

Determining Factors of Liquidation of Regional Public Companies: Case Study of Perumda Banongan, Situbondo Regency



Nindy Riesmaviana¹, Prihat Assih², Sihwahjoeni³

^{1,2,3} University of Merdeka Malang, Indonesia

ABSTRACT: The research entitled Determining Determinants of Regional Public Companies Liquidation: Case Study of Perumda Banongan, Situbondo Regency using qualitative methods. Miles and Huberman's interactive analysis model. This research was conducted with the aim of analyzing the determining factors for the liquidation of regional public companies at Perumda Banongan, Situbondo Regency. The data source for this research uses primary and secondary data from the Banongan Regional Public Company, Situbondo Regency. The results of the research show that the determining factor for liquidation lies in unhealthy financial conditions and problems with the Governance of Perumda Banongan. So it can be concluded that the Regional Government as the Capital Holding Authority must immediately improve management governance, human resources, and implementation supervision over the performance of Perumda and Perseroda so that they can run more effectively.

KEYWORDS: Perumda, Liquidation, Financial Performance, Corporate Governance

I. INTRODUCTION

Indonesia is an archipelagic country with diverse cultures and abundant natural resources. Natural resources originating from water and land support agricultural businesses which are a source of food for its people. Indonesia is a country located in the tropics, has the potential for natural resources that can be developed as tourist attractions because of their uniqueness and uniqueness. With the abundant wealth of natural resources, it can be the basic capital in managing and developing its regions. Natural potential has business value as a tourist destination that attracts visitors, thus providing an important opportunity to improve the community's economy. In an effort to increase regional growth, local governments need development programs, utilization of resources and regional tourism potential so that they can contribute to the development of the country's economy, especially the regional economy.

The basic basis of the Law Article 18 paragraph 2 explains that the provincial, district, and city regional governments regulate and manage their own government affairs according to the principles of autonomy and assignment tasks. It is also stated that regional governments exercise the broadest possible autonomy, except for government affairs that are determined by law as central government affairs. In carrying out their government affairs in accordance with the principles of autonomy and assignment tasks, regions are given the right to establish regional regulations and other regulations (UUD, 1945). The Republic of Indonesia Law has regulated regional autonomy through Law Number 23 of 2014, Article 1 paragraph 6, which states that regional autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in the Unitary State of the Republic of Indonesia system (UU, 2014). Regional autonomy aims to provide local governments with authority and flexibility in regulating and managing natural resources in a better way so that community welfare increases (Dwi Payadnya, 2017). Original Regional Income is obtained from the results of managing regional revenues. Therefore, the Regional governments must strive to manage regional revenues carefully, precisely and precisely. This source is expected to be part of the regional wealth managed for the implementation of regional autonomy (Ismail, 2022).

The existence of Regionally-Owned Enterprises (BUMD) is basically an option to boost the economy in an effort to provide benefits from the management of regional areas and the development of potential owned by the regional government so that the regional government can obtain profit or benefit. BUMD can play a role in managing the potential in a region, which will help improve the welfare of the regional government. Increasing the performance of BUMD will accelerate the development of

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infrastructure and community development. BUMD has a strategic role because they are in global market competition (Cahyaningrum, 2018). Therefore, to ensure the sustainability of existing BUMD, it is very important to maintain the management strategy.

Economic growth in Indonesia is supported by BUMD because it can generate Regional Original Income (PAD) from profits generated by BUMD. The PAD will then be handed over to the Provincial Government or Regency/City Government.

