

Implementation of Management of State-Owned Enterprises for People's Welfare

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Abstract

Initially State-owned enterprises (BUMN) was the result of the nationalization of ex-foreign (Dutch) companies which were later designated as state companies. Then with Law no. 1 Prp 1969 formed the division of 3 types of forms of State-Owned Enterprises into Service Companies (Perjan), Public Companies (Perum) and Persero. This division was formed in accordance with the duties, functions and mission of the business at that time. Thus the first task of the state by forming business entities is to meet all the needs of society, when these sectors cannot be carried out by the private sector. BUMN as a company that obtains State Equity Participation is intended for a form of business that provides high-quality goods and services so that it has competitiveness in the domestic market or international market, and its main objective is to pursue profits to increase company value. The formulation of the problems discussed are: 1) What is the meaning of people's welfare in the management of BUMN in the perspective of Article 33 of the 1945 Constitution of the Republic of Indonesia? and 2) What are the problems in achieving people's welfare through the management of BUMN? Based on the research results, the authors conclude that the problem of achieving people's welfare through the management of BUMN still has a negative impression on the performance of BUMN operating in various economic sectors. BUMN are accused of being business entities that are inefficient and have low profitability. This condition is strongly influenced by the orientation of the establishment of BUMN, which initially prioritized meeting public needs and improving people's welfare compared to profit (profitability). In order to play their role optimally, BUMN can no longer operate solely to meet public needs, due to demands from the business environment in the globalization era for BUMN management to be more competitive so as to be able to provide public facilities with better quality and prices that are affordable to the people.

Keywords: *BUMN, Management, People's Welfare.*



A. INTRODUCTION

The involvement of the State in economic activities is basically a reflection of the substance of Article 33 of the 1945 Constitution, which states that "The branches of production which are important to the State and which affect the livelihood of the people at large are controlled by the State" (paragraph 2) and "Earth, water and the natural resources contained therein are controlled by the State and used as much as possible for the prosperity of the people" (paragraph 3). One embodiment of this article is that the State through its business unit or units, namely BUMN, carries out business activities that produce goods or services and manages natural resources to meet the needs of the wider community. Thus, because it involves the interests of the wider community, BUMN have a decisive role in supporting the implementation of national development, particularly in the economic sector (Viktoris, 2020; Hadley & Hatch, 2018).

Initially, State-owned enterprises (hereinafter referred to as BUMN) were the result of the nationalization of ex-foreign (Dutch) companies which were then designated as state companies. Then with Law no. 1 Prp 1969, the division of 3 types of forms of State-Owned Enterprises was formed into Service Companies (Perjan), Public Company (Perum) and Persero. This division was formed in accordance with the duties, functions and mission of the business at that time. Thus the first task of the state by forming business entities is to meet all the needs of society, when these sectors cannot be carried out by the private sector. Then such tasks are translated as a form of "pioneering" of business by the State which makes BUMN become agents of development. The understanding of BUMN as an agent of development continued until the 1980s, when this understanding had a "negative" impact because the control function of BUMN was considered very weak, BUMN as a nest of corruption and others (Lestari, 2018; Hafsa, 2022).

If at the central government level there are BUMN, then at the regional government level there will be Regional Owned Enterprises (BUMD). BUMD is actually formed to realize the noble goal of fulfilling community needs which is accompanied by achieving financial benefits to increase Regional Original Income (PAD). The development of regulations related to Regional Owned Enterprises (BUMD) is inseparable from the development of laws and regulations regarding State Owned Enterprises (BUMN). The forerunner to the regulation on BUMD was Law No. 5 of 1962 concerning Regional Companies, the formulation of which was inspired by the issuance of Perpu Number 17 of 1960 concerning State Companies.

The existence of BUMN in Indonesia today is regulated in Law Number 19 of 2003 concerning State-Owned Enterprises (BUMN Law). According to the provisions of Article 1 point 2 of the BUMN Law, it determines: "Limited company, is a BUMN in the form of a limited liability company whose capital is divided into shares of which all or at least 51% (fifty one percent) of its shares are owned by the Republic of Indonesia whose main objective is to pursue profit". The aims and objectives of establishing a BUMN are specified in Article 12 of the BUMN Law, namely as follows: 1) Providing high quality and effective goods and or strong services competitiveness; and 2) Pursuing profits in order to increase the value of the company.

