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RESTRUCTURING-PROFITIZATION PATTERN OF NATIONAL ECONOMIC HEALTH

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ABSTRACT*--The principle strategic State-Owned Enterprises is to make esteem, so it can turn into a train of national financial wellbeing. The worth arrangement system is done utilizing the Restructuring-Profitization example, and afterward privatization. In any event, as indicated by an examination from Booz-Allen there was a decrease in the estimation of State-Owned Enterprises and a low degree of wellbeing. The estimation of State-Owned Enterprises originates from the responsibility for in all vital business areas and the potential for expanding the worth and benefit from advertise control including monopolistic position. The underlying idea was the manner by which to build an incentive with the idea of significant worth creation through benefit methodology. With high benefit, State-Owned Enterprises will be a high worth, so if a portion of their offers are sold, a generous sum will be gotten to pay obligations to the IMF. Consequently, a far reaching change of the structure and the board of State-Owned Enterprises is required. Required administration of state resources that have been isolated under State-Owned Enterprises with centered way in one organization so they can synergize and create like private and global business elements.*

Keywords*-- state owned enterprises, funding source, small medium enterprises*

I. INTRODUCTION

From 158 State-Owned Enterprises that existed at the time, 50% were classified as unhealthy, including state banks that were practically insolvent as a result of the monetary crisis. The main mission of State-Owned Enterprises is to create value, so it can become a locomotive of national economic health. The value formation strategy is carried out using the Restructuring-Profitization pattern, and then privatization, new privatization in the context of achieving 9 objectives as listed in Figure 1 on the following page. Although the performance of State-Owned Enterprises companies is not yet optimal, its role in the field of economic development is increasingly significant. Total assets at the end of 2013 reached Rp. 4,203 trillion with a net profit as much as Rp. 150, 7 trillion. (For comparison, profit in 2013: 141 Indonesian State-Owned Enterprises USD 13 billion, 1 Malaysian State-Owned Enterprises (Petronas) USD 20.4 billion, 128 Chinese State-Owned Enterprises USD 208 billion).

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II. OPTIMIZING THE PERFORMANCE AND ROLE OF STATE-OWNED ENTERPRISES

Optimizing the performance and role of State-Owned Enterprises can be pursued through four initiatives that require state commitment, namely:

1. Depolitization **-** this is free from the influence and intervention of political power, both from the placement of management (Director and Commissioner) and in operational matter. In carrying out its fiduciary duty, the Director of State-Owned Enterprises must be free from political and bureaucratic intervention in order to take corporate actions in accordance with the strategic steps needed to create added value towards profitability as the basis for developing State-Owned Enterprises itself.

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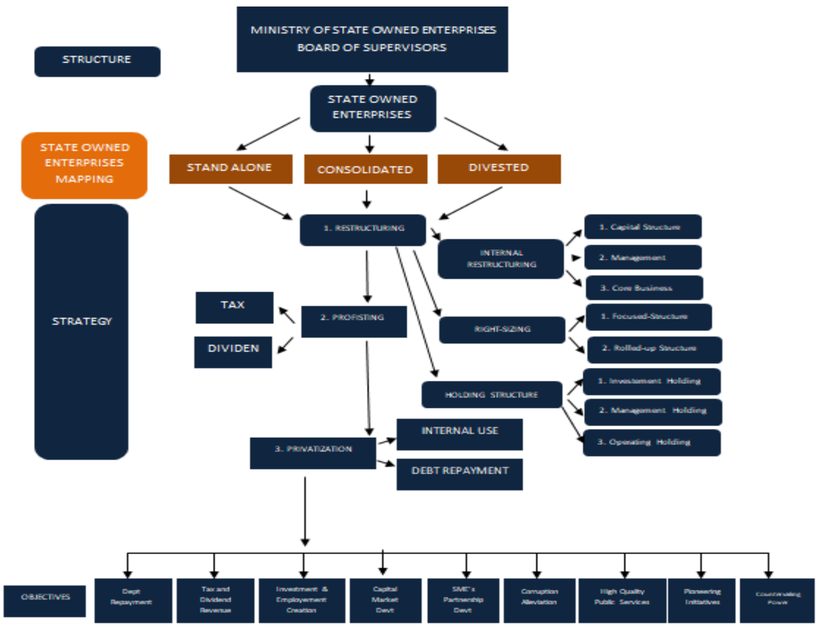

Figure 1: State-Owned Enterprises Empowerment Strategy

2*) *Debureaucratization –In order State-Owned Enterprises as institutions of economic actors engaged and competing in all business sectors need agility and an entrepreneurial approach. Bureaucrats should be positioned as a regulator, so there is no conflict of interest to be able to carry out effective regulatory and supervisory functions. State-Owned Enterprises is managed by professionals who have business and entrepreneurial skills.