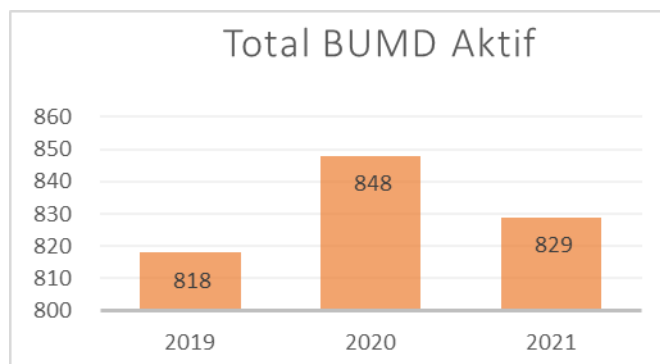


Figure 1. BUMD Data in Indonesia
Source: Central Bureau of Statistics, 2021

Based on data from the Central Statistics Agency (BPS-Statistics, 2021), in 2019 there were a total of 818 BUMDs still actively operating in Indonesia. Then there was an increase in 2020 with the addition of 30 so that the total became 848 BUMDs actively operating. However, in 2021 there were 19 BUMDs that were liquidated so that the total active BUMDs decreased to 829 throughout Indonesia.

Situbondo Regency is an agricultural area that has natural potential of mountains and beaches. Most of the area of Situbondo Regency is used for agriculture and plantations. So that one of the management of the potential of these natural resources is handed over to the regional public company (Perumda). Banongan Regional Public Company or commonly referred to as Perumda Banongan is a sugar cane and coconut plantation along the coast owned by the Situbondo Regency government with an area of 303.3 Ha located in Waringin Anom Village, Asem Bagus District, Situbondo Regency, East Java Province. The beginning of its founding Perumda Banongan is regulated in the Situbondo Level II Regional Regulation Number 14 of 1985 concerning the First Amendment to the Panarukan Regency Regional Regulation where this regulation is a regulation of Regional Regulation Number 2 of 1971 concerning the Panarukan Regency Regional Company. Perumda Banongan was established with the aim of improving the regional economy, providing employment for people who work in their businesses and actively participating in regional development. The plantation sector has a significant opportunity to contribute to increasing the supply of industrial raw materials and farmers' incomes. In plantation businesses, in addition to the quality of the product, the quantity also affects the profit. The more land area owned by a plantation business, the more harvests are produced, and the better the quality, the more profit the plantation company will get. In addition to having potential in the plantation business, Perumda Banongan can also be developed in the tourism sector. Plantation businesses are currently not only focused on crop yields but can also be developed in tourism potential such as fruit picking. This tourism can be used as a unique place to play and educate in the world of education for the community. Perumda Banongan has a lot of potential to be developed, including in the fields of production and tourism, which will provide a lot of attraction. Companies must develop their potential to survive. If the company continues to do the same thing every year, it will not be able to develop the business or get big profits. Innovation and new breakthroughs are an important part of company development because they can find new gaps to exploit. Because of the many natural potentials owned by Situbondo Regency, Perumda Banongan, which focuses on plantation management, is in a strategic place because it has a wide target market. With market and competition analysis, it is possible to increase income for Situbondo Regency.

However, in the news quoted from the news covered by (Husdinariyanto, 2023) on the East Java media website Antaranews, in a plenary meeting at the Situbondo DPRD Building on October 13, 2022, a vote was taken by council members to determine the liquidation of Perumda Banongan. This vote resulted in the DPRD approving the liquidation of Perumda Banongan. The conclusion of the plenary meeting was that the current condition of Perumda Banongan is at risk of bankruptcy. There are two concepts for the running of the business after the liquidation of Perumda Pasir Putih and Perumda Perkebunan Banongan which were conveyed by the Regent of Situbondo Regency, namely that it will be managed independently by the relevant regional government and in collaboration with a third party. Several evaluations were then carried out in analyzing Perumda Banongan's ability to continue to

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stand. The analysis has been carried out by Situbondo Regency through the Academic Study of the Potential Liquidation of Perumda Banongan. The analysis includes investment analysis, health assessment and evaluation results which explain that the best choice for the existence of Perumda Banongan is to carry out Liquidation.

The liquidation was then stipulated in Situbondo Regency Regional Regulation No. 10 of 2022 which was issued on October 20 2022 which was signed by the Regent of Situbondo, Mr. Karna Suswandi, which states that the function of the Banongan Regional Public Company was dissolved as referred to in paragraph (1), carried out by the Regional Government (Regional Regulation, 2022).