BUMN as a company that obtains State Equity Participation is intended for a form of business that provides high-quality goods and services so that it has competitiveness in the domestic market or international market, and its main objective is to pursue profits to increase company value. Other provisions in the BUMN Law that provide special assignments for BUMN to carry out public interest are the provisions of Article 66 of the BUMN Law, which stipulates that: 1) The government can give special assignments to BUMN to carry out public benefit functions while still taking into account the aims and objectives BUMN activities; and 2) Each assignment as referred to in paragraph (1) must first obtain approval from the GMS/Minister.

The management of BUMN operating in various sectors of the economy has a negative impression of the performance of BUMN and is accused of being an inefficient and low-profit business entity (Estrin et al., 2016). This condition was strongly influenced by the orientation of the establishment of BUMN, which initially prioritized meeting public needs and increasing community welfare compared to profitability (Li et al., 2018; Dickey, 2020). BUMN have not been able to play the role optimally. BUMN can no longer operate solely to meet public needs, due to the demands of the business environment in the globalization era for BUMN management to be more competitive so as to be able to provide public facilities with better quality and affordable prices (Rahadiyan, 2018; Peters, 2020). Even though BUMN have achieved their initial goals as a driver of economic development and growth, this goal was achieved at a relatively high cost. The company's performance is considered inadequate, BUMN have not fully been able to provide high quality goods and/or services in the context of people's welfare at affordable prices and have not been able to compete in global business competition (Zimmerman, 2019; Yang et al., 2020).

B. METHOD

The research method used in journal writing is normative juridical, namely analyzing the relationship between the applicable laws and regulations with legal theories and the practice of implementing positive law concerning the issues discussed. This study will analyze legal issues, facts, and other legal phenomena related to the legal approach, then obtain a comprehensive picture of the issues to be examined. Research in the form of descriptive analysis will only describe the state of the object or problem and is not intended to draw or draw conclusions that are generally accepted regarding the management of BUMN for the welfare of society (Soekanto, 2010).

C. RESULT AND DISCUSSION

1. The Meaning of People's Welfare in the Management of BUMN in the Perspective of Article 33 of the 1945 Constitution

In his book *Managing or Chaos, Challenges of Globalization and Uncertainty*, the former State Minister for BUMN Empowerment, Tanri Abeng, expressed his belief in the importance of BUMN as the only remaining capital in the midst of a crisis that can function as an "engine" driving the national economy (Tjager, 2003).

As the person who first assumed the big responsibility of becoming the State Minister for BUMN Utilization, during the New Order era, BUMN was only handled by the directorate general of BUMN under the minister of finance, Tanri Abeng was determined to make BUMN a profit-oriented business institution and no longer a cash cow burdened with various interventions and socio-political missions that make BUMN vulnerable to disease. Tanri also plans a BUMN empowerment program through restructuring, profitability and privatization, both in the long term,

medium term and short term. In essence, Tanri's efforts are to make BUMN world-class corporations and economic locomotives as well as being a mainstay of Indonesia's debt payments.

But before these efforts yielded tangible results, Tanri had to recede and stage with the appointment of Abdurahman Wahid to replace B.J Habibie as president of the Republic of Indonesia. Abdurahman Wahid then appointed Laksamana Sukardi as Minister of Investment/Investment and Development of BUMN.

Even though at that time Laksamana Sukardi's term of office was very short because Abdurahman Wahid was in a hurry to replace him, his important breakthrough was laying the foundation for the implementation of good corporate governance (GCG) within BUMN while continuing various restructuring, profitization and privatization programs for BUMN and the Tanni Abeng era. In Laksamana Sukardi's view, GCG is the main key to empowering BUMN. Without the application of GCG principles, namely transparency, disclosure, independence and accountability, it will be difficult for BUMN to become a driving force for the national economy (Lu et al., 2017; Meyer & Thein, 2014).

With Megawati Soekarnoputri appointed as President of the Republic of Indonesia replacing Abdurahman Wahid, Laksamana Sukardi again assumed responsibility for leading the BUMN ministry office. The ministry office he leads, which is entrusted with the responsibility of fostering and developing BUMN, then prepares a master plan which is intended as a road map or guide for the implementation of the transformation of BUMN into a company that is strong in global competition and able to meet the expectations of all interested parties (stakeholders), and provides added value for shareholders.

