

RESPONSIBILITY FOR THE MANAGEMENT OF REGIONAL WEALTH SEPARATED FROM REGIONAL OWNED ENTERPRISES IN INDONESIA

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Citation: Nurakhman., Richard. Responsibility For The Management Of Regional Wealth Separated From Regional Owned Enterprises In Indonesia. *MALA IN SE: Jurnal Hukum Pidana, Kriminologi dan Viktimologi* 3.1.2026. 126-133

Submitted:02-01-2026 **Revised:**01-03-2026 **Accepted:**01-04-2026

Abstract

The administration of segregated local assets within Regional-Owned Enterprises (BUMD) serves as a vital mechanism for attaining fiscal autonomy at the regional level; yet, its inherent intricacies often precipitate grave concerns over responsibility and openness. This investigation seeks to evaluate the responsibility framework governing segregated local assets in BUMD, pinpoint discrepancies between statutory mandates and implementation realities, and propose an optimal responsibility paradigm. Adopting a normative juridical methodology incorporating statutory and conceptual perspectives, the study relies on library-based inquiry for data gathering. Key discoveries highlight three core issues: firstly, deficiencies in BUMD's internal control apparatus permit irregularities to evade early detection; secondly, notable inconsistencies prevail between BUMD responsibility rules and financial disclosure routines, fostering juridical vulnerabilities; thirdly, an inadequate assessment process reliant on quantifiable metrics results in subdued and erratic contributions from segregated local assets to Regional Original Revenue. Enhancing internal controls, aligning regulatory standards, and developing a holistic performance appraisal structure emerge as the foremost remedies to foster responsible and fair BUMD administration.

Keywords: accountability; good governance; regional assets; Regional-Owned Enterprises; separated wealth management

A. INTRODUCTION

The oversight of segregated local assets functions as a key tool for securing fiscal self-reliance among regional administrations, with such assets allocated to Regionally Owned Enterprises (BUMD) as commercial bodies pursuing twin objectives: profit generation alongside superior public service delivery. Funds derived from the Regional Revenue and Expenditure Budget (APBD) undergo corporate-style administration, distinct from standard governmental fiscal handling, rendering asset governance intricate and prone to substantial challenges in responsibility and disclosure.¹ This phenomenon emphasizes the urgency of an in-depth study of the accountability of regional wealth management that is separated from BUMD as a tangible manifestation of the principles of good governance.²

¹ Linda Putri Ariska, Devina Ayu Trisna, and Khakimatul Marfu'ah, "The Challenges of Digitizing Financial Reporting at Perumda Kahyangan Jember," *Complex: National Multidisciplinary Journal of Sciences* 2, no. 2 (2025): 108–15, <https://ejurnal.faslibsmedia.com/index.php/complex/article/view/88>.

² M Gary Gagarin Akbar et al., "The Responsibility of the Board of Directors in the Management of Regionally Owned Enterprises to Realize the Principles (Good Corporate Governance)," 2025 : 5733–43.

From a theoretical standpoint, accountability in overseeing local assets rests upon two primary pillars: stewardship theory and agency theory. The stewardship theory places the BUMD manager as the party who is morally responsible for the assets entrusted by the local government as the principal, while the agency theory emphasizes the importance of supervision mechanisms to minimize potential moral hazards and information asymmetry between agents and principals.³ The normative basis of this management is regulated through Law Number 23 of 2014 concerning Regional Government, Government Regulation Number 54 of 2017 concerning BUMD, and Permendagri Number 118 of 2018 which explicitly requires transparency of financial statements, independent audits, and structured performance evaluation as a form of true public accountability.

This study identifies three fundamental problems that are interrelated. First, the weak internal supervision system of BUMD causes potential irregularities in the management of separated regional wealth not to be detected early, resulting in significant regional financial losses.⁴ Second, the inconsistency between BUMD accountability regulations and actual financial reporting practices in the field creates legal loopholes that have the potential to be abused by irresponsible managers. Third, the non-optimal evaluation mechanism for evaluating the performance of BUMDs based on measurable indicators causes local governments to experience difficulties in assessing the effectiveness of the use of assets that have been separated. Consequently, the input from BUMDs to Regional Original Revenue (PAD) fails to reach its full potential.⁵

A tangible disparity exists between normative ideals (*das sollen*) and practical realities (*das sein*) in BUMD accountability processes. From a statutory perspective (*das sollen*), rules mandate consistent, transparent, responsible, and performance-oriented reporting. In practice, however (*das sein*), numerous BUMDs persistently delay financial disclosures, deviate from prescribed accounting norms, and lack robust internal monitoring frameworks, underscoring the frail enforcement of accountability tenets in managing segregated local assets.

