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State-Owned Enterprises' Financial Losses: Causal Factors and Their Implications for Public Financial Governance in Indonesia

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***Abstract**. Financial losses at several State-Owned Enterprises (SOEs) in Indonesia indicate significant problems in the operational management and governance of state assets. This situation not only impacts SOE business performance but also directly impacts state financial management, including transparency, accountability, and efficient budget utilization. This study aims to analyze the underlying causes of financial losses at SOEs and evaluate their impact on public financial governance in Indonesia. The method used is a literature review examining regulations, SOE financial reports, previous research, government oversight reports, and relevant academic studies. The results indicate that SOE losses generally occur due to weak internal management, decision-making that is not based on data, inefficient costs, poor governance, and inadequate government oversight. The impact on public financial governance can be seen in the increasing burden on state finances and declining public trust in the management of state assets. This study recommends strengthening the implementation of Good Corporate Governance (GCG), increasing transparency and accountability in reporting, utilizing digital technology for oversight, and comprehensive evaluation of the performance of directors and commissioners to support improvements in SOE governance and public finances.*

***Keywords:** Business Risk, Good Corporate Governance, Public Financial Governance, State Financial Losses, State-Owned Enterprises*

1. INTRODUCTION

State-Owned Enterprises (SOEs) are a crucial instrument of government in carrying out economic functions and public services. As state-owned business entities, SOEs are expected to act as agents of development while contributing to state revenue through dividends and taxes.(geography.org, 2024).However, in practice, a number of state-owned enterprises in Indonesia have experienced significant financial losses, which have had a direct impact on public finances and public trust in the governance of state assets.

Furthermore, State-Owned Enterprises (SOEs) play a vital role in the national economy, standing alongside the private sector (both domestic and foreign, large and small scale) and cooperatives as key actors in economic activity. The existence of SOEs makes a significant positive contribution to Indonesia's economic progress. Furthermore, within the framework of a people-oriented economic system, SOEs serve as a concrete representation of ongoing efforts to realize and develop economic democracy. (Ministry of Law and Human Rights, 2016).

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In carrying out its operations, BUMN acts like a business entity in general, where the main objective is to gain profit (profit orientation). However, BUMN does not only function as a profit-seeking entity. BUMN is also obliged to fulfill its social function, namely being able to provide optimal service to the community. Overall, the role of BUMN can be described as combining commercial orientation with public service responsibilities. According to Law of the Republic of Indonesia Number 19 of 2003 concerning State-Owned Enterprises, regarding the function of BUMN, it has been stated in article 2 that BUMN has the following goals and purposes: (1) contributing to the development of the national economy in general and state revenue in particular; (2) seeking profit; (3) providing public benefits by providing high-quality and adequate goods and/or services to meet the needs of the community; (4) being a pioneer in implementing businesses that cannot yet be carried out by the private sector and cooperatives; (5) actively providing guidance and assistance to entrepreneurs from economically disadvantaged groups, cooperatives, and the community. (UUD RI, 2003).

However, consistent losses remain a significant concern for Indonesian state-owned enterprises (SOEs); since their founding in 1973, the number of SOEs affected by losses remains significant. According to the Supreme Audit Agency (BPK), in its Summary of Semester Audit Results (IHPS) for the first half of 2024, 593 issues were identified in 27 SOEs and other entities, totaling Rp 2.75 trillion. These issues comprised 353 cases of internal control system (SPI) weaknesses, 200 non-compliance issues worth Rp 1.64 trillion, and 40 cases of inefficiency, economy, and effectiveness (the "3Es") worth Rp 1.11 trillion. (BPK, 2024).

