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Implementation of Good Corporate Governance by the Bureau of Economic Affairs in its Supervisory Role Over Regional-Owned Enterprises (BUMD) in East Java

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ABSTRACT

This study aims to describe and analyze the scope of supervisory duties carried out by the Bureau of Economic Affairs over Regional-Owned Enterprises (BUMD) in East Java, as well as the principles of Good Corporate Governance applied by the Bureau in its supervisory role. The research adopts an empirical juridical approach, which examines applicable laws and regulations about real-world conditions in the field. The results indicate that the scope of supervisory duties by the Bureau of Economic Affairs for Regional-Owned Enterprises in East Java includes organizational, management, and financial development; governance supervision; asset utilization oversight; and business development guidance. The principles of Good Corporate Governance applied by the Bureau in its supervisory duties include: 1. Transparency, 2. Accountability, 3. Responsibility, 4. Independence, and 5. Fairness.

KEYWORDS

Implementation; Good Corporate Governance; Supervision



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INTRODUCTION

Regional-owned enterprises play a vital role in supporting the success of regional development. In line with their objectives, Regional-Owned Enterprises are expected to drive regional economic growth, provide supporting goods and services that benefit the public, and contribute to local revenue through legitimate business profits, ultimately creating value and promoting the welfare of the local community.¹

According to the Directorate General of Regional Fiscal Development at the Ministry of Home Affairs, there are currently 1,056 Regional-Owned Enterprises in Indonesia. This includes 205 BUMD owned by Provincial Governments and 851 owned by Regency/Municipal Governments. These enterprises hold total assets of IDR 899.4 trillion, equity amounting to IDR 236.6 trillion, profits of IDR 29.6 trillion, and dividends of IDR 13.02 trillion.² Meanwhile, according to the Financial Statistics of State-Owned and Regional-Owned Enterprises published by Statistics Indonesia, there were 829 Regional-Owned Enterprises across Indonesia in 2021. Of these, 114 were owned by Provincial Governments and 715 by Regency/Municipal Governments. The total assets of all BUMD reached IDR 920 trillion, with equity valued at IDR 221.27 trillion by the end of 2021. The total profit generated by these BUMD amounted to IDR 13.34 trillion. According to the report, BUMN/BUMD were engaged in 14 business sectors.³ However, the performance of Regional-Owned Enterprises has yet to meet expectations. Several issues continue to hinder their effectiveness, including underwhelming performance, recurring financial losses, and ongoing corruption within some Regional-Owned Enterprises.

Regional-owned enterprises have a dual role in society. On one hand, they are mandated to fulfill public service obligations (Public Service Obligation), similar to State-Owned Enterprises, by providing goods and services that benefit the general public in their respective regions. On the other hand, regionally owned enterprises are business entities that are expected to generate profit. This dual role in both the public and private domains often results in less competitive performance and interference from non-business interests.⁴

To ensure the smooth operation of Regional-Owned Enterprises, regional heads, as the highest authority, typically establish a coordination team. This team plays a role in overseeing, evaluating, and guiding the Regional-Owned Enterprises within their jurisdiction. The regional head must ensure that the team members possess adequate expertise and experience in supervising Regional-Owned Enterprises. With the right composition, the team is expected to provide constructive recommendations and formulate effective strategies to enhance the performance of Regional-Owned Enterprises in serving the community and

¹ Nur Qamariah, "The Juridical Analysis in Positive Law in Indonesia Against the Practice of Using ShopeePay Later" (2025) 1:1 J Verum Legis Indones 22–27, online: <<https://journal.abhinaya.co.id/index.php/jvli/article/view/19>>.

² Koran Tempo, "Dirjen Bina Keuangan Daerah Berikan 10 Arahan Tingkatkan Kinerja BUMD", (2023).

³ Badan Pusat Statistik, *Statistik Keuangan Badan Usaha Milik Negara dan Badan Usaha Milik Daerah 2021*.