³ Mahfuz Al Hafiz, "Analisis Pendapatan Asli Daerah Dalam Meningkatkan Kemandirian Daerah Kabupaten Sarolangun Provinsi Jambi," *JEKP (Jurnal Ekonomi dan Keuangan Publik)*, Vol. 11, No. 1, (2022) : 1–19.

⁴ Herlina Kurniati, "Pengaruh Flypaper Effect Pada Dana Alokasi Umum Dan Pendapatan Asli Daerah Terhadap Belanja Daerah Provinsi Lampung Tahun 2016-2019 Dalam Perspektif Ekonomi Islam" *Jurnal Media Akademik (JMA)*, Vol.3, No.6 11 (2022) : 187–208.

⁵ Nurul Efridha, "Analisis Akibat Hukum Kekayaan Daerah Yang Dipisahkan Pada Badan Usaha Milik Daerah (BUMD) Dikaitkan Dengan Kebijakan Direksi Dalam Kegiatan Bisnis" *Recht Studiosum Law Review*, Vol 2, No. 1 (2023) : 130–43.

The novelty of this research (*state of the art*) lies in a comprehensive approach that integrates the dimensions of law, accounting, and governance in one complete analytical framework. Previous research generally only examined the financial aspects of BUMD partially without touching the dimension of accountability holistically. The study that examines the transparency of the financial statements of BUMD in the service sector has also not integrated the latest regulatory aspects after regional financial reform. The study of BUMD performance evaluation based on *good corporate governance* from the perspective of regional autonomy is still sectoral and has not elaborated the legal accountability framework in depth. The study of digitization of BUMD financial reporting as a modern accountability instrument has not been systematically linked to a comprehensive legal accountability framework. Meanwhile, the study of the implementation of *good corporate governance* in BUMDs and their contribution to PAD has not captured the regulatory gap in a comprehensive and in-depth manner.⁶

Drawing from the foregoing accounts, this research endeavors to assess the accountability framework governing segregated regional assets in BUMD, detect discrepancies between legal stipulations and on-the-ground execution, and devise an optimal accountability paradigm to bolster responsibility and openness in enduring local asset stewardship.

B. RESEARCH METHODS

This investigation utilizes a descriptive-analytical framework to rigorously explore the accountability structure for administering segregated local assets in Regionally Owned Enterprises (BUMD), grounded in prevailing normative standards. It pursues a normative legal methodology, emphasizing primary, secondary, and tertiary sources to evaluate the coherence, adequacy, and enforcement of regulations pertaining to this accountability. Employing statutory and conceptual analytical methods, the study scrutinizes pivotal statutes such as Law No. 23 of 2014 on Regional Governance, as modified by Law No. 9 of 2015; Government Regulation No. 54 of 2017 concerning BUMD; and Minister of Home Affairs Regulation No. 118 of 2018, which delineates protocols for planning, disclosure, and responsibility. The conceptual lens draws on juridical principles and theories of public accountability from modern academic discourse. Information is amassed via bibliographic inquiry, entailing the selection,

⁶ Risa Safitri and Tahegga Primananda Alfath, "Kewenangan Pemerintah Daerah Dalam Pengelolaan Pendapatan Asli Daerah (PAD): Perspektif Sistem Keuangan Publik Nasional" *Juris Studia*, Vol6, No. 3 (2025) : 808–15.

categorization, and organization of legal documents—including enactments, scholarly works, and ancillary aids like juridical lexicons and compendia. Interpretation proceeds through qualitative normative techniques employing deductive logic, deriving resolutions for BUMD accountability challenges from broad legal tenets to yield an integrated, prescriptive juridical model.