These findings demonstrate persistent weaknesses in internal control and compliance mechanisms in the financial management of state-owned enterprises (SOEs). This is not a new phenomenon. In the 2023 Financial Performance Report (IHPS I), the Supreme Audit Agency (BPK) recorded potential state losses of Rp 18.19 trillion from a total of 15,689 issues, Rp 1.54 trillion of which originated from SOEs and other entities.(BPK, 2023). Furthermore, Transparency International Indonesia (2024) noted that from 2000 to 2024, there were 16 major corruption cases within state-owned enterprises (SOEs), resulting in state losses totaling Rp 83.3 trillion, demonstrating that governance and integrity issues remain a serious root cause. The problem of SOE losses can also be seen in a number of factual cases that reflect managerial complexity and high governance risks. One such case is the case of PT Asuransi Jiwasraya (Persero), which experienced a policy default of trillions of rupiah due to incorrect investments and weak internal oversight. The Supreme Audit Agency (BPK) noted that the placement of investment funds that did not comply with prudent principles and the existence of conflicts of interest were the main causes of these significant losses. This case not only impacted the company but also created a fiscal burden for the government to undertake restructuring.(Kompas, 2020).Another case that also illustrates the problem of public financial governance is PT Timah Tbk, where the Attorney General's Office recorded potential state losses of IDR 29 trillion, as well as economic losses of IDR 271 trillion due to corruption in illegal tin mining in the state-owned company's Mining Business Permit (IUP) area. (Kompas, 2024).

In addition to individual cases, structural problems are also evident in the latest regulation, namely Law Number 16 of 2025 concerning the Fourth Amendment to Law Number 19 of 2003 concerning State-Owned Enterprises, which states that "losses of state-owned enterprises are not state losses." This provision has generated pros and cons because it has the potential to weaken public accountability and narrow the scope for financial oversight country. (Kompas.id, 2025).

These issues highlight serious irregularities in the governance of natural resource assets managed by state-owned enterprises (SOEs), while also highlighting the government's weak oversight of the performance of state-owned enterprises. The implications for public financial governance in Indonesia are significant, as this situation has the potential to cause significant losses to the state treasury, undermine the principles of accountability and transparency in the management of public assets, and indicate weaknesses in government oversight of the performance of state-owned enterprises. These issues also demonstrate that SOE financial losses are not solely caused by business factors or market conditions, but also by weaknesses in governance systems, internal controls, and inefficient and intransparent public financial management practices. Yet, SOEs are closely linked to state finances through equity participation, subsidies, and government guarantees. Therefore, any SOE losses have direct implications for the effectiveness, efficiency, and accountability of public finances in Indonesia.

2. THEORETICAL STUDIES

Good corporate governance

In general, the term Good Corporate Governance (GCG) can be understood as a system of control and regulation in company management, which reflects the relationship mechanism between the various parties involved in company management (hard definition). On the other hand, GCG can also be viewed from the aspect of the values underlying the management mechanism, which emphasize the principles of ethics, integrity, and responsibility in carrying out corporate activities (soft definition). (bpkp.go.id, 2023).

According to Sulistiyanto and Wibisono (in Manossoh, 2016), Good Corporate Governance (GCG) conceptually is a system that functions to regulate and control company activities in order to create added value for all stakeholders. This concept emphasizes two main aspects, namely: first, the importance of fulfilling shareholders' rights to obtain accurate and timely information; and second, the company's obligation to carry out transparent, timely, and accurate disclosure of all information related to performance, ownership structure, and relationships with stakeholders.

The concept of Good Corporate Governance (GCG) was formed from the reaction of shareholders in the United States in the 1980s who felt their interests were threatened. (Budiati, 2012) (in accounting.binus.ac.id, 2017). The increasing number of scandals involving various large companies, both in the United States and in Indonesia, encouraged the emergence of the idea of empowering the board of commissioners as an effort to guarantee the protection of shareholder rights and strengthen the implementation of GCG principles. (accounting.binus.ac.id, 2017). Meanwhile, in Indonesia, the concept of Good Corporate Governance (GCG) began to be known since the economic crisis in 1997. The crisis, which lasted quite a long time, was considered to be the result of weak corporate management, non-compliance with regulations, and the rampant practices of corruption, collusion, and nepotism (KKN) in the business world. (Budiati, 2012) (in accounting.binus.ac.id, 2017).