Some previous data sources still rarely explore Case Studies that raise the issue of Liquidation in Regional Public Companies. Based on the background of the problem, this study wants to find out why Perumda which should be one of the sources of income for the regional government must be liquidated? Therefore, this study aims to determine the main factors causing the liquidation of Perumda and the Liquidation process of Perumda Banongan. The results of this study provide an academic contribution, namely providing new literature on Perumda Liquidation. This study can also provide opportunities for further researchers and even for consideration by the government.

II. LITERATURE REVIEW

A. Regional autonomy

Broader, real, and responsible regional governments are given the authority to organize after the law on Regional Autonomy comes into effect. Regional autonomy is given based on the principles of democracy, community empowerment, apparatus, public services, justice, and equality by considering regional diversity. Due to the division of tasks, functions, and roles between the central government and regional governments, regional governments must have sufficient income and sources of financing to bear the responsibility of organizing regional governance. As a result, each region is expected to be able to advance, be independent, prosperous, and competitive in implementing its regional government and development (Faisal & Nasution, 2016).

Regional autonomy is expected to improve the quality of public services and community welfare, improve resource management in regional management, and provide opportunities for communities to participate in the development process (Azka & Fajri, 2021).

B. Regionally owned enterprises

Regionally-Owned Enterprises or hereinafter abbreviated as BUMD are established to create PAD revenue through the results of managing separated regional assets. BUMD is a business entity whose capital is wholly or mostly owned by the Region (PP, 2017). According to Article 7 of Government Regulation Number 54 of 2017 concerning BUMD, it was established with the following objectives: 1) Improving the regional economy; 2) Providing public benefits in the form of providing high-quality goods and/or services to fulfill the needs of the community based on good corporate governance; and 3) Generating profit and/or benefits. With the explanation above, it is concluded that BUMD has social and commercial characteristics. So these characteristics must be reviewed with the form of BUMD according to its field of business.

C. Governance of Regionally-Owned Enterprises

The current growth of BUMD is inseparable from Law No. 23 of 2014. This law contains provisions on Regional Government including regulating BUMD governance by referring to the principles of good corporate governance. The purpose of good corporate governance is to ensure that all parties involved and have interests in the company have good, fair, and transparent relationships with each other (Dwiridotjahjono, 2009).

The principles of Good Corporate Governance are as follows:

- 1) **Transparency:** In order to remain objective in carrying out its operations, companies must provide relevant and material information in a manner that is easily accessible and understood by stakeholders.
- 2) **Accountability:** Companies must be able to be fairly responsible for the performance they carry out.
- 3) **Responsibility:** Companies must comply with laws and regulations and carry out their responsibilities towards the community and the surrounding environment so that business continuity can be maintained in the long term.
- 4) **Independence:** To start the GCG principle, the company must be managed independently so that no division dominates each other and other parties are not easily involved in the running of the company.
- 5) **Fairness and equality (Fairness):** Companies must comply with the principles of equality and fairness when carrying out their operations (Diana, 2022).

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D. Local Government Revenue

As regulated in Law Number 23 of 2014 concerning Regional Government, regional original income is proof of regional independence in identifying and optimizing all resources that can generate income and are managed effectively (Iqbal & Sunardika, 2018). Local revenue is revenue obtained by a region from taxes, levies, management of separated assets, and other legitimate sources of revenue. The purpose of this revenue is to provide regions with the ability to raise funds as they implement their autonomy as part of the principle of decentralization (Abdulaziz, 2021).

