell 32%, or experienced an average decline of 6.4% per year.

State revenue from BUMN income tax (PPh) to total tax revenue in 1990/1991 was Rp 1.438 trillion to Rp 3.489 trillion, or contributed 41.2% of total tax revenue. State revenue from income tax income (PPh) of SOEs to the total tax revenue in 1995/96 was Rp 2.020 trillion to Rp 20.52 trillion, or only 9.8%. So, his contribution dropped to 9.8%. Thus,

between 1990 / 91-1995 / 96 there was a relative decline in the contribution of SOEs from PPh to a total tax revenue of 31.4%.

Likewise, in terms of productivity, which is reflected in profitability. In 1990/91 the total assets of SOEs were Rp 179,153 trillion, while in 1995/96 it had folded to Rp 312,802 trillion. However, the increase in assets was not offset by an increase in profits. BUMN's profit before tax in 1990/91 was 8.3 trillion, while in 1995/96 it was Rp 9,323 trillion. So, an increase of assets by 75% is only able to boost profits by only 12%. That is not in terms of dividends. Take for example 1994/1995. Of all the DPS and BLB donated to the state budget, the contribution of SOEs is still small, namely only Rp 1.25 trillion. If measured by the total assets of Rp 291.9 trillion, the RoA score (return on assets) is very small, which is 2.75%. In efficient business entities, they have a RoA value of 20%. With a RoA of 2.75%, SOEs can be said to be devouring assets (asset value destruction) of more than Rp 12.5 trillion per year[10].

The findings of the Indonesian Business Data Center (PDBI) show that in 1993, the total assets of 300 giant / conglomerate companies were Rp 227 trillion and had a turnover of Rp 144.4 trillion, or 63.61% of turnover. In the same year BUMN had a total asset of IDR 267 trillion, but only had a turnover of IDR 82 trillion, or 31.71%. The next two years, 1995, 300 Indonesian conglomerates with total assets of Rp 343 trillion and had a turnover of 150 trillion, or 43.73%. In the same year, the total assets of SOEs were Rp 291 trillion, but only had a turnover of Rp 100 billion, or 34.48%. So, the relative performance of BUMN at that time was inferior to the private sector. This is an indicator of inefficient business processes in SOEs[11]

In the New Order era, the average BUMN performance was also not very good and not innovative / not creative[12] As of December 31, 1997, many SOEs were involved in many sectors of the national economy, with total assets of Rp 461.6 trillion. Among 160 SOEs under the supervision of the Office of the State Minister for SOE Utilization, 74 companies or 42.6% are included in the good and excellent category. Meanwhile, the rest (53.8%) were in a bad and unfavorable condition, with an average inefficient condition. This can be seen from the growth of assets that are higher than the profits. In 1997 SOE assets grew by 27.7%, but the profit earned was far below the percentage. In the same year, the profit reached Rp 11,829 trillion, "a little" down from 1996 which reached Rp 12,699 trillion.

Another indication is the low level of Return on Investment (RoI) and Return on Equity (RoE). The average of RoI and RoE is relatively low at 3.5% and 9.6%. Both are far below the normal level of capital expenditure of 14%, or even 60% in conditions that are increasingly depressed.

Table 1. Level of Feasibility of SOEs

Category	1994		1995		1996		1997		increment	
	Σ	%	Σ	%	Σ	%	Σ	%	Σ	%
Very healthy	52	28,6	49	27,5	48	28,9	25,2	25,2	-1	-7
Healthy	33	18,1	29	16,3	33	19,9	20,8	20,8	4	0
Less healthy	35	19,1	31	17,4	30	18,1	18,2	18,2	-1	-1
Not Healthy	62	34,1	69	38,8	55	33,1	35,8	35,8	-12	-6
Total	182	100	178	100	166	100	100	100	-12	-6

Sources: Office Meneg BUMN (State Minister of SOEs), 1998.

However, entering the reform era, according to economist M. Dawam Rahardjo, state-owned companies must be able to be managed more professionally because they demand transparency. Political intervention is slowly but surely reduced so that it can improve the

performance of SOEs towards a better direction. And in the era of reform the stigma was slowly abolished because the management of SOEs must be from professionals [13]

Dawam Rahardjo also compared the management of BUMN in a number of countries such as Singapore and Malaysia that have successfully carried out business transformation aimed at social interests, not certain groups. Learning from the experience of the New Order managing SOEs with a bureaucratic management model, Tanri Abeng turned it into a strong and healthy corporation. And in order to be dynamic and healthy, restructuring must be carried out.

Some banks must be merged and their management given to professionals. That was Tanri's suggestion in front of Pak Harto when he was summoned to deal with a sick BUMN. In Tanri Abeng's view, SOEs must be economic actors representing the country which can provide just prosperity, not for a group of people, but for all. This concept is expected to be present through an inclusive economy in the hope of narrowing the gap, alleviating poverty and of course equitable development. Unfortunately, this concept of an inclusive economy has not maximally contributed to justice and shared prosperity, the concept of equity with an inclusive economy has not succeeded in reducing inequality and reducing the Gini ratio which is increasingly higher day by day.