The concept of Good Corporate Governance (GCG) began to gain popularity in Indonesia in the late 1990s, coinciding with the economic crisis that hit Asia, including Indonesia. The crisis was identified as being caused, among other things, by the weak implementation of good corporate governance, which had long-term impacts on national economic and political stability. (Manossoh, 2016).Recognizing the importance of implementing good governance principles, the government, through the Ministry of State-Owned Enterprises (SOEs), introduced a formal policy on GCG within SOEs. This was realized through the Decree of the Minister of SOEs Number Kep-117/M-MBU/2002 dated August 1, 2002, concerning the Implementation of Good Corporate Governance Practices in SOEs, which requires every SOE to consistently apply GCG principles as the basis for company operations and decision-making. The main objectives of this policy are to improve company performance and accountability, create long-term added value for shareholders, and maintain a balance between the interests of other stakeholders in accordance with statutory provisions and business ethics. Subsequently, in 2006, the National Committee on Governance Policy (KNKG) strengthened this commitment by compiling and refining national guidelines for the implementation of Good Corporate Governance in Indonesia. (bpkp.go.id, 2023). The implementation of Good Corporate Governance is expected to support the government's efforts to realize the principles of good governance in Indonesia.

In improving the economy, companies are at the forefront, both at the regional and central government levels in Indonesia. In the journal "Good Corporate Governance and Its Implementation in Indonesia,"(Kaihatu, 2016), Companies under the auspices of State-Owned Enterprises (SOEs) play a strategic role as key actors in Indonesia's national economic system. Given this position, SOEs should be pioneers and role models for other business entities, particularly in the application of good corporate governance principles.

Since the implementation of bureaucratic reform in 1998, the Indonesian government has consistently committed to implementing the principles of good governance throughout its bureaucratic system, both in the public and private sectors. This effort aims to achieve effective, transparent, and accountable governance, thereby establishing a good and clean government.(Sudarmanto, et al., 2021).

Based on the Regulation of the Minister of State-Owned Enterprises Number PER-01/MBU/2011, the main principles of Good Corporate Governance (GCG) include five main aspects. First, transparency, namely openness in the decision-making process and in the delivery of material and relevant information regarding the company. Second, accountability, which emphasizes the clarity of the function, implementation, and responsibility of each company organ so that management can run effectively. Third, responsibility, namely the compliance of company management with the provisions of laws and regulations and the application of sound corporate principles. Fourth, independence, which requires the company to be managed professionally without any conflict of interest or intervention from other parties that are contrary to sound corporate principles. Fifth, justice (fairness), namely the application of the principles of justice and equality in fulfilling the rights of stakeholders in accordance with applicable regulations and agreements. (Hendra, 2024).

The implementation of Good Corporate Governance (GCG) concepts is a crucial foundation for companies seeking to achieve good governance. With GCG principles, companies can improve performance and value, while also supporting good governance and a healthy and sustainable national economy.

Public Finance

State finance is often referred to as public finance. In this context, the term "public" is narrowly understood to mean government, although it actually has a broader meaning. In a broader sense, the term "public" reflects not only the activities undertaken by the government but also encompasses the utility aspect, namely everything related to meeting the needs of the wider community. Therefore, in its broadest sense, public finance encompasses various activities related to the general public interest, whether carried out by the state, state-owned enterprises, private companies, or other social, political, and community institutions. (Ikhsan, 2023)

According to Aronson (1985) (in Ikhsan, 2023) Public finance is the study of the financial activities of governments and public authorities, which includes descriptions and analyses of government expenditures and the methods used to finance them. Based on this view, the scope of public finance includes: (1) part of the discipline of economics; (2) closely related to the fields of government and politics; (3) involving individuals or parties who play a role in decision-making on certain issues; and (4) covering community groups affected by these economic and political decisions. Meanwhile, the main focus in the study of public finance includes: (1) examining institutions and decision-making processes that influence individual behavior in the context of government; (2) utilizing public finance as a means to predict potential economic conditions and the impact of fiscal policy on the public sector; (3) understanding that public sector activities are an important part of the macroeconomic structure; and (4) examining how government expenditures and tax policies affect national income, price levels, and interest rates. In the book Public Finance and Public Policy by Gruber, (2018) (in Biswan, 2022) simply but deeply defines public finance as the study of the role of government in the economy.

