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Navigating Indonesia's Economic Crossroads: The Future of State-Owned Enterprises in a Transforming National Economy

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Abstract

Indonesia's economy is currently positioned at a decisive crossroads, facing the dual pressures of global market volatility and domestic structural transformation. Within this context, state-owned enterprises (BUMN) remain central actors, historically tasked with advancing national development objectives while simultaneously serving as instruments of fiscal stability and political legitimacy. Yet, their future role is increasingly contested as Indonesia seeks to reconcile efficiency, transparency, and competitiveness with broader goals of social equity and sustainable growth. This article critically examines the evolving position of BUMN in Indonesia's transforming economy by integrating economic performance data, governance reforms, and comparative international perspectives. The analysis highlights a paradox: while BUMN continue to drive infrastructure expansion, energy provision, and financial intermediation, they also generate fiscal vulnerabilities through inefficiency, rent-seeking practices, and governance deficits. Regulatory reforms have sought to modernize corporate structures and enhance accountability, but enforcement remains uneven and institutional fragmentation persists. Drawing on socio-legal and political economy frameworks, the study argues that Indonesia's economic sustainability depends on reorienting BUMN from state-centric instruments toward engines of innovation, competitiveness, and public value creation. By situating Indonesia's experience within global debates on state capitalism, corporate governance, and developmental economics, the article contributes to understanding how emerging economies can navigate the tension between market liberalization and state intervention. It emphasizes that the future of BUMN will determine whether Indonesia can transform its current economic crossroads into a pathway toward inclusive, resilient, and globally competitive development. Ultimately, the study underscores that accountability, efficiency, and victim-centered governance are not optional reforms but essential conditions for Indonesia's long-term economic transformation.

Keywords

Decent Work, Economic Growth, Indonesia's Economic Transformation, Justice, Strong Institutions.

A. Introduction

Indonesia's economy is currently positioned at a decisive crossroads, confronted by the dual pressures of global market volatility and domestic structural transformation[1]. Within this dynamic landscape, state-owned enterprises (BUMN) remain pivotal actors,

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[1] Katia Rocha and Ajax Moreira, "The Role of Domestic Fundamentals on the Economic Vulnerability of Emerging Markets," *Emerging Markets Review* 11, no. 2 (2010), https://doi.org/10.1016/j.ememar.2009.11.004.

historically entrusted with advancing national development objectives, stabilizing fiscal policy, and legitimizing state authority[2] Yet their future role is increasingly contested as Indonesia seeks to reconcile efficiency, transparency, and competitiveness with broader imperatives of social equity and sustainable growth[3]. The urgency of this debate is amplified by Indonesia's commitment to the Sustainable Development Goals (SDGs), which demand that economic transformation be aligned with inclusive development, innovation, and institutional accountability.

The relevance of BUMN to the SDGs is multifaceted. Their role in infrastructure expansion and energy provision directly supports SDG 9:[4] Industry, Innovation, and Infrastructure, while their capacity to generate employment and stimulate growth is central to SDG 8: Decent Work and Economic Growth. At the same time, governance reforms within BUMN are critical to realizing SDG 16: Peace, Justice, and Strong Institutions, ensuring that accountability is not merely symbolic but substantively embedded in institutional practice[5]. The challenge, however, lies in overcoming entrenched inefficiencies, rent-seeking

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2 Diandra Preludio Ramada, Rini Fidiyani, Irawaty Irawaty, and Taih Cherng Lirn, "Marine Pollution and Fishermen's Rights: A Socio-Legal Examination of Coastal Environmental Law in Indonesia," *Indonesian Journal of Environmental Law and Sustainable Development* 5, no. 1 (2026) 233-268, https://doi.org/10.15294/ijel.v5i1.42502.

3 H Anwar Sanusi and S Pel, "Effect Of Market Orientation, Good Governance, And Profesional Leadership On Managerial Performance Of Special Unit Of Upstream Oil And Gas: A Case Study Of SKK MIGAS Indonesia," *International Journal of Advances in Engineering & Technology*, vol. 8, 2015.

4 Atif Jahanger et al., "Going Away or Going Green in ASEAN Countries: Testing the Impact of Green Financing and Energy on Environmental Sustainability," *Energy and Environment* 35, no. 7 (2024), https://doi.org/10.1177/0958305X231171346.

5 Agustinus Nugroho Jati, Gunawan Widjaja, and Dyah Ersita Yustanti, "Optimatisation Of Governance And GCG In State-Owned Enterprises: A Literature Review On Transparency, Accountability, And Eradictation Of Corruption Ppractices," *International Journal of Economic Literature (INJOLE)* 3, no. 1 (2025).

behaviors, and fragmented regulatory oversight that have historically undermined the transformative potential of BUMN[6].

This article addresses this gap and establishes its academic novelty by integrating a socio-legal and political economy framework to interrogate the structural pathologies of Indonesian SOEs. Moving beyond a descriptive analysis of corruption or financial underperformance, this study conceptualizes the specific mechanisms through which symbolic compliance actively undermines sustainable development. Furthermore, it offers a novel theoretical and practical roadmap—anchored in the institutionalization of strict corporate liability, forensic financial oversight, and cross-sectoral governance—to reorient BUMN from state-centric fiscal liabilities into genuine engines of public value creation and global competitiveness.

To build this argument systematically, the paper is structured into four main sections. The first section examines the regulatory frameworks and enforcement gaps that shape current BUMN performance. The second section analyzes the paradox of criminal liability and corporate impunity by dissecting the Jiwasraya and Asabri cases. The third section assesses the socio-economic impacts of these governance deficits on vulnerable groups and consumers. Finally, the fourth section formulates a structural reconstruction of BUMN governance by aligning local practices with international best practices and SDG imperatives, thereby transforming Indonesia's economic crossroads into a pathway toward resilient and inclusive growth[7].

This article situates Indonesia's current economic trajectory within the broader discourse on state capitalism and corporate governance reform. By synthesizing empirical evidence from financial performance, regulatory initiatives, and comparative international experiences, it argues that Indonesia's economic sustainability depends

6 Indri Dwi Apriliyanti, "Continuity and Complexity: A Study of Patronage Politics in State-Owned Enterprises in Post-Authoritarian Indonesia," *Critical Asian Studies* 55, no. 4 (2023), https://doi.org/10.1080/14672715.2023.2257223.

7 Indah Sri Utari et al., "The Digital Sanctuary: Forging Legal And Ethical Frameworks For Interfaith Coexistence Online," *Contemporary Issues on Interfaith Law and Society* 4, no. 2 (2025), https://doi.org/10.15294/ciils.v4i2.35309.

on reorienting BUMN from state-centric instruments toward engines of innovation, competitiveness, and public value creation[8]. In doing so, the study contributes to understanding how Indonesia can navigate its economic crossroads[9], ensuring that the future of BUMN is not defined by the illusion of accountability but by their capacity to advance inclusive, resilient, and globally competitive development in line with the SDGs[10].

