

is there a Conflict of Interest in Indonesia's SOE Investment Decision?

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Abstract

In financial management, the Director of State-Owned Enterprises (SOEs) in Indonesia synergizes with the Ministry of SOE to make investment decisions. One of the most common types of investment in SOEs is the purchase of shares in private companies. Through buying shares, SOEs can expand their business lines and project bigger profits. However, it is often found that the decision to purchase private company shares is made by SOEs due to a conflict of interest. This paper aims to determine the level of involvement of conflicts of interest in the decisions of SOEs in Indonesia to invest in the purchase of shares of private companies. Due to data limitations, the authors used a qualitative technique with an explanatory case study to meet the research aims. The analysis tested of 14 Indonesian SOEs' investment decisions when investing in the purchase of shares in private companies during the 2013–2022 period. The findings show allegations of conflicts of interest in several share investment decisions made by SOEs in Indonesia. This conflict of interest can occur because of a family relationship between the Board of Directors of SOEs and the management of private companies. In addition, there is also a political-party relationship between the parties involved. These findings can help several parties, including SOE and the Ministry of SOE, better understand the limits of investment that can be made. In the long run, the Ministry of SOE, as the supervisor of SOEs, can establish an early warning system to determine whether or not the investments made are appropriate. Most of the previous research only examined the effects of a company's investment and its impacts. It explores the company's stock price valuation process. No research has been found that specifically discusses SOE investment in Indonesia in private company shares.

Keywords: state-owned enterprise, investment decision, conflict of interest

INTRODUCTION

The impact of today's global economic developments has given rise to free competition between companies. No exception for companies in Indonesia. Both same and different sectors, competition is increasingly visible and open. With this competition, companies are increasingly encouraged to carry out various innovations and business strategies. Sukirni (2012) states that optimizing the value of the company which is the company's goal can be achieved through the implementation of the financial management function, where one financial decision taken will affect other financial decisions and have an impact on company value. The progress of this performance depends on management policies, especially in the financial sector. Financial policy is a company policy related to financial management and will

affect the company's operations. Financial decisions and policies include funding decisions, dividend policies and investment policies. Financial decisions by financial managers are intended to achieve company goals (Sari, 2012).

Corporate competition is also reflected in State-Owned Enterprises. According to UU No. 19 of 2003, a State-Owned Enterprise (SOE) is a business entity whose capital is wholly or mostly owned by the State through direct participation originating from separated state assets. In administering the State, SOEs have a very important role because they are influential in economic development and business trips related to the public interest. Apart from pursuing profit, SOEs also has a role in supporting the national economy through state revenues, providing products and services for the public interest and pioneering government priority business activities. As the main controller and investor, the Government has a role to allocate capital efficiently among SOEs. Government investment in SOEs is a long-term investment with the main objective of achieving optimum investment value to support the development of the national economy and government programs. Capital management strategies are focused on preserving and optimizing capital which also includes increasing government capital deposits. Dividends have long been used by the Government as a source of non-tax state revenue which will be used one of them to finance development. By looking at the fact that the performance of SOEs different, the government should implement a different dividend policy among SOEs.

In carrying out its financial management authority, SOEs refers to the company's goal of providing benefits to the state through annual dividend payments. The obligations attached to SOEs cannot be separated from the fact that the source of SOEs funding comes from state capital participation in the form of separate state assets. As a consequence, the state gives greater responsibility to directors. If a decision is found that results in a loss to the company and abuse of authority, it will be considered as committing corruption. To achieve this goal, financial management functions in making decisions on financial management. These financial decisions include the following: 1. Investment Decision, 2. Funding Decision and 3. Dividend Decision. In investment decisions, financial management refers to the technical guidelines and implementation instructions regulated in the respective SOEs. In general, the understanding of investment decisions relates to the use of funds in purchasing various kinds of real assets. Because most of the capital is owned by the state, SOEs is responsible for paying dividends to state finances. However, in the financial management of SOEs there is the potential for making inappropriate policies. One of these policies is influenced by conflicts of interest. A conflict of interest is a situation where a state administrator who is granted power and authority based on laws and regulations has or is suspected of having a personal interest in any use of his authority so that it can affect the quality and performance that should be.

The issue of conflict of interest in SOE is not only related to the process of investments. But also on appointment to multiple positions. The appointment of SOE commissioners who hold multiple positions, has a problematic track record, and is a winning team in the presidential election has occurred repeatedly (Primayogha, 2021).

