

The Role of State-Owned Enterprises in Supporting Indonesia's National Development

Andy Tonggo Michael Sihombing^{1*}

Law Study Program (Medan City Campus) Pelita Harapan University

Corresponding Author: Andy Tonggo Michael Sihombing

andy.sihombing@lecturer.uph.edu

ARTICLE INFO

Keywords: State-Owned Enterprises, Economy, Sustainability, Efficiency, Economic Reform

Received : 21 November

Revised : 23 December

Accepted: 23 January

©2026 Sihombing: This is an open-access article distributed under the terms of the [Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

State-Owned Enterprises (SOEs) are one of the important pillars in the Indonesian economy that have a strategic role in supporting national development. As entities owned and managed by the state, SOEs are not only tasked with managing potentially profitable assets and resources, but also contribute to providing public services and infrastructure that are essential for the welfare of the community. The purpose of this study is to determine the role of State-Owned Enterprises (SOEs) in supporting national development in Indonesia, especially in achieving the objectives of the 2005-2025 National Long-Term Development Plan (RPJPN) and the Sustainable Development Goals (SDGs) agenda, to determine the challenges faced by SOEs in terms of governance, transparency, and innovation that can affect their effectiveness in driving national economic growth and equitable development, and to determine SOEs strengthen national economic resilience and increase the competitiveness of local industries, especially in strategic sectors such as energy, transportation, telecommunications, and banking. For research on the role of State-Owned Enterprises (SOEs) in Indonesia's national development, research methods that can be used include qualitative and quantitative approaches, as well as literature studies and document analysis. The qualitative approach allows researchers to gain in-depth insights into the practices and challenges faced by SOEs.

INTRODUCTION

Background

Indonesia is one of the countries in the world with tropical forests with extremely high biodiversity, playing a vital role in maintaining the stability of the global ecosystem. Therefore, the Indonesian government manages forests not only based on the economic value of timber but also on the entire forest ecosystem and its diverse functions. The goal of forest management is to provide optimal environmental, social, and economic benefits for the lives and well-being of the Indonesian people, while actively participating in mitigating the impacts of climate change as a form of global responsibility.

State-owned enterprises (SOEs) play a crucial role in various sectors, such as infrastructure, energy, telecommunications, transportation, and banking. The government, through SOEs, strives to address development gaps, encourage industrialization, create jobs, and ensure the availability of basic community needs. Furthermore, SOEs are also vital instruments in supporting national strategic programs, including large-scale infrastructure development, such as toll roads, airports, ports, and power plants.

However, in practice, the role of SOEs faces a number of challenges, such as operational efficiency, corruption, asset management, and political pressure. Therefore, it is crucial to continuously improve governance and transparency in SOE management to ensure their role in national development is optimal and sustainable.

Formulation of the problem

Based on the description of the background above, the problem can be formulated as follows:

1. What is the role of State-Owned Enterprises (BUMN) in supporting national development in Indonesia, particularly in achieving the objectives of the 2005-2025 National Long-Term Development Plan (RPJPN) and the Sustainable Development Goals (SDGs)?
2. What challenges do SOEs face in terms of governance, transparency, and innovation that could affect their effectiveness in driving national economic growth and equitable development?
3. How can state-owned enterprises strengthen national economic resilience and increase the competitiveness of local industries, particularly in strategic sectors such as energy, transportation, telecommunications, and banking?

Research Purposes

Based on the problem formulation above, the objectives of this research are as follows:

1. To understand the role of State-Owned Enterprises (BUMN) in supporting national development in Indonesia, particularly in achieving the objectives of the 2005-2025 National Long-Term Development Plan (RPJPN) and the Sustainable Development Goals (SDGs)
2. To identify the challenges faced by state-owned enterprises in terms of governance, transparency, and innovation that can influence their effectiveness in driving national economic growth and equitable development.

3. To find out how BUMN strengthens national economic resilience and increases the competitiveness of local industries, especially in strategic sectors such as energy, transportation, telecommunications, and banking.