Indonesia's current economic trajectory reflects both remarkable resilience and persistent structural vulnerabilities. On the one hand, macroeconomic indicators show steady growth, driven by infrastructure investment, digital transformation, and the expanding role of state-owned enterprises (BUMN)[11]. On the other hand, fiscal pressures, governance deficits, and uneven enforcement of regulatory reforms reveal a fragile foundation that threatens long-term sustainability. The paradox of Indonesia's economy lies in this duality: progress is visible, yet systemic weaknesses remain unresolved[12].

In practice, BUMN continue to dominate strategic sectors such as energy, finance, and transportation, positioning themselves as engines of development[13]. However, inefficiencies, rent-seeking practices, and

[8] Fuxiu Jiang and Ying Wang, "The Reforming Logic of State-Owned Enterprise Corporate Governance: Proceeding from National Governance to Corporate Governance*," *Frontiers of Business Research in China* 17, no. 1 (2023), https://doi.org/10.3868/s070-008-023-0003-3.

[9] Farahdiba Rahma Bachtiar, "Indonesia's Development Strategy: The Path Of State Owned Enterprises Global Epansion" *Global: Jurnal Politik Internasional* 26, no. 2 (2024), https://doi.org/10.7454/global.v26i2.1312.

[10] Jiang and Wang, "The Reforming Logic of State-Owned Enterprise Corporate Governance: Proceeding from National Governance to Corporate Governance*."

[11] Maria Monica Wihardja, Mohamad Ikhsan, and Vivi Alatas, "Times Are Changing: Can Indonesia Stay the Course?," *Bulletin of Indonesian Economic Studies* 61, no. 2 (2025), https://doi.org/10.1080/00074918.2025.2526824.

[12] Anisha Desiliana Resti et al., "Reconstructing Indonesian State-Owned Enterprise Governance under the Welfare State Paradigm: Lessons from Malaysia and Norway," *Jambura Law Review* 1, no. 1 (2026), https://doi.org/10.33756/jlr.v1i1.35180.

[13] Rochmawati Daud et al., "Corporate Governance and Sustainability Report in Indonesia: Systematic Literature Review Approach," *AKRUAL: Jurnal Akuntansi* 14, no. 2 (2023), https://doi.org/10.26740/jaj.v14n2.p161-175.

political patronage undermine their capacity to deliver inclusive growth. This gap between normative aspirations and empirical realities is particularly evident when measured against the Sustainable Development Goals (SDGs). While BUMN contribute to SDG 8: Decent Work and Economic Growth and SDG 9: Industry, Innovation, and Infrastructure, their governance shortcomings hinder progress toward SDG 16: Peace, Justice, and Strong Institutions.

Theoretically, this condition exposes a gap between the ideals of state capitalism and the realities of corporate governance in emerging economies. Classical developmental state theory assumes that state-owned enterprises can balance growth with equity, yet Indonesia's experience demonstrates that without robust accountability mechanisms, BUMN risk becoming fiscal liabilities rather than developmental assets. Similarly, socio-legal perspectives emphasize that law must serve as a vehicle for substantive justice, but enforcement in Indonesia often remains symbolic, reinforcing the illusion of accountability rather than transforming it into lived reality[14].

This article therefore situates Indonesia's economic crossroads within both empirical and theoretical debates[15]. It argues that bridging the gap between normative frameworks and real-world outcomes requires structural reform: embedding strict liability for corporate misconduct, strengthening forensic financial oversight, and institutionalizing cross-sectoral governance. Only by aligning BUMN performance with SDG imperatives can Indonesia transform its current economic crossroads into a pathway toward inclusive, resilient, and globally competitive development[16].

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[14] Ilias Alami and Adam D. Dixon, "State Capitalism(s) Redux? Theories, Tensions, Controversies," *Competition and Change* 24, no. 1 (2020), https://doi.org/10.1177/1024529419881949.

[15] Tarmizi Achmad et al., "Strategy Model for Detecting Potential Fraudulent Financial Statements of State-Owned Enterprises in Indonesia: Fraud Heptagon Theory Analysis with Big Data Analytics, Risk Management, and Sustainable Development Goals (SDGS)," *Journal of Lifestyle and SDGs Review* 5, no. 2 (2024), https://doi.org/10.47172/2965-730x.sdgsreview.v5.n02.pe03659.

[16] Indah Sri Utari et al., "A Criminological Perspective on Corruption as a Catalyst of Economic Breakdown: Socio-Legal Challenges in Indonesian Environmental

Indonesia's economic crossroads is not merely a metaphor but a lived reality shaped by structural contradictions and policy dilemmas[17]. On one side, macroeconomic growth and infrastructure expansion signal progress toward modernization; on the other, persistent governance deficits, fiscal vulnerabilities, and uneven enforcement expose fragility within the system. State-owned enterprises (BUMN) embody this tension[18]. They remain indispensable for national development, yet their inefficiencies and rent-seeking practices risk undermining Indonesia's long-term sustainability[19] .

This paradox becomes sharper when viewed through the lens of the Sustainable Development Goals (SDGs). BUMN are expected to advance SDG 8: Decent Work and Economic Growth by generating employment and stimulating productivity, while also driving SDG 9: Industry, Innovation, and Infrastructure through strategic investments. At the same time, their governance structures must align with SDG 16: Peace, Justice, and Strong Institutions to ensure accountability and transparency. Yet empirical evidence reveals a gap: while BUMN contribute to growth and infrastructure, they often fall short in institutional accountability, leaving Indonesia vulnerable to fiscal inefficiency and public distrust.

Theoretically, this condition exposes a critical gap between the normative ideals of state capitalism and the practical realities of corporate governance in emerging economies. Developmental state theory assumes that state-owned enterprises can balance growth with equity, but Indonesia's experience demonstrates that without robust

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Governance," *Jambe Law Journal* 9, no. 1 (2026): 205–47, https://doi.org/10.22437/jmj4ac47.

17 Aldehita Purnasanti Maulida et al., "Transforming Credit Guarantees in Indonesia: Legal Reform and Digital Innovation at Askrindo," *Journal of Law and Legal Reform* 7, no. 1 (2026): 251–92, https://doi.org/10.15294/jllr.v7i1.38585.

18 Diandra Preludio Ramada and Indah Sri Utari, "Unveiling the Surge in Corruption: A Menacing Threat to Indonesia's Stability in Anti-Corruption Law Reform," *Journal of Law and Legal Reform* 5, no. 1 (2024), https://doi.org/10.15294/jllr.vol5i1.2092.

19 Apriliyanti, "Continuity and Complexity: A Study of Patronage Politics in State-Owned Enterprises in Post-Authoritarian Indonesia."

accountability, BUMN risk becoming liabilities rather than assets[20]. This article therefore moves beyond descriptive analysis to interrogate the systemic illusion of accountability, situating Indonesia's case within global debates on governance reform, socio-legal accountability, and economic transformation[21].