Tanri Abeng did not deny that every time there was a political moment such as an election, especially the presidential election, there was an evaluation that BUMNs were easily influenced for certain political interests. In fact, state business entities have Law No. 19 of 2003 concerning SOEs as a shield so as not to be dragged into the vortex of practical politics.

When looking at article 2 of Law No. 19 of 2003 concerning SOEs, SOE establishment aims, firstly, to contribute to the development of the national economy in general and state revenue in particular. Second, the pursuit of profit. Third, organizing public benefits in the form of providing goods and / or services of high quality and adequate for fulfilling the lives of many people. Fourth, pioneering business activities that cannot yet be carried out by the private sector and cooperatives. Five, actively participating in providing guidance and assistance to economically disadvantaged entrepreneurs, cooperatives, and the community. Despite this, there are still those who are trying to "approach" SOEs. Especially in the presidential and legislative elections.

Regarding the neutrality of BUMN in facing the political year, there is a view that states, BUMN as a company must not be brought into the political sphere. Let the BUMN work professionally to carry out their duties. Another view states, SOEs are state-owned enterprises so that they must support state policies represented through the presence of people from political parties. Even in China, for example, representatives from political parties are given a place in the ranks of company managers, for example by becoming a supervisory board. Development with the trickledown effect model practiced by the New Order government, its presence is still felt, even though the government is trying to stem the influence through empowering the community's economy as a form of inclusive economy, but the achievement is still low and difficult to call successful. Even the performance of BUMNs in the New Order era has proven to be far from satisfying.

The low performance of SOE business in the New Order era was not solely the fault of the management professionals, but because of the unfavorable organizational structure and existence. Under the technical department, the managers automatically tend to maintain "extra-good" relationships with the head of the technical department rather than with their customers. Not strange, because ultimately the determination of who has the

right to occupy the top position in a BUMN is not more determined by the achievements of the business or its customers, but rather the leadership of the technical department that oversees it. So, roughly, the management is "Mr. Minister" and not the company and its customers. Second, there is a tendency for SOEs to become cash-cow for high-ranking government officials and their cronies. Both the mechanism of providing special facilities, marketing monopoly, monopoly of supply, even to the possibility of irregularities when the SOE is declared a loss and the loss is whitened as government capital participation (PMP). Third, the environment within the BUMN business organization itself does not allow for the growth of a competitive spirit and continuously developing capabilities, both individually and institutionally. First, because the organizational structure has become bureaucratic. Second, from the existence of monopolies granted by the government in various forms.

This lesson seems very bitter and encourages the government to build a new BUMN management paradigm. The paradigm shift began in the Soeharto era in 1997 when he — as President — formed the BUMN ministry in his cabinet in charge of managing SOEs. The ministry is for SOEs as well as the Chair of the SOE Management Board. Many rumors circulated that said the institution as a place for Suharto's cronies to take over BUMN. However, there is still a good vision: there is an urgency to manage SOEs as soon as possible, which of course is in professional ways.

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The role of SOEs as a locomotive of Indonesia's overall economic recovery is also very crucial. To note, at this time Indonesia's financial position is very precarious. Indonesia had (government) loans close to US \$ 100 billion in 1998. Meanwhile, our income was not enough to pay off debt. So, if likened to a company, the profits we get aren't even enough to cover liabilities. Even to pay employees it is not capable, so they have to owe more. If it is a company, then it must be bankrupt. But the state does not go bankrupt, but cannot provide welfare to its people. Therefore, in addition to driving the economy, the task of SOEs also repays loans.

Between 1997-1998 the performance of BUMNs under the guidance and management of these new government institutions showed the following improvements:

Table 2. SOEs Robustness

Category	1997		1998	
	Σ	Percentage	Σ	percentage
Healthy	82	59,6	87	68,0
Less Healthy	9	6,6	23	18,0
Not healthy	46	33,6	18	14,0
Total	137	100,0	128	100,0

Source: *Office Meneg BUMN (State Minister of SOEs)*, 1999.

Tabel 3. SOEs Financial performance

Financial Performance	1997 (a)	1998 (b)	b/a

	Rp (bil.)	%	Rp (bil.)	%	(%)
Income	52.647,0	100	81.694,8	100	155,2
Profit Margin	8.532	16,2	17.668,6	21,6	207,1
Total Profit	9.072,9	17,0	17.614	21,5	194,1

Source: *Office Meneg BUMN (State Minister of SOEs)*, 1999.

From the two tables, it appears that an increase in the number of healthy SOEs from 82 increased to 87, or from 59.6% BUMN to 68% of the total population of SOEs. Meanwhile there was an increase in revenue of 155.2%, operating profit increased by 207.1%, and profit before tax 194.1%. So, in terms of profitability, it appears that the performance provided by SOEs is quite good. Likewise, privatization. This can be seen in the following table:

Table 4: SOEs Privatisation in Indonesia

SOEs	Amount	Values
Semen Gresik (14%)	US\$ 114,6 bil. US\$ 7,5 bil.	Harga US\$ 1.38/saham Sama dg.IPO 1991 dlm dollar
Indofood (I)	US\$ 56,8 juta	P/E 30x laba bersih 1998. Harga IPO 12xs laba bersih tahun 1991
Indofood (II)	US\$ 62,5 juta	Rp 5.800/saham. Premium 16%
Pelindo II (TPK Tanjung Priok; 49%)	US\$ 215,0 juta	P/E 13 x.
Pelindo III (TPK Tanjung Perak; 49%)	US\$ 173,0 juta	P/E 18 x
Telkom (7%)	US\$ 409,7 juta	25,4% premium
TOTAL	US\$ 1.039,7 juta, Atau Rp 9,070 triliun	

Source: *Office Meneg BUMN (State Minister of SOEs)*, 1999.