LITERATURE REVIEW

Currently, the Indonesian Government has conducted a policy review and taken corrective actions to improve the sustainable management of forests and their ecosystems. The policy review aims to: (1) ensure a significant reduction in the rate of deforestation and forest and land degradation, (2) prevent forest and land fires (Karhutla) and address their negative impacts on the environment, health, transportation, and economic growth, (3) apply the principles of environmental carrying capacity and capacity in the utilization and use of forest areas, (4) align the direction of the Ministry of Environment and Forestry's future policies with the Sustainable Development Goals (SDGs), (5) ensure the success of global cooperation to address climate change through a commitment to a Nationally Determined Contribution (NDC) by reducing greenhouse gas emissions through individual efforts or with international assistance, and (6) involve the participation of both men and women in access to forest management and assign responsibility to all parties involved, so that the forest area and its ecosystem remain secure.

State-Owned Enterprises (SOEs) play a strategic role in Indonesia's national development. As state-owned economic entities, SOEs function as agents of development, aiming to support the national economy, provide public services, and improve public welfare. Within the context of national development, SOEs are responsible not only for profit-making but also for carrying out social and economic mandates in line with government policies

Despite their highly strategic role, state-owned enterprises (SOEs) also face various challenges, such as increasingly fierce business competition, high demands for transparency and accountability, and a dynamic business environment. However, SOEs also have significant opportunities to continue growing and contribute significantly to national development. SOE business activities not only provide direct benefits to the company but also create a multiplier effect for the economy as a whole. For example, infrastructure development by SOEs will create new jobs, increase economic activity in the regions, and stimulate growth in other sectors.

State-owned enterprises (SOEs) play a crucial role in realizing social justice. Through their Corporate Social Responsibility (CSR) programs, SOEs contribute to poverty alleviation, improving the quality of life for communities, and developing underdeveloped regions. SOEs play an active role in supporting the achievement of the goals outlined in the 2005-2025 National Medium-Term Development Plan (RPJPN) and the SDGs. For example, SOEs in the energy sector contribute to the provision of clean and affordable energy (SDG 7), while SOEs in the infrastructure sector play a role in sustainable infrastructure development (SDG 9).

METHODOLOGY

For research on the role of State-Owned Enterprises (SOEs) in Indonesia's national development, research methods that can be used include qualitative and quantitative approaches, as well as literature studies and document analysis. A qualitative approach allows researchers to gain in-depth insights into the practices and challenges faced by SOEs. In this way, researchers can understand the factors influencing the role of SOEs in development.

Literature reviews can be used to review theories, policies, and previous research on the role and management of SOEs. This provides important context for policy and practice in this area. Document analysis is also very useful for examining official policies and reports related to SOEs to understand their impact on national development.

Combining qualitative and quantitative approaches (mixed methods) will provide a more comprehensive and in-depth insight into how SOEs play a role in development, as well as the challenges and solutions they may face. This approach allows researchers to look beyond statistical data to analyze the human and policy aspects that influence SOE effectiveness.

RESEARCH RESULT & DISCUSSION

The Role of State-Owned Enterprises (BUMN) in Supporting National Development in Indonesia, Especially in Achieving the Goals of the 2005-2025 National Long-Term Development Plan (RPJPN) and the Sustainable Development Goals (SDGs)

State-Owned Enterprises (SOEs) play a crucial role in supporting national development in Indonesia, particularly in helping achieve the objectives of the 2005-2025 National Long-Term Development Plan (RPJPN) and the Sustainable Development Goals (SDGs). The following are the key roles of SOEs in this context:

1. Strategic Infrastructure Provider

State-owned enterprises (SOEs) such as PT PLN (State Electricity Company), PT Jasa Marga (Services Marga), and PT Pelindo (State Pelindo) play a key role in developing strategic infrastructure, including toll roads, ports, airports, and electricity networks. This infrastructure supports the National Medium-Term Development Plan (RPJPN) by creating better connectivity and driving economic growth in various regions, including remote and underdeveloped areas.

Relevance to SDGs:

- a. SDG 9: Promote sustainable infrastructure development, inclusive industrialization, and innovation.
- b. SDG 11: Supporting sustainable urban and settlement development.