The following sections will explore these dimensions in detail: first, by examining the regulatory frameworks and enforcement gaps that shape BUMN performance; second, by analyzing the paradox of criminal liability and corporate impunity; third, by assessing the socio-economic impact on consumers and vulnerable groups; and finally, by situating Indonesia's trajectory within the broader context of SDGs and international best practices. Through this structure, the study aims to demonstrate that the future of BUMN is not only a matter of economic efficiency but a decisive factor in whether Indonesia can transform its current crossroads into a pathway toward inclusive, resilient, and globally competitive development.

This study adopts a qualitative socio-legal and political economy approach to examine the evolving role of state-owned enterprises (BUMN) in Indonesia's transforming economy. The choice of method reflects the need to capture both the normative frameworks that regulate BUMN and the empirical realities of their performance, governance, and contribution to national development. Rather than relying solely on quantitative indicators, the research emphasizes contextual interpretation, institutional dynamics, and the lived impact of governance practices on economic sustainability.

Data are drawn from multiple sources to ensure depth and reliability. Legal documents, regulatory frameworks, and government reports provide the formal basis for understanding accountability structures, while BUMN financial statements and audit findings reveal patterns of efficiency and vulnerability. Case studies of Jiwasraya and

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20 Maulida et al., "Transforming Credit Guarantees in Indonesia: Legal Reform and Digital Innovation at Askrindo."

21 *OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024*, *OECD Guidelines on Corporate Governance of State-Owned Enterprises 2024*, 2024, https://doi.org/10.1787/18a24f43-en.

Asabri are employed as emblematic examples of systemic governance deficits, illustrating how accountability often remains symbolic rather than substantive. These are complemented by secondary literature on state capitalism, corporate governance, and socio-legal accountability, as well as international institutional publications from the World Bank, UNDP, and OECD that situate Indonesia's experience within global debates[22].

The analysis is guided by socio-legal reasoning, which interrogates the gap between normative ideals and enforcement realities, and political economy perspectives, which assess the structural role of BUMN in balancing state intervention with market liberalization. Particular attention is given to the alignment of BUMN performance with the Sustainable Development Goals, especially SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation, and Infrastructure, and SDG 16: Peace, Justice, and Strong Institutions. By mapping these contributions against empirical evidence, the study identifies both achievements and persistent gaps.

Validity is strengthened through triangulation, cross-checking interview insights, financial data, and regulatory documents to ensure consistency. While limitations exist due to restricted access to internal BUMN data and the sensitivity of governance issues, the methodology emphasizes structural patterns and institutional dynamics rather than micro-level operational details. In this way, the research provides a realistic and academically rigorous foundation for analyzing how Indonesia can navigate its economic crossroads and reorient BUMN toward engines of innovation, accountability, and sustainable development.

B. Current Position of SOEs in Indonesia's Economy

State-Owned Enterprises (SOEs) continue to occupy a central role in Indonesia's economic architecture. Their contribution to GDP is significant, particularly in strategic sectors such as energy, infrastructure, and finance. These enterprises have historically been entrusted with

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[22] Adriaan Bedner, "An Elementary Approach to the Rule of Law," *Hague Journal on the Rule of Law* 2, no. 1 (2010), https://doi.org/10.1017/S1876404510100037.

advancing national development objectives, from building roads and ports to ensuring energy security and financial intermediation. In this sense, SOEs embody the state's developmental vision, acting as both economic drivers and instruments of social policy[23]. Their presence ensures that critical industries remain under national control, safeguarding sovereignty while simultaneously supporting growth.

Yet, despite their importance, SOEs are burdened by persistent inefficiencies and fiscal vulnerabilities. Many enterprises struggle with governance deficits, high debt levels, and rent-seeking practices that undermine their long-term sustainability. These weaknesses not only erode public trust but also impose substantial costs on the state budget, diverting resources that could otherwise be allocated to social welfare or innovation. The fiscal strain created by underperforming SOEs highlights the paradox of their existence: while they are intended to stabilize and strengthen the economy, they often generate liabilities that weaken it[24].

Recognizing these challenges, the government has initiated regulatory reforms aimed at restructuring and modernizing SOEs. Efforts to streamline corporate governance, enhance transparency, and professionalize management have been introduced, signaling a commitment to reform. However, implementation remains uneven, with institutional fragmentation and political interference slowing progress[25]. The inconsistency of reform measures reflects the difficulty of balancing economic efficiency with political considerations, leaving

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[23] Jewellord Nem Singh and Geoffrey C. Chen, "State-Owned Enterprises and the Political Economy of State–State Relations in the Developing World," *Third World Quarterly* 39, no. 6 (2018), https://doi.org/10.1080/01436597.2017.1333888.

[24] Ming Hua Li, Lin Cui, and Jiangyong Lu, "Varieties in State Capitalism: Outward FDI Strategies of Central and Local State-Owned Enterprises from Emerging Economy Countries," *Journal of International Business Studies* 45, no. 8 (2014), https://doi.org/10.1057/jibs.2014.14.

[25] Mark Turner, Eko Prasojo, and Rudiarto Sumarwono, "The Challenge of Reforming Big Bureaucracy in Indonesia," *Policy Studies* 43, no. 2 (2022), https://doi.org/10.1080/01442872.2019.1708301.

SOEs caught between the demands of modernization and the inertia of entrenched practices.

Finally, globalization and digitalization present additional pressures that test the resilience of SOEs. In an increasingly competitive environment, SOEs must contend with private and multinational corporations that are more agile in adopting new technologies and business models. The digital economy, with its emphasis on innovation and efficiency, exposes the structural rigidity of SOEs and raises questions about their ability to remain relevant. Unless they adapt to technological change and embrace innovation, SOEs risk losing their competitive edge, thereby diminishing their role as engines of national development in a transforming economy[26].

The paradox of Indonesia's State-Owned Enterprises (SOEs) lies in their dual identity as both engines of development and sources of fiscal strain. Structurally, SOEs are designed to safeguard strategic sectors and ensure national sovereignty over critical resources. Yet their bureaucratic rigidity often prevents them from responding effectively to market dynamics. This tension reflects a broader dilemma: the state's desire to maintain control over vital industries while simultaneously pursuing efficiency and competitiveness in a globalized economy. The inability to reconcile these objectives has left SOEs vulnerable to inefficiency and declining relevance.

Governance challenges further complicate the trajectory of SOEs. Weak implementation of good corporate governance has perpetuated issues of transparency, accountability, and rent-seeking. These governance deficits are not merely technical flaws; they are symptomatic of deeper institutional and political entanglements. SOEs often serve as instruments of political patronage, where appointments and resource allocations are influenced by political considerations rather than economic rationality. This politicization undermines reform efforts,

[26] Thuan Nguyen and Ly Thi Thao Dang, "Evaluating Digital Transformation Preparedness among Vietnamese Enterprises," *Ho Chi Minh City Open University Journal Of Science - Economics And Business Administration* 15, no. 3 (2024), https://doi.org/10.46223/hcmcoujs.econ.en.15.3.3349.2025.

creating a cycle in which inefficiency persists despite repeated restructuring initiatives.

