

A Review of Holding Company on Semarang Regional Government Owned Enterprise

Ahmad Malik¹, Ali Umar Dhani^{1*}

¹ Universitas 17 Agustus 1945 Semarang, Indonesia

*E-mail address: ali-umardhani@untagsmg.ac.id

Abstract

The establishment of a holding company for regional government owned enterprises (BUMD) is one of the efforts that can be made to further improve the performance of regionally owned enterprises so that they can contribute more to regional original income. This research uses literature study, namely a series of activities related to methods of collecting library data, reading and taking notes, and managing research materials. In order to realize the objectives of establishing a BUMN Holding Company, in its implementation, it must be guided by the principles of Good Corporate Governance. Supervision (control) is required from all stake holders, especially the DPRD, both in the recruitment of the Board of Commissioners and the Board of Directors, as well as in carrying out the company's activities.

Keywords: holding company, regional government owned enterprise, regional income and expenditure budget

INTRODUCTION

Regional development must continue to be developed to improve people's welfare. For this reason, efforts are needed to increase regional original income (PAD) to support the Regional Revenue and Expenditure Budget (APBD). Sources of PAD can, among other things, be extracted from profits obtained by Regional Government Owned Enterprises (BUMD) which were established by separating a portion of regional assets to be included as capital into Regional government Owned Enterprises (BUMD).

However, in reality, the existing BUMDs have so far not been able to make a significant contribution to PAD, what often happens is that there are more fund injections from regional governments than the profits obtained, so that it can become a burden on the Regional Revenue and Expenditure Budget. This situation means that the goal of establishing BUMD as a source of regional government income cannot be achieved (Usman, 2010). Based on data from the Ministry of Home Affairs, BUMD assets reached 340,118 T as of 2011, distributed to 310,716 T (90.06%) originating from BPD, Rural Banks (BPR) around IDR 11,454 trillion (3.3 percent), regional water companies drinking water (PDAM) IDR 9.326 trillion (2.7 percent), and various businesses amounting to IDR 11.622 trillion (3.4 percent). There are 1,007 BUMD companies operating in the business sectors of commercial banks (BPD), people's credit banks (BPR), drinking water (PDAM), and various businesses. BUMD's profit contribution was recorded at IDR 10.372 trillion or an average ratio to assets (ROA) of 3.0 percent. Accessed via <http://www.depdagri.go.id/news/2012/03/08/bumd-miliki-aset-Rp.343118-triliun>

Based on the conditions above, the profit ratio generated from BUMD with large assets is not balanced. The contribution of 3.0% of the total existing assets is far from expectations regarding the existence of BUMD. Thus, it is necessary to seriously handle the existence of BUMDs in order to achieve the goal of increasing local original income and for community welfare.

According to Kunarjo in Komaludin (2000), the relatively small amount of revenue from regional companies' profits as a source of regional PAD is that most of the businesses are relatively medium and small scale, in addition to many of them which have not been

organized based on company economic principles, but are relatively more based on public service considerations.

In accordance with recommendations from the results of the meeting of the BUMD Cooperation Board throughout Indonesia which wants to restructure BUMD by directing the form of business entity to become a company construction in accordance with the provisions in Law No. 40 of 2007 concerning limited liability companies (Budhislistyawati, et al., 2015).

One of the main objectives of establishing a BUMD company is intended to realize the concept of good corporate governance. In the context of managing BUMDs in the form of companies, they can adopt the company management concept that exists in state companies that are under the auspices of BUMN. Cooperation between companies known as group companies or group companies, can generally be interpreted as an arrangement of companies that remain legally independent and that form one economic unit with each other. led by a holding company (Pangaribuan, 1994).

LITERATURE REVIEW

Juridical Review of the Establishment of a BUMN Holding Company

Juridically, the provisions for establishing a BUMN Holding Company can take into account Law Number 23 of 2014 concerning Regional Government CHAPTER IX concerning BUMD.

Article 331 states:

- (1) Regions can establish BUMD
- (2) The establishment of BUMD as intended in paragraph (1) is determined by Regional Regulation.
- (3) BUMD as intended in paragraph (1) consists of public companies Regions and Regional enterprise companies.

