

Health Assessment of Regional Owned Enterprises as Efforts to Increase Local Revenue in East Java Province, Indonesia

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Abstract. Companies all over the world have a goal to make a profit, as well as a Regionally Owned Enterprise (BUMD) has a goal to make a profit. The profit obtained by BUMD as an effort to increase Regional Original Revenue (PAD). Regionally Owned Enterprises (BUMD) play the role of companies and service providers to the community. BUMD in running a business has two focuses, namely seeking profit as a form of responsibility as a business entity and providing services to the community as the responsibility of the Regional Government. 2002. The assessment in this research is focused on assessing financial performance. This research uses a descriptive approach. Data was obtained from the Regional Government Secretariat of the East Java Province Economic Bureau. BUMDs that have a good level of health, will have an impact on profitability. The greater the profits obtained by BUMD, it will increase the local original income.

Keywords: Health Assessment · Profit · PAD · BUMD

1 Introduction

Regionally Owned Enterprises (BUMD) play the role of companies and service providers to the community. BUMD in running a BUMD business has two focuses, namely seeking profit as a form of responsibility as a business entity, and providing services to the community as the responsibility of the Regional Government to the community. BUMD as a service provider to the community, it must strive to improve performance. Regionally Owned Enterprises (BUMD) is a provincial business entity established under Law no. 23/2014 concerning Regional Government. According to Law No. 23 of 2014, BUMDs can be wholly owned or partially owned by the Provincial Government through direct participation and can take the form of Limited Liability Companies or Regional Companies. The Provincial Government's ownership is 51% and the rest is owned by general shareholders, so the BUMD is a company company. The condition of the Regional Government is the sole owner of the BUMD, so the form of the BUMD is the Regional Public Company or often referred to as the Regional Company (PD).

Regionally owned enterprises (BUMD) are companies established and owned by local governments. The authority of local governments to form and manage BUMDs is affirmed in Government Regulation No. 25 of 2000 concerning governmental authority and provincial authority as an autonomous region. The implementation of the regional

autonomy system as mandated by Law Number 32 of 2004 requires fiscal independence. Therefore, each region is expected to be able to maximize all the potential that exists to increase Local Revenue (PAD). In addition to taxes and levies, one source of PAD is derived from the management of separated regional assets. Separated state assets are components of state assets whose management is handed over to State-Owned Enterprises or Regional-Owned Enterprises. The results of the management of separated regional assets are part of the PAD, which among other things are sourced from the profit of the regional company, the profit portion of the bank's financial institutions, the share of profits on equity participation in other business entities.

2 Literature Review

2.1 Performance Assessment

There are several performance measurements according to several experts, including:

a. Objective Measures of Organizational Performance

Accounting measurement. Accounting measurements are the most common and most likely to measure organizational performance. The validity of its use has been widely proven and is related to economic return. Another important thing, accounting measurements are more reliable because they reflect past performance, where the source can be audited. But this approach has both positive and negative sides. The negative side of the Enron case and the positive side of the internet company. Therefore the predictability and validity of accounting measurements as signals of economic return may be less related to their validity and more to do with the stationary nature of the environment in which the measurements are made. The implication is that the more turbulent the environment, the more unclear the performance rules.

b. Financial Market Measures

In financial strategy, economics, and literature, financial market measures are more dominant for shareholder returns and the preferred instrument for measuring organizational performance. The main strength of this measurement is that this measurement sees the future, in theory presenting the value of future cash flow. Measurement of intangible assets is more effective than accounting data, clear relevance for those interested in resource-based and knowledge-based companies. Therefore the connection between financial market measures such as stock price or excess stock return on the company's actual performance depends on how much the company's operating results flow to shareholders and financial market efficiency information. The main limitation of the use of financial market data in management research is evaluating the organization as a whole. For all but a few companies that have issued stock tracking (Robinson, 2000), it is not possible to divide market steps between activities (Jacobson, 1987). Therefore, although market value may be generally recognized as the most appropriate measure of overall organizational performance, it is less useful for research to focus on performance where dimensions

are defined in terms of a product or strategic business unit (SBU). Efforts to separate the performance of business units are also problematic. Some researchers have pointed out that the logic of having one business unit traded as a block implies that measuring financial performance and risk at the business unit level will be flawed due to failure to account for the synergies and cannibalization associated with unit interactions. Therefore, even if one measures the level of a business unit's performance, it is unlikely that this will explain the unit's performance in the context of the overall corporate strategy.