In Indonesia, regulations regarding state finances are outlined in Law Number 17 of 2003 concerning State Finances. Under this law, state finances are defined as all state rights and obligations that can be valued in monetary terms, including all forms of wealth, whether in cash or in kind, owned by the state for the purpose of exercising those rights and obligations.

In the definition of state finances there are several things as follows, (1) State rights, including to collect taxes, issue and circulate money, and make loans. (2) State obligations in carrying out public services, government activities, and payments to third parties. (3) State revenue, namely all funds that enter the state treasury. (4) State expenditure, namely funds issued from the state treasury. (5) Regional revenue, in the form of funds that enter the regional government treasury. (6) Regional expenditure, namely funds that come out of the regional government treasury. (7) State/regional assets, whether managed directly or through other parties, in the form of money, securities, receivables, goods, and other rights that can be valued in money, including assets that are separated in state or regional companies. State companies are business entities whose capital is partly or wholly owned by the central government, while regional companies are owned by the regional government. (8) The wealth of other parties controlled by the government in the context of carrying out government duties and/or public interests, including wealth obtained through government facilities and managed by individuals, legal entities, foundations within ministries/institutions, or state or regional companies.(Ikhsan, 2023).

Thus, the concepts of public finance and state finance are closely related in understanding how the government manages money and financial resources to achieve economic and social goals. In the Indonesian context, this financial management encompasses fiscal activities carried out by the central and regional governments, and involves State-Owned Enterprises (SOEs) as part of the public financial management tool. SOEs play a crucial role in managing separated state assets, while also acting as an extension of the government in providing public services and maintaining the country's economic stability. Therefore, sound financial management in SOEs reflects the overall effectiveness of public financial management and directly impacts the welfare of the people and the state's ability to maintain financial sustainability.

3. RESEARCH METHODS

This research uses a qualitative approach with a literature review method. This approach is carried out by reading, analyzing, and reorganizing various relevant data sources. These sources can be books, journals, official government reports, or laws and regulations related to financial losses in state-owned enterprises and public financial management in Indonesia. This type of research is descriptive-analytical, aiming to describe in a structured manner the factors that cause financial losses in state-owned enterprises and analyze their impact on public financial management in Indonesia. This research approach does not conduct quantitative hypothesis testing, but rather emphasizes the interpretation of concepts and scientific thinking based on available secondary data. Literature review is a series of activities that involve collecting data from published sources, reading and recording, and processing research materials derived from the literature (Zed (2014). This is in line with the opinion of Torraco (2005), who explains that a literature review is a method for identifying, evaluating, and reorganizing related research results in order to produce new understanding of a particular event.

4. RESULTS AND DISCUSSION

Factors Causing Financial Losses of State-Owned Enterprises in Indonesia

A state-owned enterprise (SOE) is a type of business entity, and therefore a business entity focused on profit-making. This is understandable, as SOEs are business entities, unlike foundations or social institutions, which are not solely profit-seeking. Therefore, a healthy SOE must be able to generate profits and contribute a portion of those profits to the state in the form of dividends. (Adjie, 2018) in (Rahim, 2023).

State-owned enterprises (SOEs) also play a multifaceted role in the national economy, not only as providers of essential goods and services to the public but also as catalysts for economic development through their pioneering role in sectors not yet explored by the private sector. Furthermore, SOEs also serve as providers of public services, counterbalances the power of the private sector, and support the development of small businesses and cooperatives. Thus, SOEs contribute significantly to achieving public prosperity and strengthening the national economic structure.. (Refly, 2019). Thus, BUMN carries out two main roles, namely achieving profits through commercial activities and fulfilling social goals as a state instrument to improve the welfare of society.

