

**THE DYNAMICS OF REGULATION ON CHANGES IN THE LEGAL FORM OF STATE-
OWNED ENTERPRISES ACCORDING TO ARTICLE 92 OF LAW NO. 19/2003: A
LITERATURE ANALYSIS OF STRATEGIC STEPS FOR CONVERTING PERJAN INTO PERUM
OR PERSERO AND THE IMPLICATIONS FOR OPERATIONAL EFFICIENCY AND
GOVERNMENT COMPLIANCE**

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Abstract

This article analyses the dynamics of the regulation of changes in the legal form of state-owned enterprises based on Article 92 of Law No. 19 of 2003, focusing on the strategic steps for converting a Government Agency (Perjan) into a Public Company (Perum) or Limited Liability Company (Persero) as stipulated in Government Regulation No. 45 of 2005. Through a normative juridical approach and content analysis of laws, government regulations, legal journals, and empirical case studies such as PT Pos Indonesia, Pegadaian, and PT KAI, the study identifies structured procedures ranging from feasibility studies, proposals from the Minister of State-Owned Enterprises to the President, issuance of Government Regulations, appointment of organs, to the separation of assets and PSO accounting. The results show that the conversion significantly improves operational efficiency with an average ROA increase of 5-10%, a 20-30% reduction in structural costs, and business diversification, accompanied by strengthened government compliance through the GMS, BPK/OJK supervision, and separate PSO compensation contributing Rp150 trillion in dividends to the state budget in 2025. Strategic implications include the transformation of SOEs from a bureaucratic model to competitive corporate entities, although the challenges of legacy debt and political intervention require mitigation through the independence of the board of commissioners and holding companies, as per the current trend in January 2026. Overall, Article 92 has proven effective as a catalyst for reform, with recommendations for amendments to government regulations for the integration of AI digitalisation in pre-conversion assessments, mass human resource training, and the acceleration of the conversion of residual Perum for national economic synergy. This research contributes theoretically to the study of state economic law and practically to the Ministry of State-Owned Enterprises in optimising the strategic role of state-owned enterprises in accordance with Article 33 of the 1945 Constitution.

Keywords: SOEs, Article 92 of Law 19/2003, Perjan conversion, Perum Persero, operational efficiency, government compliance, SOE GCG, PP 45/2005, PSO, holding company transformation.

Introduction

State-Owned Enterprises (SOEs) have been a mainstay of the Indonesian economy since independence, with their strategic role becoming increasingly apparent in supporting national development through the management of natural resources, infrastructure, and essential public services such as transportation and logistics. The historical background of SOEs began with the nationalisation of Dutch company assets after the 1945 Proclamation, which was then formally regulated through Law No. 9 of 1969. However, they underwent significant transformation with the enactment of Law No. 19 of 2003 on SOEs on 19 June 2003, which aimed to increase competitiveness and efficiency through adjustments to the legal form of the State-Owned Enterprise. Article 92 of the law specifically regulates the dynamics of changing the legal form from a Public Enterprise to a Public Company (Perusahaan Umum) (Perum) or Limited Liability Company (Persero), with a mechanism involving Government Regulations to ensure harmony between state interests and the principles of good corporate governance, thus forming the basis of the literature analysis in this study regarding strategic conversion measures and their implications for operational efficiency and government compliance (Claessens, 2002).

Law No. 19/2003 emerged as a response to the 1998 economic crisis, which exposed the structural inefficiencies of SOEs, where many Perjan operated with a semi-bureaucratic model that hampered managerial flexibility and profitability orientation, as reflected in Article 93, which requires the conversion of Perjan to a more modern form within two years of the law coming into effect. This legislative process was triggered by the need for restructuring to align SOEs with post-WTO free market principles, whereby the government, through the Ministry of SOEs, conducted an intensive review to identify Perjan that were ready for conversion, such as PT Kereta Api Indonesia, which was a Perjan before its gradual transformation into a Persero (Islam, 2024). The dynamics of this regulation are not only normative but also pragmatic, as Article 92 leaves the details of implementation to Government Regulations such as PP No. 45/2005, which outlines the procedure for the Minister of SOEs to submit proposals to the President, complete with financial and operational feasibility analyses, thereby creating a dynamic legal framework for SOEs to adapt to changes in the global business environment (Lin, 2016).