Within the framework of the BUMN reform efforts contained in the BUMN master plan 2002-2006, BUMN restructuring can be seen as an effort made so that BUMN can operate more efficiently, profitably, competitively, transparently and professionally, so that BUMN can provide the best products and or services at affordable prices competitive prices to consumers, and provide dividends and taxes to the state. In addition, through restructuring, including management restructuring, the BUMN concerned has basically undergone a "repositioning" making it easier to be privatized at the right time.

Another important component of BUMN reform is privatization. The aim of implementing the privatization program is directed not only to meet the government's revenue needs through the State Budget, but to create value for companies. Privatization is actually an attempt to place the government's role in its true position, namely as a policy maker (regulator), and not as an operator. Privatization is also carried out with strategic considerations that the principle of benefit is prioritized over the principle of ownership. In this case, the question is always: which one is more beneficial to the nation and state, having a majority of BUMN but contributing to the marginal economy, or not owning them in a majority but having a greater contribution to the national economy?

The facts show that various Company which have been privatized provide far greater benefits than Persero which have not been privatized, either in the form of paying taxes to the State, dividends or in employment. The privatization of BUMN does not mean a reduction or loss of state control or sovereignty, because through the regulatory sector, the state remains in control. The definition of control through regulation refers to the fact that all companies within the territory of Indonesia, regardless of their owners, must comply with the laws and regulations made by the government of the Republic of Indonesia. However, privatization must still refer to the basic principles regulated in the 1945 Constitution, and the existing MPR Decree, and its implementation must be carried out in a transparent manner.

The success of this BUMN privatization strategic program is highly dependent on economic, social, political and security conditions as well as the support of all parties starting from BUMN management, workers' unions and other related parties or stakeholders. The GCG principles described as transparency, independence, accountability, responsibility and fairness are principles that are accepted and recognized internationally as the principles of good business management (Hernandes et al., 2022; Chrechy & Varriest, 2016).

Therefore, in addition to restructuring and privatization, the next key component in BUMN reform is the serious and consistent implementation of good corporate governance, for which implementation guidelines have also been stipulated, among others, through Minister of BUMN Decree No. 23 of 2000, dated May 31, 2000, regarding the development of good corporate governance practices in private companies, which was later refined through the Decree of the Minister of BUMN No. 117, dated August 1, 2002, regarding the implementation of good corporate governance practices in State-Owned Enterprises (BUMN). This last decision clearly emphasizes the obligation to apply GCG in the management of BUMN.

As discussed above, one of the missions of the BUMN Ministry office is to carry out reforms in the scope of work culture, strategy and business management to create professionalism based on the principles of good corporate governance in the management of BUMN. Thus, in the BUMN master plan, GCG is seen as an important foundation for the success of BUMN reform.

Oih because of that, the commitment to implement GCG principles in the BUMN environment is already a national commitment whose implementation cannot be postponed. To fulfill this national commitment, the Ministry of BUMN recently completed a good corporate governance assessment of 8 BUMNs that have gone public, and 2 BUMNs that may soon go public. In addition, in collaboration with BPKP, the Ministry of BUMN is also carrying out an assistance program and measuring the implementation of good corporate governance principles for 16 BUMNs.

In the context of implementing GCG, the Ministry of BUMN is also finalizing the final stages of 7 (seven) Statements of Corporate Intent (SCI) for 7 (seven)

BUMN. This statement will be a key document for the good corporate governance performance of BUMN in the future. This statement is a general statement by the company regarding the main strategy and performance targets of the company, after being agreed with the Minister of BUMN. In this way the general public (and the Ministry) can observe the company's performance by looking at the company's plans compared to the actual achievements at that time, so that the reward and punishment system can actually be carried out which in turn makes GCG implementation more effective.

In fact, there are many benefits of implementing GCG within BUMN. First, as we have shown in earlier chapters of this book, GCG can increase investor confidence. Increased investor confidence will make it easier to obtain financing that is cheaper and less rigid, especially at this time, where the government's budget is very limited for this (He & Cui, 2012; Buitago, 2020).

The second benefit is increasing the value of the firm, so that BUMN can help government revenues through the state budget. Third, GCG can improve company performance and efficiency by creating a better decision-making process. Directors and managers can manage the company in a transparent, accountable manner, under the supervision of a reliable (empowered) Board of Commissioners within a legal framework, and with good professional ethics, without conflict of interest, clean and prudent and accountable to stakeholders and environment. The real impact and this is that it will enable the creation of, among other things, a mechanism for the procurement of goods and services in a transparent and fair manner. The classic problems in the procurement of goods and services so far, such as mark-ups, fictitious procurement, and procurement that is not appropriate or not as needed will be eliminated by itself.