C. RESULTS OF RESEARCH AND DISCUSSION

1. Weaknesses of the BUMD Internal Supervision System in the Management of Separated Regional Wealth

Juridically, the oversight of segregated local assets within BUMDs receives adequate coverage through Government Regulation No. 54 of 2017 on Regionally-Owned Enterprises, requiring deployment of internal control mechanisms, audits, and methodical monitoring throughout operations. Empirical observations, nonetheless, expose a divide between statutory directives and execution, evidenced by suboptimal and diminishing yields from asset administration. Such circumstances necessitate immediate action by regional authorities to craft holistic and forward-looking strategies mitigating these deficiencies.⁷

Inadequate internal monitoring substantially accounts for the negligible portion of yields from segregated local assets within Regional Original Revenue (PAD), typically comprising merely 0 to 1 percent of overall PAD. This metric underscores deficient stewardship of public resources intended to be efficient and yield substantial economic returns for the area. Indeed, Law No. 23 of 2014 regarding Regional Governance expressly requires regional authorities to furnish persistent oversight and direction to BUMDs,⁸ However, in practice, the implementation of these obligations remains limited and has yet to address the substantive aspects of supervision. This situation is further aggravated by the low capacity of BUMD internal supervisory personnel and the lack of commitment from boards of directors to uphold good corporate governance principles. As a result, potential irregularities often go undetected, leading to significant financial losses for regional governments. Therefore, strengthening the internal oversight system—through the establishment of independent internal audit units and

⁷ Riza D. Larasati, "Pertanggungjawaban Negara Atas Harta Kekayaan Yayasan Terlikuidasi Yang Diserahkan Kepada Negara Sebagai Sumber Dana APBN," *Rechtidee*, Vol. 16, No.1, (2021) : 112–32.

⁸ "Law of the Republic of Indonesia Number 9 of 2015 concerning the Second Amendment to Law Number 23 of 2014 concerning Regional Government," (2015).

regular evaluations based on measurable performance indicators—is an urgent priority that must be implemented immediately.⁹

2. Inconsistency of Regulations with BUMD Financial Reporting Practices

A second critical concern involves the discordance between BUMD accountability statutes and prevailing financial disclosure routines. Minister of Home Affairs Regulation No. 118 of 2018 compels BUMDs to issue clear, punctual financial statements adhering to established accounting norms, serving as accountability for segregated local assets. Yet, empirical patterns reveal that proceeds from this asset oversight have scarcely boosted PAD, evidenced by a mere 8.6% coefficient of determination, implying that 91.4% of PAD fluctuations arise from alternative influences. This points to deficient adherence to required reporting protocols.

Such misalignment transcends mere procedural lapses, signaling profound institutional shortcomings in upholding public responsibility. Government Regulation No. 54 of 2017 on BUMD explicitly demands formulation of business strategies, yearly financial accounts, and performance reviews for submission to regional authorities as asset custodians. Despite this, fulfillment remains sporadic across numerous BUMDs. The subdued impact of segregated local asset administration on PAD exemplifies this, confirming that regulatory compliance in disclosures falls well short of anticipated levels.

This condition is exacerbated by the lack of strict sanctions imposed on BUMDs that do not meet reporting obligations, so that non-compliance tends to recur without significant legal consequences. The absence of proportionate enforcement of administrative sanctions ultimately creates a bad precedent that weakens the entire ecosystem of regional financial accountability in a systemic and sustainable manner. The perspective of state financial law emphasizes that the accountability of regional financial management must be strictly guarded through a structured audit mechanism and real legal consequences for any form of irregularities.¹⁰ Thus, strengthening the regulatory enforcement framework is an absolute prerequisite so that the accountability for the management of regional wealth separated from BUMDs can run according to the legal corridor that has been comprehensively determined.

⁹ Royke Pranoto, “Analisis Efektivitas Pajak, Retribusi, Dan Hasil Kekayaan Yang Dipisahkan Terhadap Pendapatan Yang Sah Di Dinas Pendapatan Daerah Bengkulu Tahun 2019-2023” *Jurnal Akuntansi, Keuangan, dan Teknologi Informasi Akuntansi*, (2024) : 505–13.

¹⁰ Amy Wulandari et al., “The Influence Of Local Taxes, Retributions, And Results Of Separate Wealth Management On Regency/City Regional Revenue In Central Java Province (Studies In Regencies/Cities In Central Java Province)” 3, no. 1 (2023).