c. Mixed Accounting / Financial Market Measures

The advantage of mixed accounting / financial market measures is that they are better able to balance risk (largely ignored by accounting measures) against operational performance problems that are sometimes lost in market size. The Tobin Q example is probably the earliest and most popular hybrid measure for company performance. Tobin's Q is the ratio of the firm's market value of assets to replacement costs and is a theory-based measure of economic return (Tobin, 1969). One difficulty with applying Tobin q is that the value of replacing company assets is almost always measured through proxies that are closely related to the book value of assets. This limitation has led to the development of a number of alternative mixed actions. The Altman Score (Altman, 1968) was one of the first empirical steps and was specifically developed to predict financial disaster events. The Z-score predicts a company's chances of bankruptcy, is an extreme financial result, product market, and shareholder, using a combination of accounting and stock market steps including the ratio of working capital to total assets, retained earnings to total assets, market value of equity to books value of liabilities, and sales of total assets (Altman, 1968).

d. Survival

Survival is a common dependent variable in management research, especially in organizational and entrepreneurial sociology where increased attention is given to the ecological explanation of company performance (Hannan & Freeman, 1977). Many companies fail, making survival related to researchers and managers (Dunne, Roberts, & Samuelson, 1988). Survival and financial performance results are closely related, with an examination of financial market performance findings that delisting companies underperform the median stock market returns of companies on the NYSE and AMEX by 48% from 10 years to 1 year previously delisted (Baker & Kennedy, 2002).

2.2 Measurement of BUMD Performance

The formulation of the health level of Regionally Owned Enterprises (BUMD) is prepared using the Balance Scorecard method and adjustments to the soundness rating of the State Owned Enterprises (SOEs) as listed in the decree of the Minister of SOEs Number: KEP-100 / MBU / 2002. In the evaluation of BUMD health level, the classification of BUMD health level is as in the following table 1:

Table 1. BUMD Health Rating Assessment.

HEALTHY	LESS HEALTHY	NOT HEALTHY
AAA if the total (TS) is greater than 95	BBB if $50 < TS$ less or equal to 65	CCC if $20 < TS$ less or equal to 30
AA if $80 < TS$ less or equal to 95	BB if $40 < TS$ less or equal to 50	CC if $10 < TS$ less or equal to 20
A if $65 < TS$ less or equal to 80	B if $30 < TS$ less or equal to 0	C if $TS < 10$

The level of soundness of the BUMD is determined based on an evaluation of the company's performance for the fiscal year concerned including an assessment of:

1. Financial aspects are taken based on indicators in a financial perspective
2. Operational aspects are taken based on indicators in the customer perspective, business processes, and learning and growth
3. Administrative aspects

The SOE Health Assessment according to this decision is only applied to SOEs if the results of the accountant's examination of the company's annual financial calculations are stated with a "Fair without Exception" qualification or a "Fair with Exceptions" qualification from a public accountant or the Financial and Development Supervisory Agency. The SOE Health Level Assessment is determined annually in the ratification of the annual report by the General Meeting of Shareholders or the SOE Minister for Public Companies (PERUM). The guideline in the SOE Ministerial Decree Number: KEP-100 / MBU / 2002 is also used as a guideline for BUMD.

In a financial perspective, the indicators assessed and their respective weights are as in the following table 2:

Table 2. Indicators on Health Level.

Indicator	Weight	
	Infrastructure	Non Infrastructure
Return on Equity (ROE)	15	20
Return on Investment (ROI)	10	15
Cash Ratio	3	5
Current Ratio	4	5
Collecting Period	4	5
Inventory Turnover	4	5
Total Assets Turnover	4	5
The Ratio of Own Capital to Total Assets	6	10
Other Indicator	0	0
Total Bobot Keuangan	50	70

Table 2 illustrates that in financial perspective weighting BUMDs are classified as infrastructure BUMDs and non-infrastructure BUMDs. BUMD infrastructure is a BUMD whose activities provide goods and services for the benefit of the wider community, whose business fields include:

- a) Electricity generation, transmission or distribution
- b) Procurement and support of supporting facilities for the transport of goods or whether sea, air or train
- c) Toll roads and bridges, docks, seaports or rivers or lakes, airports and airports; and
- d) Dams and irrigation

Meanwhile, non-infrastructure BUMDs are BUMDs whose business sectors are outside the business fields in the above BUMD infrastructure. Examples are banking, insurance, guarantee services, and non-finance outside of infrastructure. BUMD Health Level Assessment is only carried out for results for company financial audits relating to the qualification of "Fair without Exceptions" or qualifications "Fair with Exceptions" from public accountants.