2. National Economic Driver

State-owned enterprises (SOEs) contribute to job creation, state revenue through dividends and taxes, and increased national competitiveness. For example, state-owned banking companies like Bank Mandiri and BRI provide access to capital for MSMEs, the backbone of the economy.

Relevance to SDGs:

- a. SDG 8: Promote inclusive economic growth and decent work.
- b. SDG 1: Alleviating poverty by empowering communities through access to economic resources.

3. Public Service Providers

State-owned enterprises (SOEs) in the healthcare (Bio Farma, Kimia Farma), education, transportation, and logistics sectors assist the government in meeting the public's basic needs. For example, SOEs in pharmaceuticals produce vaccines for the national health program.

Relevance to the SDGs:

- a. SDG 3: Ensuring a healthy life and supporting well-being.
- b. SDG 4: Ensuring inclusive quality education.

4. Natural Resources Manager

State-owned enterprises like Pertamina and PT Bukit Asam manage natural resources with the goal of ensuring sustainability. Mining downstreaming, renewable energy, and resource conservation policies support environmentally friendly development.

Relevance to SDGs:

- a. SDG 7: Ensuring access to affordable, reliable and sustainable energy.
- b. SDG 13: Taking urgent action to address climate change.

5. Driving Innovation and Digital Transformation

State-owned enterprises such as Telkom and PT Pos Indonesia are investing in information and communication technology to drive digitalization in both the public service and business sectors. This supports efficiency and digital-based economic transformation.

Relevance to the SDGs:

- a. SDG 9: Improving digital innovation and infrastructure.
- b. SDG 17: Strengthening partnerships to achieve development goals.

6. Social Assistance and Emergency Response Providers

Through corporate social responsibility (CSR) programs such as the Partnership and Community Development Program (PKBL), state-owned enterprises (SOEs) support communities in economic empowerment, education, health, and disaster response.

Relevance to the SDGs:

- a. SDG 10: Reducing inequality within and between countries.
- b. SDG 2: Ending hunger and supporting food security.

7. Promoting Green Economy Achievement

State-owned enterprises (SOEs) are also catalysts in the transition to a green economy through investments in renewable energy and environmentally friendly technologies, such as solar panels and electric vehicles.

Relevance to the SDGs:

- a. SDG 12: Encourage sustainable production and consumption patterns.
- b. SDG 15: Protecting terrestrial ecosystems.

Challenges faced by state-owned enterprises in terms of governance, transparency, and innovation that can influence their effectiveness in driving national economic growth and equitable development.

State-owned enterprises (SOEs) play a strategic role in driving national economic growth and equitable development. However, several challenges in governance, transparency, and innovation impact the effectiveness of their role. The following are the main challenges they face:

1. Challenges in Governance

a. Management Complexity

As both a business entity and a state instrument, SOEs face a conflict between commercial objectives and social responsibilities (dual mandate). This often leads to an imbalance of priorities.

b. Weaknesses in Risk Management

Several state-owned enterprises (SOEs) have failed to anticipate business risks, such as ballooning debt or suboptimal investments, such as large projects that go over-budget.

c. Government Intervention

Strategic decisions are often influenced by political interests or stakeholder pressure, which reduces SOEs' operational flexibility and hinders efficiency.

d. Lack of Professionalism in Management

The process of appointing SOE leaders is sometimes not entirely meritocratic, impacting leadership effectiveness and management quality.

2. Challenges in Transparency

a. Low Accountability

Several state-owned enterprises (SOEs) continue to face criticism regarding non-transparent financial reporting, a lack of independent audits, or inefficient budget management.

b. Corruption and Abuse of Authority

Corruption cases involving several state-owned enterprise officials have tarnished the company's reputation, hampered its performance, and caused losses to the state.

c. Lack of Transparency in Procurement

The procurement process for goods and services is often prone to irregularities, both in terms of unfair competition and collusive practices.

d. Lack of Non-Financial Performance Reporting

Reporting on social and environmental impacts remains limited, even though this is crucial for assessing SOEs' contribution to sustainable development.