The results of this research are expected to be a source information for SOEs directors and team of investment to make a perfect regulations and instinct in investing the company funds. Also expected that the Ministry as an aspect of supervisory control can get good information from this research.

Senjani (2013) has defined the factors that influence investment decisions in SOEs. These factors are free cash flow, debt policy and funding constraints. SOEs that have large free cash flow will increase investment. While companies that have a large dividend policy will reduce investment. Meanwhile, companies that have high free cash flow and have a high dividend policy will increase investment.

There are several studies that discuss investment in private companies, but none have discussed SOE investments specifically in the form of buying shares in private companies.

The objective of this research is to determine the factors that influence the decision making of SOE investments in private companies. In addition, mechanisms for preventing conflicts of interest can also be identified in making investment decisions for SOEs in private companies.

RESEARCH METHOD

This research will be conducted through a review of data consisting of primary data and secondary data. Primary data will be obtained through the collection of information, documents, and other supporting data through open information that can be accessed in general by the public. Secondary data will be obtained through interview techniques with parties involved in SOE investment in private company shares. Sources for this interview will be selected based on their closeness to the case study.

The data collection technique in this study was direct information gathering via the Internet and mass media. In addition, in-depth interviews were also conducted with predetermined informants. The selection of informants was carried out by paying attention to their direct involvement in the case study being studied. In addition, the research considers parties who are considered experts in the problems studied as supporting informants.

Data and information obtained from public information, interviews, and literature studies are processed and selected so that they can be used as material for descriptive analysis. Descriptive analysis was carried out on data findings based on observations, interview results, and document findings. The data collected will be described in the form of a description accompanied by efforts to adjust the symptoms found with the theoretical approach that has been stated previously.

The formulation of a conflict of interest can be divided into several conditions as below (KPK, 2009):

1. Situation that causes a person to receive gratuity or giving/receiving gifts for a decision/position;
2. Situations that cause the use of office/agency assets for personal/group interests;
3. Situations that cause confidential information of positions/agencies to be used for personal/group interests;
4. Concurrent positions in several institutions/agencies/companies that have direct or indirect, similar or dissimilar relationships, resulting in the utilization of one position for the benefit of another position;
5. Situations where a state administrator gives special access to certain parties, for example in employee recruitment without following the proper procedures;
6. Situations that cause the monitoring process to not follow procedures due to the influence and expectations of the parties being supervised;

7. Situations where the authority to evaluate an object is qualified where the object is the result of the appraiser;
8. Situations where there is opportunity for abuse of office
9. Post employment (in the form of trading influence, secret position);
10. A situation in which a state official determines the amount of salary/remuneration himself;
11. Moonlighting or outside employment (other work outside of the main job);
12. Situation to accept an offer to buy shares from the public,
13. Situations that allow the use of discretion that abuses authority

RESULTS AND DISCUSSION

Researchers collected data on 14 BUMN investments in private company shares, both in Indonesia and abroad. This data is obtained from various sources such as financial reports, company information disclosures, news articles and other information that can be accessed openly.

1. PT Telkom Indonesia's investment in PT Tiphone Mobile Indonesia through PT Pins Indonesia as a subsidiary

On September 11 2014, PT Telkom Indonesia took corporate action. Based on notarial deed Jimmy Tanal, S.H., M.H., No. 118 dated 11 September 2014, PT Pins Indonesia as a subsidiary of PT Telkom Indonesia purchased 25% of the outstanding shares of PT Tiphone Mobile Indonesia, Tbk for a purchase price of IDR 1,395 billion (Telkom Annual Report, 2015). Tiphone was founded on June 25 2008 under the name Tiphone Mobile Indonesia Tbk. In 2104, PT Tiphone Mobile Indonesia ran businesses with main activities in the field of trading telecommunications equipment in the form of cellular telephones including spare parts, accessories, credit as well as repair services and content provision through subsidiaries. The business considerations behind PT Telkom Indonesia making a long-term investment in PT Tiphone Mobile Indonesia were that at that time PT Tiphone Mobile Indonesia was one of the largest authorized credit voucher dealers in Indonesia with fairly wide coverage, having 98 branches, 146 outlets, 92 service center and 180,000 resellers. Based on the information, it is known that there are no family or political relationships between the parties interested in the acquisition process. According to the conflict of interest formulation, no conflict of interest was found in this investment process.