One of the main challenges facing State-Owned Enterprises (SOEs) in Indonesia is the inability of most to be categorized as healthy and high-performing entities. As a result, many SOEs continue to record significant losses, ultimately burdening state finances and reducing the effectiveness of their role in supporting national development.

Amid the improving performance trend of the majority of state-owned enterprises (SOEs), several entities continue to suffer significant losses and become a financial burden on the state. These SOE losses have drawn public attention because the funds used to cover the deficit come from state funds, which are sourced from public tax contributions. Former SOE Minister Erick Thohir stated that seven SOEs are expected to continue suffering significant losses by the end of the year. (beritasatu.com, 2025).

The following is a list of state-owned enterprises (SOEs) that are experiencing losses (the latest data refers to the statement of the former Minister of SOEs at the end of 2024 and the financial report for the third quarter of 2024):

Table. 1 List of State-Owned Enterprises (BUMN) that are Making Losses

No.	State-Owned Enterprises	Main Sectors	Latest Recorded Losses	Main Determining Factors of Loss
1	PT Krakatau Steel	Steel Industry	Rp 2.03 trillion (Net Loss 2023)	Debt burdenhigh and operational shocks (2023 fire incident) that disrupted post-restructuring production.
2	PT Bio Farma	Pharmaceuticals/Vaccines	Rp. 9.13 billion (Losses due to suboptimal vaccine development, BPK Report)	Post-pandemic challenges (decreased demand), suboptimal distribution management, and losses due to inefficient vaccine development.
3	PT Wijaya Karya (Wika)	Construction	Rp. 7.12 trillion (2023 Loss)	Late paymentprojects (receivables), construction cost overruns, and high liquidity pressures that resulted in debt restructuring worth IDR 24.2 trillion.
4	PT Waskita Karya	Construction	Rp. 3 trillion (Loss until Q3 2024)	Decrease in incomefrom infrastructure projects, high operational costs, and financial pressure from stagnant (stalled) projects.
5	PT Jiwasraya Insurance	Insurance	**Rp16.81 trillion,**	Mismanagement failureand a major corruption scandal that resulted in losses of tens of trillions of rupiah,
6	Perumnas Housing Complex	Property/Housing	Rp. 95.96 billion (Loss	Liquidity problems, inefficiency in project management, and stagnation in the

			for the Year 2023)	implementation of public housing projects due to limited funding and slow bureaucratic processes.
7	State Printing Company of the Republic of Indonesia (PNRI)	Printing	(Not mentioned, but significant)	Digitization disruptionwhich led to a decline in demand for conventional printing services, resulting in a decline in revenue and profitability.

Source: tempo.com, 2024

Looking at the significant losses recorded by State-Owned Enterprises (SOEs) in 2024 alone, this clearly indicates a fundamental failure in the implementation of Good Corporate Governance (GCG) within SOEs.

Based on the book Management of Optimizing the Role of State-Owned Enterprises of the Republic of Indonesia (Edyowidodo, 2024), The emergence of problematic SOE cases indicates an ineffective SOE management pattern. Previous experience indicates that SOE cases are mostly caused by management errors. The implementation of SOE management at that time did not fully reflect the elements of Good Corporate Governance (GCG), as identified by the TARIF principle (Transparency, Accountability, Responsibility, Independence, and Fairness).

The concept of Good Corporate Governance (GCG) is a system designed to help manage a company to sustainably increase its value. Implementing GCG in a company aims to control various aspects, such as oversight, accountability, and decision-making. GCG plays a crucial role in the company's operations. Companies that consistently implement GCG will reap numerous benefits. Therefore, companies must adhere to the core principles of GCG: Transparency, Accountability, Responsibility, Independence, and Fairness. (Putri, 2023).