3) Blue Print of State-Owned Enterprises **–**is the strategy of utilizing State-Owned Enterprises through the Restructuring-Profitization process before Privatization. The implementation of this blue print can make State-Owned Enterprises as a powerful state-owned economic agency and have a global scale size through the implementation of the concept of consolidation and the formation of sectoral holding that is managed professionally. Thus State-Owned Enterprises, numbering 141, can be restructured and managed in a more focused manner with only around 40 consisting of holding companies and standalone companies which later developed into holding companies because they already have healthy subsidiaries. In condition of strength like this, Indonesian State-Owned Enterprises can become Counterfailing Power for the forces of other economic actors including FOE and Private Owned Enterprises. So State-Owned Enterprises truly become state instrument for implementing the 1945 Constitution.

4) State-Owned Enterprises assets –as separated state assets - not subject to state financial laws. As a corporation or business entity, State-Owned Enterprises should obey the laws of limited liability company,
Beside of State-Owned Enterprises laws, because understanding logically is as follows:

- State-Owned Enterprises are engaged in a dynamic business environment and must be able to move, cooperate and compete with other economic actors who are subject to the law of limited liability company.
- The progress of a State-Owned Enterprises can be measured by its ability to enter the capital market as a long-term source of funding. Thus State-Owned Enterprises shares are no longer wholly owned by the state.
- State-Owned Enterprises losses cannot be considered as state losses because business strategies can take into account short-term losses to obtain long-term positions and profits. Moreover, losses due to policies do not take opportunity lost, it can be far greater than momentary losses that can be calculated carefully. This is where the Business Judgment Rule (BJR) refers to law and economics based on efficiency.
- As a company, State-Owned Enterprises is subject to good governance, corporate governance that has competence and accountability that is systemized in limited liability company organs. First, the board of directors has a fiduciary duty to manage State Owned Enterprises in a transparent, professional and accountable manner. Furthermore, the board of commissioners with supervisory instruments in form of audit committees, nominations and remuneration as well as risk and investment are strong enough to meet management requirements of prudent company and professionally responsible.

“People-Owned Enterprises, is the concept of corporatization of cooperatives and Small and Medium Enterprises with the same legal status, structure and position and are equal to other economic actors. This alignment is also reflected in the strength of the People-Owned Enterprises which has productive businesses that are economies of scale, market-oriented, efficient like modern corporation that is professionally managed.

III. THE LAST LAYER IS AT THE GENERAL MEETING OF SHAREHOLDERS

The last layer is at the General Meeting of Shareholders which gives approval as well as supervision through the mechanism of the General Meeting of Shareholders which is not only followed by the Minister of State-Owned Enterprises as chair of the General Meeting of Shareholders but also by the public shareholders for State-Owned Enterprises that have been registered at domestic and foreign stock exchanges.

1. Local-Owned **Enterprises** born in line with the administration of regional autonomy-based government. Local Owned Enterprises is difficult to develop because it does not yet have economies of scale and limited capitalization. Moreover, the country's wealth in form of natural resources in the area is still controlled by State-Owned Enterprises, national and foreign private companies. In addition, it is difficult to find professional management personnel to be placed in the region. One of the strategies is that this Local Owned Enterprises builds strategic alliances with Private Owned Enterprises and State-Owned Enterprises in an equal bargaining position. The ownership practice of PEMDA through this Local Owned Enterprises to business opportunities based on assets or natural resources in the region is always a minority. The reason is that funding sources are not available to PEMDA.

Even the private sector through People-Owned Enterprises, for example, seeks funds by lending assets owned by the region. Therefore, this Local Owned Enterprises must have creative and innovative professional management.

2. People-Owned Enterprises, is the concept of corporatization of cooperatives and MSME with the same legal status, structure and position and are equal to other economic actors. This alignment is also reflected in the strength of the People-Owned Enterprises which has productive businesses that are economies of scale, market-oriented, efficient like modern corporation that is professionally managed. However, the nature of the family and the principles of togetherness in accordance with the spirit of Article 33 of the 1945 Constitution continue to characterize People-Owned Enterprises economic institution.

