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State-Owned Enterprises as Agents of Development: 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 state instruments 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 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 functions.

Keyword: SOEs, social responsibility, corporate governance, economic development, business interests

INTRODUCTION

The broiler chicken industry stands as a cornerstone of Indonesia's agricultural economy and a critical pillar of national food security. Its strategic importance is recognized within national development frameworks, including the Ministry of Research's National Research Priorities for 2020-2024 and the Asta Cita vision, which links robust food production to the enhancement of human capital through improved nutrition. This study focuses on the epicenter of Indonesia's broiler industry: five key provinces on the island of Java (West Java, Central Java, East Java, Banten, and Yogyakarta). These provinces collectively account for approximately 68.21% of the national output, making them a highly representative sample for a deep analysis of the sector's dynamics and challenges.

Despite its potential for high profitability, the industry is beset by persistent structural problems. It is characterized by high capital intensity, which creates significant barriers to entry and expansion, particularly for smallholder farmers. Furthermore, the sector is subject to extreme price volatility, exposing producers to substantial financial risk. At the heart of these challenges lies a fundamental structural inefficiency: the core-plasma partnership model. In this system, the core company often acts as both the sole supplier of critical inputs (such as day-old chicks and feed) and the primary buyer of the finished broilers. This creates a power imbalance that can lead to an "unequal partnership system", constraining the profitability and viability of plasma farmers. This dynamic has fueled a significant academic debate regarding the primary factors influencing broiler production. Some scholars prioritize investment in technology and management efficiency as the key drivers of productivity. Others argue that price stability is the most critical factor for small farmers who are highly vulnerable to market fluctuations, while a third perspective emphasizes that access to capital through bank credit and domestic investment is the fundamental prerequisite for growth in a capital-intensive sector.

This research addresses a notable gap in the existing literature. Previous studies on Indonesia's broiler sector have typically been limited by shorter analytical periods (often a maximum of 10 years) and a narrower set of explanatory variables (a maximum of five). This study distinguishes itself by utilizing a comprehensive 24-year panel dataset spanning from 2000 to 2023 and integrating a broader set of variables to provide a more robust and nuanced analysis. The core problem investigated is not merely a matter of optimizing production inputs, but rather of understanding how the sector's potential as a powerful economic engine is constrained by its internal structural conflicts. This duality frames the entire analysis.
Accordingly, this paper pursues two primary objectives:

To analyze the simultaneous and partial influence of the number of core farmers, price, bank credit, and domestic investment on broiler chicken production in Java's five main producing provinces.

To quantify the impact of broiler chicken production on the Gross Regional Domestic Product (GRDP) of these provinces. State-Owned Enterprises (SOEs) occupy a strategic position in the Indonesian economy, both implementing government policies and as business entities that must generate profits. Quantitatively, SOEs' contribution to the national economy is significant. In 2022, total assets of all SOEs reached IDR 9,245 trillion, equivalent to 49.8% of Indonesia's GDP, while SOEs' contribution to state revenue reached IDR 512 trillion in taxes, dividends, and non-tax revenues (Ministry of SOEs, 2023). Furthermore, SOEs directly employ more than 750,000 workers, making them a key pillar in providing formal employment in Indonesia. The dual role of SOEs creates a unique dynamic not found in conventional private companies. On the one hand, SOEs are required to be efficient and profitable organizations for the state. On the other hand, they bear the responsibility of acting as agents of development and fulfilling social functions (Didu, 2018). Data from the Ministry of State-Owned Enterprises shows that throughout 2022, state-owned enterprises allocated IDR 22.4 trillion for social and environmental responsibility programs. This amount reflects the financial burden that state-owned enterprises must bear to carry out their social functions, a burden not typically faced by private companies.

Since the issuance of Law No. 19 of 2003 concerning State-Owned Enterprises, the government has stipulated that state-owned enterprises have a dual role: as economic entities and agents of development. Article 2, paragraph (1) of the law explicitly states that one of the objectives of establishing a state-owned enterprise is to "actively provide guidance and assistance to entrepreneurs from economically disadvantaged groups, cooperatives, and the community." However, implementation in the field shows that the balance between these two roles is not always optimal. Some state-owned enterprises tend to focus on business aspects and pay less attention to social responsibility, while others overemphasize social roles to the point of neglecting business efficiency (Nugroho and Siahaan, 2019). This imbalance is reflected in state-owned enterprise performance data. In 2022, of the 114 state-owned enterprises operating in Indonesia, 86 recorded profits, while 28 incurred losses. Further analysis shows that several of the state-owned enterprises (SOEs) that suffered losses were burdened with Public Service Obligations (PSOs), such as PT PLN (State Electricity

Company) and PT Kereta Api Indonesia (Indonesian Railway Company), with a total PSO value of IDR 157.3 trillion (BPK RI, 2023). This data indicates a correlation between the burden of social responsibility and SOE financial performance, although other factors such as operational efficiency and governance also play a significant role.

Globally, the phenomenon of dual roles of state-owned enterprises also occurs in various countries, with varying degrees of variation. A 2021 study by the Organization for Economic Co-operation and Development (OECD) of state-owned enterprises in 54 countries revealed a global trend toward balancing 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 state-owned enterprise (SOE) management models that balance these two functions (OECD, 2021). This study aims to analyze more specifically how SOEs in Indonesia balance this dual role, the factors influencing this balance, and its implications for overall SOE performance. The study also seeks to identify best practices in SOE management that can maximize SOEs' contributions as both business entities and agents of development. Another important aspect to be examined is how regulations and corporate governance influence SOEs' ability to carry out their dual functions. This research is relevant in the current economic climate, where the Indonesian government is increasingly relying on SOEs as instruments to accelerate infrastructure development and promote economic equality. SOE investment in national strategic projects has reached IDR 623 trillion in the past five years, with a primary 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.