According to Sri Mulyani Indrawati, the former Minister of Finance of the Republic of Indonesia, two main factors have caused several State-Owned Enterprises (SOEs) to experience significant financial losses. First, ineffective management governance has been the primary cause of financial difficulties in several SOEs. Second, several SOEs have become trapped in businesses that are no longer strategic, thus hampering their ability to achieve optimal financial performance. Delays in business transformation have also worsened the financial situation of these SOEs. Therefore, governance transformation and business strategy adjustments are crucial to improving SOE financial performance and ensuring operational continuity. (kompas.com, 2024). It can be concluded that losses in BUMN are not only caused by suboptimal management factors and non-strategic business choices, but also by corrupt behavior that is still rife among high-ranking BUMN officials.

Furthermore, corruption in several government-owned companies continues to drain state finances. Of the 16 corruption cases, only a few received public attention between 2000 and 2024. State financial losses from these cases reached Rp 83.3 trillion. One of the largest cases was the corruption at PT Timah, which caused Rp 29 trillion in state financial losses, plus Rp 271 trillion in losses to the national economy. State financial losses reached Rp 83.3 trillion, which accounted for nearly 15 percent of the total state funds injected into state-owned enterprises (SOEs) from 2005 to 2021, amounting to Rp 369.17 trillion. In some corruption cases, these losses were directly felt by the public, such as the corruption case at PT Asuransi Jiwasraya. *(Transparency International.id, 2025).*

Meanwhile, numerous corruption cases have been uncovered in state-owned enterprise subsidiaries across various regions. For example, in 2024, the Supreme Court registered at least 24 corruption cases at Bulog, 6 cases at PT PLN, and more than 500 cases in government banking. These cases occurred across various regions, from Sabang to Merauke. Even as of February 24, 2025, when Law Number 1 of 2025 (the new State-Owned Enterprise Law) came into effect, the Corruption Eradication Commission (KPK) was still investigating a corruption case at PT Taspen, which allegedly caused state losses of up to Rp1 trillion, and the case is still under investigation. Furthermore, the KPK has also named five suspects in a corruption case at Bank Rakyat Indonesia related to the procurement of EDC machines, which allegedly caused state losses of up to Rp744.5 billion. (antikorupsi.org, 2025).

The ongoing losses in several state-owned enterprises have ultimately impacted state finances. This is due to fundamental failures stemming from three main factors. First, the failure to implement Good Corporate Governance (GCG) and management errors. The problems occurring in state-owned enterprises clearly demonstrate that the principles of TARIF (Transparency, Accountability, Responsibility, Independence, and Fairness) have not been properly implemented. Ineffective management, as discovered by Edyowidodo (2024) and Sri Mulyani Indrawati, is the primary cause of SOEs' financial difficulties. Second, SOEs are trapped in non-strategic businesses and are lagging behind in transformation. Many SOEs still operate in business areas irrelevant to market needs, thus hindering their achievement of good financial performance. Delays in business transformation further worsen the financial situation.

Therefore, governance transformation and business strategy adjustments are essential. Third, the problem of severe corruption. Corruption within high-ranking SOE officials and their subsidiaries further exacerbates state losses. Several examples of corruption cases, such as those at PT Timah, Jiwasraya, Bulog, PLN, and state-owned banks, have resulted in losses amounting to trillions of rupiah. This corruption not only harms the state financially but also undermines public trust and the effectiveness of state-owned enterprises in carrying out their roles.

Overall, restoring the performance of state-owned enterprises (SOEs) requires comprehensive transformation, such as improving corporate governance, adjusting business strategies, and systematically eradicating corruption. This is crucial for SOEs to optimally fulfill their roles, both commercially and socially, for the well-being of society.

Implications of State-Owned Enterprise Losses on Public Financial Governance

State-owned enterprises (SOEs) play a crucial role in driving national economic growth. Therefore, the government has a responsibility to ensure that SOEs function as key pillars in supporting and strengthening the national economy.(Firmansyah, 2024). State-owned enterprises (SOEs) are often in the public spotlight due to their losses, which impact state finances. (nasional.kontan.co.id, 2025). The issue of state-owned enterprise losses creates legal complexities related to the state's financial status and its implications for public financial governance and the criminal liability of state-owned enterprise managers. Legal clarity is key to ensuring accountability and transparency in state financial management. (Harianto, 2025).