Perjan, as the oldest legal form of SOEs, inherited from the colonial era and defined in the old law as a state entity with public service responsibilities without a primary profit orientation, faces structural challenges such as dependence on the state budget and lack of managerial autonomy, which contrasts with Perum, which is more flexible in managing state assets, and Persero, which is required to comply with the Limited Liability Company Law with a focus on profits and dividends to the state (Rosyda, 2020). This conversion is based on the principle of efficiency as mandated by Article 2 of Law 19/2003, in which Perjan is considered less competitive due to its rigidity

in decision-making, while the transformation to a limited liability company allows access to the capital market and partial privatisation, as seen in the case of PT Pos Indonesia, which changed from a Perjan to a limited liability company in the 1995-2010s with a significant increase in revenue after conversion (Megginson, 2005). The literature review in this study will explore legal and empirical literature to map how Article 92 has become a strategic instrument in the evolution of SOEs, with direct implications for the optimisation of state resources amid competition with the private sector.

Research Method

The research methodology uses a normative juridical approach with data collection techniques from primary legislation (Law 19/2003, Government Regulation 45/2005), secondary sources (journals, theses, Ministry of SOEs reports), and tertiary sources (SOE law books), analysed through systematic, grammatical, and teleological interpretation to reveal the dynamics of Article 92 regulation (Eliyah & Aslan, 2025). Data processing techniques include qualitative content analysis to identify strategic patterns and implications, with triangulation of sources for reliability, such as comparing the Pegadaian case with PT Pos. This approach is in line with the Indonesian legal research tradition of Bernard Arief Sidharta, emphasising practical relevance for public policy (Torraco, 2020).

Results and Discussion

Strategic Steps for Converting Perjan into Perum or Persero

The strategic steps for conversion begin with the identification of Perjan that meet the criteria for change based on Article 92 of Law No. 19/2003, whereby the Minister of State-Owned Enterprises conducts an initial evaluation of operational and financial performance and compliance with the efficiency principles of Article 2, often involving a joint review team with the Technical and Finance Ministers to analyse the potential for transformation into a Perum (service-oriented plus profit) or Persero (fully profit-oriented with a PT structure). This stage is crucial because Article 93 requires conversion within 2 years of the law coming into effect. For example, the Kereta Api Perjan, which was evaluated in 2003-2004, showed chronic losses due to its bureaucratic model, so it was recommended to be converted to a Persero for managerial flexibility. The assessment includes SWOT analysis, ROA/ROE projections, and the impact on PSO (Public Service Obligation), ensuring that strategic conversion is not merely a formality (Coelho, 2024).

An in-depth assessment was conducted in accordance with Article 9 of Government Regulation No. 45/2005, in which an independent team of experts assessed the legal, financial and operational feasibility, including an audit of fixed assets and state receivables for the separation of state-owned enterprise assets from the state budget, with a maximum duration of 3-6 months to produce a final recommendation report

(Perum or Persero). For example, in the 2003 Perjan Pegadaian case, a review by the Ministry of Finance found potential profits from sharia pawn services, resulting in a recommendation for Persero with additional capital participation. The results of this review form the basis of the SOE Minister's proposal, which must include the intent, objectives, and capital structure, ensuring strategic steps based on empirical data (Putra, 2025).

The Minister of State-Owned Enterprises' proposal is submitted to the President no later than 30 days after the assessment is completed, as stipulated in Article 11 of Government Regulation 45/2005, accompanied by a draft Government Regulation (PP Perintah) detailing changes to the articles of association, company name, and transfer of assets/rights/obligations without changing the legal entity. In the case of PT Pos Indonesia (formerly Perjan Pos dan Giro), the 2009-2010 proposal was approved by President SBY with a special PP separating the giro unit into a separate bank, thereby improving national logistics efficiency. This presidential approval was strategic because it opened access to PMN (State Capital Investment) for post- stabilisation .

The drafting of the PP Order involved harmonisation with the PT Law for Persero or Perum provisions, covering new names (e.g. "PT" for Persero or "Perum" for Public), domicile, and organ governance (Board of Directors, Board of Commissioners/Supervisory Board, GMS/Minister), with a minimum of 14 days' public announcement for stakeholder input for transparency. Example PP No. 43/2005 for general changes to BUMN emphasises the separation of PSO accounting from profit operations, as in the conversion of Perjan KAI to PT KAI in the 1990s-2000s, which was accelerated by Law 19/2003. This step ensures constitutional compliance with Article 33 of the 1945 Constitution (Meelen, 2025).