⁴ Yudho Taruno Muryanto, *Tata Kelola BUMD Konsep, Kebijakan dan Penerapan* (Malang: Intrans Publishing, 2017).



supporting regional development.⁵ The regional government, as the owner of Regional-Owned Enterprises, must carry out supervision based on the principles of effective Good Corporate Governance in overseeing the performance of these enterprises.

The implementation of Good Corporate Governance in the supervision of Regional-Owned Enterprises is crucial to ensuring sound and accountable governance. Good Corporate Governance in Regional-Owned Enterprises aims to enhance performance, transparency, and accountability, while reducing the risk of corruption and abuse of authority. Applying principles such as transparency, accountability, responsibility, independence, and fairness helps Regional-Owned Enterprises achieve their strategic objectives and contribute positively to regional economic development. The application of Good Corporate Governance principles by regional governments in supervising and overseeing Regional-Owned Enterprises is essential for improving transparency, accountability, and the efficiency of regional asset management, as well as for preventing corruption and misuse of power. Good Corporate Governance ensures that Regional-Owned Enterprises are managed professionally and provide optimal benefits to both the public and the region.

Legally, several regulations govern the implementation of Good Governance principles in the supervision of Regional-Owned Enterprises (BUMD), including Government Regulation No. 54 of 2017 on Regional-Owned Enterprises, Article 92 paragraph (1), which explicitly states that Regional-Owned Enterprises are required to implement the principles of Good Corporate Governance namely transparency, accountability, responsibility, independence, and fairness. Additionally, Law No. 23 of 2014 on the Regional Government regulates the position of Regional-Owned Enterprises as part of regional government affairs and provides a legal framework for supervision and oversight by regional heads. Minister of Home Affairs Regulation No. 118 of 2018 on Business Plans, Work Plans and Budgets, and Reporting of Regional-Owned Enterprises further reinforces the obligation of performance reporting and accountability as part of Good Corporate Governance principles. These regulations provide legal authority and clear policy direction to guide the supervision of Regional-Owned Enterprises, aiming for more professional, transparent management that is free from conflicts of interest. As shareholders, regional governments are authorized and obligated to supervise and guide the performance and governance of Regional-Owned Enterprises by these regulations.

Good Corporate Governance for government institutions or public agencies serves as an essential first step in adapting to an ever-changing landscape. Sound organizational governance within public institutions ensures that all stakeholders experience fairness, transparency, independence, accountability, and responsibility. This allows every component within the public institution, from the lowest to the highest levels, to function effectively. A government agency that operates with integrity and efficiency is expected to be more resilient and better positioned to

⁵ Dedy Suwandi, Agus Saiful Abib & Tumanda Tamba, "Pemisahan Kewenangan Kepala Daerah dalam Menjalankan Pemerintahan dengan Pemegang Saham BUMD" (2024) 4:4 J Ilmu Hukum, Hum Dan Polit 605.



grow in alignment with its evolving environment, ultimately achieving its vision and mission.⁶

The implementation of Good Corporate Governance principles is a necessity for any institution, including Islamic banking institutions. This is primarily aimed at ensuring public accountability about the bank's operational activities, which are expected to fully comply with the provisions outlined in positive law.⁷ Good Corporate Governance is an administrative mechanism that regulates the relationships between company management, the board of directors, commissioners, shareholders, and other stakeholder groups. These relationships are manifested through a set of rules of the game and incentive systems that serve as a framework for defining corporate objectives, determining how those objectives are achieved, and monitoring the resulting performance.⁸

The optimal management of Regional-Owned Enterprises, as one of the pillars of regional economic development, requires strong regulatory support to ensure efficiency and professionalism in their implementation. Based on Law No. 23 of 2014 on Regional Government, the government is obligated to establish more detailed regulations regarding the establishment, functions, supervision, and management of Regional-Owned Enterprises. Subsequently, the government issued Government Regulation No. 54 of 2017 as the primary guideline for Regional-Owned Enterprises governance. However, in practice, many BUMD still face challenges such as weak work ethics, overly bureaucratic procedures, inefficiency, lack of market orientation, poor reputation, and unprofessional management. Government Regulation No. 54 of 2017 serves as a legal framework for improving Regional-Owned Enterprises. Nevertheless, excessive intervention by regional governments and the lack of clarity between public service functions and profit orientation have caused many Regional-Owned Enterprises to lose direction in achieving their core objectives.⁹