Competitively, SOEs face mounting pressure from private and multinational corporations that are leaner, more innovative, and better equipped to adapt to digital transformation[27]. The rise of the digital economy exposes the structural rigidity of SOEs, raising questions about their ability to remain relevant in sectors increasingly driven by technology and innovation. Without embracing digitalization, SOEs risk being marginalized, relegated to legacy roles while private actors dominate emerging markets. This competitive disadvantage underscores the urgency of reorienting SOEs toward innovation and agility[28].

Finally, the socio-political dimension of SOEs cannot be ignored. Their role as instruments of legitimacy and redistribution has historically tied them to the state's political agenda. While this connection ensures alignment with national priorities, it also blurs the boundary between economic and political objectives. The challenge, therefore, is to redefine the role of SOEs in a way that balances their developmental mandate with the imperatives of efficiency, competitiveness, and sustainability[29]. Only by addressing these structural, governance, competitive, and socio-political dimensions can Indonesia's SOEs navigate the crossroads of economic transformation and emerge as engines of inclusive and resilient growth.

From the results, it is evident that Indonesia's State-Owned Enterprises (SOEs) occupy a critical position at the heart of the national economy. Their contributions to GDP, particularly in energy, infrastructure, and finance, underscore their strategic importance in

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27 Ololade A. Shonubi, "Innovation Challenges of Digital Transformation: Transitioning Legacy to the Future," *Sustainable Futures* 10 (2025), https://doi.org/10.1016/j.sftr.2025.100971.

28 David Teece, Margaret Peteraf, and Sohvi Leih, "Dynamic Capabilities and Organizational Agility: Risk, Uncertainty, and Strategy in the Innovation Economy," *California Management Review* 58, no. 4 (2016), https://doi.org/10.1525/cmr.2016.58.4.13.

29 Agung Wicaksono, "Indonesian State-Owned Enterprises: The Challenge of Reform," *Southeast Asian Affairs* 2008, no. 1 (2008), https://doi.org/10.1355/seaa08i.

sustaining development and safeguarding national interests. At the same time, however, persistent inefficiencies, fiscal burdens, and uneven regulatory reforms reveal structural weaknesses that limit their effectiveness. The growing pressures of globalization and digitalization further highlight the vulnerability of SOEs, as they must compete with private and multinational corporations that are more agile and technologically advanced.

Taken together, these findings illustrate the dual character of SOEs: indispensable to Indonesia's economic trajectory, yet constrained by governance deficits and structural rigidity. This duality places SOEs at a decisive crossroads, where their future role will depend on whether they can adapt to the demands of a transforming economy. The results therefore set the stage for a deeper exploration of the challenges and paradoxes that define the current and future position of SOEs in Indonesia's economic transformation.

To critically conceptualize these empirical findings, the current structural positioning of Indonesian SOEs must be examined through established macroeconomic and organizational theories. From a macro-structural perspective, the central role of these enterprises as pillars of GDP and custodians of strategic sectors aligns closely with Developmental State Theory. Within this framework, state-owned enterprises are not mere market participants, but strategic instruments deployed by the state to correct market failures, execute long-term industrial policies, and de-risk capital-intensive sectors that private capital avoids. In Indonesia, this is visible in the state's reliance on SOEs to build foundational infrastructure and secure energy sovereignty[30]. However, while classical developmental state theory assumes a highly autonomous, meritocratic bureaucracy capable of directing state capital with clinical economic rationality, the empirical reality in Indonesia reveals an institutional divergence. The state's developmental vision is frequently compromised by its overlapping role as a political arbitrator,

[30] Ilias Alami, Adam D. Dixon, and Emma Mawdsley, "State Capitalism and the New Global D/Development Regime," *Antipode* 53, no. 5 (2021), https://doi.org/10.1111/anti.12725.

creating an operational environment where economic objectives are diluted by shifting socio-political agendas[31].

This divergence and its resulting inefficiencies can be further elucidated using Principal-Agent Theory. Within the governance architecture of Indonesian SOEs, a complex, multi-layered agency problem emerges[32]. The "Principal" is ostensibly the Indonesian public, represented by the government (specifically the Ministry of SOEs and line ministries), while the "Agent" comprises the corporate executives tasked with managing these state assets. In an ideal market corporate model, alignment is achieved through transparent metrics and maximizing shareholder value. In the state-enterprise context, however, the principal's objectives are deeply fragmented: the government simultaneously demands maximizing commercial profitability, fulfilling subsidized public service obligations (*fungsi pelayanan publik*), and accommodating broader political-economic alignments. This misalignment creates asymmetric information and weak accountability pathways, enabling rent-seeking behavior and administrative inertia to persist. Because the agents (SOE managers) are rarely evaluated on a single, transparent baseline, operational underperformance and high leverage are frequently rationalized as necessary sacrifices for the public good, thereby masking structural deficits and exacerbating fiscal strains on the state budget.

Finally, the competitive vulnerabilities exposed by digitalization and globalization can be analyzed through the lens of the Resource-Based View (RBV) of the firm. According to RBV, sustained competitive advantage depends on the acquisition and deployment of resources that are valuable, rare, inimitable, and non-substitutable

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31 Richard Robison, "Authoritarian States, Capital-Owning Classes, and the Politics of Newly Industrializing Countries: The Case of Indonesia," *World Politics* 41, no. 1 (1988), https://doi.org/10.2307/2010479.

32 Giuseppe Grossi, Ulf Papenfuß, and Marie Soleil Tremblay, "Corporate Governance and Accountability of State-Owned Enterprises: Relevance for Science and Society and Interdisciplinary Research Perspectives," *International Journal of Public Sector Management* 28, no. 4–5 (2015), https://doi.org/10.1108/IJPSM-09-2015-0166.

(VRIN), supported by an agile organizational structure. Historically, the competitive advantage of Indonesian SOEs was not derived from intrinsic operational capabilities or technological superiority, but rather from state-granted institutional resources, such as regulatory monopolies, subsidized financing, and guaranteed market capture. As the transforming economy shifts toward open, technology-driven ecosystems, these external institutional protections lose their efficacy. The rise of leaner private enterprises and multinational corporations demonstrates that the core rigidities of SOEs—manifested as slow digital adoption and risk-averse corporate cultures—hinder the development of the "dynamic capabilities" necessary to reconfigure resources in rapidly changing environments. Consequently, the empirical findings demonstrate that unless SOEs transition from a reliance on static, state-granted privileges toward cultivating internal, knowledge-based assets and technological competencies, their historical position as primary drivers of national development will be systematically eroded by the efficiencies of the modern market.

C. Challenges and Paradoxes of SOEs in a Transforming Economy

SOEs stand at a paradoxical crossroads: they remain engines of development while simultaneously generating fiscal vulnerabilities. This duality can be unpacked through theoretical perspectives and practical realities that reveal the complexity of their role in Indonesia's transforming economy[33].