Literature Review

The concept of state-owned enterprises (SOEs) as agents of development has been discussed by many experts from diverse perspectives. According to Wicaksono (2021), SOEs have unique characteristics as instruments of government policy that operate with market logic. This dualism creates what he calls a hybrid identity, where organizations must simultaneously accommodate public and commercial values. Consistent with this view, Kamaluddin (2020) states that SOEs in developing countries like Indonesia have a broader mandate than public companies in developed countries. SOEs are not only required to generate financial profits but also to create social value through the provision of public services, equitable development, and job creation. This framework positions SOEs as entities that straddle the public and private spheres.

Meanwhile, Mardiasmo (2019) emphasizes the accountability aspect in SOE management. He argues that the dual role of SOEs creates complexity in the accountability system, where SOEs must be accountable for their performance not only from a business perspective but also from a socio-political perspective. This dual accountability often creates a conflict of interest that influences the strategic decision-making process within SOEs. Corporate social responsibility (CSR) is one mechanism for state-owned enterprises (SOEs) to fulfill their social role. Widiyanarti (2022) examined the implementation of CSR programs in various Indonesian SOEs and found that, despite being a legal obligation, CSR implementation varies across SOEs. Some SOEs have integrated CSR into their core business strategies, while others still treat it as a philanthropic activity separate from their core business. A study by Hakim and Pratama (2021) analyzed the influence of corporate governance on the balance of SOE roles. They found that a good governance structure, including effective oversight and high transparency, helps SOEs better manage the trade-off between commercial and social objectives. Furthermore, excessive political intervention in SOE operations tends to disrupt this balance.

METHOD

This research uses a qualitative approach with document analysis and literature review methods. The data used in this study consists of secondary data sourced from SOE annual reports, sustainability reports, government policy documents, and scientific publications related to SOE management in Indonesia during the 2018-2023 period. The data collection process was conducted through a systematic review of these documents, focusing on aspects related to business strategy, social responsibility programs, corporate governance, and the financial and social performance of state-owned enterprises (SOEs). The analysis was conducted on five SOEs selected based on their representation of different sectors: PT Pertamina (energy), PT Bank Mandiri (banking), PT Telkom Indonesia (telecommunications), PT Semen Indonesia (manufacturing), and PT Perkebunan Nusantara III (agriculture).

Data analysis was conducted 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) Coding data to identify emerging patterns from various sources; (3) Interpreting data to understand how SOEs balance business interests and social responsibility; and (4) Validating findings through triangulation of data sources. To ensure data validity, this study employed triangulation techniques by comparing information from various sources and conducting a peer review of the interpretation of findings. The main limitation of this methodology is the reliance on secondary data, which may not fully reveal the internal dynamics of decision-making in SOEs.

RESULT AND DISCUSSION

The analysis reveals that state-owned enterprises (SOEs) in Indonesia face a dilemma in balancing business interests and social responsibility. PT Pertamina, for example, as Indonesia's largest energy company, must meet government 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 fuel subsidy policies. This situation illustrates how social responsibility often negatively impacts the financial performance of SOEs (Pertamina, 2022). The banking sector, represented by PT Bank Mandiri, exhibits a different pattern. Bank Mandiri has successfully integrated financial inclusion programs as part of its business strategy. The Mandiri Sahabat MSME program not only fulfills its social responsibility aspect in supporting micro, small, and medium enterprises but also opens up a potential new market segment for the bank. As a result, Bank Mandiri recorded 12.7% growth in MSME loans in 2022, higher than corporate loan growth (Bank Mandiri, 2022). It demonstrates that with the right strategic approach, social responsibility can align with business interests.

PT Telkom Indonesia adopted a similar approach by developing telecommunications infrastructure in underserved areas through its Universal Service Obligation (USO) program. Although the initial investment in infrastructure development in these areas was uneconomical in the short term, Telkom benefited in the long term from market expansion and a positive image. It aligns with the findings of Pranoto and Yusuf (2020), who stated that integrating social responsibility into business models can create shared value for both the company and society. An analysis of corporate governance reveals that state-owned enterprises (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, is able to manage its social responsibility programs more effectively and integrate them with its business strategy. 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 confronted with government policies that are more oriented towards 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 SOEs as business entities and government policy agents is essential to avoid conflicts of interest that could disrupt SOE performance as a whole. Evaluations of SOE CSR programs indicate a paradigm shift from a traditional philanthropic approach to more substantive community empowerment. Programs such as Telkom's Digital Village, Bank Mandiri's Rumah BUMN (State-Owned Enterprise House), and Pertamina's Independent Village reflect SOEs' efforts to create broader social impact and a more independent system. However, coordination between SOEs 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 state-owned enterprises (SOEs) in Indonesia face significant challenges in balancing their roles as business entities and agents of development. The proportion is influenced by various factors, including corporate governance, the level of political intervention, and management capacity to integrate social values into business strategies. The research findings suggest that the dichotomy between business interests and social responsibility does not always hold, particularly when social responsibility is integrated into the SOE's business model. SOEs that successfully create shared value between business and society tend to perform better overall. This approach enables SOEs to fulfill both roles more effectively.

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

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