In practice, the implementation of Good Corporate Governance in Indonesia, particularly within State-Owned Enterprises and Regional-Owned Enterprises, remains very limited. Several obstacles hinder its application, including internal challenges, external factors, and issues related to ownership. To overcome these challenges, it is essential to continuously raise awareness among all stakeholders about the importance of implementing Good Corporate Governance, strengthen the legal foundation for its enforcement, reform the governance system to establish a clean government free from corruption, collusion, and nepotism, and carry out comprehensive reforms across all business corporations operating in Indonesia.¹⁰ Based on the results of a study on strategic issues in the supervision of Regional-Owned Enterprises, to support the realization of good governance within Regional-

⁶ S Sutojo & J Al Drige, *Good Corporate Governance: Tata Kelola Perusahaan yang sehat* (Jakarta: PT. Damar Mulia Rahayu, 2005).

⁷ Aldira Maradita, "Karakteristik good corporate governance Pada bank syariah dan bank konvensional" (2014) 29:2 Yuridika.

⁸ Sedarmayanti, *Good governance (kepemerintahan yang baik) dan Good Corporate Governance (tata kelola perusahaan yang baik)*, 3d ed (Bandung: Mandar Maju, 2007).

⁹ Ni Komang Ayu Rustini et al, "The Implementation of Good Corporate Governance in BUMD Institutions" (2022) 5:2 J Econ Financ Manag Stud 431-436.

¹⁰ I Nuryan, "Strategy Development and Implementation of Good Corporate Governance (GCG) On BUMN and BUMD in Indonesia" (2016) Adbispreneur.



Owned Enterprises, it is necessary to develop several key academic and regulatory initiatives. These include: the preparation of an academic draft for a regional regulation on the governance of regional capital participation in Regional-Owned Enterprises; the development of a study on procedures for monitoring and evaluation; a study on the risks associated with regional capital participation in Regional-Owned Enterprises and corresponding risk mitigation strategies; and the formulation of Standard Operating Procedures (SOPs) for each strategic step in regional capital participation in Regional-Owned Enterprises.¹¹

Supervision and guidance of Regional-Owned Enterprises based on the principles of Good Corporate Governance is essential for creating healthy, strong enterprises that contribute positively to the economy. The effective implementation of Good Corporate Governance not only improves the performance of Regional-Owned Enterprises but also builds public trust, prevents corrupt practices, and supports sustainable economic development. The main challenge lies in how the Provincial Government of East Java, through the Bureau of Economic Affairs, carries out its supervisory role to address the various issues currently faced by Regional-Owned Enterprises. Based on this context, this study broadly aims to describe and analyze the scope of supervisory duties carried out by the Bureau of Economic Affairs in East Java's Regional-Owned Enterprises, and to examine the principles of Good Corporate Governance applied by the Bureau in its supervisory functions.

METHOD

The type of research used in this study is empirical juridical research. According to Prof. Peter Marzuki, empirical juridical research is a type of research that combines a legal (juridical) approach with real data obtained through direct observation or field studies (empirical).¹² The research approach used is a statutory (conceptual) approach. This approach focuses on several laws and regulations relevant to the study, including laws concerning Regional-Owned Enterprises, gubernatorial regulations, and other legislation related to the issues discussed in this research.¹³ This research focuses on real-life conditions rather than solely on legal texts and theories. It utilizes primary legal materials in the form of interviews and empirical documentation. Secondary legal materials include statutory regulations, scholarly legal books, legal journals, and literature related to the issues being studied.