3. Challenges in Innovation

a. Slow Technology Adaptation

Many state-owned enterprises (SOEs) are still lagging behind in adopting digital technology and innovation, reducing their competitiveness in the era of digital transformation.

b. Non-Innovative Organizational Culture

The bureaucratic structure in many state-owned enterprises tends to stifle creativity and rapid decision-making in adopting new innovations.

c. Lack of Investment in R&D

The research and development (R&D) budgets of many state-owned enterprises (SOEs) are relatively small compared to those of private companies, resulting in slow product and service innovation.

d. Reliance on Legacy Business Models

Many state-owned enterprises (SOEs) still rely on traditional business models and have not sufficiently transformed to capture opportunities from new sectors such as renewable energy, financial technology, and digital-based logistics.

State-Owned Enterprises Strengthen National Economic Resilience and Increase the Competitiveness of Local Industries, Especially in Strategic Sectors Such as Energy, Transportation, Telecommunications, and Banking.

State-Owned Enterprises (SOEs) play a strategic role in strengthening national economic resilience and increasing the competitiveness of local industries, particularly in vital sectors such as energy, transportation, telecommunications, and banking. The following is an in-depth discussion of the role and strategy of SOEs in this context:

1. Energy Sector: Energy Security for a Sustainable Economy

State-owned enterprises (SOEs) such as Pertamina and PLN play a key role in ensuring stable and affordable energy availability, which is the backbone of economic growth. Some SOE strategies in the energy sector include:

- a. Energy Diversification: Investing in renewable energy (e.g., solar, wind, and geothermal) to reduce reliance on fossil fuels and support the green energy transition.
- b. Infrastructure Efficiency: Modernization of power generation and distribution networks to ensure efficient and reliable energy supply.
- c. Strengthening Local Energy Resilience: Developing domestic energy resources and encouraging the use of local products in energy infrastructure development.

2. Transportation Sector: Supporting National Mobility and Logistics

State-owned enterprises such as PT KAI, Garuda Indonesia, and Pelindo play a vital role in strengthening national transportation connectivity and efficiency. Some strategic steps include:

- a. Transportation Infrastructure Development: Improving railway, port and airport networks to support the mobility of goods and people, which has a direct impact on logistics competitiveness.
- b. Digital Transformation: Implementation of advanced technologies such as digital ticketing and IoT (Internet of Things) based logistics management systems to improve operational efficiency.
- c. Collaboration with Local Industry: Empowering local producers in the provision of transportation materials and technology, for example, domestically produced trains (INKA).

3. Telecommunications Sector: Driving Digital Transformation

- a. State-owned enterprises (SOEs) such as Telkom and Telkomsel are key drivers of digital transformation, which is a crucial foundation for a technology-based economy. The key roles of SOEs in this sector include:

- b. Digital Infrastructure Development: Expansion of fiber optic networks to remote areas to support digital inclusion and equal access to information.
 - c. Digital Service Innovation: Creating new services such as e-commerce, cloud services, and AI-based solutions to support local businesses.
 - d. Empowering MSMEs: Through digital platforms, MSMEs can access wider markets and increase their productivity.
4. Banking Sector: Financial Stability and Access to Funding
- a. State-owned enterprises in the banking sector, such as Bank Mandiri, BRI, and BNI, play a strategic role in providing financing for the productive sector, particularly MSMEs. Some of their key contributions include:
 - b. Improving Access to Credit: Expanding access to credit with affordable schemes for small and medium enterprises, which are the backbone of the local economy.
 - c. Digitalization of Financial Services: Developing technology-based banking services such as mobile banking and digital payments to increase financial inclusion.
 - d. Economic Stabilization: As a liquidity support during a crisis, state-owned banking companies maintain national economic stability with policies that support growth and mitigate risks.

In order to optimize the role of state-owned enterprises in strengthening economic resilience and increasing the competitiveness of local industries, the following steps are required:

- e. Governance Reform: Ensuring that SOEs are managed professionally, transparently, and accountably to prevent inefficiency.
- f. Partnership with the Private Sector: Encourage collaboration with private companies and startups to enhance innovation and competitiveness.
- g. Local Human Resource Development: Investing in training and education for the local workforce so they can contribute in strategic sectors.
- h. Focus on Added Value: Prioritize the development of products and services that have high added value for domestic and international markets.