E. Liquidation

Regulation of the Minister of Finance of the Republic of Indonesia Number 272/PMk.05/2014 regulates the Implementation of Liquidation of Accounting Entities and Reporting Entities in State Ministries/Institutions. Article 1 explains that liquidation is an act of settling all assets and liabilities as a result of the termination/liquidation of accounting entities and/or reporting entities in state ministries or institutions. Liquidation of a business means ceasing the operations of the company. Liquidation is done by selling some or all of the company's assets, paying all tax debts, and obligations to third parties, and distributing the remainder to partners according to the profit/loss ratio (K & Wisan, 2021). Accounting Entity is a government unit that uses the budget/goods and therefore is required to organize accounting and prepare financial reports to be combined in the reporting entity and the Reporting Entity is a government unit consisting of one or more Accounting Entities which according to the provisions of laws and regulations are required to submit accountability reports in the form of financial reports (Pemenkeu, 2014). Liquidation is regulated in PP 71 of 2010 concerning Government Accounting Standards in standard statement number 10 on error correction, changes in accounting policies, changes in accounting estimates and discontinued operations. If a mission or function of a government entity is abolished by regulation, then an operation, activity, program, project, or office related to that main task is terminated (BPK, 2010). Discontinued operations occur when a particular mission or function is terminated or released so that assets, liabilities, and operations can be terminated without disrupting other functions, programs, or activities.

F. Agency Theory

In economics and management, agency theory studies the relationship and conflict of interest between two parties, namely the "principal" and the "agent". The principal is a party that has certain rights or interests in the assets or resources of the Company. The agent acts on behalf of the principal to carry out certain tasks. Agency theory attempts to understand how differences in interests and information asymmetry between the principal and agent can affect the behavior and outcomes of the agency relationship. The following is a theoretical study of agency theory:

1) Information Asymmetry

The imbalance of information between the principal and the agent is known as information asymmetry. This occurs when the principal does not have enough information about the agent's performance, but the agent has more information about their work environment, their own capacity, and the overall situation of the company. This information asymmetry can create trust issues and concerns for the principal that the agent will not act in the principal's best interests. In such a situation, the principal needs the agent's information about the company's condition and the agent's performance (Lestari & Supadmi, 2017)

2) Conflict of Interest

Conflict occurs in a situation where there are two parties who have different interests. Differences in interests between agents and principals can cause agency conflicts. Agents may have different motivations from principals, who tend to optimize their personal or group interests. This conflict of interest can result in agent behavior that is contrary to the principal's goals or even detrimental to the principal.

3) Principal-Agent Solution:

Agency theory suggests various ways and solutions to overcome agency problems. Some common solutions include incentives, performance-based contracts, monitoring and supervision, and transparency and accountability. Principal-agent solutions aim to create incentives for agents to behave in the principal's interests and reduce the risk of undesirable behavior.

III. RESEARCH METHODS

A. Research Design

This study uses a qualitative approach with a case study research design that aims to analyze the determining factors for the liquidation of the Banongan Regional Public Company, Situbondo Regency and how the liquidation process was carried out by the liquidator, so that it will later produce empirical evidence regarding the main reasons for the closure of Perumda Banongan by the Regional Government. This study emphasizes more on the analysis of the overall context and identifying the relationship between events. (Nuryaman and Veronica, 2015:83). The reason underlying the selection of the case study on the Banongan Regional Public

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Company is because the researcher is one of the employees who participated and was directly involved in the liquidation process of Perumda Banongan. So that all information related to the liquidation process is not difficult to obtain.

B. Informants and Researcher Presence

In qualitative research, the informant who provided information regarding the liquidation process was the Liquidator Team selected by the Regional Regulation as the Person in Charge of the Perumda Banongan liquidation process. The Chief Liquidator is Mr. Kuku Budianto, a liquidator from the Mahsun, Nurdiono, Kuku and Rekan Public Accounting Firm, Malang Branch. In addition, the researcher also collected information through employees working at Perumda Banongan, such as accounting staff and economic staff of Situbondo Regency. The informants are expected to provide data and information related to the research.