RESULT & DISCUSSION

I. The scope of supervisory duties carried out by the Bureau of Economic Affairs for Regional-Owned Enterprises in East Java

Legally, regional governments have the authority to supervise and provide guidance to Regional-Owned Enterprises. This authority is based on legislation governing regional governance and Regional-Owned Enterprises, and it aims to ensure that Regional-Owned Enterprises operate effectively and contribute benefits to the

¹¹ Yuriyanto, "Study of Proposed Activities in Development of Bumda for Regional Development" (2021) 3:2 J Inov Apartaur 340.

¹² Peter Mahmud Marzuki, *Penelitian Hukum*, 13th ed (Jakarta: Kencana, 2017).

¹³ Amiruddin & H Zainal Asikin, *Pengantar Metode Penelitian Hukum* (Jakarta: PT. Raja Grafindo Persada, 2006).



region. The authority of regional governments in overseeing Regional-Owned Enterprises is regulated by several laws, including Law Number 23 of 2014 on Regional Government and Government Regulation Number 54 of 2017 on Regional-Owned Enterprises.

The main objective of supervision is to ensure that Regional-Owned Enterprises contribute positively to the regional economy, improve public welfare, and fulfill public service functions. Government Regulation Number 54 of 2017, Articles 131 to 133, regulates the supervision of Regional-Owned Enterprises by regional governments. Regional governments are responsible for overseeing the management of Regional-Owned Enterprises. This supervisory role is carried out by the Regional Secretary and other relevant officials tasked with technical supervision and oversight, ensuring that Regional-Owned Enterprises operate effectively and efficiently. The Regional Secretary is responsible for implementing supervision with a focus on strategic policy, meaning that the guidance provided is not only technical but also considers the long-term goals of Regional-Owned Enterprises in the context of regional development. This highlights that the management of Regional-Owned Enterprises must align with the overall goals and mission of regional development.

The research findings show that the scope of supervisory duties by the Bureau of Economic Affairs of the Regional Secretariat of East Java Province toward Regional-Owned Enterprises generally covers various strategic and technical aspects of managing the enterprises to ensure alignment with good governance principles and support for regional development. The areas of supervision include:

a. Supervision of Organization, Management, and Finance

The Bureau of Economic Affairs plays a role in providing comprehensive guidance regarding the design and adjustment of the organizational structure of Regional-Owned Enterprises. This guidance is formulated based on the principles of efficiency, effectiveness, and accountability, which are the main foundations for implementing good governance. The structuring process is carried out through a comprehensive study involving relevant agencies, experts, and/or resource persons to ensure that decisions are objective and analysis-based.

The results of the study are then submitted to the Governor as the authority responsible for determining the organizational structure of Regional-Owned Enterprises through a Governor Regulation. This procedure reflects accountability in the supervisory process and ensures that decisions made are aligned with policy directions and regional development interests. The policy of establishing the organizational structure of Regional-Owned Enterprises through a Governor Regulation demonstrates the regional government's commitment to good governance. This step is an integral part of promoting the strategic role of Regional-Owned Enterprises as pillars of the regional economy.

In the context of managing Regional-Owned Enterprises, one strategic step undertaken is identifying various issues faced by these entities, including vacant positions within the Board of Directors and the Board of Supervisors/Commissioners. Such vacancies are considered significant issues as they can hinder decision-making processes and reduce the operational effectiveness of Regional-Owned Enterprises. In response, the Economic Bureau proactively reports these conditions to the Regent and recommends the appointment of acting officials to fill the vacant positions. This measure aims to



maintain leadership continuity and ensure the smooth functioning of the Regional-Owned Enterprises in supporting regional development agendas.

Coaching in the aspect of financial governance is aimed at realizing orderly, transparent financial management that can provide tangible contributions to the Regional Government. This coaching activity is carried out through the following stages: Evaluating the preparation of the Long-Term Work Plan; Reviewing the Company's Work Plan and Budget; Analyzing financial reports regularly, monthly, quarterly, semi-annually, and annually; Conducting evaluations of the results of the Regional-Owned Enterprises' health level assessments.

b. Governance Coaching

Coaching of the management of Regional-Owned Enterprises is a crucial aspect in supporting the effectiveness and professionalism of corporate governance. The focus of this coaching is to ensure that the management structure comprising the Board of Directors, Supervisory Board, and/or Commissioners operates by the principles of good corporate governance and aligns with the prevailing laws and regulations.