State-owned enterprises (SOEs) engaged in natural resource management, such as energy, mining, and forestry, play a crucial role in realizing sustainable development in Indonesia. However, achieving this goal requires concrete strategies and steps that consider economic, social, and environmental aspects. The following is a discussion:

1. Encouraging Sustainable Natural Resource Management Practices

State-owned enterprises (SOEs) need to ensure that natural resource exploitation takes into account long-term environmental and social impacts. Possible steps include:

- Implementation of Environmentally Friendly Technology: Using modern technology to reduce carbon emissions, waste, and ecosystem damage.

- Rehabilitation and Reclamation: Implementing post-exploitation programs, such as reforestation in the forestry sector or mine reclamation to restore disturbed environments.
 - Energy Diversification: Developing renewable energy (e.g., solar and geothermal) to reduce dependence on fossil fuels.
2. Ensuring Fairness in the Distribution of Natural Resource Benefits
- State-owned enterprises must ensure that the benefits of natural resource management reach all levels of society, especially local communities surrounding exploitation areas. Possible strategies include:
- Increasing Contribution to Local Communities: Allocating CSR (Corporate Social Responsibility) funds effectively for infrastructure development, education, and local community health services.
 - Partnership with Indigenous and Local Communities: Involving indigenous and local communities in the planning, implementation, and management of BUMN projects related to natural resources.
 - Knowledge and Technology Transfer: Empowering local communities with skills training to participate in the natural resource industry value chain.
3. Improving Transparency and Good Governance
- Natural resource management often faces challenges such as corruption, conflicts of interest, and inefficiency. Therefore, state-owned enterprises (SOEs) must strengthen their corporate governance. Steps to take include:
- Audit and Transparency: Conduct regular audits and ensure transparency of information to the public regarding the operations and impacts of natural resource management.
 - Collaboration with Independent Institutions: Collaborate with civil society organizations and international institutions to ensure management in accordance with global standards.
 - Strengthening ESG (Environmental, Social, Governance) Policy: Making ESG principles the operational basis of SOEs in managing natural resources.
4. Encouraging Investment in Research and Innovation
- Research and innovation are key to finding more efficient and environmentally friendly methods for managing natural resources. Steps that can be taken include:
- Investment in Research: Allocating funds for research related to sustainable natural resource exploration, processing, and management technologies.
 - Partnership with Academics: Collaborating with universities and research institutions to create innovative solutions in natural resource management.
 - Circular Economy Development: Developing business models that recycle waste or by-products from natural resource exploitation.
5. Supporting Inclusive and Equitable Development

State-owned enterprises (SOEs) must play a role in ensuring equitable development throughout Indonesia, including underdeveloped regions. Some strategic steps include:

- Infrastructure Development in Remote Areas: Building roads, electricity, and telecommunication facilities to improve community connectivity and accessibility.
- Local Job Creation: Prioritize local workforce in state-owned enterprise projects in the natural resources sector.
- Downstream Industry Development: Ensuring that natural resource processing is carried out domestically to increase added value and open up local business opportunities.

6. Strengthening Regulations and Synergy Between State-Owned Enterprises and the Government

Strong regulations are needed to ensure that natural resource management by State-Owned Enterprises aligns with the national development vision. Steps include:

- Policy Harmonization: Aligning government policies with SOE work plans to focus more on sustainability.
- Incentives for Sustainable Operations: Provide incentives for SOEs that adopt environmentally friendly practices and support the local economy.
- Inter-SOE Collaboration: Encouraging synergy between SOEs in interrelated sectors, such as energy, transportation, and infrastructure, to increase efficiency and positive impact.