C. Data analysis

This study uses qualitative descriptive data analysis using the interactive model of Miles and Huberman, where the analysis will continue to be carried out until saturated data is obtained. This is indicated by no longer obtaining new information. (Miles & Huberman, 1992). The analysis steps used are as follows:

- 1) Analysis of the Governance of Banongan Regional Public Company
- 2) Analysis of Financial Aspects of Banongan Regional Public Company
- 3) Analysis of Problems and Factors Influencing the Liquidation of Perumda Banongan
- 4) Analysis of the stages of the Perumda Banongan Liquidation process by the Liquidator Team
- 5) Presentation of the Final Report on the Liquidation of Perumda Banongan

IV. DISCUSSION

A. Financial condition problems faced by Perumda Banongan

Perumda Banongan has experienced ups and downs since its establishment due to difficulties in management and finance. As a result, from several interview results with the liquidator team, Perumda Banongan was unable to achieve its contribution target to PAD. The Situbondo Regency Government has made various efforts to improve business management and administration by building and renovating facilities regularly to attract tourists and make Perumda Banongan a source of plantations and tourism that is in demand in the area. The capital participation of the Situbondo Regency Government to Perumda Banongan has also been maximized, even the additional capital participation to Perumda Banongan calculated after its establishment until December 31, 2019 is Rp. 3,683,855,860 (Three Billion Six Hundred Eighty Three Million Eight Hundred Fifty Five Thousand Eight Hundred Sixty Rupiah). Regional capital participation in the context of additional capital is carried out for business development, strengthening the capital structure, and assignments of the regional government.

According to MAA, as the liquidator team, there are other problems that lie in the implementation of BUMD during the COVID-19 pandemic which began in 2020, resulting in the regional and national economy being hit by a decrease in revenue in almost all types of businesses due to restrictions on community mobility.

With the existing financial potential, Perumda Banongan feels desperate not to be able to provide PAD in a significant amount. This condition certainly cannot be allowed because this is the main priority for the success of the company in the future. According to EW Bendahara Banongan, this attitude is caused by several problems, namely:

- 1) There is a fairly large cost burden for the extension of Land Use Rights Number 06 covering an area of 281,524 hectares with an assumed cost of Rp. 2,500,000,-/hectare
- 2) The real condition factor of the Sugar Factory (PG) is not yet stable so that there is a greater opportunity to implement the Standing Sugarcane Sales System (SPT) rather than the Profit Sharing System (SBH).
- 2) Several supporting factors for businesses not running optimally in relation to the Covid-19 pandemic situation.

Some of these factors are considered to be major obstacles for Perumda Banongan. The PAD target given by Perumda Banongan to the Situbondo Regency Government is Rp. 251,220,518,- (two hundred fifty one million two hundred twenty thousand five hundred and eighteen rupiah).

Nowadays, many companies continue to develop their businesses by utilizing technological developments and social media. The use of social media can be used as a place to promote various businesses, especially if the business has a tourist spot. This is not seen in the 2021 work program that has been prepared by Perumda Banongan. If the existence of social media and technology can be utilized, it will open up various business opportunities for Perumda Banongan, because in addition to being engaged in plantation activities, Perumda Banongan also has great potential as a tourist spot, and this can be additional income for Perumda Banongan

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B. Analysis of Problems and Factors Influencing the Liquidation of Perumda Banongan

In the description above, the economic and social conditions that occur in Perumda Banongan have been clearly described. Through the results of interviews and in-depth observations to determine the sustainability of Perumda Banongan's business, a SWOT analysis was carried out, which is the right method for finding factors that can determine liquidation. In carrying out a SWOT analysis, an evaluation needs to be carried out so that it can determine the ability and potential of Perumda Banongan in facing challenges, utilizing opportunities in its environment and finding strengths and weaknesses. The following are the results of the SWOT analysis of Perumda Banongan.

Strengths (Strengths)

1. Local Government Support: Government support in the form of capital participation has been carried out since the establishment of Perumda Banongan. Capital participation has been calculated after the establishment until December 31, 2019 amounting to Rp. 3,683,855,860 (Three Billion Six Hundred Eighty Three Million Eight Hundred Fifty Five Thousand Eight Hundred Sixty Rupiah).
2. Large area of land: With an area of 281,524 hectares, Perumda Banongan can produce plantation crops with many varieties.
3. Human Resources from Local Communities: Local workers who have in-depth knowledge of the local area and culture.