The Bureau of Economics, as a technical development element, plays an active role in the following matters:

1) Identification of Management Problems:

Conduct an inventory of the obstacles faced, such as vacant positions, incompatibility of competencies, or weak performance of the management body.

2) Proposal for Appointment of Temporary Official

In the event of a strategic position vacancy, the Economic Bureau submits a report to the Regional Head and proposes the appointment of an acting official to ensure operational continuity.

3) Assistance in the Recruitment and Selection Process

Providing technical and administrative support in the implementation of open selection of candidates for Directors and Supervisory Board/Commissioners, by the provisions of laws and regulations.

4) Evaluation of Management Performance

Conducting periodic evaluations of the performance of the management body as a basis for extension, dismissal, or reappointment based on objective and professional indicators.

5) Increasing Management Capacity

Encourage the implementation of training programs, technical guidance, and capacity building for Regional-Owned Enterprises administrators so that they can carry out their functions optimally and responsively to business dynamics.

Through this comprehensive coaching, it is hoped that BUMD management can run professionally, accountably, and adaptively in supporting the role of Regional-Owned Enterprises as the driving force of regional economic development.

c. Asset Utilization Development

The Economic Bureau carries out coaching related to optimizing the utilization of Regional-Owned Enterprises' assets by applicable laws and regulations. This task includes the development of asset utilization systems,



coordination of cooperation plans involving Regional-Owned Enterprises that require approval from the General Meeting of Shareholders, and the implementation of monitoring and evaluation of such cooperation.

Coaching in the utilization of assets of Regional-Owned Enterprises is an integral part of efforts to optimize performance and contribution to regional finances. The assets owned by Regional-Owned Enterprises must be managed efficiently, productively, and by the principles of Good Corporate Governance to generate added value both economically and socially.

The Economic Bureau, as the technical supervisor, conducts coaching on the utilization of Regional-Owned Enterprises' assets through the following steps:

1) Asset Inventory and Validation:

Monitoring both fixed and non-fixed assets controlled by Regional-Owned Enterprises to ensure legal status clarity, ownership legitimacy, and accurate asset recording.

2) Asset Utilization Evaluation:

Assessing how effectively the assets of Regional-Owned Enterprises are being utilized to support core business activities or supporting functions, while identifying underutilized or idle assets.

3) Asset Utilization Strategy Development:

Encouraging Regional-Owned Enterprises to develop strategic plans for asset utilization—such as through partnerships, leasing, or other lawful and beneficial schemes—while upholding the principles of prudence and regional interests.

4) Asset Governance Coaching:

Providing guidance and technical assistance to ensure that asset management complies with prevailing regulations, including financial reporting, bookkeeping, and internal/external audit implementation.

5) Supervision and Control:

Overseeing the implementation of asset utilization and following up on audit findings or reports from the Inspectorate or Supreme Audit Agency (BPK) to prevent misuse or regional financial losses.

With systematic coaching in asset utilization, it is expected that Regional-Owned Enterprises will be able to optimize the full potential of their assets in a legal, economic, and productive manner, while simultaneously strengthening their contribution to Regional Original Revenue.

d. Business development coaching

The Bureau of Economics provides guidance on the development of Regional-Owned Enterprises, which includes investment analysis, preparation of business plans, coordination related to assignments, restructuring processes such as mergers or the formation of subsidiaries, and assessment of the performance of Regional-Owned Enterprises. Guidance on the development of Regional-Owned Enterprises business is directed at increasing the competitiveness, sustainability of business, and contribution of Regional-Owned Enterprises to regional economic development. The development of Regional-Owned Enterprises' business must be carried out strategically, professionally, and adaptively to market dynamics and community needs.