To enhance the role of state-owned enterprises (SOEs) in sustainable natural resource management, a holistic approach is needed, encompassing environmental management, social empowerment, and economic strengthening. By implementing good governance, encouraging innovation, and ensuring equitable distribution of benefits, SOEs can become drivers of inclusive, equitable, and sustainable development. These steps will also support Indonesia in achieving the Sustainable Development Goals (SDGs) and strengthen national competitiveness in the global market.

CONCLUSIONS AND RECOMMENDATIONS

The sustainability of SOEs' role requires good governance, innovation, and collaboration between the government, the private sector, and the public. It is important to understand that in achieving Indonesia Emas (Golden Indonesia) in 2045, SOEs play a vital role, both in improving the country's economic finances, mitigating the impact of rising unemployment, building infrastructure (state facilities), and so on. The real work and efficiency of SOEs must also be continuously encouraged so they can respond to global challenges while remaining focused on national development goals for a better Indonesia. The conclusions that can be drawn based on the discussion above are as follows:

1. State-owned enterprises (SOEs) are a crucial pillar of Indonesia's national development. Their role extends beyond the economic to encompass social and environmental aspects. To continuously enhance their contributions, SOEs need to continually reform and adapt to the increasingly complex

business environment. With government and public support, SOEs can become the driving force behind Indonesia's development, leading to greater progress, equity, and sustainability.

2. State-Owned Enterprises can become more effective agents of development, contribute to inclusive economic growth, and enhance Indonesia's global competitiveness with the support of good direction and management.
3. State-owned enterprises (SOEs) are valuable assets for the state, serving a multi-faceted role, serving as agents of development, drivers of economic growth, and stabilizers of the economic system. To maintain their optimal role, SOEs need to undertake continuous reforms, increase efficiency, and continue to innovate. In this way, SOEs can become the driving force behind more sustainable and inclusive national economic development.

State-Owned Enterprises (SOEs) need to implement the following steps to improve transparency and governance: transparent reporting, strict oversight, law enforcement, and support for research and innovation in the natural resources sector. With these steps, SOEs can continue to be a key pillar in realizing competitive, inclusive, and sustainable development for Indonesia.

The role of state-owned enterprises (SOEs) in national development is highly strategic. By continuously improving and adapting, SOEs can become the driving force behind Indonesia's more inclusive and sustainable economic growth. The government needs to provide strong support through conducive policies and effective oversight.

REFERENCES

- Ministry of State-Owned Enterprises of the Republic of Indonesia, Annual Report of State-Owned Enterprises 2023, Jakarta: Ministry of State-Owned Enterprises, 2023.
- Hermawan, Agus. "The Role of State-Owned Enterprises in the Indonesian Economy," *Journal of Economics and Development*, vol. 15, no. 1, 2022, pp. 45-60
- Andi Wardhana, Effectiveness and Efficiency of State-Owned Enterprises (BUMN) in the Framework of Increasing State Foreign Exchange, 2017
- Mukti Fajar and Yulianto Achmad, 2010, Dualism of Normative & Empirical Legal Research, Yogyakarta: Pustaka Pelajar, p. 34.
- UNDP Indonesia, Convergence of the Nawa Cita Development Agenda, RPJMN, and SDGs, Jakarta
- Ikhwanasyah, An An Chandrawulan, and Prita Amalia, Optimizing the Role of State-Owned Enterprises (BUMN) in the Era of the ASEAN Economic Community (AEC), Jakarta
- Tasrief Tarmizi, Minister of Defense Sjafrie emphasized that defense is the main pillar of the economy, <https://www.antaraneews.com/berita/4502013/menhan-sjafrie-tekanan-pertahanan-penopang-utama-perekonomian>
- Ade P Marboen, President: Defend ID is a transformation of the defense industry ecosystem, <https://www.antaraneews.com/berita/2832509/presiden-defend-id-jadi-transformasi-ekosistem-industri-pertahanan>
- Abdul Rohman, State-Owned Enterprises Capture the Economic Potential of Industry, <https://feb.ub.ac.id/bumn-menangkap-potensi-ekonomi-industri/>
- Republika. "State-Owned Enterprises Become the Backbone of National Development," *Republika Online*, accessed November 30, 2024, [https://www.republika.co.id] (<https://www.republika.co.id>)