Weaknesses

1. Financial difficulties: Through the financial ratio, it can be seen that Perumda Banongan is having difficulty in completing its short-term obligations. Even its liquid assets cannot be used to cover these obligations so that Perumda is less attractive to investors.
2. Problems in Corporate Governance: There was a delay in reporting the financial condition of the Regional Public Company from the Board of Directors and the Supervisory Board to the KPM so that the decision-making process was hampered and the handling of financial problems was not resolved in a timely manner.
3. Lack of communication and cooperation between units: The weak power of the CEO as the company's controlling shareholder results in poor coordination of communication and cooperation between units.
4. Unable to contribute PAD: Declining profits have resulted in Perumda Banongan being unable to contribute PAD to the Situbondo Regency Government.
5. Unable to pay expenses: The company's condition of always experiencing losses means that the regional public company can no longer pay employee expenses and other overhead expenses which are increasingly burdening the regional public company's finances.
6. Covid-19 conditions: There has been a decrease in income due to restrictions on community mobility caused by Covid conditions, so that they cannot produce optimally.
7. Ineffective marketing: The marketing strategies used by Perumda tend to be weak and not adaptive to social media and digital marketing.

Opportunities

1. Product Diversification: Perumda Banongan has diversified the types of plants for land and parking fees around Perumda Banongan.
2. Government Capital Participation: Support from the local government in managing Perumda Banongan land with capital participation for the purchase of fertilizer and seeds used for the land.
3. Collaboration and Alliances: Forming partnerships with other companies to offer more attractive packages and reduce costs.
4. Partnership with other companies: Perumda Banongan has built a plantation partnership with the Asembagus Sugar Factory for sugarcane land management.
5. New Tourism Product Development: Creating innovative tourism packages that target new market segments such as educational tourism, ecotourism, or health tourism.

Threats

1. Climate Change: Rainfall patterns tend to be unstable in Asambagus Regency. Planting schedules and planting patterns in dry land are largely determined by the monthly rainfall conditions in the area concerned, therefore determining planting patterns that are not guided by rainfall data will result in crop failure.
2. Intense Competition: Competitors offering lower prices or more innovative packages can attract potential customers.
3. Global Economic Crisis: The impact of the economic crisis can reduce the number of tourists at Banongan Beach.
4. Changes in Government Policy: Changes in government policy in providing capital participation, because Perumda Banongan cannot provide a good PAD contribution.

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C. Analysis of the stages of the Perumda Banongan Liquidation process by the Liquidator Team

Perumda Banongan was dissolved when Regional Regulation Number 10 of 2022 came into effect. This dissolution then continued with the Liquidation process. The liquidator was appointed no later than 7 (seven) days after this regional regulation was enacted. The liquidator was selected by the regional government as the KPM and then the KPM stipulated the Liquidator Decree based on the Decree of the Regent of Situbondo No. 188/373/P/001.2/2022 concerning the Liquidator for the Implementation of the Liquidation of the Banongan Regional Public Company and the Pasir Putih Regional Public Company, Situbondo Regency. This Decree was stipulated on October 27, 2022 by the Regent of Situbondo Regency by appointing Mr. Dr. H. Kukuh Budiando, SE., MM., Ak., CA., CPA., CPI., CLI. As a liquidator. The duties of the liquidator in accordance with the Regent's Decree in the liquidation process are required to settle the assets of Perumda Banongan including:

- 1) Announcement in print or electronic media regarding the implementation of the liquidation of Perumda Banongan;
- 2) Recording and collecting assets and debts of Perumda Banongan;
- 3) Recording and collecting data on ongoing Perumda Banongan cooperation;
- 4) Payments to creditors of Perumda Banongan;
- 5) Submission of the remaining assets resulting from liquidation to the Regent and
- 6) Other actions that need to be taken in accordance with laws and regulations;
- 7) Reporting the results of the implementation of the Liquidation task to the Regent of Situbondo