Fourth, improve the quality of BUMN services to stakeholders. BUMN that are healthy and highly competitive contribute to state revenues, have value for shareholders (investors), and improve people's welfare:

Table 1. Parameter of BUMN Contribution to People's Welfare

BUMN Relationship with	Old Assumption	New Assumptions
State/Government	The state/government must be the majority shareholder of BUMN	The community also participates, owns and the state/government does not have to be the majority shareholder
Shareholders, Investors	BUMN develop a social mission and political mission	BUMN carry out a value creation mission
Government, directors, investors	BUMN are business entities that are bureaucratic, inefficient, requiring intervention	BUMN is an efficient, dynamic, professional business organization

Government	BUMN operate independently, are allowed to monopolize, receive protection and subsidies	Synergy between BUMN or incorporated BUMN; core competencies, competitiveness
All stakeholders (government, commissioners, directors, employees, debtors, creditors, the public or consumers)	BUMN are closed, there is no accountability, there is no independence and transparency	BUMN is an independent, accountable, transparent and responsible business organization, as well as community development

2. Problems of Achieving Community Welfare through BUMN Management

In its development, there has been a negative impression regarding the performance of BUMN operating in various economic sectors. BUMN are accused of being business entities that are inefficient and have low profitability. This condition was strongly influenced by the orientation of the establishment of BUMN, which initially prioritized meeting public needs and improving people's welfare compared to profit (profitability). In order to play their role optimally, BUMN can no longer operate solely to meet public needs, due to demands from the business environment in the globalization era for BUMN management to be more competitive so as to be able to provide public facilities with better quality and prices that are affordable to the people. In addition, it is also realized that the monopoly rights that have been given to BUMN have made it difficult for BUMN to adapt to changes that occur due to the ongoing competitive market mechanism (Nugroho, 2008; Zhu et al., 2019).

Several problems that are often faced by BUMN and are usually used as considerations that encourage the implementation of privatization policies in several countries, according to the results of research by the World Bank (2004), are among others due to several problems in BUMN, namely:

First, inefficiency, overstaffing, and low productivity. These three problems are acute and dominant in BUMN which are fully under government control.

Second, the quality of goods and services is low. The quality of goods and services produced by BUMN is generally considered low by the public because of the weak quality of human resources and the lagging technology used by BUMN in producing goods and services.

Third, ongoing losses and increased debt. Some state-owned enterprises that are losing money and have large debts cannot immediately make improvements to improve their performance for several reasons. One of them is that BUMN assets originating from the state budget allowance (before the enactment of Law Number 19 of 2003 concerning BUMN) must be consulted with the government and even the DPR.

Fourth, not responsive to public needs. Delays in responding to public needs are generally caused by slow decision-making processes and a lack of entrepreneurial spirit in the BUMN management environment.

Fifth, the lack of funds to meet the needs of investment capital. One of the obstacles to the development of BUMN is the lack of investment funds, especially for business development purposes. Part of BUMN capital comes from debt so that the cost of capital (cost of capital) is higher than if it is funded with its own capital (equity).

Sixth, excessive vertical integration. Often government policies in the management of BUMN are very interventionive so that the management of BUMN experiences obstacles in making managerial decisions.

Seventh, diverse and conflicting goals. The dualism of BUMN goals, namely the goal of obtaining profits and providing social services to the public, is one of the obstacles for BUMN to enter a competitive market.

Eighth, the mission of the institution is misguided and irrelevant. The existence of political intervention and regulatory obstacles can disrupt the mission of BUMN as a business entity.

Ninth, the utilization and performance of assets that are not optimal. Investments made by BUMN, especially in the form of infrastructure, cannot be optimized (not fully employed), partly because of human resource capacity issues, conflicts of interest, bureaucracy, and legal obstacles.

Tenth, illegal practices. Illegal practices such as bribery, procurement of goods and services that are not in accordance with procedures, collusion and nepotism, as well as several other illegal practices in the management of BUMN. The implementation of good corporate governance (GCG) is expected to clean up these illegal practices.

Eleventh, theft and corruption. The high incidence of theft and corruption within BUMN is a problem that needs to be seriously scrutinized by both the government and the management of BUMN.