The Economic Bureau, as a technical supervisory entity, plays a crucial role in promoting the transformation and expansion of Regional-Owned Enterprises through the following steps:

1) Evaluation of Existing Business Models:

Reviewing the alignment of the Regional-Owned Enterprises' business lines with their founding objectives, regional potential, and industry developments to ensure relevance and business sustainability.

2) Development of Business Plans:

Guiding Regional-Owned Enterprises in drafting short- and long-term plans covering expansion, business diversification, capital strengthening, and enhancement of service or product quality.

3) Facilitation of Partnerships and Collaboration:

Encouraging strategic partnerships between Regional-Owned Enterprises and third parties—such as investors, business actors, or other Regional-Owned Enterprises—to foster innovation and broaden business networks.

4) Capacity and Human Resource Development:

Directing training programs, technical guidance, and managerial mentoring to enable executives and management of Regional-Owned Enterprises to design and implement business strategies effectively.

5) Monitoring and Assessment of Business Performance:

Conducting periodic evaluations of business performance, including profitability analysis, growth, and risk, to form the basis for development recommendations or business restructuring.

6) Encouragement of Digitalization and Innovation:

Providing direction for Regional-Owned Enterprises to adopt digital technologies, develop innovative products or services, and explore new business potentials in the creative economy, renewable energy, and digital economy sectors.

With the provision of coaching that is oriented towards business development, Regional-Owned Enterprises are expected to grow into independent, professional business entities and have a real impact on improving community welfare and Regional Original Income.

II. The principles of Good Corporate Governance used by the Bureau of Economic Affairs in its duties of fostering Regional-Owned Enterprises

To improve the quality of governance and performance of Regional-Owned Enterprises, the Bureau of Economics, as a fostering agency, must apply the principles of Good Corporate Governance in all fostering processes it carries out. The implementation of Good Corporate Governance is not only intended for Regional-Owned Enterprises as the object of fostering but also becomes an internal guideline for the Bureau of Economics in designing, implementing, and evaluating fostering activities professionally and with integrity. The principles of Good Corporate Governance used by the Bureau of Economics in carrying out the task of fostering Regional-Owned Enterprises are based on the general principles stated in national regulations such as Government Regulation Number 54 of 2017 concerning Regional-Owned Enterprises and the general guidelines for Good Corporate



Governance. Based on Good Corporate Governance as the main working principle, the Bureau of Economics will be able to become a credible fostering institution, strengthen public trust, and encourage Regional-Owned Enterprises to become healthy, professional, and highly competitive business entities at the local and national levels.

Research findings show that in carrying out its duties of coaching Regionally Owned Enterprises, the Bureau of Economic Affairs is guided by five main principles of Good Corporate Governance, namely:

a. Transparency

The Bureau of Economic Affairs encourages Regional-Owned Enterprises to manage their businesses openly, including in the delivery of financial and non-financial information accurately, timely manner, and accessible manner to stakeholders. This transparency includes financial reports, organizational structures, work plans, and strategic policies. Transparency in Good Corporate Governance is openness in carrying out the decision-making process and openness in disclosing relevant information about the company that is needed by all stakeholders. Transparency is increasingly urgent in the public and private sectors; this is driven by the growing demands of the environment for access to information. Transparency means open access for all interested parties to any related information, such as various regulations and laws, as well as organizational policies, at minimal cost. Transparency is characterized by the visibility or accessibility of information, especially regarding governance practices.