However, from the financial reports it is known that PT. Tiphone Mobile Indonesia experienced a significant decline in company value from 2014 to 2021. Based on Telkom's 2020 financial report, PT Telkom Indonesia conveyed the final results of its large investment in Tiphone. The balance of Telkom's long-term investment in Tiphone as of 2020 is declared empty. The report stated that Telkom management had decided to record a full provision for investment in Tiphone as of December 31 2020 because it doubted the continuity of PT's business. Indonesian Tiphone.

In fact, Telkom's long-term investment in Tiphone has lost significant value throughout the year, ending with a balance of only IDR 526 billion compared to IDR 1.6 trillion at the end of 2018. Total operating profit was reduced due to losses recorded due to a decrease in investment value of IDR 1 .17 trillion. Telkom's operating profit also decreased in 2019 accounting, partly due to losses from the decline in investment value in Tiphone which will be worth zero rupiah in 2020.

2. PT Telkom Indonesia's investment in PT Persada Sokka Tama through PT Dayamitra Telekomunikasi as a subsidiary

Based on PT Telkom Indonesia's letter Number TEL.27/LP 000/COP-I5000000/2019 concerning Information to Investors, on March 6 2019, PT Dayamitra Telekomunikasi (Miratel) took over 95% of the shares of PT Persada SokkaTama (PST). Then, within a maximum period of 24 months, the remaining 5% of all shares will be purchased by Miratel. On February 3 2021, the Company purchased the remaining 134,999 shares of PT Persada Sokka Tama from Ms. Rahina Dewayani worth Rp. 58,583,776. After purchasing these shares, the Company's effective ownership of PT Persada Sokka Tama on February 28 2021 changed to 99.99%. One share was transferred into the name of Ruli Satya Dharma worth IDR 433.

From the 2021 Miratel Initial Public Offering Prospectus data, the Company has 1 (one) Subsidiary, namely PT Persada Sokka Tama ("PST") with a total of 2,699,999 shares in the Subsidiary or representing 99.99% of the total capital placed and fully paid up by the Company's Subsidiaries. PT Persada Sokka Tama is a company engaged in the telecommunications tower business, with ownership of more than 1,000 towers spread across several regions in Indonesia. PT Persada Sokka Tama, domiciled in Bekasi City, was established and regulated according to Indonesian Law. PT Persada Sokka Tama was founded based on Deed of Establishment No. 305 dated 30 May 2000, made before Dradjat Darmadji, S.H., Notary in Jakarta ("Deed of Establishment of PST"), and has been legally established as a legal entity since 4 September 2000 based on Decree of the Minister of Law and Legislation No. 19666 HT.01.01.TH 2000 concerning Ratification of the Deed of Establishment of a Limited Liability Company, dated 4 September 2000, and has been announced in BNRI No. 32 dated 21 April 2015 Supplement No. 11031. The Company invested capital in PT Persada Sokka Tama in 2019. As of the 2021 Miratel Prospectus Date, PT Persada Sokka Tama has not yet registered the Deed of Establishment of PST at the Company Registry Office.

Meanwhile, the only known party from PT Persada Sokka Tama is the Main Director, Tama Firman Hidayat. No annual reports or other sources were found containing information regarding the management of PT Persada Sokka Tama.

From the information obtained, it is known that there is no family affiliation or political relationship between the parties involved. According to the conflict of interest formulation, no conflict of interest was found in this investment process. Based on the 2022 annual report, PT Telkom Indonesia is informed that it already owns 100% of the shares in PT Persada Sokka Tama.

3. PT Waskita Karya's investment in PT Sriwijaya Markmore Persada through PT Waskita Toll Road as a subsidiary

Based on the deed of establishment from Notary Fathiah Helmi, S.H. No. 62, which was ratified by the Decree of the Minister of Law and Human Rights Number AHU-14734.40.10.2014 dated 25 June 2014, PT Waskita Toll Road (PT WTR) was established on 19 June 2014. One of the subsidiaries of PT Waskita Karya (Persero) is PT Waskita Toll Road. The aims and objectives of this company are to operate in the fields of construction and services, manufacturing, rental, agency, investment, agro-industry, integrated work,

trade, area management, increasing the capacity of construction services, information technology and tourism. and developers to produce goods and/or services.