Data from the Ministry of Cooperatives and Small and Medium Enterprises showed that the institutional structure of national economic actors is very uneven. The total number of Small and Medium Enterprises is 56.534.592 compared to 4.968 Large Enterprises or 99,99% versus 0,01%. Direct employment is 107.657.509 (97,2%) compared to 3.150.645 (2,8%). Even if the average Big Enterprise employs indirect labor for ten times the direct workforce, the balance of contribution to total workers is still 25% compared to 75% for Small and Medium Enterprises. On the other hand, the total non-oil export of Big Enterprises controls is 86%, while Small and Medium Enterprises only get 14% share. A detailed comparison of the number of Large Enterprises and Small and Medium Enterprises;

IV. SMALL AND MEDIUM ENTERPRISES PROBLEMS

Small and Medium Enterprises, especially those engaged in the natural resource sector, are located in rural areas with characteristics:

1. The scale of the business is too small to be marketably profitable;
2. Do not have market access and low bargaining power because it is too small;
3. Do not have knowledge of the quality that determines market prices;
4. Do not have access to funding, especially because of land ownership cannot be guaranteed;
5. The source of funding with the pattern of "*ijon*" which is always high cost, the price of production is only determined by the *pengijon*;
6. Do not have access to regular production needs (equipment, fertilizer and etc) at a reasonable price;
7. Rural infrastructure does not yet support cost-effective production, marketing and logistics processes;
8. Management, technical and management skills are so limited that they cannot increase productivity and quality to increase revenue;
9. Low quality of human resources;

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10. Business management is still weak.

Ironically, the exclusive economic and financial system enriches the big actors and leaves the small actors. The more advanced the large businesses, the more they will obtain funding from any source, including from the public. Conversely, the smaller the micro businesses, especially new ones, are increasingly shunned by financial institutions including government banks. This is the reason, among other things, why the number of micro businesses which are around 55,8 million or 98,8% of all national business units remain at the bottom of the pyramid.

V. NON-INCLUSIVE FUNDING SOURCE

Ironically, the exclusive economic and financial system enriches the big actors and leaves the small actors. The more advanced the large businesses, the more they will obtain funding from any source, including from the public. Conversely, the smaller the micro businesses, especially new ones, are increasingly shunned by financial institutions including government banks. This is the reason, among other things, why the number of micro businesses which are around 55,8 million or 98,8% of all national business units remain at the bottom of the pyramid. The government has encouraged and facilitated diverse funding sources - beside from the APBD, APBN also through the Micro Community Business Credit program, KUMK program, LPD-KUKM program, PNPM, and even CSR program from foreign and national companies. There are various sources of funding, but not integrated with inclusive economic and financial institutions such as People-Owned Enterprises. These funding sources facilitated by the government are unable to lift the position of Small and Medium Enterprises because,

1. The sources of funding are too fragmented, and are not organized and systemized to obtain Small and Medium Enterprises target that have a feasible and bankable business structure;
2. The involvement of bureaucrats who do not understand the dynamics of business and economics cuts the link and match between the government as an allocator and democracy of economic actors with eight points of weakness;
3. The orientation of funding allocation tends to use a political approach with practices that have a short-term transactional pattern;
4. Relatively successful source of funding is the Micro Community Business Credit because it is directly implemented by state banks.

VI. CONCLUSION

The effectiveness and objectives of Micro Community Business Credit are not yet optimal, as the Micro Community Business Credit Distribution Act Realization data: 1) Ceiling as much as Rp. 158.25 trillion versus the realization as much as Rp. 50.04 trillion, which means that absorption is only 31, 62%; 2) Debtors reached 11,3 million, still far below the number of Small and Medium Enterprises as many as 56.8 million; 3) The largest recipient of credit is the trade sector (Rp. 29,3 trillion with 7,4 million debtors), which does not contribute large added value; 4) The agricultural sector which can contribute the largest national income only receives Rp. 10,3 trillion with 1,8 million debtors. Even though the biggest portion of 56,8 million Small and Medium Enterprises is

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in the agriculture sector; 5) Interest rates are still high (22% micro Micro Community Business Credit and 14% Micro Community Business Credit retail). As long as access to funding is not yet reached by Small and Medium Enterprises because the business scale is not feasible and bankable, it is not possible to increase Small and Medium Enterprises contribution in the formation of PDB while contributing to inclusive growth.

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