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State-Owned Enterprises As Development Agent: Between Business Interests and Social Responsibility

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***Abstract**: This research examines the dual role of State-Owned Enterprises (SOEs) as business entities and agents of national development. The study analyzes how SOEs balance profit orientation with social responsibility in carrying out their function as a state instrument in economic development. Through a literature review approach and document analysis of several SOEs in Indonesia, the research reveals the dynamic relationship between commercial objectives and social missions. The results indicate that SOEs face dilemmas in balancing business efficiency with the public service obligations, while corporate governance emerges as a key factor in optimizing both roles. The research concludes that clear regulatory frameworks and effective monitoring mechanisms are necessary to ensure SOEs can optimally fulfill their dual fuctions.*
***Keywords:** SOEs, Social Responsibility, Corporate Governance, Economic Development, Business Interests.*

INTRODUCTIONS

State-owned enterprises (SOEs) occupy a strategic position in the Indonesian economy as implementers of government policies and business entities that must generate profits. Quantitatively, the contribution of SOEs to the national economy is significant. In 2022, the total assets of all SOEs reached IDR 9,245 trillion or equivalent to 49.8% of Indonesia's GDP, while the contribution of SOEs to state revenues reached IDR 512 trillion in the form of taxes, dividends, and non-tax state revenues (Ministry of SOEs, 2023). In addition, SOEs absorb more than 750,000 direct workers, making them one of the main pillars in providing formal employment in Indonesia. The dualism of the role of SOEs creates a unique dynamic that is not found in ordinary private companies. On the one hand, SOEs are required to be efficient organizations and generate profits for the state, on the other hand, they bear the responsibility as development agents that must carry out social functions (Didu, 2018).

Data from the Ministry of SOEs shows that throughout 2022, SOEs have allocated funds of IDR 22.4 trillion for social and environmental responsibility programs. This amount reflects the financial burden that SOEs must bear to carry out their social functions, which is not generally faced by private companies. Since the issuance of Law No. 19 of 2003 concerning SOEs, the government has determined that SOEs have a dual role, namely as economic entities and development agents. Article 2 paragraph (1) of the Law explicitly states that one of the objectives of establishing SOEs is to "actively provide guidance and assistance to entrepreneurs in the lower economic class, cooperatives, and the community". However, implementation in the field shows that the balance between the two roles is not always achieved optimally. Some SOEs tend to focus on the business aspect and pay less attention to their social responsibility,

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while others emphasize the social role too much to the point of ignoring the aspect of business efficiency (Nugroho and Siahaan, 2019).

The imbalance is reflected in SOE performance data. In 2022, of the 114 SOEs operating in Indonesia, 86 SOEs recorded profits while 28 others experienced losses. Further analysis shows that several SOEs that suffered losses were those burdened with public service obligations (Public Service Obligations/PSOs) such as PT PLN and PT Kereta Api Indonesia, with a total PSO value reaching IDR 157.3 trillion (BPK RI, 2023). This data indicates a correlation between the burden of social responsibility and the financial performance of SOEs, although other factors such as operational efficiency and governance also play an influential role.

From a global perspective, the phenomenon of dualism in the role of state-owned enterprises also occurs in various countries with varying degrees of variation. A study conducted by the Organization for Economic Co-operation and Development (OECD) in 2021 on state-owned enterprises in 54 countries showed that there is a global tendency to balance the commercial and non-commercial functions of state-owned enterprises through a clearer policy framework. Countries such as Singapore, Malaysia, and South Korea have developed relatively successful SOE management models that balance these functions (OECD, 2021). This study aims to analyze more specifically how SOEs in Indonesia balance these dual roles, the factors that influence this balance, and their implications for overall SOE performance. This study also seeks to identify best practices in SOE management that can maximize the contribution of SOEs both as business entities and as development agents. Another important aspect that will be examined is how regulations and corporate governance affect the ability of SOEs to carry out their dual functions.

This research is relevant in the current economic situation where the Indonesian government is increasingly relying on SOEs as an instrument to accelerate infrastructure development and economic equality. SOE investment in national strategic projects has reached IDR 623 trillion in the last five years, with a key focus on infrastructure, energy, and telecommunications development (Ministry of National Development Planning/Bappenas, 2022). The large allocation of public resources demands a better understanding of how SOEs can be optimally managed to maximize value for all stakeholders, not only from a financial perspective but also from a social and environmental perspective.