The reform era demands transparency and public accountability in Indonesian government management, making them inseparable core principles of good governance. Consequently, the implementation of transparency and accountability is now a focus in participatory regional financial planning, implementation, and accountability.(Handoko, 2016).Good public financial governance is key to ensuring the effective management of state resources. Transparent and accountable budgeting, spending, and financial reporting enable governments to make informed decisions and implement effective policies. (Santoso, 2024).

Law Number 17 of 2003 explains that good financial governance is the foundation for effective governance that is responsive to public needs. With sound financial management, the government can provide quality public services and improve public welfare. The principles of good governance in public financial governance are crucial for maintaining public trust. Challenges such as corruption, inefficiency, and lack of accountability can drain state resources and undermine public trust in the government. Therefore, the implementation of good governance principles, such as transparency, accountability, and effective budget management, is crucial to ensuring optimal resource use and improving public welfare. (Christyanti, 2025).

The real implications of fraud (corruption) in government can drain public resources, hinder development, and undermine public trust in government. The impact is felt not only economically, but also on the quality of public services and social stability.(La Porta et al., 1999).Furthermore, issues of fraud (corruption) and a lack of accountability can hinder economic and social development by diverting resources from their intended purpose for the benefit of society. This leads to inefficiency, injustice, and a decline in the quality of life for the community. (Kusuma, 2023).

Losses experienced by State-Owned Enterprises (SOEs) can influence how state finances are managed. Although the business judgment rule doctrine states that "not every loss experienced by a SOE is automatically classified as a state financial loss,"(Hartono, 2021)Then in Law Number 16 of 2025 concerning the fourth amendment to Law Number 19 of 2003 concerning State-Owned Enterprises (BUMN). Article 4 of Law 16/2025 states that losses experienced by BUMN are considered losses belonging to the BUMN itself. This means that BUMN losses are not considered state losses. Likewise with profits, every BUMN profit is the BUMN's own profit. (BPK RI, 2025). However, these losses remain a burden on public finances. This burden arises because the state can be responsible for BUMN debts and receivables. These losses can also burden the APBN, reduce state revenues, and influence legal processes related to corruption. In addition, poor management of BUMN and poor governance are the main causes that disrupt state finances as a whole. (Augustinus, 2025) (hukumonline.com, 2025).

The analysis of the implications of BUMN losses on public financial governance is as follows:

- Losses experienced by state-owned enterprises (SOEs) can place an additional burden on the State Budget (APBN). In certain situations, the government may have to cover these losses by increasing state capital or paying off outstanding debt, thereby reducing funds that could otherwise be used for other public needs. The need for funds and capital provided to SOEs places significant pressure on the APBN, especially when these companies experience losses or lack sufficient funds to carry out government duties. In 2024–2025, the government must provide Rp 57.8 trillion in state capital injections (PMN), including substantial funds for SOEs involved in national infrastructure projects such as Hutama Karya, KAI, and INKA. This situation exacerbates the state's financial burden amidst increasing spending needs and maturing debt payments, reaching approximately Rp 800 trillion. According to Indef analysis, these PMN funds reduce the fiscal space of the APBN, indicating that SOE losses or inefficiencies could become a burden on state finances. Therefore, SOEs should be able to improve their performance and increase their dividend income to reduce their over-reliance on the APBN. (nasional.kontan.co.id, 2025).