Meanwhile, PT Sriwijaya Markmore Persada was founded on November 21 2011, in accordance with Notary Ilmiawan Supatmo Decree No. 51 deed of establishment, which was ratified by Decree of the Minister of Law and Human Rights Number AHU56876.AH.01.01.2011 dated 18 November. The company's objective is to manage companies involved in the creation and administration of toll roads. The concession holder for the 111 km Kayu Agung-Palembang-Betung toll road is PT Sriwijaya Markmore Persada. The following is the share ownership composition of PT Waskita Toll Road and PT Sriwijaya Markmore Persada before the share takeover

It is known that the product acquired by PT Waskita Toll Road from PT Sriwijaya Markmore Persada is a toll road concession as transportation infrastructure. This opinion was issued based on the results of the 2017 Business Competition Supervisory Commission's analysis regarding the Assessment of the Acquisition of PT Trans Jabar Tol, PT Sriwijaya Markmore Persada, and the PT Pemalang Batang Stock Toll Road Company by PT Waskita Toll Road (KPPU, 2017). The results of the KPPU's analysis state that there is no substitution function between the toll road owned by PT Waskita Toll Road and the toll road owned by the company that was taken over, so that toll roads in one area are no less competitive with toll roads in other areas, because the location of toll roads is different between concessions. toll road owned by PT Waskita

Toll Road and the company were taken over. When toll road concessions are obtained through an auction mechanism, market competition occurs which is also known as the auction process in obtaining toll road concessions. Every business actor who has won the toll road concession auction will have monopoly control over the toll road he operates. There is no competition in toll road management because toll road management is constrained by BPJT and other regulations (toll road rates, concession length and toll road service standards have been determined).

Based on data regarding the parties involved, no relationship between the parties was found, either familial or political. According to the conflict of interest formulation, no conflict of interest was found in this investment process.

4. PT Bank Rakyat Indonesia's investment in PT Bank Agroniaga

On March 3 2011, the PT Bank Agroniaga Tbk Share Acquisition Deed was signed between Bank Rakyat Indonesia (BRI) and Dapenbun in Jakarta, Bank BRI officially became the Controlling Shareholder in PT Bank Agroniaga Tbk. As a form of joint commitment in synergy with Bank BRI, in 2012 along with its 23rd anniversary, Bank AGRO changed its name to BRI AGRO ("BRI AGRO", or hereinafter referred to as the "Company"). Meanwhile, in 2011 BRI's majority ownership was 56.75% controlled by the Government of the Republic of Indonesia, and 43.25% owned by the public.

A total of 3,030,239,023 shares of Bank Agro or 88.65% of the shares owned by Dana Pensiun Perkebunan (Dapenbun) were acquired by BRI as part of this transaction. This is a takeover of 6 product markets, namely the savings market, current account market, deposit market, investment credit market, working capital credit market and consumption credit market, which will be studied in the process of taking over Bank Agro

by BRI, according to the 2010 Business Competition Supervisory Commission Assessment. Based on data regarding the parties involved, no relationship between the parties was found, either familial or political. According to the conflict of interest formulation, no conflict of interest was found in this investment process.

5. Investment by PT Perusahaan Listrik Negara in PT Mandau Cipta Energi Nusantara

In 2021, State Electricity Company (PLN) acquired PT Mandau Cipta Bahan Nusantara (MCTN) as an effort to serve the electricity supply needs of the Pertamina Hulu Rokan Rokan Block system. The power plant owned by PT MCTN has specifications, namely PLTG Cogeneration 3x100MW capable of supporting the PHR system and Sumatra System, so that it can be optimized based on export and import demand. Apart from that, the supply requirements for the PHR system will be more optimal because it does not depend on just one power plant.

In terms of ownership structure, PT PLN is 100% owned by the Indonesian Government. Meanwhile, PT Mandau Cipta Bahan Nusantara is majority owned by Chevron Standard Limited. Based on data regarding the parties involved, no relationship between the parties was found, either familial or political. According to the conflict of interest formulation, no conflict of interest was found in this investment process.

6. PT Pertamina's investment in Maurel n Prom through PT Pertamina Internasional EP as a subsidiary

PT Pertamina (Persero) through Pertamina Internasional EP signed an agreement to purchase 24.53% of Pacifico's shares in Maurel & Prom. Pertamina purchased the shares listed on the French Exchange at a price of EUR 4.20 per share, plus a premium of EUR 0.5 per share. In a press release on Pertamina's official website, Maurel & Prom's investment shows its strong commitment to ensuring Indonesia's energy security.