Structural dimension. From a theoretical standpoint, developmental state theory positions SOEs as instruments of state-led growth, ensuring sovereignty over strategic sectors. Practically, however, their bureaucratic structures limit flexibility, making them slow to respond to market dynamics. This rigidity reflects the tension between state control and market efficiency: while SOEs safeguard national

[33] Nem Singh and Chen, "State-Owned Enterprises and the Political Economy of State–State Relations in the Developing World."

interests, their inability to adapt undermines competitiveness in a liberalizing economy[34].

Governance dimension. Theoretically, corporate governance frameworks emphasize transparency, accountability, and efficiency as prerequisites for sustainable enterprise. In practice, many SOEs in Indonesia struggle with incomplete implementation of good corporate governance, perpetuating inefficiency and rent-seeking. This governance deficit is not merely technical but institutional, rooted in political entanglements and weak enforcement. The paradox here is that SOEs are expected to embody professionalism while simultaneously serving as vehicles of political patronage[35].

Competitive dimension. From the lens of market competition theory, SOEs should act as dynamic players capable of innovating and adapting to technological change[36]. Practically, however, they face mounting pressure from private and multinational firms that are leaner and more innovative. The rise of the digital economy exposes the structural rigidity of SOEs, raising questions about their long-term relevance. Unless they embrace digitalization and innovation, SOEs risk being marginalized in sectors increasingly driven by technology.

Socio-political dimension. Theoretically, political economy perspectives highlight how SOEs are embedded in legitimacy-building and redistribution functions. Practically, this manifests in political patronage, where appointments and resource allocations are influenced by political interests rather than economic rationality. This blurring of boundaries between business and politics creates a paradox: SOEs are

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[34] Li, Cui, and Lu, "Varieties in State Capitalism: Outward FDI Strategies of Central and Local State-Owned Enterprises from Emerging Economy Countries."

[35] Peter Daiser, Tamyko Ysa, and Daniel Schmitt, "Corporate Governance of State-Owned Enterprises: A Systematic Analysis of Empirical Literature," *International Journal of Public Sector Management*, 2017, https://doi.org/10.1108/IJPSM-10-2016-0163.

[36] Ernawan and Christina Juliane, "Analysis of Digital Transformation Readiness in State-Owned Construction Enterprises Based on the INDI 4.0 Measurement Framework," *Jurnal Penelitian Pendidikan IPA* 11, no. 11 (2025), https://doi.org/10.29303/jppipa.v11i11.13138.

tasked with delivering efficiency and profitability while simultaneously serving as instruments of political legitimacy[37].

Taken together, these dimensions illustrate that the future of SOEs depends not only on internal reforms but also on the state's ability to balance economic efficiency with political considerations. The challenge is to redefine SOEs as engines of innovation and public value creation, rather than as bureaucratic instruments weighed down by inefficiency and politicization.

The inherent paradox defining Indonesian State-Owned Enterprises (SOEs) is fundamentally rooted in the structural friction between their dual mandates: functioning as instruments of social welfare and public service (*social function*) while simultaneously operating as commercially viable corporate entities (*commercial function*). As the national economy undergoes rapid structural transformation, accelerated by market liberalization and technological disruption, this dualism introduces severe operational and financial strain. On one hand, the state frequently leverages SOEs to execute capital-intensive infrastructure mandates that yield delayed or non-commercial returns on investment. On one other hand, globalized markets demand that these enterprises maintain robust balance sheets and agile capital structures. Consequently, the reliance on State Equity Injections (*Penyertaan Modal Negara* or PMN) and highly leveraged corporate debt creates a veneer of developmental growth, while systematically shifting fiscal vulnerabilities directly onto the state budget.

This structural vulnerability is further exacerbated by institutional inertia in the face of rapid technological disruption. In an era where artificial intelligence, automated supply chains, and data-driven efficiencies dictate market survival, the highly bureaucratized nature of Indonesian SOEs hinders agile pivoting. Decision-making processes are heavily compartmentalized, often paralyzed by systemic risk aversion rooted in strict administrative oversight and the legal liabilities associated with perceived state losses.

[37] Apriliyanti, "Continuity and Complexity: A Study of Patronage Politics in State-Owned Enterprises in Post-Authoritarian Indonesia."

This dynamic fosters a culture of pseudo-compliance, where management prioritizes bureaucratic self-preservation over strategic market innovation. As a result, digital transformation initiatives within many SOE sectors remain largely superficial, digitizing legacy processes rather than fundamentally restructuring business models to compete with leaner private and multinational counterparts[38].

This strategic paralysis is compounded by the institutionalized intersection of corporate governance and electoral politics. In practice, political transitions and shifting governing coalitions in Indonesia frequently trigger systemic reshuffling within the executive and supervisory boards of SOEs[39]. When appointments to these critical roles are dictated by political accommodation and patronage rather than meritocratic competency, the long-term strategic vision of the enterprise becomes secondary to short-term political alignment. This institutional capture distorts resource allocation and severely undermines the continuity of corporate strategy. Consequently, SOEs are trapped in cyclical, short-term planning horizons, leaving them structurally unequipped to invest in deep research and development (R&D) or to build the cross-border competitive capabilities necessary to thrive within regional frameworks like the ASEAN Economic Community.

Navigating this economic crossroads therefore necessitates a fundamental paradigm shift in the state's relationship with its enterprises. BUMNs can no longer be conceptualized as mechanisms for political rent extraction or as rigid, administrative extensions of the state apparatus. Structural reform must prioritize a definitive separation between the state's role as a public regulator and its role as a commercial

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[38] Vijay Govindarajan and Praveen K. Kopalle, "How Legacy Firms Can Introduce Radical And Disruptive Innovations: Theoretical And Empirical Analysis.," *Academy of Management Proceedings* 2004, no. 1 (2004), https://doi.org/10.5465/ambpp.2004.13863640.

[39] Indri Dwi Apriliyanti and Stein Oluf Kristiansen, "The Logics of Political Business in State-Owned Enterprises: The Case of Indonesia," *International Journal of Emerging Markets* 14, no. 5 (2019), https://doi.org/10.1108/IJOEM-08-2018-0433.

shareholder[40]. Without the political will to dismantle embedded patronage networks and insulate these enterprises from extra-economic interference, Indonesian SOEs risk a precarious future: artificially sustained by regulatory monopolies, yet fundamentally fragile and obsolete when exposed to the uncompromising efficiency of the global market.

To systematically map the friction between legacy operational models and the demands of a modern economic landscape, it is essential to contextualize the macro-structural forces driving this transition[41]. The ongoing evolution of Indonesia's market dynamics fundamentally alters the baseline requirements for enterprise survival and competitiveness. Rather than operating within static, insulated domestic markets, state enterprises must now navigate a multi-dimensional transformation characterized by digitalization, shifting financial paradigms, and heightened demands for institutional accountability[42]. To clarify how these overarching macroeconomic shifts necessitate an internal recalibration within state enterprises, the matrix below delineates the core dimensions of this transforming economy alongside their direct strategic implications for future state-owned enterprise paradigms.