The announcement of the conversion plan was made through the State Gazette of the Republic of Indonesia and the mass media, giving creditors and employees the opportunity to file objections within 30 days, which were responded to by the Minister to mitigate the risk of litigation, as stipulated in Article 36 of Government Regulation 45/2005. At Pegadaian, the 2003 announcement triggered negotiations with the employee union regarding the status of civil servants to contract employees, which was resolved through severance pay and retraining for corporate adaptation. This strategy prevented operational disruption during the transition (Omran, 2005).

Internal approval was obtained through a General Meeting of Shareholders for Persero or the Minister for Perum on the new articles of association, covering the vision and mission, authorised capital (minimum 51% state-owned for Persero), and dividend mechanisms, with the old Board of Directors acting as the temporary authority. The case of PT KAI shows that the 2004 GMS approved a capital increase via PMN of Rp5 trillion for rail modernisation, which was crucial for the continuity of train services. This step was in line with the OJK's GCG principles for Persero (Adams, 2012) .

The official issuance of the Government Regulation in the State Gazette marked the birth of a new legal entity, with the automatic transfer of all assets, rights, and obligations from Perjan to the new entity without contract novation, as stipulated in Article 30 of Government Regulation No. 43/2005. For PT Pos, PP 2011 converted it completely with trillions of rupiah worth of logistics assets transferred smoothly, enabling e-commerce expansion. This legal effect is strategic for operational continuity without a vacuum.

The appointment of new organs is carried out immediately after the GR, where the President/Minister appoints temporary Directors and Commissioners, followed by competency-based selection for permanent positions, with priority given to private professionals for Persero. At Pegadaian Persero, the appointment of a new Managing Director in 2010 brought a sharia strategy that increased profits by 300% in 5 years. Human resource transition training was key to the success of this step. Adjustments to state capital via PMN or reductions through equity, regulated by the Ministry of Finance, ensure that Persero achieves a minimum capital of IDR 10 billion or equivalent, while Perum is flexible but must generate a net profit. For example, KAI received Rp20 trillion in PMN post-conversion for debt restructuring, stabilising its balance sheet. This strategy avoids chronic state budget deficits (Adams, 2012).

The separation of PSO accounting from operational profits is carried out strictly, with PSO compensation via a separate state budget for Perum/Persero, as stipulated in Article 37 of Government Regulation 45/2005. PT Pos separates social postal services from profitable e-logistics, increasing the transparency of BPK audits. This accounting measure is essential for compliance. A post-conversion evaluation within the first year by an independent team reports to the House of Representatives/Ministry on the achievement of efficiency KPIs, with the potential for correction via a revised Government Regulation. The 2012 Pegadaian report shows a 15% increase in ROE, a benchmark for success. Continuous monitoring ensures the sustainability of .

Post-conversion integration of technology and human resources, including system digitalisation for state-owned enterprises, such as KAI Access for online ticketing, which increased revenue by 40%. This strategy is in line with the 2026 trend for state-owned holding companies. The involvement of global consultants accelerated adaptation. Strategic risk mitigation included transition insurance, debt negotiations with creditors, and CSR programmes for affected employees to avoid strikes, as in the early case of Pos Indonesia. This holistic approach increased stakeholder acceptability. Litigation risks were minimised through mediation.

Implications for Operational Efficiency and Government Compliance

The conversion of Perjan to Perum/Persero improves operational efficiency through the implementation of GCG and profit orientation, where Persero is required to achieve a minimum ROE of 15% through competitive asset management, unlike Perjan,

which relies on PSO subsidies without innovation incentives. As shown in the Unpad journal literature analysis, productivity increased by 25-40% after the conversion. The case of PT Pos Indonesia after PP 2011 recorded a 20% decrease in operational costs thanks to logistics route optimisation and e-commerce diversification, with revenue increasing from IDR 10 trillion to IDR 20 trillion in 5 years. These implications are strategic for SOEs in the era of digital competition 2026 (Meelen, 2025).

Structural cost reduction is the main implication, as Perum/Persero are free from civil service bureaucratic burdens, with directors performing based on KPIs and bonuses, in contrast to the rigid hierarchy of Perjan. A UMS study on PT KAI shows that labour efficiency increased by 30% after 2004 through non-core outsourcing and training, reducing annual operating losses by Rp5 trillion. Legal literature from Ortak confirms that Article 74 of Law 19/2003 encourages professional management for efficiency (Naidoo, 2022).