Based on the tasks that have been determined in the Situbondo Regency regulation, the liquidator begins the liquidation with the process of settling assets by the liquidator. The process must be completed within no more than 3 (three) months after the determination of liquidation. The process of settling assets is carried out by the liquidator with the following stages:

1. Settlement of Rights and Obligations of Perumda Banongan

In the early stages of the liquidation process, the Liquidator records and collects the assets and liabilities of Perumda Banongan based on the 2022 financial report. The financial report then becomes the basis for calculating the company's financial condition when the liquidation process begins or can also be called the Initial Liquidation Balance Sheet. The initial liquidation balance sheet helps provide a detailed picture of the company's financial position when the liquidation process begins. So the liquidator needs to check and reconcile all the initial liquidation balance sheets of Perumda Banongan. It should be noted that the liquidation process of Perumda Banongan is a liquidation process caused by the takeover of operations previously managed by Perumda Banongan which then became the responsibility of the Agriculture Service. The identification and reconciliation transactions for the initial liquidation balance sheet include:

a. Identification and Reconciliation of Current Assets

- 1) Transfer of cash and bank account balances from Perumda Banongan to the Liquidator. All transactions involving cash and banks are managed directly by the liquidator and incoming and outgoing transactions must obtain approval from the liquidator.
- 2) Sorting and checking the accounts receivable balance on the initial liquidation balance sheet. The liquidator will confirm with the debtor regarding the accounts receivable balance and confirm with the employees regarding the employee accounts receivable balance. From the confirmation results, it is then evaluated whether it can really be recognized as income and if the payment potential is considered adequate, the Liquidator will recognize the receipt of receivable payments as income and then record it in the financial statements of Perumda Banongan, Situbondo Regency. The receipt of receivables is a significant source of income that will be used to pay the company's obligations to creditors.
- 3) Sorting and checking the inventory account balance on the initial liquidation balance sheet, In this process the liquidator sorts the remaining inventory into two categories, namely inventory that can be resold and inventory that must be submitted to the Regional Government. Inventory that can be sold is assessed based on the physical and market value or book value of the remaining inventory. While inventory that cannot be sold is submitted to the Regional Government through a verification process of the amount and condition of the inventory.
- 4) Confirm the balance of prepaid expenses with third parties whether Perumda Banongan can get full benefits from the goods that have been purchased or not. The liquidator will review the contract or agreement underlying the payment of prepaid expenses, identify the conformity between the payments that have been made and the expected benefits, communicate with the relevant parties to clarify whether the benefits can be received according to the contract and all steps that have been taken must be documented as evidence to the Regional Government.

b. Fixed Asset Identification and Reconciliation

Sorting and checking the balance of liquid fixed assets. The initial step of the liquidator must first identify all fixed asset values by conducting an appraisal and recording the appropriate fixed asset values.

c. Identification and Reconciliation of Liabilities

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- 1) Matching and checking the remaining pension fund debt balance with third parties, namely financial institutions that cooperate with Perumda Banongan to manage Perumda Banongan employee pension funds.
- 2) Matching and checking the balance of outstanding business debts to creditors to pay off the debts.
- 3) Submitting a request for tax debt relief to the Situbondo Regency Tax Service Office.
- 4) Checking and adjusting the Pension Fund balance managed independently by the Situbondo Regency Government.
- 5) Budgeting the balance of Operational Debt. Operational debt is a monthly household bill that must be paid by Perumda Banongan in the form of Water, Salary Debt and Electricity for December 2022.

After the identification and reconciliation process is carried out on all of the above accounts, a temporary liquidation balance sheet is produced. The Temporary Liquidation Balance Sheet is the basis that will be used in the process of liquidating Perumda Banongan's assets and liabilities to the Regional Government.