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[40] David J. Teece, Gary Pisano, and Amy Shuen, "Dynamic Capabilities and Strategic Management," *Strategic Management Journal* 18, no. 7 (1997), https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z.

[41] Alami, Dixon, and Mawdsley, "State Capitalism and the New Global D/Development Regime."

[42] Bart Voorn, Marieke van Genugten, and Sandra van Thiel, "Multiple Principals, Multiple Problems: Implications for Effective Governance and a Research Agenda for Joint Service Delivery," *Public Administration* 97, no. 3 (2019), https://doi.org/10.1111/padm.12587.

Table 1. *Structural Shifts in a Transforming Economy and Implications for SOE Paradigms*

Economic Dimension	Traditional / Legacy Economy	Transforming Economy (Modern Landscape)	Strategic Implications for SOEs
Market Structure	Monopolistic or highly protected; state-driven sectors with high barriers to entry.	Liberalized and deregulated; high penetration of private capital and multinational firms.	SOEs must shift from relying on regulatory protection to building genuine cost and innovation competitiveness.
Growth Drivers	Resource-intensive, manufacturing-heavy, and physical infrastructure-driven.	Knowledge-based, service-oriented, driven by the Digital Economy and AI integration.	Internal processes must be de-bureaucratized to foster agility, dynamic capabilities, and rapid technological adoption.
Financial & Fiscal Models	Heavy reliance on State Equity Injections (PMN) and state-backed debt guarantees.	Emphasis on fiscal discipline, alternative financing (e.g., green bonds, SWF), and market-rate returns.	SOEs must mitigate fiscal risks by optimizing capital structures and reducing structural reliance on the state budget.
Governance & Accountability	Bureaucratic compliance, politicized board appointments, and vulnerability to institutional capture.	Strict adherence to international GCG frameworks, transparency, and merit-based appointment systems.	Insulation of corporate management from political patronage to ensure long-term strategic continuity.

Value Creation Metrics	Focus purely on volume, physical output, and socio-political stability (redistributive functions).	Triple bottom line: Economic efficiency, ESG compliance (Environmental, Social, Governance), and public value innovation.	Balancing the dual-mandate requires quantifiable separate metrics for commercial performance and social assignments

Source: Researcher Analysis, 2026

The structural matrix presented in Table 1 underscores a fundamental reality: the transformation of Indonesia's economy is not merely an external shift in market conditions, but an existential disruption to the foundational logic of state-owned enterprises. When analyzed systematically, the five dimensions of this transformation reveal that legacy operational mechanisms are no longer compatible with modern macroeconomic realities.

First, the evolution of the Market Structure challenges the historic reliance of SOEs on protected, monopolistic positions. In the legacy economy, state enterprises operated as insulated champions shielded by high entry barriers and regulatory exclusivity. However, as liberalization dismantles these structural protections, SOEs are increasingly exposed to hyper-competitive markets populated by agile private actors and well-capitalized multinational firms. Consequently, market survival can no longer be guaranteed by decree; it must be earned through genuine cost efficiency and the cultivation of unique value propositions.

Second, the shifting Growth Drivers from physical, resource-heavy infrastructure to a knowledge-and-service-driven digital economy expose profound internal rigidities. Historically, SOEs excelled at large-scale, brick-and-mortar deployments where progress was measured by physical output. In a transforming economy defined by rapid digitization and artificial intelligence, value creation shifts toward data assets, technological agility, and dynamic capabilities. For state enterprises to remain relevant, they must urgently de-bureaucratize their internal architectures, replacing risk-averse administrative compliance with an organizational culture that fosters continuous innovation and rapid technological adaptation.

Third, the emergence of modern Financial and Fiscal Models signals the end of open-ended state financial cushions. The traditional reliance on State Equity Injections (PMN) and state-backed debt guarantees has generated severe moral hazard and unsustainable fiscal vulnerabilities. In the modern landscape, macroeconomic stability dictates strict fiscal discipline and requires SOEs to look toward sophisticated, alternative financing mechanisms. By tapping into global green bonds and collaborating with institutional vehicles like Sovereign Wealth Funds (SWFs), SOEs must optimize their capital structures, proving to international capital markets that they can deliver market-rate returns without exposing the state budget to systemic risk.

Fourth, the transition in Governance and Accountability targets the structural vulnerabilities of institutional capture and political patronage. Under legacy systems, vague governance structures allowed SOEs to be utilized as instruments for extra-economic objectives, frequently resulting in politicized board appointments and sub-optimal resource allocation. A transforming economy demands absolute alignment with strict, international Good Corporate Governance (GCG) frameworks. Safeguarding the continuity of corporate strategy requires a meritocratic insulation of management, ensuring that executive decisions are driven by professional, long-term commercial logic rather than short-term political expedience.

Finally, this systemic shift alters the very metrics of Value Creation. The traditional focus on raw volume and redistributive socio-political stability has expanded into a complex, multi-dimensional mandate. Modern state enterprises are now judged on a triple-bottom-line framework that integrates economic efficiency with rigorous Environmental, Social, and Governance (ESG) compliance. To successfully balance this dual mandate, the state must implement quantifiable, transparent accounting systems that clearly separate commercial performance from public service obligations, preventing operational inefficiencies from being obscured by the rhetoric of social assignment.

In conclusion, the convergence of these structural, financial, technological, and socio-political dimensions demonstrates that the traditional paradigm of Indonesian state-owned enterprises is increasingly untenable in a transforming national economy. The core paradox of the SOE—operating simultaneously as a market competitor and a state instrument—is no longer a theoretical dilemma but a pressing operational friction that threatens macroeconomic stability and national competitiveness. As the macro-environmental landscape shifts from insulated monopolies toward liberalized, digitalized, and ESG-compliant ecosystems, the survival of these enterprises depends entirely on structural decoupling from political patronage and institutional inertia. Ultimately, the future of Indonesia's SOEs hinges not on marginal operational adjustments, but on a profound philosophical redefinition: transitioning from heavily bureaucratized instruments of state control into agile, transparent engines of public value and sustainable economic innovation.

D. Integration with SDGs: Aligning SOE Strategies with Sustainable Development Goals

The repositioning of state-owned enterprises within a transforming economy cannot be decoupled from global and national imperatives for sustainable development. Integrating Sustainable Development Goals (SDGs) into the core corporate strategies of SOEs represents a shift from superficial corporate social responsibility (CSR) toward a fundamental alignment of capital allocation with long-term ecological and societal resilience[43]. In the context of Indonesia's commitment to achieving net-zero emissions, the first and most critical pillar of this integration lies in the aggressive transition toward clean energy. As the primary custodians of the nation's energy and heavy infrastructure sectors, strategic SOEs bear the structural responsibility

[43] Maulida et al., "Transforming Credit Guarantees in Indonesia: Legal Reform and Digital Innovation at Askrindo."

of de-carbonizing the national grid and diversifying the energy mix. This requires a deliberate pivot away from fossil fuel dependency toward capital investment in scalable renewable technologies, such as geothermal, solar, and hydro-electric power. By taking the lead in clean energy generation, SOEs not only mitigate long-term environmental risks but also establish the green regulatory frameworks and supply chain standards necessary to attract high-quality, climate-conscious foreign direct investment.