In the table above, driving profitability can be measured by the percentage of ROE growth (Return on Equity) or the ratio of profit to growth in net income (return on investment) or the ratio of profit to investment. Profit consists of two components, namely income and expenses. This is what underlies the purpose of the financial performance below related to increased sales growth and increased margin growth.

3 Methodology

The object of research used in this study is the Regional Owned Enterprises (BUMD) in East Java with 8 BUMDs. This type of research is descriptive research. This study uses secondary data sources from the 2018 BUMD annual financial statements. Data collection methods are: (1) documentation, namely financial reports for 2017-2018, BUMD secondary data collection through the East Java provincial economic Bureau. (2) interview the East Java Provincial Government's Bureau of Economics to explore data, among others, regarding the investment decision making mechanism in East Java Provincial Government.

3.1 Data Analysis Techniques

Based on BUMD financial report data, the data analysis stages are as follows:

- a. Measuring the ratio of earnings to equity
- b. Percentage of growth in return on investment (ROI)
- c. Measuring Current Ratio
- d. Measuring Collecting Period
- e. Measuring inventory turnover
- f. Measuring total asset turn over (TATO)
- g. Measuring the ratio of total own capital to total assets (TMS to TA)

- h. Based on the results of the stages point a to point g, the next step is to provide a weighting based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Rating of the Health Level of the Owned Enterprise
- i. The final step is to provide an assessment of the health level of BUMD.

4 Result and Discussion

4.1 Result

Table 3. BUMD Performance Assessment Results East Java.

NO	BUMD	RESULTS
1	PT. A	Healthy with AA criteria.
2	PT. B .	Healthy with AAA criteria.
3	PT. C	Healthy with A criteria.
4	PT. D	Healthy with AA criteria.
5	PT. E	Healthy with A criteria.
6	PT. F	Healthy with AA criteria.
7	PT. G	Less Healthy with BB criteria.
8	PT. H	Less Healthy with B criteria.

Table 4. PT. A Health Illustration of 2018.

NO	DESCRIPTION	WEIGHT	RESULTS	SCORE
1	R O E	20	80,83	20
2	R O I	15	34,83	15
3	Cash Ratio	5	234,07	5
4	Current Ratio	5	829,65	5
5	Collection Period (CP)	5	107	4
6	Inventory Turnover (PP)	5	98	4
7	Total Asset Turnover (TATO)	5	86,67	3,5
8	TMS to TA	10	26,35	7,25
	AMOUNT	70		63,75

Table 5. PT. B. Health Illustration of 2018.

No	Ratio	Weight	Value	Score	Information
1	Non Performing Loan (NPL)	10	3,75	8	Sehat
2	Loan to Deposit Ratio (LDR)	10	66,57	10	Sangat sehat
3	Return on Total Assets	10	2,96	10	Sangat sehat
4	Return on Equity	10	17,75	10	Sangat sehat
5	Net Interest Margin	10	6,37	10	Sangat sehat
6	BOPO	10	69,45	10	Sangat sehat
7	Capital Adequacy Ratio (CAR)	10	24,21	10	Sangat sehat
Amount		70		68	Sangat sehat

Table 6. PT. C Health Illustration of 2018.

NO	DESCRIPTION	WEIGHT	RESULTS	SCORE
1	R O E	20	5,89	8,5
2	R O I	15	9	7,5
3	Cash Ratio	5	1297,79	5
4	Current Ratio	5	1359,35	5
5	Collection Period (CP)	5	31	5
6	Inventory Turnover (PP)	5	20	5
7	Total Asset Turnover (TATO)	5	77,29	3,5
8	TMS to TA	10	70,96	7,5
AMOUNT		70		47

Table 7. PT. D PT. A Health Illustration of 2018.

NO	DESCRIPTION	WEIGHT	RESULTS	SCORE
1	R O E	20	14,78	18
2	R O I	15	74,12	15
3	Cash Ratio	5	52,08	5
4	Current Ratio	5	97,63	2
5	Collection Period (CP)	5	40	5
6	Inventory Turnover (PP)	5	3	0,6
7	Total Asset Turnover (TATO)	5	128,83	5
8	TMS to TA	10	26,26	7,25
AMOUNT		70		57,85

Table 8. PT. A Health Illustration of 2018.