This gap between regulatory norms and real practices is also evident from the data on the average growth rate of regionally owned company results and regional wealth that is separated which only reaches 2.37 percent with an insignificant correlation to the total PAD, indicating that the governance of BUMD financial reporting has not been in line with the regulatory framework set by Government Regulation Number 54 of 2017.¹¹ Accountability for segregated wealth also requires clarity in the management mechanism so that these public assets really provide maximum benefits for the welfare of local communities, because without an accountable reporting mechanism, all the economic potential contained in segregated regional wealth will never be optimally realized. Thus, stricter harmonization of regulations accompanied by proportionate administrative sanctions for BUMDs that do not fulfill reporting obligations according to the mandate of Permendagri Number 118 of 2018 is an inevitability that cannot be ignored any longer.

3. The Evaluation of BUMD Performance and Its Contribution to PAD Is Not Optimal

The third pivotal challenge entails the absence of a robust, quantifiable performance assessment system for BUMDs, which markedly diminishes the proportion of segregated local assets in total PAD. Statutes like Law No. 23 of 2014 concerning Regional Governance and Government Regulation No. 54 of 2017 on BUMD oblige regional administrations to undertake regular, methodical reviews ensuring asset oversight bolsters PAD and societal benefits. Empirical data, however, disclose that while regional taxes, charges, and segregated asset yields jointly exert a favorable effect on PAD, the isolated input from asset management displays variability across locales. This implies that haphazard and feeble evaluation processes foster ineffective administration and underwhelming results.¹²

Subpar BUMD performance appraisal primarily arises from the lack of a uniform, standardized metric framework, depriving regional authorities of dependable metrics for gauging segregated asset administration efficacy. Law No. 23 of 2014 regarding Regional Governance expressly assigns local governments the duty of directing and monitoring BUMDs, encompassing routine assessments to verify optimal PAD contributions and societal gains from such oversight.

¹¹ "Government Regulation of the Republic of Indonesia Number 54 of 2017 concerning Regionally Owned Enterprises," (2017).

¹² Sugeng Suprpto, "Kontribusi Pajak Daerah, Retribusi Daerah, Hasil Pengelolaan Kekayaan Daerah Yang Dipisahkan Dan Lain-Lain Pendapatan Asli Daerah Yang Sah Terhadap Pendapatan Asli Daerah (PAD)" *Jurnal Akuntansi Neraca*, Vol2, No. 1 (2024) : 1–8.

Observational research confirms that BUMD earnings exert a favorable and material effect on PAD, though outcomes hinge critically on administrative excellence and evaluation regularity. Likewise, in areas like Central Java, regional imposts, duties, and segregated asset proceeds collectively shape PAD, with their enhancement linked inextricably to methodical reviews consonant with Minister of Home Affairs Regulation No. 118 of 2018.

Hence, regional bodies must institute a thorough BUMD appraisal apparatus grounded in quantifiable, open key performance metrics. This setup should elevate substantive PAD inputs while synchronizing responsibility protocols with Law No. 23 of 2014, Government Regulation No. 54 of 2017, and Minister of Home Affairs Regulation No. 118 of 2018, thereby attaining responsible and balanced BUMD stewardship.¹³

D. CONCLUSION

From the investigation's outcomes and analysis, accountability in administering segregated local assets across BUMDs confronts three interconnected core challenges. Primarily, frail internal oversight permits irregularities to evade detection, occasioning substantial fiscal shortfalls and negligible PAD inputs from segregated assets. Second, evident misalignment persists between statutory mandates—outlined in Law No. 23 of 2014, Government Regulation No. 54 of 2017, and Minister of Home Affairs Regulation No. 118 of 2018—and practical financial disclosure routines, engendering juridical voids susceptible to exploitation. Third, the deficiency of a robust, metrics-driven performance review mechanism yields subdued and erratic PAD contributions from segregated local assets, obstructing authentic regional fiscal autonomy.

E. REKOMENDATION

Regional administrations must urgently fortify BUMD internal monitoring by instituting autonomous, expert audit teams, alongside fostering uniform adherence to accountability rules across governance tiers. Furthermore, developing an integrated BUMD performance assessment framework—anchored in quantifiable, open key performance metrics and geared toward amplifying substantive PAD impacts—is essential, ensuring segregated local asset stewardship genuinely attains enduring, equitable fiscal self-sufficiency benefiting all citizens.

¹³ "Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 118 of 2018 concerning Business Plans, Work Plans and Budgets, Cooperation, Reporting and Evaluation of Regionally Owned Enterprises," no. 155 (2019).

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