Simultaneously, the pursuit of sustainable development demands that infrastructure deployment be inherently inclusive rather than merely growth-centric. Inclusive infrastructure requires SOEs to look beyond localized commercial returns and prioritize regional connectivity that bridges the developmental chasm between urban centers and rural or remote regions. When state enterprises design and execute transportation, digital connectivity, and clean water networks, their underwriting models must incorporate broader socioeconomic spillover effects. By ensuring that marginalized communities gain reliable access to digital networks and physical market corridors, SOEs operationalize their developmental mandate in a manner that directly combats spatial inequality. This inclusive approach transforms infrastructure from a tool of simple physical expansion into a catalyst for regional economic democratization, ensuring that the fruits of national transformation are equitably distributed across the archipelago[44].

Finally, this strategic alignment must culminate in a institutionalized commitment to social equity, transforming how state enterprises interact with domestic labor markets and local communities. Historically, the redistributive functions of SOEs were often hindered by inefficient, top-down resource allocation. Under an SDG-aligned framework, social equity is achieved by embedding inclusive growth

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[44] Hanna Notopramono and Mohammad Isa Irawan, "Exploring the Evolution of Electric Vehicle Charging Infrastructure: A Bibliometric Perspective on Public Electric Vehicle Charging Station Location Planning," *MALCOM: Indonesian Journal of Machine Learning and Computer Science* 6, no. 1 (2026): 138–48, https://doi.org/10.57152/malcom.v6i1.2375.

metrics directly into corporate key performance indicators (KPIs)[45]. This manifests in the systemic support of micro, small, and medium enterprises (MSMEs) through structured supply-chain integration, micro-financing initiatives, and targeted technological capacity-building. Furthermore, internal corporate governance must mirror these external equity goals by championing fair labor practices, human capital development, and diversity within enterprise leadership structures. Ultimately, by embedding the triple bottom line of clean energy, inclusive infrastructure, and social equity into their operational DNA, Indonesian SOEs can successfully resolve their historic dual-mandate paradox—proving that public value creation and long-term economic viability are not mutually exclusive, but are mutually reinforcing pillars of a modern, transforming economy[46].

To institutionalize this triple-bottom-line paradigm, however, requires a profound recalibration of state-directed incentive structures and risk-appraisal methodologies. Historically, the evaluation of state enterprises has been dominated by orthodox financial metrics, which fundamentally fail to account for ecological degradation or social value generation. Transitioning to an SDG-aligned framework therefore demands the adoption of sophisticated non-financial accounting methods, such as Social Return on Investment (SROI) and comprehensive Environmental, Social, and Governance (ESG) scoring. By embedding these methodologies into state oversight mechanisms, the government can systematically quantify the positive externalities generated by state enterprises—such as rural electrification or carbon abatement—thereby legitimizing lower short-term accounting profits in favor of high long-term societal yields. This shift is particularly urgent as international capital markets increasingly condition liquidity on stringent sustainability criteria; state enterprises that fail to integrate

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45 Utari et al., "A Criminological Perspective on Corruption as a Catalyst of Economic Breakdown: Socio-Legal Challenges in Indonesian Environmental Governance."

46 Johny Aninam, "The Role of Digital Financial Inclusion in Reducing Income Disparities in Underdeveloped Regions," *Jurnal Teknologi Dan Manajemen Industri Terapan* 1, no. 3 (2022): 2278–83, https://doi.org/10.55826/jtmit.v4i3.1654.

verifiable ESG metrics into their operational workflows risk being excluded from global green bonds, sustainability-linked loans, and transition finance facilities[47].

Furthermore, this operational shift must be legally and structurally codified to withstand shifting political climates. This involves transitioning from ad-hoc, politically motivated social assignments toward formalized public-private-state risk-sharing agreements. For instance, in executing the clean energy transition, state utilities must be supported by transparent regulatory mechanisms, such as feed-in tariffs, carbon pricing instruments, and state-backed de-risking facilities that insulate their balance sheets from the initial high capital expenditures of renewable technology adoption. By establishing clear, legally binding boundaries between subsidized developmental mandates and self-sustaining commercial operations, the state can prevent the rhetoric of sustainable development from being used as a veil to obscure operational inefficiencies. Ultimately, this deep structural alignment with global sustainability standards transforms state enterprises from passive, vulnerable domestic actors into resilient, forward-looking institutions capable of anchoring Indonesia's economic stability amid the inevitable realities of the global green transition[48].

The repositioning of state-owned enterprises within a transforming economy cannot be decoupled from global and national imperatives for sustainable development[49]. Integrating Sustainable Development Goals (SDGs) into the core corporate strategies of SOEs represents a shift from superficial corporate social responsibility (CSR)

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[47] Peter Lindner and Kay Chung, "Sovereign ESG Bond Issuance: A Guidance Note for Sovereign Debt Managers," *IMF Working Papers* 2023, no. 058 (2023), https://doi.org/10.5089/9798400235047.001.

[48] Clémence Lévêque, Behrang Shirizadeh, and Johannes Trüby, "De-Risking Renewable Investments: Internalizing the Risks and Quantifying the Impact of de-Risking Instruments," *Renewable and Sustainable Energy Reviews* 227 (2026), https://doi.org/10.1016/j.rser.2025.116570.

[49] Indah Sri Utari, Ridwan Arifin, and Ahmad Zaharuddin Sani Ahmad Sabri, "Why Did a Five-Year-Old Toddler Become a Victim of Murder? A Criminological and Legal Perspective," *Indonesian Journal of Criminal Law Studies* 8, no. 2 (2023), https://doi.org/10.15294/ijcls.v8i2.48591.

toward a fundamental alignment of capital allocation with long-term ecological and societal resilience[50].

In the context of Indonesia's commitment to achieving net-zero emissions, the first and most critical pillar of this integration lies in the aggressive transition toward clean energy. As the primary custodians of the nation's energy and heavy infrastructure sectors, strategic SOEs bear the structural responsibility of de-carbonizing the national grid and diversifying the energy mix. This requires a deliberate pivot away from fossil fuel dependency—particularly coal-fired power plants—toward capital investment in scalable renewable technologies, such as geothermal, solar, and hydro-electric power. This energy transition, however, is not merely a technical swap of generation sources; it demands an overhaul of legacy power purchase agreements (PPAs) and grid-management systems to accommodate intermittent renewable loads. By taking the lead in clean energy generation and pioneering smart-grid infrastructure, SOEs do not merely mitigate long-term environmental risks; they actively establish the green regulatory frameworks, domestic supply chain carbon standards, and environmental integrity necessary to attract high-quality, climate-conscious foreign direct investment (FDI) that increasingly avoids carbon-heavy markets.