2. Preparation of Financial Reports on Settlement of Rights and Obligations

Financial Report on the settlement of rights and obligations after liquidation is called the Final Liquidation Balance Sheet. The final liquidation balance sheet records financial statements detailing the final assets and liabilities of a company when the liquidation process has been completed. This report provides an overview of the remaining assets that can be distributed to shareholders or other interested parties. The following are the steps to prepare a final liquidation balance sheet:

a. Creating a Liquidation Bank Account

Liquidation Bank Account or closing account is a bank account opened for the purpose of holding temporary funds during the liquidation process. Liquidation accounts are used as intermediary accounts to pay debts and obligations that must be settled before the closing of the account or business. The existence of a liquidation account will make it easier for the liquidator to monitor and document the process of settling obligations and handing over assets to the Regional Government.

b. Settlement of Obligations

This process is an important step in the liquidation process, the initial step in settling liabilities is to identify liabilities owned by Perumda Banongan such as business debts, salary debts, severance pay debts, operational debts and business debts. All debts are assessed, this can involve negotiations with creditors. After that, documentation and verification are carried out with related parties to avoid disputes in the future, and regular monitoring of payments and periodically reported to interested parties. The steps for settling Perumda Banongan's liabilities are as follows:

- 1) Paying the remaining pension funds to Perumda Banongan employees
- 2) The balance of tax debt for current tax bills is submitted to the Situbondo Regency Regional Treasury through the Tax Deposit account.
- 3) Paying operational debt for household needs of Perumda Banongan in December 2022.

c. Distribution of Remaining Assets

- 1) Recognizing Accounts Receivable Payments
- 2) Distribution of remaining supplies to the Situbondo Regency Regional Government using the Handover Report (BAST).
- 3) Hand over Clean Fixed Assets to the Regional Government by attaching the Asset Handover Report (BAST).
- 4) Submit the remaining bank funds from the liquidation account to the Regional Treasury of the Situbondo Regency Government.

d. Handover of Remaining Assets of Situbondo Regency Government

Handing over the remaining assets of the Situbondo Regency Government through the Regional Treasury.

e. Preparing the Final Liquidation Report

V. CONCLUSION AND SUGGESTIONS

A. Conclusion

Based on the research results and discussions that have been described previously regarding the determining factors for the liquidation of Perumda Banongan, Situbondo Regency, it can be concluded that:

- 1) The biggest problem causing liquidation is caused by internal problems, namely: unhealthy financial conditions so that Perumda cannot provide PAD to the local government. In addition, there are problems with the governance of Perumda Banongan where there is a lack of good communication between the Board of Directors and the Board of Supervisors so that when there is a problem with finances, it cannot be resolved quickly and informed to KPM to get a quick and appropriate solution.
- 2) Meanwhile, external problems are the Covid 19 conditions which have resulted in large-scale mobility restrictions so that all employees are advised to work from home to prevent the spread of the virus. Tourists cannot visit which results in Banongan Beach being deserted and not operating. This has resulted in a drastic decrease in retribution revenue. In addition, Plantation employees cannot work in the field due to the PSBB conditions.

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B. Suggestion

Based on the conclusion of the reasons for the liquidation of Perumda Banongan above, the suggestions for other Perumda are:

- 1) Strengthening human resources (HR) in Perumda and Perseroda by taking several steps. First, implementing a special and transparent recruitment pattern in the selection of commissioners, supervisory boards, and directors. Second, increasing HR capacity by conducting competency development, certification programs, and coaching. The goal is to ensure that HR becomes more professional and has integrity.
- 2) Before establishing a Perumda or Perseroda, it is better to conduct a Feasibility Study (Company Feasibility Study), this study aims to evaluate whether the planned project or business has a high chance of success. This includes market, technical, financial, and operational analysis. In addition, it can make better decisions and reduce risks.
- 3) Implementing supervision of the performance of Perumda and Perseroda so that it can run more effectively. In addition, ensuring that the company's operations run with high transparency, accountability, and efficiency.

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