All privatized funds, minus technical costs, go to the state treasury. The amount is US \$ 467.2 million and Rp4,152.3 million. Meanwhile up to August 1999, state revenue from dividends from BUMN (including from Pertamina and a number of Perum) reached Rp. 2,026 billion, or 50% of the target state revenue. So, the contribution that has been given from SOEs after undergoing a proud reform program [14]

However, even more important is the success in the process of restructuring a number of SOEs. In the electricity sector at that time, the contracts that had already been made could be renegotiated, while in the banking sector a solid foundation was created through the formation of Bank Mandiri. Garuda Indonesia, as of June 1998 suffered a loss of more than Rp 1.4 trillion. In the last 6 months (semester I 1999) cash flow has begun to be positive at Rp 275 billion. The restructuring has encouraged Garuda's performance in less than one year to create a financial value (only) valued at Rp 1.675 trillion.

These achievements were achieved in the Second Wave SOE Reform. However, what is done is still not enough, especially to develop world-class SOEs. The State Minister for State Enterprises Office made a Second Wave SOE Reform masterplan, which was made involving world class consultants, BUMN management, relevant departments, and experts. The focus of the Second Wave Reform is business refocusing and regrouping. An important issue discussed here is the restructuring of 128 SOEs into several business groups. Of course this grouping requires in-depth and careful special studies.

The end of the master plan is the restructuring of SOEs into three groups. The first is grouped into holding, the second which is merged or divested, and the third because of its special characteristics, it stands alone. The target made is in the next five years to push the market value of our SOEs, so that the privatization of a portion of SOEs alone can pay off the government's foreign debt. The first concept of the master plan shows that targeting the SOE mission is to save the Indonesian economy once it brings it out of the crisis. The trend of reporting with a negative view does not disrupt the work spirit of SOEs. But without us realizing, the negative tone of the reporting by BUMN has obscured the achievements of BUMN's performance in the year leading up to the election / election in the 1999 reform era.

Minister of SOEs President SBY era namely Sofyan Djalil believes, as a business company SOEs must be managed professionally. However, as a state-owned company, SOEs certainly cannot be separated from political influence. Therefore SOEs must still be able to maintain the principles of professionalism and management principles. As a business institution, it must be held even though as a BUMN it cannot be separated from the process of political dynamics [15]. Therefore, in every political year, there is a strong tendency and even inevitability that the situation brings a different nuance to the evaluation of BUMN performance. If we look at the news trends during the reform era prior to the election / presidential election, the public is presented with data on the performance of SOEs that are considered to be sluggish, plagued with debts to pile up, and even SOEs are considered to have killed the private sector.

But in general, BUMN performance has shown an increase even though the increase in performance is still not optimal. For example, in 2004 there were 127 SOEs that recorded profits of around Rp29 trillion. However, 70 percent of the profits are only generated by Five (5) SOEs. In addition, when viewed from SOEs (BUMN) performance indicators, the increase is felt to be unstable and not sustainable. Asset return rate (ROA) for example, from year to year its development has not been consistent. In 2001, the average BUMN ROA reached 2.28 percent and increased to 2.74 percent in 2002. However, this figure dropped to 2.20 percent in 2003, and is expected to increase again to 2.49 percent in 2004 [15]. With this performance, in addition to making it difficult for SOEs to play a full role in contributing to the development of the national economy, there is still the potential of SOEs to burden fiscal matters that can affect efforts to maintain fiscal sustainability.

In the era of President Susilo Bambang Yudhoyobo or SBY (2004-2009), SOE's operating income at the end of 2009 reached Rp86 trillion, or fell Rp2,4 trillion from 2008 operating revenue which reached Rp.200,200 trillion. Meanwhile BUMN's net profit is estimated to reach IDR88 trillion or an increase of IDRg trillion from the 2008 net profit of IDR79 trillion.

With such a net profit, SOE dividend payments at the end of 2009 were only IDR 25.5 trillion. Compared to the 2008 deposit of IDR25 trillion, BUMN dividend payments only increased by IDR800 billion. Meanwhile, from around 141 existing SOEs, it is estimated that only around 22 SOEs have actually made a significant contribution to the overall performance of SOEs.