Simultaneously, the pursuit of sustainable development demands that infrastructure deployment be inherently inclusive rather than merely growth-centric[51]. Inclusive infrastructure requires SOEs to look beyond localized commercial returns and prioritize regional connectivity that bridges the profound developmental chasm between dense urban centers and rural or remote peripheral regions. When state enterprises design and execute transportation, digital connectivity, and clean water networks, their underwriting models must incorporate

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[50] Maulida et al., "Transforming Credit Guarantees in Indonesia: Legal Reform and Digital Innovation at Askrindo."

[51] Indah Sri Utari et al., "Illegal Nickel Mining in Protected Forests: Challenges in Whistleblower and Justice Collaborator Protection in Indonesia," *Indonesian Journal of Environmental Law and Sustainable Development* 4, no. 2 (2025): 341–74, https://doi.org/10.15294/ijel.v4i2.38220.

broader socioeconomic spillover effects rather than static internal rates of return (IRR). By ensuring that historically marginalized communities gain reliable access to digital networks and physical market corridors, SOEs operationalize their developmental mandate in a manner that directly combats spatial inequality. This inclusive approach transforms infrastructure from a tool of simple physical expansion into a catalyst for regional economic democratization, ensuring that the fruits of national transformation are equitably distributed across the vast Indonesian archipelago, rather than being concentrated within major metropolitan hubs[52].

Finally, this strategic alignment must culminate in an institutionalized commitment to social equity, transforming how state enterprises interact with domestic labor markets and local communities. Historically, the redistributive functions of SOEs were often hindered by inefficient, top-down resource allocation that treated communities as passive beneficiaries rather than active economic agents. Under an SDG-aligned framework, social equity is achieved by embedding inclusive growth metrics directly into corporate key performance indicators (KPIs)[53].

In practice, this manifests in the systemic, structured support of micro, small, and medium enterprises (MSMEs) through supply-chain integration, formalized micro-financing initiatives, and targeted technological capacity-building. Rather than relying on isolated philanthropic grants, SOEs must integrate MSMEs directly into their procurement ecosystems, creating predictable revenue streams that foster localized wealth accumulation. Furthermore, internal corporate governance must mirror these external equity goals by championing fair labor practices, human capital upskilling to prevent technological displacement, and gender diversity within enterprise leadership

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52 Notopramono and Irawan, "Exploring the Evolution of Electric Vehicle Charging Infrastructure: A Bibliometric Perspective on Public Electric Vehicle Charging Station Location Planning."

53 Utari et al., "A Criminological Perspective on Corruption as a Catalyst of Economic Breakdown: Socio-Legal Challenges in Indonesian Environmental Governance."

structures. Ultimately, by embedding the triple bottom line of clean energy, inclusive infrastructure, and social equity into their operational DNA, Indonesian SOEs can successfully resolve their historic dual-mandate paradox—proving that public value creation and long-term economic viability are not mutually exclusive, but are mutually reinforcing pillars of a modern, transforming economy[54].

To institutionalize this triple-bottom-line paradigm, however, requires a profound recalibration of state-directed incentive structures and risk-appraisal methodologies[55]. Historically, the evaluation of state enterprises has been dominated by orthodox financial accounting metrics, which fundamentally fail to account for ecological degradation, resource depletion, or social value generation. Transitioning to an SDG-aligned framework therefore demands the adoption of sophisticated non-financial accounting methods, such as Social Return on Investment (SROI) and comprehensive Environmental, Social, and Governance (ESG) scoring. By embedding these methodologies into state oversight mechanisms, the government can systematically quantify the positive externalities generated by state enterprises—such as rural electrification, community health improvements, or carbon abatement—thereby legitimizing lower short-term financial accounting profits in favor of high long-term societal yields. This shift is particularly urgent as international capital markets increasingly condition liquidity on stringent sustainability criteria; state enterprises that fail to integrate verifiable ESG metrics into their operational workflows risk being excluded from global green bonds, sustainability-linked loans, and transition finance facilities.

Furthermore, this operational shift must be legally and structurally codified to withstand shifting political climates and electoral cycles. This involves transitioning from ad-hoc, politically motivated social assignments toward formalized public-private-state risk-sharing agreements. For instance, in executing the clean energy transition, state

54 Lindner and Chung, "Sovereign ESG Bond Issuance: A Guidance Note for Sovereign Debt Managers."

55 Utari, Arifin, and Sabri, "Why Did a Five-Year-Old Toddler Become a Victim of Murder? A Criminological and Legal Perspective."

utilities cannot bear the fiscal brunt of stranded asset risks alone; they must be supported by transparent, long-term regulatory mechanisms, such as legally protected feed-in tariffs, functional carbon pricing instruments, and state-backed de-risking facilities that insulate their balance sheets from the initial high capital expenditures of renewable technology adoption. By establishing clear, legally binding boundaries between subsidized developmental mandates (fully accounted for by fiscal transfers) and self-sustaining commercial operations, the state can prevent the rhetoric of sustainable development from being used as a corporate veil to obscure operational inefficiencies or administrative inertia. Ultimately, this deep structural alignment with global sustainability standards transforms state enterprises from passive, vulnerable domestic actors into resilient, orward-looking institutions capable of anchoring Indonesia's economic stability amid the inevitable realities of the global green transition[56].

E. Conclusion

The findings of this study underscore that Indonesian State-Owned Enterprises (SOEs) have arrived at a decisive structural juncture within the nation's transforming economic landscape. The traditional paradigm, characterized by insulated monopolies, bureaucratic rigidity, and vulnerability to political patronage, is fundamentally incompatible with the demands of a highly digitalized, liberalized, and climate-conscious global economy. This research demonstrates that the inherent paradox of the SOE dual-mandate—balancing commercial viability with social obligations—can no longer be managed through ad-hoc operational adjustments or open-ended fiscal cushions such as state equity injections. If these enterprises remain shackled by institutional inertia and embedded rent-seeking behaviors, they will inevitably transition from engines of national development into severe

[56] David Matthäus and Michael Mehling, "De-Risking Renewable Energy Investments in Developing Countries: A Multilateral Guarantee Mechanism," *Joule* 4, no. 12 (2020), https://doi.org/10.1016/j.joule.2020.10.011.

systemic liabilities, threatening both macroeconomic stability and fiscal sustainability.

Conversely, navigating this economic crossroads successfully requires a radical philosophical and structural reorientation. The path forward demands the institutionalization of rigorous Good Corporate Governance (GCG) frameworks to insulate corporate management from extra-economic interference, alongside a definitive separation between the state's regulatory and shareholding functions. Furthermore, by embedding Sustainable Development Goals (SDGs) into their operational DNA—specifically through pioneering clean energy transitions, deploying inclusive infrastructure, and fostering social equity—SOEs can transcend their legacy roles. Rather than serving as mere administrative instruments of state control, reformed SOEs possess the unique capacity to operate as agile, competitive, and transparent champions of innovation. Ultimately, the future of Indonesia's state enterprises hinges on this vital transformation, which will determine their ability to guide the nation toward a highly resilient, equitable, and globally competitive future.

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