- Losses experienced by state-owned enterprises can directly reduce the state's ability to generate revenue. Profits that should have been distributed as dividends to the state are no longer available, thus reducing SOEs' contribution to state revenue. Consequently, funding sources for national development are reduced and SOEs' role as drivers of the national economy is weakened. As stated by the Indonesian Ministry of Finance, "dividend contributions in 2023 will decrease by approximately 33% (expenditure) to 46% (PNBP) compared to 2019." This indicates that SOEs' contributions (through dividends or non-tax state revenue) have indeed decreased in amount.(kemenkeu.go.id, 2024).The negative trend regarding BUMN losses was also conveyed byHead of the State-Owned Enterprise Regulatory Agency (BP)(BUMN), that around 52–53% of the total BUMN companies are recorded as experiencing losses. These losses are estimated to cause*direct loss*And*indirect loss*totaling approximately IDR 50 trillion annually. finance.detik.com. 2025. This situation indicates that inefficiency in SOE management not only impacts the company's performance but also directly reduces the state's ability to generate revenue. In other words, losses experienced by SOEs result in a reduction in potential state revenues that could otherwise be used to support development financing and public services.
- Losses experienced by State-Owned Enterprises (SOEs) indicate weaknesses in internal management. Factors such as a lack of transparency, political interference, and unprofessional management methods are often the main causes of these losses. This situation indicates that the implementation of good corporate governance (GCG) principles within SOEs is still not running well. This lack of GCG principles not only affects the performance and efficiency of SOEs but also has the potential to have broader impacts on the overall stability and credibility of state finances and even lead to state losses. The 2019 Corruption Eradication Commission (KPK) report on the Study of Good Corporate Governance Implementation in the Private Sector and SOEs/Regional-Owned Enterprises (BUMD) stated that most SOEs still face difficulties in consistently implementing GCG. These difficulties include low levels of

accountability, the lack of a robust internal oversight system, and external influences such as political intervention in strategic decision-making. This directly impacts the performance and operational efficiency of SOEs, which in turn increases the risk of losses for the company and the state. (KPK, 2019). Furthermore, the Supreme Audit Agency (BPK) noted in its Summary of Semester Audit Results (IHPS) II of 2023 that several state-owned enterprises (SOEs) were still experiencing losses due to inefficient management, investment irregularities, and poor governance. This report emphasized that weak corporate governance can increase the state's financial burden, both through reduced dividends paid to the state treasury and the need for additional capital to cover these losses. (BPK RI, 2023).Research conducted bySitumorang, (2021) A study published in the Diponegoro Law Journal also supports these findings. He stated that non-compliance with GCG principles in state-owned enterprises can harm the country's economy, as a non-transparent and unprofessional management system reduces accountability and opens up room for corruption and management deadlock. Therefore, poor GCG implementation is not only an internal company problem but also endangers the country's financial health and undermines public trust in Indonesia's financial system.

In general, losses experienced by state-owned enterprises (SOEs) are not only internal company issues, but also related to the integrity and effective management of state finances. Therefore, efforts to improve transparency, management quality, and strict oversight of SOE operations must be a primary focus in strengthening the state's financial foundation. Therefore, improving SOE management aims not only to increase profits and efficiency but also to strengthen the overall financial health of the state. Comprehensive and sustainable SOE management reform is expected to create a healthy, professional business environment for the country, focused on creating economic and social value for the community.

5. CONCLUSIONS AND SUGGESTIONS

Losses in state-owned enterprises (SOEs) are not only due to inadequate management and inappropriate business choices, but also to the widespread corruption that persists within state-owned enterprises. This corruption exacerbates corporate governance, drains company funds, and undermines sound business decision-making. According to Transparency International Indonesia (2024), since 2000, several major corruption cases in SOEs have resulted in state losses amounting to tens of trillions of rupiah. This demonstrates that integrity remains a serious structural challenge.

Furthermore, several state-owned enterprises (SOEs) also experience external pressure in the form of government assignment obligations (Public Service Obligations) that are not always balanced with adequate fiscal compensation. This condition causes a decrease in liquidity, imbalances in cash flow, and increases long-term financial risk. Furthermore, political interference in strategic decision-making also often hinders the implementation of the principles of freedom and efficiency in SOE management. Therefore, a combination of internal governance weaknesses, suboptimal business models, corruption, and unbalanced government assignment pressures are the main causes of losses in several SOEs. These factors indicate the need for improved oversight systems, the implementation of good control, and increased accountability in the management of separated state assets.

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