Table 5. Performance SOEs (Kinerja BUMN in Rupiah- Rp Miliar)

Year	Assets	Equity	Selling	Profit	Profit margin
2009	2.234.000	574.000	986.000	154.000	88.000
2008	1.977.634,2	527.338,2	1.161.722,5	133.428,9	78.438,3

2007	1.725.183	511.136,9	865.240,3	119.095,3	70.705,4
2006	1.406.691,5	436.482	276.326,8	36.914,4	29.172,4
2005	1.308.888,4	423.494,3	555.563,6	67.654,8	42.349,9
2004	1.196.654,3	406.004,1	440.279,5	66.315,1	44.175,6
2003	980.017,6	278.579,9	191.878,2	35.015,8	21.369,6
2002	931.822,6	265.415,2	181.564,3	31.863,6	25.483,3
2001	792.851,9	123.074,3	183.253,5	26.918,9	18.657,9
2000	705.124,9	110.405,8	129.216,7	18.500,3	13.624,2

Source: *Office Meneg BUMN (State Minister of SOEs), 2010*

The performance noted by SOEs above includes 141 companies spread in various business fields. The sectors entered were telecommunications, oil and gas, cement, mining, plantations, fertilizer, construction, ports, airports, transportation-logistics, manufacturing, textiles, various industries, and property.

Table 6. SOE Earnings 2005-2009 (In Billion Rp)

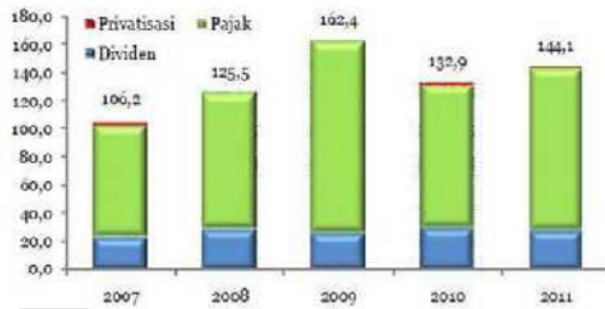
Year	Numbers of Profitted SOEs	Total Profit
2009	117	88.046
2008	114	77.630
2007	108	70.772
2006	100	53.242
2005	103	32.973

Source: *Office Meneg BUMN (State Minister of SOEs), 2010*

In its development, based on data from the 2013 State Budget Financial Note in the period 2007-2011, the performance of state-owned enterprises (SOEs) continued to show positive developments, both in terms of assets, equity, revenue and profits, and the capitalization of open SOEs. This is evidenced by the growth in total assets of SOEs averaged 14 percent, equity grew by an average of 11 percent, while revenues and profits increased by an average of 14 percent and 22 percent, respectively. As of January 2012, there were 141 SOEs consisting of 14 SOEs in the form of Public Corporation, 109 SOEs in the form of Persero and 18 SOEs that were Public Companies.

In table 1, it can be seen that the average contribution of SOEs to the APBN continues to increase by 7.9 percent. Of this amount, 20.4 percent came from dividend income, 78.8 percent came from tax revenue, and 0.8 percent came from privatization.

Figure 1. Contribution of SOEs (BUMN) for APBN 2007-2011 in trillion rupiahs



In line with the increase in economic growth, it is projected that Government revenue for BUMN profits in the medium term will also increase. SOE revenue is projected to reach IDR 33.3 trillion in 2014, and increase to IDR 34.6 trillion in 2016. The increase is mainly related to the Government's efforts to continue to optimize the SOE dividend payout ratio.

4.1. SOES (BUMN) Development in 2018 and 2019

The results of a study conducted by his party by assessing the performance of 20 Indonesian BUMNs that have been listed or become listed companies (BUMN Tbk.) Show another thing. Apparently, SOEs are able to sustain revenue growth and total assets that are quite competitive compared to neighboring SOEs, such as Malaysia and Singapore.

The state-owned company performance data released by the SOE Ministry some time ago, shows its own competitiveness when compared to SOEs in Malaysia and Singapore. Throughout 2018, for the first time in history since the 1998 reforms, Indonesian SOEs were ahead of Malaysian SOEs. Where the performance of Khazanah or Malaysian BUMN in 2018 actually decreased in that year and for the first time recorded a loss of RM6.3 billion or around USD1.5 billion or in rupiah means a loss of Rp21 trillion.

BUMN continues to experience rapid development and progress. This is because the assets of the Ministry of SOEs in 2019 have doubled, from Rp 4,500 trillion at the end of 2014, experiencing a very significant jump to around Rp 8,000 trillion. In 2015, 118 SOEs had total assets of Rp5,395 trillion and made a large contribution to economic growth in 2016 if they were able to work together in managing business sectors. BUMN assets are also expected to be greater through the SOE asset revaluation process.

Many SOEs continue to work on projects. As an illustration, the total value of BUMN projects with a period of 1-3 years as of the end of 2015 reached Rp 795.9 trillion. Realization until the end of 2015 amounted to Rp 248.5 trillion. In 2016, it is projected that there are 62 strategic projects carried out by SOEs, with a value of approximately IDR 347.2 trillion. In 2019, BUMN assets will reach Rp. 8.092 trillion. The fact of the development and the surge in SOE revenue increase will certainly create a multiplier effect on the national economy. Various groups are optimistic that the existence of SOEs in the future will contribute more to the nation's economic growth.