Based on the financial report, the company's motivation for the acquisition carried out on August 25 2016 was a form of realization of Pertamina's vision to become a world-class national oil company. After the acquisition, Pertamina became the majority shareholder of M&P with 72.65% shares. Prior to the acquisition, PT Pertamina Internasional EP's share ownership consisted of 99.9% owned by the government and 0.01% owned by PT PDV. The composition of Maurel & Prom's share ownership before the acquisition was dominated by individual investors, as shown in the following chart.

Based on data from the parties involved in this acquisition process, no connection was found in the form of similar family relationships or political relationships between related parties. According to the conflict of interest formulation, no conflict of interest was found in this investment process. However, the value of investments has decreased. Based on Maurel & Prom's financial report for 2015, the company's EBITDA financial data fell by almost 200 percent, from 352 million euros in 2014 to 107 million euros in 2015. Then its product sales also experienced a very significant decline from 550 million euros in 2014. to 276 million euros for 2015. The value of the company's shares fell, from March 15 2013 it touched 14.81 euros/share, until the acquisition process by Pertamina in early August 2016, the value of Maurel & Prom's shares was only worth 2.85 euros/share in July 2016.

7. PT Asuransi Jiwasraya's investment in PT Armidian Karyatama

Whereas based on the decision of the Central Jakarta Corruption Court, it is known that the investment of PT. Jiwasraya Insurance through the purchase of MTN PT. Armidian Karyatama was carried out on a pro forma basis to fulfill the company's SOP, without any prior assessment. That PT. Armidian Karyatama does not have a rating as required in the PT Investment Guidelines. Jiwasraya Insurance. This investment was made on November 25 2015 with a value of IDR 200,133,333,335. On November 25 2015, based on recommendations from Benny Tjokrosaputro, Hary Prasetyo gave instructions to Bank BNI as the Custodian Bank to purchase MTN Armidian Karyatama by PT. Jiwasraya Insurance from PT. Indo Jasa Utama through PT. Lautandhana Securities.

The funds from the MTN purchase were then received by Benny Tjokrosaputro and used to pay for several lands in Maja. It is known from the parties involved in the investment process that there is a conflict of interest, in which Mr. Hary Prasetyo as Finance Director of PT. Jiwasraya Insurance is also the shareholder of PT. Lautandhana Sekuritas, which is used as investment manager. Hary Prasetyo joined PT Lautandhana Investment Management from March 2005 to January 2008, with his last position as President Director. Apart from that, based on the conflict of interest formulation, it is also known that Mr. Hary Prasetyo used confidential information from his position for personal interests, as well as receiving gratification. Apart from Mr. Hary Prasetyo, a conflict of interest also occurred with Mr. Benny Tjokrosaputro as Main Director of PT. Armidian Karyatama. Based on the decision of the Central Jakarta Corruption Court, it is known that Mr. Benny Tjokrosaputro also controls investment decisions at PT. Jiwasraya Insurance, including investment in the purchase of his PT Armidian Karyatama MTN.

8. PT Asabri's investment in PT Antam (ANTM) and PT Ratu Prabu Energi (ARTI)

Throughout March to April 2016, PT Asabri invested by purchasing shares in PT Aneka Tambang (ANTM) and PT Ratu Prabu Energi (ARTI). It is known that the investment manager in the share purchase process is PT. Tricore Kapital Sarana. From the results of the Corruption Court trial, it was explained that Br. Ilham Siregar is a former manager at PT. Tricore Kapital Sarana. Based on the decision of the Central Jakarta Corruption Court, it is known that there was an ANTM share transaction in the negotiation market between PT Tricore Kapital Sarana and PT Asabri which was arranged by Mr. Ilham Wardhana Bilang Siregar caused PT Asabri financial losses amounting to Rp. 70,633,471,634. One of these transactions was the purchase and sale transaction of ANTM shares in the regular market on May 10 2016, where PT Asabri sold 50,000,000 ANTM shares to PT Tricore Kapital Sarana at a price of Rp. 740 per share and then on that date PT Asabri purchased ANTM shares from PT Tricore Kapital Sarana totaling 50,000,000 shares at a price of IDR 750 per share. The purchase and sale of ANTM shares on May 10 2016 was carried out without stock analysis.