Entering the era of globalization, several BUMNs have made management improvements, especially operational efficiency, to be able to face market competition. Corrective steps taken include business restructuring, reducing the number of employees, implementing a management control system, and other strategic policies. BUMN that do not improve management will usually face various difficulties, especially in the financial sector. Some BUMNs experience a lack of liquidity even to carry out their routine activities in dealing with this problem.

To overcome the problems faced, as well as expand the business scale in order to achieve economies of scale, the steps taken by most of the underperforming

BUMN are through increasing corporate debt. By continuing to run the company on the basis of high-cost operations, and in some cases exacerbated by excessive government intervention, BUMN management is unable to improve performance. In fact, the debt burden increases from time to time. This problem is like a never-ending circle or a vicious funding cycle that always entangles the management of BUMN.

The potential for BUMN management for welfare can be through, namely:

First, helping the government to obtain development funds: By privatizing, companies are expected to make a greater contribution to the state, both in the form of taxes and dividends as well as direct contributions to the state budget. The involvement of the private sector in the development of telecommunications infrastructure has a positive contribution to improving services to the public. By involving the private sector, development funds will become larger so as to create a more democratic Indonesian economy.

Second, a substitute for the Government Capital Additional Deposit Obligation: BUMN are one of the assets owned by the government as well as agents in carrying out national development. The contribution of post-privatization BUMN has shown a significant increase. When the IPO was held, the government also sold part of the Series B shares owned by the Republic of Indonesia (divestment). The proceeds from the sale of the Series B shares are fully used by the government to fund government needs, such as repaying foreign loan installments and covering shortfalls in the state budget.

Third, encouraging the Domestic Capital Market: Privatization through the issuance of shares (initial public offering) is expected to encourage the domestic capital market. Issuance of shares of Telekomunikasi. Indonesia Ltd, has a significant contribution to the capital market with a market capitalization level of approximately 18 percent. Such a capitalization is the largest value ever given by an issuer on the Jakarta Stock Exchange.

Apart from its imperfections, it is clear that the promulgation of the BUMN Law has resulted in a number of fundamental changes to the existence of BUMN in Indonesia, among others:

First, Law No. 19 of 2003 only recognizes two forms of BUMN, namely Limited Liability Companies (Persero) and Public Companies (Perum). Thus, BUMN in the form of Bureau of Companies (Perjan) will be dissolved which will be stipulated by a Government Regulation. In this connection the function of public utility (service) which has been the task of Perjan, will be given a special assignment by the government to Persero or Perum. The granting of the special assignment of public benefit functions to Persero or Perum must first obtain the approval of the GMS/Minister.

Second, if in the previous laws and regulations the position and duties of Perum are to serve the public interest and at the same time to cultivate profits and operate in fields that the government considers vital. Besides carrying out company

duties, Perum can also be burdened with government duties. This is not the case with the BUMN Law, the purpose and objective of a Perum is to run a business aimed at public benefit in the form of providing quality goods and/or services at prices that are affordable to the community based on the principles of sound corporate management.

From the conception of the BUMN Law regarding the purposes and objectives of Perums, the business fields managed by Perums are no longer limited by the vital nature of the fields that become their business. The space for Perums to move is more flexible, provided that the origin of the provision of goods and services by Perums is that the price is affordable for the public, but is still based on the principles of sound corporate management.

Third, if in the previous laws and regulations the Persero conducts corporate business which can be carried out by the private sector and not solely the government's task. The goods produced by the company are not the obligation of the state to produce them.

Based on the BUMN Law, the aims and objectives of BUMN are no longer formulated in the perspective of government and private thinking. Persero in the perspective of the BUMN Law is not the same as a private company. Persero is projected to be able to compete with privately owned companies. Persero must be able to provide goods/services of high quality and strong competitiveness. This goal certainly cannot be separated from the aims and objectives of the company to pursue profits in order to increase the value of the company, as is the case with privately owned companies. The BUMN Law also stipulates that all provisions and principles that apply to limited liability companies as stipulated in Law Number 1 of 1995 concerning Limited Liability Companies, which have been amended by Law Number 40 of 2007 regarding Limited Liability Companies.