Admittedly, state-owned enterprises are extraordinary economic forces and drivers. In Singapore and Malaysia, SOEs contribute greatly to economic activities. In Indonesia, SOEs are included in a number of sectors or diverse business sectors, from banking,

energy, food, infrastructure, and transportation, both sea, land and air. SOE management / management cannot be separated from the role of the board of directors, because the board of directors is a B U M N organ responsible for managing SOEs for the interests and objectives of SOEs, as well as representing SOEs both inside and outside the court.

State Minister for State Enterprises Rini Soemarno in the Jokowi Era stressed that his party formed a BUMN holding with the belief that it was the right step for the government, especially the second period of Jokowi's administration. BUMN has become the backbone of the nation's economy and its existence is undeniably able to boost the wheels of the national economy. But of course the management of BUMN must be handled professionally in all sectors so that it becomes stronger, more competitive and provides optimal benefits to the country and the people.

4.2. SOEs (BUMN) and Business Judgment Rule Principles

The Business Judgment Rule is one of several doctrines in corporate law. Business Judgment Rule in its implementation is to protect a company director in making decisions. But in making the decision there is no element of personal interest, it is decided based on the information they believe, by the right circumstances and rationally and the decision is the best for the company, meaning that there are no elements of fraud (fraud), conflict of interest (conflict of interest), illegal acts (illegality), or there is a concept of deliberate error (gross negligence) [16].

In Law Number 1 of 1995 concerning Limited Liability Companies, there is no clear regulation regarding the Business Judgment Rule, but if examined the principle of "good faith" stated in Article 85 paragraph 1 of Law Number 1 of 1995 is to mean that "soul" from the Business Judgment Rule contained in the law. Business Judgment Rule for a director of a limited liability company cannot be implemented if the policy (judgment) of a director is based on a fraud, causing a conflict of interest, illegal acts, and there is a gross negligence (violation) gross negligence) of members of the board of directors.

Indeed, the development of the law regarding the Business Judgment Rule in the Civil Law system in principle does not emphasize certain standards, but rather is based on the authorization agreements between the parties, which are reflected in the company's articles of association. Therefore a director must carry out his duties in accordance with the provisions in the articles of association. If he takes actions outside and or does not comply with the limits of authority that have been given to him by the articles of association then he will be personally responsible not the company as the authorizer. Because as the recipient of the power of attorney the director may not act beyond his authority [17].

The effectiveness of the Business Judgment Rule is expected to contribute greatly to the development of corporate law in Indonesia, because with the enactment of this doctrine, the directors of a limited liability company can be protected. It is common knowledge that SOEs often become the subject of discussion by many parties regarding the source of funds prior to the Election and Presidential Election. But what must be watched out for is the involvement of the private sector in winning candidates and candidates. Because political parties and candidates need campaign funds. One source of funds being sought comes from SOEs and banks.

However, the public must know that currently there are 4 SOEs that suffered losses, namely PT Garuda Indonesia (GIA), PT Krakatau Steel, PT Danareksa, and Indo Farma. The total losses were all around Rp3.1 trillion. Not only that, there were 115 SOEs with assets of IDR 7.141 trillion, operating revenues of IDR 2.027 trillion, operating expenses

of IDR 1,723 trillion, and operating profit of IDR189.5 trillion, BUMN obligations including debt of IDR 4,823 trillion.

For example, PLN's assets alone reach Rp 1.334 trillion with total liabilities or debts of Rp 465.5 trillion. 2017 revenue of Rp. 255.2 trillion, and operating expenses of Rp. 275.4 trillion, resulting in PLN losing Rp. 20.1 trillion. In this political year, it is very possible that state facilities will be used in the effort to win elections by state officials. Many SOEs are used as sources of funding or cash cows or ATMs to run political parties or state officials.

The political situation always brings a double face. First is the face of corruption eradication. Both faces sell the image of combating corruption. This is often started to be one or mixed. Therefore these BUMNs need to be monitored. Concerned that SOEs which have trillions of funds were instead used as a star.

SOEs should be free from political people even though such hopes are difficult to realize. So far, BUMN has been accused of being a dairy cow or an ATM machine whose officials are filled with politicians, especially those who support the government. For this reason, the selection or fit and proper test of SOE officials is no longer carried out by the DPR, but from competent independent circles. So, the SOE must be free from politicians. So that the fit test for candidates for directors of SOEs will no longer be selected through the DPR RI, but in BUMN itself by competent and independent people, so that SOEs are healthy and professional.

The presence of SOEs in the economy plays a very important role, namely as a development agent and as a business entity that aims to make a profit. As one of the economic actors, SOEs are required to play a strategic role in national development. Even though it is different from private business entities, SOEs in addition to carrying out the mission as a national development agent are also trying to achieve maximum profits. The problems faced by BUMN in principle are divided into two problems, namely internal problems and external problems. Internal problems that are challenging for SOEs are HR professionalism, organizational structure and systems, financial difficulties, and the implementation of Good Corporate Governance, namely good corporate management.