The implementation of the transaction was ordered by Ilham Wardhana Siregar. Apart from that, on March 30 2016 and April 19 2016, Br. Ilham Wardhana Siregar ordered 909,100,000 shares of ARTI shares to be sold on the negotiation market with transaction counterparty PT Tricore Kapital Sarana at a price of IDR 66 per share or a total of IDR. 60,000,600,000. Meanwhile, the lowest market price for ARTI shares in that period was IDR 169 per share. Furthermore, on August 18 2016 PT Tricore Kapital Sarana sold ARTI shares to a Mutual Fund managed by the Investment Manager of PT Ciptadana Aset

Management belonging to PT Asabri to then be used as underlying funds amounting to Rp. 90,272,000,000.

9. PT Bukit Asam's investment in PT Satria Bahana Sarana through PT Bukit Mulia Investama
PT Bukit Asam Tbk, through its corporate entity, namely PT Bukit Mulia Investama, made acquisitions and investments to support mining operations, one of which was PT Satria Bahana Sarana on January 21 2015. BMI owns 95% shares with an investment value of IDR 48.0 billion. PT SBS operates in the business sectors of trade, development, industry, mining, land transportation, agriculture, printing, workshops and services. From information on the parties involved and other open information, no conflict of interest was found in the form of the relationship between the parties involved in this investment process. According to the conflict of interest formulation, no conflict of interest was found in this investment process. However, in the January 2023 period, the South Sumatra Prosecutor's Office conducted a search related to this investment (Syahbana, 2023).
10. PTPN Holding's investment in PT Mitra Kerinci through PTPN IV as a subsidiary
On November 16 2022, PTPN Holding as a subsidiary of Holding purchased assets belonging to PT Mitra Kerinci through PTPN IV. Previously, PT Rajawali Nusantara Indonesia (Persero) was the parent company of PT Mitra Kerinci. According to PTPN IV, PTPN III (Persero) Plantation Holding implemented the strategic direction of the Ministry of BUMN through the purchase of this asset. Food Industry Holding, PT Rajawali Nusantara Indonesia (Persero), will concentrate on providing food and supporting commercial activities. PTPN IV currently operates a tea processing factory and plantation business unit. With a bulking and retail sales system, the company produces traditional black tea under the trade names Butong Tea and Tobasari Tea. According to PTPN, this acquisition can help PTPN IV and PalmCo to grow better in developing their green tea business. This action is estimated to increase PTPN IV's market share and reach 1.5% to 2.5%. One of the divisions of PT Rajawali Nusantara Indonesia is PT Mitra Kerinci. This business was previously called PT Perkebunan Mitra Kerinci. In 1990, this business was founded in South Solok Regency, West Sumatra. Kerinci Seblat National Park is near the area. PT Mitra Kerinci not only operates manufacturing but also has a plantation. The corporation is involved in the manufacture, sale, and cultivation of tea products. The 2,025 hectare plantation with a Cultivation Rights permit is managed by PT Mitra Kerinci.
This business, which is located on Jalan Manggis 26 Padang, West Sumatra, offers a variety of basic necessities. Green tea grade, black tea leaf grade, and broken black tea grade are some of them. All of the company's goods are sold under the Liki Tea brand. Meanwhile, the only party from PT Mitra Kerinci who can be known based on open information is Arief Maulana Yamin as Director. From information on the parties involved and other open information, no conflict of interest was found in the form of the relationship between the parties involved in this investment process. According to the conflict of interest formulation, no conflict of interest was found in this investment process.
11. PT Telkom Indonesia's investment in PT Aplikasi Karya Anak Bangsa through PT. Cellular Telecommunications

In November 2020, Telkomsel made a strategic investment in PT Application Karya Anak Bangsa (Gojek) to improve digital cellular services in the future. Telkomsel believes that its partnership with Gojek will enable it to provide greater services and solutions to the public as it creates a digital ecosystem. Telkomsel anticipates that this partnership will enable both parties to benefit from synergies, primarily through platform-application integration, diversity of product offerings, increased data traffic and revenue, increased market share, and reduced subscriber attrition.

An investment agreement worth US\$150 million was signed on November 16 2020 in Jakarta by PT Telekomunikasi Selular ("Telkomsel"), a subsidiary of PT Telkom Indonesia (Persero) Tbk ("Telkom") and PT Solusi Karya Anak Bangsa ("AKAB"). Telkomsel's goal as a digital telecommunications company to offer services beyond connectivity is demonstrated in its investment in AKAB. Telkom thinks that by working together, they can better serve society and offer options to create an inclusive and sustainable digital ecosystem.