Fourth, if in the previous laws and regulations, the Directors of Perum were appointed and dismissed by the President at the suggestion of the minister concerned, then based on the BUMN Law the appointment and dismissal of the Directors of Perum were determined by the Minister in accordance with statutory mechanisms and regulations. As for Stakeholders, in the previous laws and regulations the appointment and dismissal of the Main Director and Director of the Persero by the Minister of Finance as the GMS was based on the minister's proposal. Meanwhile, according to the BUMN Law, the appointment of the dismissal of the Board of Directors is carried out by the GMS and in the case of the Minister acting as the GMS, the appointment and dismissal of the Board of Directors is determined by the Minister.

Fifth, based on the provisions of the previous laws and regulations, members of the Board of Directors of Perum and Persero are appointed based on the requirements of ability and expertise in the field of management of the company, fulfilling other requirements needed to support the progress of the company they lead and in accordance with the applicable laws and regulations. On the other hand,

if the Minister is of the opinion that the proposed candidates for the directors of the Persero do not meet the stipulated requirements, the Minister of Finance requests the Technical Minister to propose other candidates. Unlike the case with the BUMN Law, the appointment of members of the Directors of Persero and Perum is carried out through a fit and proper test mechanism. This similar pattern of appointment of directors was not found in previous laws and regulations.

Prospective members of the Board of Directors who have passed the fit and proper test by the BUMN Law are required to sign a management contract prior to their appointment as members of the Board of Directors. This mechanism was also not found in previous laws and regulations.

Table 2. BUMN Management 1945-2019

Year	Government Era	Politics of Law	BUMN Arrangement
1945-1965	Soerkarno	State Enterprises were controlled by the government to stimulate the economy which was still weak at that time. State Enterprises were formed with the aim of supporting infrastructure development	Law Number 71 of 1957. Nationalization of the Railway Service, the Indonesian Post Office, Garuda Indonesia Ltd and the Telecommunications PN.
1966-1998	Soeharto	Ordering the budget, controlling the banking sector, restoring the market economy, paying attention to the economic sector, and embracing western countries to attract capital. Liberalization of trade and investment	Law Number 6 of 1968 concerning Domestic Investment, Law no. 9 of 1969 concerning Forms of State Enterprises, Presidential Instruction No. 17 of 1967 concerning Public Companies and PP No. 24 of 1972 concerning Persero.
1998-1999	Habibie	Efforts to improve BUMN through professionalism, restructuring, profitization under the control of Tanri Abeng, led to the era of enlightenment during the Habibie Development Reform Cabinet. Habibie's period is known as the period of reinventing BUMN through privatization	-
2009-2004	Megawati and Gusdur	BUMN privatization program by means of partnerships in which foreign companies are involved as investors	Law Number 19 of 2003 concerning BUMN.
2004-2014	Susilo Bambang Yudhoyono	Privatisasi BUMN is carried out with the aim of making a profit. Shares can be purchased by foreign parties, such as the	-

		telecommunications business sector	
2014-2019	Joko Widodo	BUMN holding strategy by making BUMN a national company that can compete in the global era.	There is a 2015 Supreme Court decision that holding is not against the BUMN Law

Source: Data Proceed

D. CONCLUSION

The meaning of people's welfare in the management of BUMN in the perspective of Article 33 of the 1945 Constitution of the Republic of Indonesia, that BUMN was born as a mandate from Article 33 of the 1945 Constitution, its formation was aimed at realizing a welfare state (read: people's welfare). Thus the Management of BUMN must be able to compete and run fairly, not rigidly, effectively and efficiently, with a professional and competitive strategy. As far as possible the direction of the policy is not bureaucratic and efficient like private companies in general. The urgency of changes to BUMN regulations, if there is still a desire to apply the current management model. The implications of BUMN management within the framework of a welfare state based on the Limited Liability Company (PT) mechanism have given rise to a model of BUMN business activities that is not on target. So that the ideals of the state to be able to achieve a country whose people are prosperous, are still very far from reality.

The problem of achieving people's welfare through the management of BUMN still gives a negative impression of the performance of BUMN operating in various sectors of the economy. BUMN are accused of being business entities that are inefficient and have low profitability. This condition was strongly influenced by the orientation of the establishment of BUMN, which initially prioritized meeting public needs and improving people's welfare compared to profit (profitability). In order to play their role optimally, BUMN can no longer operate solely to meet public needs, because there are demands for the business environment in the globalization era so that BUMN management is more competitive so as to be able to provide public facilities with better quality and prices that are affordable to the people.

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