RESEARCH METHODS

This study uses a qualitative approach with document analysis and literature study methods. The data used in this study consists of secondary data sourced from BUMN annual reports, sustainability reports, government policy documents, and scientific publications related to BUMN management in Indonesia during the 2018-2023 period. The data collection process was carried out through a systematic search of these documents focusing on aspects related to business strategy, social responsibility programs, corporate governance, and BUMN financial and social performance. The analysis was conducted on five BUMNs selected based on different sector representations, namely PT Pertamina (energy), PT Bank Mandiri (banking), PT Telkom Indonesia (telecommunications), PT Semen Indonesia (manufactauring), and PT Perkebunan Nusantara III (agriculture).

Data analysis using thematic analysis methods with the following stages: (1) Sorting data based on key themes such as business strategy, social programs, decision-making mechanisms, and performance evaluation; (2) Data coding to identify patterns that emerge from various sources; (3) Data interpretation to understand how SOEs balance business interests and social responsibilities; and (4) Validation of findings through triangulation of data sources. To ensure the validity of the data, this study uses triangulation techniques by comparing information from various sources and conducting peer reviews of the interpretation of the findings. The main limitation of this methodology is the reliance on secondary data that may not fully reveal the internal dynamics of decision-making in SOEs.

RESULTS AND DISCUSSION

The analysis results show that state-owned enterprises in Indonesia face a dilemma in balancing business interests and social responsibility. PT Pertamina, for example, as the largest energy company in Indonesia, must meet the government's demands to ensure the availability of affordable energy throughout Indonesia, even in commercially unprofitable areas. According to data reported in Pertamina's 2022 Annual Report, the company suffered losses of up to IDR 15 trillion due to the fuel subsidy policy. This situation illustrates how social responsibility often harms the financial performance of state-owned enterprises (Pertamina, 2022). The banking sector represented by PT Bank Mandiri shows a different pattern. Bank Mandiri has succeeded in integrating financial inclusion programs as a business strategy. The Mandiri Sahabat UMKM program not only fulfills the social responsibility aspect in supporting micro, small, and medium enterprises but also opens up a new potential market segment for the bank. As a result, Bank Mandiri recorded MSME credit growth of 12.7% in 2022, higher than corporate credit growth (Bank Mandiri, 2022). This shows that with the right strategic approach, social responsibility can be aligned with business interests.

PT Telkom Indonesia adopted a similar approach by developing telecommunications infrastructure in underserved areas through the Universal Service Obligation (USO) program. Although the initial investment for infrastructure development in these areas is not economical in the short term, in the long term Telkom benefits from market expansion and a positive image. It is in line with the findings of Pranoto and Yusuf (2020) who stated that integrating social responsibility into a business model can create shared value for the company and society. Analysis of corporate governance reveals that SOEs with strong governance structures tend to be better at balancing business and social interests. PT Semen Indonesia, which has consistently implemented good corporate governance principles, can manage its social responsibility programs more effectively and integrated with business strategies. Transparency in reporting social and environmental performance demonstrated through the publication of comprehensive sustainability reports allows stakeholders to monitor how SOEs fulfill their social responsibilities (Semen Indonesia, 2021).

Political intervention is a significant factor influencing the balance of SOE roles. PT Perkebunan Nusantara III (PTPN III), for example, is often faced with government policies that are more oriented toward short-term socio-political goals such as stabilizing agricultural commodity prices, which sometimes conflict with the company's long-term business strategy. Mahmud (2022) argues that clarity in the division of roles between BUMN as a business entity and a government policy agent is essential to avoid conflicts of interest that can disrupt the overall performance of BUMN. Evaluation of BUMN CSR programs shows a paradigm shift from a traditional philanthropic approach to more substantive community empowerment. Programs such as Kampung Digital by Telkom, Rumah BUMN by Bank Mandiri, and Desa Mandiri Pertamina reflect BUMN's efforts to create a broader social impact and a more independent system. However, coordination between BUMN in implementing CSR programs still needs to be improved to avoid overlap and maximize positive impacts on the community (Widiyanarti, 2022).

CONCLUSION

This study reveals that SOEs in Indonesia face significant challenges in balancing their roles as business entities and development agents. This balance is influenced by various factors including corporate governance, the level of political intervention, and management capacity in integrating social values into business strategies. The study findings suggest that the dichotomy between business interests and social responsibilities does not always apply, especially when social responsibilities are integrated into the SOE business model. SOEs that successfully create shared value between business and society tend to perform better overall. This approach allows SOEs to fulfill both roles more effectively.

Clear regulations regarding the division of SOE roles as business entities and government policy agents are essential to avoid conflicts of interest. In addition, effective oversight mechanisms from various stakeholders including the government, society, and the private sector can help ensure the accountability of SOEs in carrying out their dual roles. For further research, it is recommended to explore innovative business models that can help SOEs balance business interests and social responsibilities more effectively. Comparative studies across countries can also provide valuable insights into best practices in managing SOEs as national development instrument.

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