Due to this investment, it is suspected that PT Telkom suffered losses due to the decline in the price of outstanding shares belonging to PT Solusi Karya Anak Bangsa. By investing in PT GoTo Gojek Tokopedia Tbk (GOTO), PT Telkom Indonesia (Persero) Tbk also bears the losses. Financial losses of IDR 40.5 trillion, up 55.98% from 2021, were recorded by the issuer formed by the merger of Gojek and Tokopedia in 2022. Based on the report of the issuer with the stock code TLKM, Telkomsel calculated the fair value of its investment in GOTO by dividing the issuer's share price This technology is IDR 91 with the number of shares outstanding. As a result, on December 31 2022, Telkomsel's investment in GOTO experienced an unrealized loss of IDR 6.74 trillion due to fluctuations in fair value. Apart from that, TLKM's net profit last year fell 16.19% to IDR 20.75 trillion. Profit for the year attributable to owners of the parent entity increased to IDR 24.76 trillion from the previous year. Unrealized losses from changes in the fair value of investments amounting to IDR 6.44 trillion in 2022 are the cause of Telkom's profit decline. Unrealized profits from changes in the fair value of Telkom's investment amounted to IDR 3.43 trillion in 2021.

From the parties involved in the investment process, it is known that there is a family relationship between Mr. Garibaldi Thohir who serves as President Commissioner of PT. The Nation's Children's Work Application with Br. Erick Tohir as Minister of BUMN during the investment period in question. The two are siblings. Based on Numbers (1) and (2) Pasal 14 of UU 19 of 2003, it is stated that the Minister acts as a GMS and/or shareholder in BUMN. In number (3) it is also stated that if the GMS rights from the Minister are authorized by another party, then the other party has the right to make GMS decisions regarding investment, including the use of the articles of association, plans for using profits, mergers, consolidations, takeovers, separations and dissolution of the Company.

Meanwhile in the explanation it is stated as follows: For private companies whose capital is fully owned by the state, the minister as the representative of the government in every written decision that has a correlation with the private company, then the decision is a GMS decision. Meanwhile, the Minister functions as a shareholder and decision making is carried out together with other shareholders at the GMS for Persero and limited liability companies whose shares are owned by the state less than 100% (one hundred percent). Due to the involvement of related parties, no information was found

regarding the ongoing legal process. There was also no information or court decision regarding the existence of gratification between the parties involved.

12. PT ASDP Indonesia Ferry's investment in PT Jembatan Nusantara

This investment was made on February 22 2022. In this agreement, ASDP purchased shares controlled by PT Mahkota Pratama and PT Indonesia VIP. According to the conflict of interest formulation, no conflict of interest was found in this investment process. However, there are allegations that this investment is expensive. Based on the financial report of PT Jembatan Nusantara dated 31 December 2018 which was audited by the public accounting firm Hadori Sugiarto Adi and Partners, the total assets of Jembatan Nusantara reached IDR 1.641 trillion. Of this amount, IDR 1 trillion is non-current assets, such as ships that serve as collateral for loans. The company's obligations or liabilities amount to IDR 719 billion, of which IDR 544 billion is in the form of bank debt.

13. Perum Peruri's investment in PT Cardsindo Tiga Perkasa through PT Peruri Digital Security as a subsidiary

Perum Peruri through its subsidiary Peruri Digital Security acquired 55% of the shares in PT. Cardsindo Tiga Perkasa on April 2 with a transaction value of IDR. 35,300,000,000. Based on data from company management, there was no connection between the parties in the investment process. According to the conflict of interest formulation, no conflict of interest was found in this investment process.

14. Pupuk Indonesia Holding investment in PT Kaltim Daya Mandiri through PT Pupuk Indonesia Energi

PT Kaltim Daya Mandiri is a power generation company that provides support for production and housing facilities owned by PT Pupuk Kaltim as well as other companies located in the Kaltim Industrial Estate area. This company was acquired by Pupuk Indonesia Holding through PT Pupuk Indonesia Energi on December 16 2016 for Rp. 126,150,000,000 for the takeover of 23,807 shares belonging to Kaltim Industrial Estate. Researchers did not find information regarding the management of Pupuk Holding Indonesia and PT Kaltim Daya Mandiri during the investment process. However, based on the annual report of PT Pupuk Indonesia Energi, it is known that Mr. Tentaminarto Tri Februartono once served as main director at PT Kaltim Daya Mandiri. That Br. Tentaminarto Tri Februartono is also a shareholder in PT Kaltim Daya Mandiri.