Human resources (HR) professionalism in facing more competitive competition is demonstrated by the granting of authority and autonomy which means freedom to manage flexibly, initiative, speed, and results-oriented. The structure and system of BUMN organizations have an impact on the cost of labor in SOEs which is greater because the number of workers is more than needed. Most SOEs have a fat organizational structure so that a lot of work is done uneconomically. This is based on improper and poorly coordinated human resource planning. Organizational management requires a more dynamic strategy and style.

SOEs (BUMN) as one of the national economic actors must implement the right strategy to be able to compete in an increasingly tighter situation. The steps that must be taken by SOEs are to make improvements concerning the organization's structure, culture, and internal systems. The step in empowering BUMN management becomes a priority to be more responsive to changes in the market environment. Strategies to be used in SOEs need to be followed in terms of adaptation to the structure of the organizational culture so that improvements are needed. Organizational reform is mainly associated with a fundamental overhaul of organizational structures that are able to adapt and adopt innovations that arise from the external environment.

The fundamental problem for every SOE is financial difficulties. Of course, in this matter, SOEs that are healthy and make a profit every year have the opportunity to be privatized to get funding. Privatization is the transfer of part or all of BUMN's assets and control to the private sector. Through privatization, it is expected that synergy will occur between efficiency, competition and profit. The implementation of Good Corporate Governance (GCG) in every BUMN is very urgent to be implemented. With the implementation of GCG in every SOE, the purpose of seeking profit and serving the community is more effective and efficient. SOEs are encouraged to become state enterprises that carry out their mission transparently.

The implementation of GCG is able to boost the performance of SOEs for the better. PT. Perkebunan Nusantara III, which has implemented GCG, has been able to significantly increase profits. The BUMN Ministry has also shown its seriousness in implementing GCG with the establishment of the BUMN Inspectorate and cooperating with the Financial and Development Supervisory Agency (BPKP) in accelerating corruption eradication and implementing good corporate governance. BUMN that loses has actually become a barrier to government policies to improve the welfare of the community [18]. The greater the loss of SOEs, the smaller the funds that can be allocated by the government for public welfare. Therefore SOE management is an important aspect in carrying out government policies. Realizing this condition, the BUMN Ministry since Sugiharto's leadership had made a 2005 SOE master plan up to 2009, one of which was by merging several SOEs, the establishment of a holding company, from the original 158 SOEs to 80 SOEs. There are three categories in the SOE overhaul process, namely by maintaining several SOEs (stand alone), merging fellow SOEs (roll up), and forming a holding company. Until mid-2006, the plan to merge several BUMNs had not yet been realized. The merger of plantation SOEs and fertilizers which was the priority of the State Minister for SOEs at the beginning of this program was rolled out until now it is still unclear. SOE merger or merger is carried out on similar SOEs as presented in Table 1.

SOEs that have merged are fishery SOEs that have agreed to a merger in the RUPS at each SOE. The SOE merger was also carried out in plantation SOEs in 1996, of the 27 SOE plantations now only 15 SOEs, namely PT. Perkebunan Nusantara I to XIV and PT. Rajawali Nusantara Indonesia. This has actually made it easier for SOE plantations to merge or form a holding company in view of existing experience. Although BUMN is the foundation in overcoming the problems of the national economy, in reality BUMN is still a "game of tug of war" of various interests. This is reflected in the difficulty of the SOE revitalization program process as outlined in the SOEs Summit that was launched by the State Minister for State Enterprises Sugiharto. Certainly if there is a merger of BUMNs, there will be many directors, commissioners, and BUMN officials who are no longer in use.

Another issue is how to reformulate the vision and mission of SOEs in the national economy. When referring to the reform program that has been implemented so far, there are strong indications that the vision and mission of SOEs in the future will be directed to become companies with the spirit of pursuing profits and as contributors to state revenue. Through the SOE merger program, greater profits can be obtained by saving in operational costs while improving the performance of the SOEs

4.3. BUMN (SOEs) and Independence: Era SBY and Jokowi

With an independent election to fill the positions of directors and commissioners in SOEs, although there are many volunteers in the 2019 Presidential Election, the

volunteers will not ask for rations to sit as heads, directors, commissioners and others in SOEs. "As long as they are selected by the DPR, SOEs will remain a political cause," said an analyst. It is undeniable that currently our state-owned enterprises cannot compete with private companies and foreign companies. The cause is a conflict of interest and the entry of unqualified human resources in the board of commissioners and directors. Not to mention the existence of concurrent positions of public officials in addition to the inclusion of political supporters who became the success team of presidential candidates. Whereas in the SOE Bill Article 21, Article 23 and Article 38, it is clear that there is a norm prohibiting concurrent positions for structural and functional officials, including for members of political parties. But this problem has been going on for a long time in SOEs so it is difficult to prevent. While SOEs themselves do not have a competitive strategy and a strategy to rise again from a loss (turn around strategy) which makes it tends to lose money.

Well, ahead of the Presidential Election (Pilpres) new cases of corruption always appear that undermine the finances of SOEs. Is this just a coincidence? I don't think so. Because if we observe the history of the presidential election, these cases arise as a result of competition from the political elite. In the circle of power there is always a small group of interests that take advantage of SOEs. Sometimes they support each other, sometimes they fight.