The Transparency Principle regulates how management can manage risks to ensure that all risks can be managed within a tolerable time that will affect the performance of the company or organization itself.¹⁴ Transparency is one of the main principles in Good Corporate Governance and has a central role in the management of Regionally Owned Enterprises. Transparency of information, both in financial aspects, operational policies, and strategic decision-making, is the foundation for creating public trust and institutional accountability.

b. Accountability

In coaching, the Bureau emphasizes the importance of clarity of function, structure, system, and accountability of each company's organ, including the Board of Directors and the Board of Supervisors/Commissioners. Individual and institutional performance evaluations are carried out to ensure accountability for the results and decisions taken. Accountability is a principle that ensures that every governance activity in Regional-Owned Enterprises can be openly accounted for by the manager to the parties as service targets. Accountability is defined as the obligation for Regional-Owned Enterprises managers to act as the person responsible for all actions and policies they have determined. Accountability is a measure that shows whether bureaucratic activities carried out in Regional-Owned Enterprises are by the norms and values adopted by the community, and whether public services have been able to accommodate the real needs of the community.

¹⁴ A Daniri, *Lead by Good Corporate Governance* (Jakarta: Gagas Bisnis Indonesia, 2014).



Accountability is the accountability of public institutions to behave honestly in their work and obey the applicable legal provisions. Accountability is related to how to run an organization is run by complying with the established regulations and complying with, avoiding abuse of power, corruption, and collusion. Accountability is a fundamental principle in Good Corporate Governance and is a key element in realizing professional, efficient, and public interest-oriented Regional-Owned Enterprises. In the context of Regional-Owned Enterprises, accountability refers to the obligation of each company's organ, such as the Board of Directors, Supervisory Board/Commissioner, to the owner of capital (Regional Government) to be responsible for their performance by their duties, authorities, and regulatory mandates. By prioritizing the principle of accountability, BUMD not only carries out its economic function but also reflects social responsibility and good public governance.

The company applies the principle of accountability as one way to overcome problems that arise due to the division of tasks between company organs, and can reduce the impact of agency problems that arise due to differences in interests.¹⁵

c. Responsibility

The Bureau of Economic Affairs ensures that Regional-Owned Enterprises conduct their business by law and ethical business principles. This includes the obligation to meet operational standards that are responsible for the environment and society. Responsibility is the ability of an organization to regulate the extent to which service delivery is carried out by applicable rules or procedures that have been set. Responsibility measures the level of participation of service providers in carrying out their duties. Responsibility is a measure that shows the extent to which the process of providing public services is carried out by the principles or provisions of the correct administration and organization that have been established. Responsibility is the conformity in the governance of Regional-Owned Enterprises to applicable laws and regulations and sound principles, by ensuring that Regional-Owned Enterprises are careful and obedient to applicable laws and regulations, including the existence of appropriate controls.

Responsibility is a principle that can be interpreted as the responsibility of a company or entity as a member of society to comply with laws and regulations and carry out responsibilities towards society and the environment.¹⁶ Responsibility is one of the main principles in the implementation of Good Corporate Governance, which is very important in the management of Regional-Owned Enterprises. This principle emphasizes that all managers of Regional-Owned Enterprises, starting from the Board of Directors, Supervisory Board/Commissioner, to capital owner officials, are required to carry out their duties and authorities by legal provisions, laws and regulations, as well as the principles of business ethics and public integrity.

¹⁵ M A Effendi, *The power of good corporate governance: teori dan implementasi* (Jakarta: Salemba Empat, 2016).

¹⁶ S R Jannah & SB Hermanto, "Pengaruh Prinsip-Prinsip Good Corporate Governance Terhadap Kinerja Puskesmas Di Surabaya" (2020) 9:10 J Ilmu dan Ris Akunt 1-24.



d. Independency

Coaching is directed to ensure that decision-making in Regional-Owned Enterprises is free from conflicts of interest and undue influence, both from internal and external parties. The Bureau accompanies the process of appointing management so that it takes place objectively and professionally. Independence is an important principle in the implementation of Good Corporate Governance which emphasizes that every management organ of a Regionally Owned Enterprise including the Board of Directors, Supervisory Board/Commissioner, and capital owners must carry out their duties and functions objectively, free from pressure from any party, and without any conflict of interest.

The principle of independence is a condition where an entity is managed professionally without conflict of interest and influence, or pressure from any party that is not by applicable laws and healthy principles. Independence, namely Regional-Owned Enterprises, must be managed independently so that each organ does not dominate the others and cannot be influenced by other parties. Regional-Owned Enterprises must manage the company professionally; if there is a conflict within the institution, all parties will help find a solution, and this does not become an obstacle for the top brass to decide.