Based on the formulation of conflicts of interest, there are 13 limitations that make an event considered to have a conflict of interest. Some of them are found in BUMN investments in private company shares. These limitations include:

1. A situation that causes someone to receive gratuities or give/receive gifts for a decision/position;
2. Situations that cause confidential position/agency information to be used for personal/group interests;
3. Holding positions in several institutions/institutions/companies that have direct or indirect relationships, similar or dissimilar, resulting in the use of one position for the benefit of another position;

4. Situations where there is an opportunity for abuse of position
Conflict of interest does not regulate the impact obtained by BUMN after the investment is made. Thus, conflicts of interest are not determined by the company's profits/losses after carrying out the investment process.

Of the 14 investments above, there are investments that have conflicts of interest, including:

1. PT Asuransi Jiwasraya's investment in PT Armidian Karyatama
The conflict of interest in this investment involves Mr. HARY PRASETYO. That Br. HARY PRASETYO was the Investment Director at PT Asuransi Jiwasraya at the time of the investment process. Meanwhile Br. Hary Prasetyo is also known to be the owner of PT Lautandhana as investment manager for PT Asurasi Jiwasraya's investment in PT Armidian Karyatama. Apart from that, through decision No. 29/Pid.Sus-TPK/2020/PN Jkt.Pst dated 26 October 2021, it was stated that Br. Benny Tjokrosaputro as the Main Director of PT Armidian Karyatama also received the benefit of bribes in the form of money from Mr. Hary Prasetyo.
2. PT Asabri's investment in PT Antam (ANTM) and PT Ratu Prabu Energi (ARTI)
The conflict of interest in this investment occurred because Mr. Ilham Siregar, who at that time served as Head of the Investment Division of PT Asabri, was the owner of PT Tricore Kapital Sarana. At that time, PT Tricore Kapital Sarana was the investment manager for the share purchases made by PT Asabri for PT Aneka Tambang and PT Ratu Prabu Energi.
3. PT Telkom Indonesia's investment in PT Aplikasi Karya Anak Bangsa through PT. Cellular Telecommunications
The conflict of interest in this investment occurred because at the time the investment was made, the Commissioner of PT Solusi Karya Anak Bangsa was held by Mr. Garibaldi Thohir. As a member of the GMS, Br. Garibaldi Thohir is the older brother of Br. Erick Thohir who serves as Minister of BUMN. In accordance with the conflict of interest formulation, at the time of the investment there was "concurrent positions in several institutions/institutions/companies that have direct or indirect relationships, similar or dissimilar, resulting in the use of one position for the benefit of another position."
4. Pupuk Indonesia Holding investment in PT Kaltim Daya Mandiri through PT Pupuk Indonesia Energi
The conflict of interest in this investment occurred because Mr. Tentaminarto, who at that time served as President Director of PT. Pupuk Indonesia Energi (2014) is one of the shareholders of PT Kaltim Daya Mandiri.

CONCLUSION

Conflicts of interest become an entry point for decision-makers to commit other violations, including criminal acts of corruption. Similarly, commissioners, directors, and other parties with a vested interest in making BUMN investments in private firm shares. Of the 14 investments investigated, four were suspected of having a conflict of interest among the decision-makers. Conflicts of interest might arise, not just between the acquiring company and the acquired company. Some are between firm management and investment managers, while others are between the government and the corporation.

From the data, it was also informed that two of the four conflicts of interest found (Jiwasraya and Asabri) were convicted of corruption crimes. Meanwhile, 3 out of 4

investments with conflicts of interest resulted in a significant decrease in investment value (Jiwasraya, Asabri, and Telkomsel). Even though BUMN investments in private company shares experienced losses, not all of them found conflicts of interest among the parties involved. However, some of these investments are also being prosecuted by law enforcement due to allegations of state losses due to the investments made.

Conflicts of interest in BUMN investments in private company shares stem from inadequate oversight and the lack of a legislative framework that specifically forbids conflicts of interest.

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