Furthermore, if the choice of BUMD to be established is a Regional Liability Company, then Article 339 states:

- (1) A Regional Liability Company is a BUMD in the form of a company limited whose capital is divided into shares in whole or in the majority at least 51% (fifty one percent) of the shares are owned by one Region.
- (2) Regional companies after being determined by Regional Regulation as intended in Article 331 paragraph (2), formation of an agency the law is carried out based on the provisions of the laws and regulations invitation regarding limited liability companies.
- (3) In the event that the shareholders of a regional company consist of: several regions and non-regions, one of the regions is majority shareholder.

If the BUMD Limited Liability Company is a holding company which has several subsidiaries, you can refer to Article 341, as follows:

- (1) Regional companies can form subsidiaries and/or own shares in other companies.
- (2) Establishment of subsidiaries as intended in paragraph (1), based on an investment feasibility analysis by an investment analyst professional and independent.

So it can be concluded, the process of establishing a BUMD Holding company goes through the following stages:

1. Determination of the Regional Regulation concerning the Establishment of BUMD guided by Law Number 25 of 2014 concerning Regional Government
2. The formation of the legal entity is carried out based on the provisions of Law Number 40 of 2007 concerning Limited Liability Companies.

Management and Governance of BUMD Holding Company

Based on Article 343 of Law Number 23 of 2015 concerning Regional Government, BUMD management must at least fulfill the following elements: procedures for capital participation; organs and staffing; evaluation procedures; good corporate governance; planning, reporting, coaching, supervision; cooperation; use of profits; Regional Government assignments; loan; internal supervisory unit, audit committee and other committees; assessment of the level of soundness, restructuring, privatization; change in legal form; bankruptcy; and mergers, consolidations and takeovers.

METHOD

The research conducted by literature study, it is a data collection technique using how to collect data from research reports, scientific books, articles and journals related to research (Sugiono, 2019)

DISCUSSION

In order for the BUMD Holding Company to be able to provide additional income to the APBD, the BUMD must be managed proportionally and professionally. The professionalism of BUMD is realized by implementing good corporate governance (GCG). In general, in order to realize the principles of Good Corporate Governance within the company scope, especially in the management of BUMD, of course these five principles must be understood and implemented in a concrete and real way in the management practices of BUMD, especially BUMD in the form of a company. These five principles include: Transparency (openness of information), Accountability (accountability), Responsibility (accountability), Independency (independence), and Fairness (equality and fairness). (Kaihatu, 2006).

The various benefits obtained by implementing good corporate governance for a company, among others, according to Azhar Maksum (2005), are explained as follows:

- a. With good corporate governance, the decision-making process will take place better, resulting in optimal decisions, increasing efficiency and creating a healthier work culture.
- b. Good corporate governance will make it possible to avoid or at least minimize abuse of authority by directors in managing the company.
- c. The value of the company in the eyes of investors will increase as a result of increasing their trust in the management of the company in which they invest.
- d. For shareholders, increasing the company's performance will also increase the value of their shares and also the value of the dividends they will receive.
- e. Because in good corporate governance practices employees are placed as one of the stakeholders who should be managed well by the company, employee motivation and job satisfaction are also expected to increase.
- f. With good implementation of corporate governance, the level of trust of stakeholders in the company will increase so that the positive image of the company will increase.
- g. Consistent implementation of corporate governance will also improve the quality of the company's financial reports. Management will tend not to manipulate financial reports, because of the obligation to comply with various applicable accounting rules and principles and present information transparently.

Potential Benefits and Problems

Fuady (2005) provides an illustration of the potential profits and problems of holding companies. Potential profits are risk independence, greater supervisory rights, operational efficiency, easy source of funds, and accuracy of decisions taken. Potential problems are HR management of the company, business orientation, governance does not yet guide good corporate governance, and disparities in capital and financial conditions between BUMDs.

CONCLUSIONS AND RECOMMENDATIONS

The establishment of a BUMD Holding Company begins with the stipulation of a Regional Regulation concerning the Establishment of a BUMD guided by Law Number 25 of 2014 concerning Regional Government and the formation of its legal entity is carried out based on the provisions of Law Number 40 of 2007 concerning Limited Liability Companies.

In order to realize the objectives of establishing a BUMN Holding Company, in its implementation, it must be guided by the principles of Good Corporate Governance. Supervision (control) is required from all stake holders, especially the DPRD, both in the recruitment of the Board of Commissioners and the Board of Directors, as well as in carrying out the company's activities.

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