Independence is a guarantee for supervisors, directors, and management to independently carry out their respective authorities and responsibilities by existing regulations.¹⁷ To enable the implementation of other Good Corporate Governance principles, namely transparency, accountability, responsibility, fairness, and equality, organizations must be managed independently so that each organization can function without dominating each other and cannot be intervened in by other parties. Organizations must be independent, objective, and professional in decision making and policy making for the benefit of the organization without any conflict of interest and influence, or pressure from any party.

e. Fairness

The Bureau encourages fair and equal treatment of all stakeholders, including capital owners, business partners, customers, and employees. In the coaching process, attention is paid to ensuring that there is no discrimination and that the rights of all parties are protected. Fairness and equality are important principles in Good Corporate Governance that emphasize fair treatment of all stakeholders of Regional-Owned Enterprises, including local governments as capital owners, management, employees, business partners, and the community. This principle requires that in the entire management process, Regional-Owned Enterprises must ensure that there is proportional, non-discriminatory treatment based on clear rights and obligations. By prioritizing the principles of fairness and equality, Regional-Owned Enterprises can build a balanced, humanistic, and sustainable governance system while creating added value for all parties involved.

The principle of fairness is a principle that contains elements of justice, which ensures that every decision and policy taken is in the interests of all interested parties. It can be concluded that fairness is justice and equality in

¹⁷ D Hanggraeni, *Manajemen Risiko Perusahaan (Enterprise Risk Management) dan Good Corporate Governance* (Jakarta: UI Press, 2015).



fulfilling the rights of stakeholders that arise as a result of agreements and applicable laws and regulations.¹⁸

Fairness refers to the equal treatment of all stakeholders according to the criteria. Fairness also needs to be extended to the pattern of relationships with other stakeholders, for example, the pattern of relationships between employees. The balance of the rights of leaders and subordinates must be considered, so that no group is disadvantaged. Likewise, the rights of service users in this case, donors, must be determined by involving as many related parties as possible.

CONCLUSION

The scope of coaching tasks by the Economic Bureau in East Java Regional-Owned Enterprises includes: 1. Organizational, Management, and Financial Coaching through comprehensive guidance related to the design and adjustment of the organizational structure of Regional-Owned Enterprises, identifying various problems faced by Regional-Owned Enterprises, including the problem of vacancies in the positions of Directors and Supervisory Board/Commissioner and realizing orderly, transparent financial management. 2. Management Coaching is carried out by ensuring that the management structure, including the Directors, Supervisory Board, and/or Commissioners, can run by the principles of good corporate governance and in line with applicable laws and regulations. 3. Asset Utilization Coaching related to optimizing the use of Regional-Owned Enterprises' assets by the provisions of laws and regulations. 4. Business development coaching includes investment analysis, preparation of business plans, coordination related to assignments, restructuring processes such as mergers or the formation of subsidiaries, and performance assessments.

The principles of Good Corporate Governance used by the Economic Bureau in its Guidance duties in Regional-Owned Enterprises include: 1. Transparency, namely guiding to encourage Regional-Owned Enterprises to manage their businesses openly, including in the delivery of financial and non-financial information accurately, on time, and accessible to stakeholders. 2. Accountability, namely by emphasizing the importance of clarity of function, structure, system, and accountability of each company's organs. 3. Responsibility by ensuring that Regional-Owned Enterprises run their businesses by statutory provisions and principles of business ethics. 4. Independence, which is directed at ensuring that decision-making in Regional-Owned Enterprises is free from conflicts of interest and undue influence, both from internal and external parties. 5. Fairness by encouraging fair and equal treatment of all stakeholders, including capital owners, business partners, customers, and employees.

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The authors state that there is no conflict of interest in the publication of this article.

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None.

¹⁸ Daniri, *supra* note 14.



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