One of the most bitter dramas is the BLBI scandal case that appeared in 2003 or rather a year before the 2004 presidential election. BLBI occurred when Boediono became Minister of Finance. BLBI bonds initially had no interest and could not be traded on the market. But once Boediono took the position of Minister of Finance, he adopted the policy of giving interest to the BLBI, and could be traded on the market. We hope that this pattern will not be repeated before the 2019 Presidential Election [19]

The government should think carefully every time it changes the leadership of a state-owned enterprise (BUMN). They should be chosen because of their ability to improve company performance and bring millions of benefits to society and the country. SOE should not be used as a tool for politics or just return the favor. Therefore, it is truly surprising that SOE Minister Rini Soemamo, through an extraordinary general meeting of shareholders, removed Pertamina's Managing Director Elia Massa Manik and four other directors on Friday last week. The mass of Manik has only served 13 months. He was also appointed by Rini in October 2016 to reduce conflicts between management. At that time, there were two twin suns because part of Dwi Soetjipto's authority as the main director was taken over by his deputy, Ahmad Bambang.

The SOE Ministry's pretext that the dismantling of the directors was in order to smooth the formation of the holding company and because of the oil accident in Balikpapan, was truly unreasonable. These two reasons still do not explain what the fatal error was made by the directors. The mass performance of Manik is not too shiny. Under his leadership, Pertamina's net profit in 2017 reached US \$ 2.4 billion. Previous year, Pertamina made a profit of US \$ 3.15 billion. The distribution of fuel oil also seems messy. This can be seen from the scarcity of Premium in Java, Madura, and Bali. However, it must be noted, that the decline in Pertamina's performance was not the sole mistake of Massa Manik, but also the government's fault. The decline in profits by 23 percent was because the government did not increase the price of the assigned fuel, namely Premium and diesel, when world oil prices rose [20].

Premium prices are based on political considerations. The government asks that the price of premiums not increase until 2019. To reduce losses, Pertamina then reduces the supply of premiums in Java, Madura, and Bali, which by regulation are not prohibited.

As a result, the mass of Manik was kicked out. If again political considerations are put forward, how do we expect Pertamina to move forward and even become a world-class company like Petronas from the neighboring country? The government is also rumored to have replaced Bulog Djarot Kusumayakti, General Director of the Company. Djarot has been leading Bulog since June 2015. The removal was reportedly tough. Trade Minister Enggartiasno Lukita insisted on defending Djarot. Strangely, Djarot's successor was instead a retired police officer who was previously far from logistical. The government appointed the former Head of the National Narcotics Agency, Budi Waseso, to be the Managing Director of Bulog. As usual, SOE Minister Rini Soemarno "hid" from the presence of the mass media every time news broke up pairs of SOE's board of directors.

Not many people understand what really is in the mind of Minister Rini. The government does own 100 percent of the shares in Pertamina. That is, Minister Rini has the power to dismantle and install officials in all SOEs. This power must be used properly. BUMN is a corporation that must be used as well as possible in the interests of the nation, not as a means of barter for power. Minister Rini must refer to Article 1 of the Regulation of the Minister of State-Owned Enterprises Number PER-03 / MBU / 02/2015, the rules he made himself. The appointment and removal of directors of SOEs must be based on adherence to good corporate governance, not for political interests.

Substitution of directors that are too often will surely disrupt SOE operations. Share positions in BUMN to "close people" must be ended immediately. During President Joko Widodo's (2014-2019) a number of state-owned enterprise (SOE) companies had a new board of commissioners. In the ranks there are a number of names known as politicians, volunteers, and observers who often defend President Jokowi's policies. Among them is Cahaya Dwi Rembulan Sinaga, who is staying as an independent commissioner of PT Bank Mandiri Tbk. Cahaya was previously known as a volunteer who joined the Jokowi-JK Transition Team. Then, there was Pataniari Siahaan who was appointed as a commissioner at PT Bank Negara Indonesia. Pataniari is a former member of the Indonesian Parliament from the PDIP Faction (2004-2009). There was also Diaz Hendropriyono, general chairperson of the Jokowi Youth and Volunteer Coalition who was assigned as commissioner at PT Telkom. Then, Alexander Sonny Keraf as President Commissioner of PT Bank Rakyat Indonesia Tbk. Previously, Sonny was a member of the PDIP Research and Development Agency.

Together with Sonny, there is also the name Jeffry Wurangian. From the available information, Jeffry was a candidate for the DPR-RI legislative candidate from the Nasdem Party. Meanwhile, from the ranks of experts / observers who are pro Jokowi, there are two names that come up with the tide, namely Refly Harun and Revrison Baswir who are lined up as the respective commissioners of PT Jasa Marga and the commissioners at PT Bank Negara Indonesia.

Of course, they are not necessarily chosen definitively. The appointment is not final yet. Commissioners and directors must pass the fit and proper test, which is carried out by the Financial Services Authority (OJK). An evaluation by OJK must be done for companies engaged in financial services, such as banking, financing, and insurance. Based on previous experience, there are several BUMN directors who were appointed at the RUPS but were aborted by the OJK.