NO	DESCRIPTION	WEIGHT	RESULTS	SCORE
1	R O E	20	8,46	12
2	R O I	15	34,92	15
3	Cash Ratio	5	12,37	2
4	Current Ratio	5	128,13	5
5	Collection Period (CP)	5	93	4
6	Inventory Turnover (PP)	5	40	5
7	Total Asset Turnover (TATO)	5	47,32	2,5
8	TMS to TA	10	34,42	10
	AMOUNT	70		55,5

4.2 Discussion

Assessment of the soundness of PT.A based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Health Level Assessment of the State Owned Enterprise. Assessment aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyzes the Financial Aspect based on the financial statements of PT. SEER. The results of the assessment are based on financial aspects of PT. SIER reached a score of 63.5, the achievement of performance from the financial aspect has a value of 91. PT. SIER is categorized as Healthy with AA criteria.

The level of soundness of PT. B is based on the Soundness Rating of BUMD Financial Services Banking from Bank Indonesia Regulation Number 13/1 / PBI / 2011 concerning the Rating of Soundness of Commercial Banks and Decisions of State-Owned Enterprises Number: KEP - 100 / MBU / 2002 concerning Level of Assessment Health of State Owned Enterprises. The evaluation aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyze the Financial Aspects based on the financial statements of BANK JATIM. The results of the assessment based on the financial aspects of Bank Jatim reached a score of 68 performance achievements from the financial aspect has a value of 97. Bank Jatim is categorized as Healthy with AAA criteria.

PT.C's soundness rating is based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Health Level Assessment of the State Owned Enterprise. Assessment aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyzes the Financial Aspect based on the financial statements of PT. C. The results of the assessment based on financial aspects of PT. C reached a score of 47, the achievement

of performance from the financial aspect has a value of 67. PT. C is categorized as Healthy with criteria A.

PT.D's soundness assessment is based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Health Level Assessment of the State Owned Enterprise. Assessment aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyzes the Financial Aspect based on the financial statements of PT. D. Assessment results based on financial aspects of PT. D reached a score of 57.85 Achievement of performance from the financial aspect has a value of 83. PT. D is categorized as Healthy with AA criteria.

Health level assessment of PT. E based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 concerning the Assessment of the Health Level of the State Owned Enterprise. Assessment aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyze the Financial Aspects based on the financial statements of PT.E. The results of the assessment are based on financial aspects of PT. Panca Wira Usaha achieved a score of 55.5 Achievement in financial performance has a value of 79.29. PT. E is categorized as Healthy with criteria A.

Health level assessment of PT. F based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 concerning the Assessment of the Health Level of the State Owned Enterprise. The evaluation aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyze the Financial Aspects based on the financial statements of PT.F. The results of the assessment based on financial aspects of PT.F reached a score of 62, the achievement of performance from the financial aspect had a value of 89. PT.F was categorized as Healthy with AA criteria.

The soundness rating of PT.G is based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Health Level Assessment of the State Owned Enterprise. Assessment aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyze the Financial Aspects based on the financial statements of PT.Jatim Grha Utama. The results of the assessment based on the financial aspects of PT. G reached a score of 33 performance achievements from the financial aspect has a value of 47.14. PT.G is categorized as Less Healthy with BB criteria ...

Health level assessment of PT. H is based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Health Level Assessment of the State Owned Enterprise. Assessment aspects based on Article 3 Number: KEP - 100 / MBU / 2002 assessment there are 3 aspects, namely Financial Aspects, Operational Aspects and Administrative Aspects. In this analysis only analyzes the Financial Aspect based on the financial statements of PT. H. Assessment results based on financial aspects of PT. H reaches a score of 30.5, achievement of financial performance has a value of 43.57. PT. H is categorized as Less Sound with critics.

5 Conclusion

BUMD under the East Java provincial government of 8 BUMDs have health level with 6 criteria of healthy BUMD and 2 BUMDs have unhealthy criteria. Analysis of BUMD health level assessment in East Java based on the Decree of the State Owned Enterprise Number: KEP - 100 / MBU / 2002 about the Health Level Assessment of the State Owned Enterprise. 8 BUMDs in East Java Province, both with healthy and unhealthy levels of health, still provide dividends to the government of Daerha, East Java Province.

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