Actually, politically, the decision of President Jokowi to choose a number of supporters in the last presidential election as a commissioner in several SOEs is a natural thing. Everyone who becomes president in this republic is likely to do the same. Jokowi is indeed conducting political reciprocation to those who support him to become president.

It is natural if those who sweat in the election then get a position in the government or also in SOEs. Jokowi needs the right hand to oversee SOEs. What is important, supporters who receive the prize must have competence and pass the test from the FSA, not just choose. Even so, in terms of business management, the entry of politicians and people close to power still raises problems. Issues that are usually raised are conflicting objectives, lack of transparency, and political interference. In the case of political disturbances, for example, politicians and those close to the authorities who have power over SOEs often freely manipulate SOEs according to their personal and group tastes.

The simplest example is for the sake of gaining votes in the electoral ritual, the government forces SOE directors to conduct business activities in certain areas. In fact, based on business calculations, these activities will not benefit the company. That is the irony that has happened in the course of managing our SOEs so far. As a result, not a few SOEs are losing money. The loss was caused by none other than the many elites of this nation who use SOEs. In fact, it seems that SOEs are like being "dairy cows" by the government for political purposes. SOEs should only think about business matters, they should not be carried into the political vortex. Thus, getting benefits that can be utilized for the benefit of the people of Indonesia.

A clear description of the breakdown of our SOEs was once described by Former State Minister for State Enterprises Tanri Abeng. According to him, in 2014 alone, of the 141 SOEs in Indonesia, it was only able to contribute 10 billion US dollars or Rp 127 trillion to the state budget. This is far different from Petronas, a Malaysian oil company. In fact, at the same time, Petronas was able to contribute 25 billion US dollars or approximately Rp. 318 trillion for the Malaysian state budget. This difference occurs because Indonesian SOEs still have a number of challenges. The first challenge is that all BUMNs have not been 100 percent professionally managed. The approach is still bureaucratic. Second, the political influence in operational and performance on BUMN is still very strong. Third, the SOE Law is not yet clear.

Therefore, the three challenges as revealed by Tanri must be answered immediately by the board of commissioners mentioned above. If they pass the exam from OJK, they must answer public doubts and concerns. Indonesian SOEs must be able to be brought into competition with other SOEs in other countries. The newly appointed SOEs commissioners must concentrate on how to advance a SOEs without being held hostage by the political interests of the authorities. BUMN should no longer be a dairy cow! They must think about efficiency in all things so that they can be competitive. Moreover, starting this year the ASEAN Economic Community (AEC) has become a challenge as well as an opportunity for businesses in Indonesia. The question is, will our SOEs become players in the AEC or only become marginal and marginalized business forces?

Moreover, there are several cases of corruption that befell directors of SOEs. These cases of corruption are the responsibility of the Minister of SOEs, because those who carry out his subordinates. Proverbial saying, fish rot from his head, although under the good remains useless. Good recruitment is useless, because corruption and lack of maturity in planning that are the responsibility of the Minister of SOEs are still lousy, and if performance continues to be plagued by corruption, SOEs can lose bright prospects. So that many infrastructure projects are speeded up in the assignment, there are 7000 private contractors going bankrupt and not turning their finances. Infrastructure development is part of a long-term stimulus, so that the wheels of the economy through which it can move. In the Jokowi second period, the macroeconomic condition is predicted that many private companies will close down if SOEs also only play in domestic projects, because they are competing with SOEs (BUMN) whose capital is more ready.

These BUMNs should be able to compete internationally in the field of production and superior products. For example PT Pindad which can export Alutsista and PT KAI can export homemade train cars. SOEs must be able to compete abroad and be able to generate profits or positive profits to strengthen the future state budget management of SOEs must consider the future of the nation

During the Jokowi era, the overhaul of BUMN directors was filled with political elements by SOE minister Rini Soemarno. Rini Soemarno, one of the ministers who was considered threatened with his position. The reason is that in the last few years there have been many problems in BUMN such as the case of Garuda Indonesia and Angkasa Pura. Professionalism in BUMN has decreased, it refers to the problems that exist in BUMN itself.

5. Conclusions

Learning from the weaknesses and weaknesses of President Jokowi's leadership from 2014-2019 in managing SOEs, there are at least five important points that must be present in the future figure of SOE leaders. First, SOEs (BUMN) must be led by people who are professional and have a vision to build the nation, have the courage to act, are hardworking, honest, and are not only concerned with imaging. Second, the SOEs (BUMN) budget must be managed in the direction of the BUMN mission, it must be productive so that it is effective. On the other hand, corporate social responsibility (CSR) funds must be available for all levels of society. Third, SOEs (BUMN) must be managed by upholding transparency and accountability so that they can be accounted for objectively and professionally. Fourth, Increase business revitalization efforts, namely increasing the shareholder value of existing SOEs; BUMN management effectiveness, both at the level of commissioners, directors, and employees. Fifth, Improve the quality of operations, services and revenues and strengthen the implementation of restructuring, including the gradual mapping of each SOE in various sectors

The five things mentioned above must be done for future SOE management so that SOEs become a strong and competitive economic pillar, to bring benefits to the people.

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GRADEMARK REPORT

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