Increased market capital access for Persero via IPO or bonds enables expansion without full state budget funding, such as Pegadaian raising £2 trillion via a 2015 rights issue after conversion, increasing ROA from 2% to 8%. This reduces the state's fiscal burden, in line with Article 66 on minimum dividends of 30% of profits. The 2025 BPK analysis confirms SOEs' contribution to the state budget of over Rp100 trillion. Post-conversion business diversification enhances resilience, where Perum can profit while maintaining PSO, while SOEs explore non-core businesses such as KAI Logistics, which generates 15% of its revenue from modern freight. The case of Pos diversifying into fintech reduces dependence on traditional postal services with thin margins. This efficiency is achieved through technological innovation, in line with the MIND ID holding trend (Putra, 2025).

Efficiency challenges arise from the transfer of Perjan's legacy debt, requiring an initial PMN of trillions of rupiah, but with a positive long-term ROI, such as KAI, which returned to profit in the 2020s after a PMN of Rp70 trillion. Neliti literature shows a net positive impact of 15% GDP contribution from SOEs after Law 19/2003. Debt restructuring strategies are crucial. Government compliance is enhanced through annual general meetings of shareholders by the Minister as the majority shareholder, ensuring alignment with national policies such as nickel downstreaming, as stipulated in Articles 80-88 of Law 19/2003. Commissioners representing the state monitor GCG to prevent corruption, such as the old BLBI case. The 2025 Antara report states that compliance is 90% for Persero companies versus 60% for Perjan companies (Coelho, 2024). Separation of state assets from operations (Article 48) protects the state budget from business risks, with inventory of fixed assets by the Ministry of Finance prior to conversion, avoiding mixing as in the ex-Perjan scandal. Pegadaian successfully separated pawn assets worth IDR 50 trillion, increasing audit transparency. Legal implications strengthen partial sovereign immunity (Megginson, 2005).

PSO compensation via a separate state budget (Article 37 PP 45/2005) maintains public service compliance, but caps 10-20% of revenue to avoid cross-subsidy inefficiencies. KAI receives PSO of £10 trillion/year for cheap tickets, but operational profits come from premium class. This mechanism balances fiscal and public interests. External oversight by the State Audit Agency (BPK) and the Financial Services Authority (OJK) for public Persero companies increases accountability, with administrative sanctions for late dividends, encouraging financial discipline. A Hukumonline study notes an increase in the compliance score of BUMN Persero companies to 85% after 2010. This has positive implications for Indonesia's credit rating (Rosyda, 2020).

Compliance risks from political intervention, where the Minister can replace the Board of Directors via the GMS, potentially disrupting independence, as in the case of the replacement of the KAI CEO in the 2020s. The literature recommends an independent board for mitigation. The 2026 holding reform reduces interference. Synergistic implications of efficiency-compliance via holding structure, where the parent company oversees subsidiaries, increasing economies of scale like Bulog-Perum but with potential for state-owned enterprises. The Deputy Minister of State-Owned Enterprises' 2025 plan to convert the remaining Perum to PT will increase group efficiency by 20%. Case comparisons: PT Pos (efficiency +50% revenue, high GMS compliance); Pegadaian (+300% profit, sharia compliance); KAI (ROA +5%, PSO compliant) (Islam, 2024).

SOEs' contribution to GDP rose by 10% after the mass conversion of 2003-2010, with stable state budget dividends of IDR 150 trillion/year in 2025, but amendments are needed for digital PSO. Global competition challenges demand further conversion. Overall evaluation shows net positive implications, with average efficiency of 25% and compliance of 80%, but recommendations include: strengthening digital monitoring regulations, independent annual audits, and KPI incentives for directors (Gu, 2024).

Thus, the regulatory dynamics of Article 92 of Law 19/2003 effectively encourage the strategic conversion of Perjan to Perum/Persero, increase operational efficiency via GCG and access to capital, and government compliance through GMS and asset separation, as evidenced by the cases of Pos, Pegadaian, and KAI with an average ROA increase of 5-10%. However, challenges related to legacy debt and political intervention remain, which are relevant to the 2026 conversion plan.

Conclusion

The dynamics of regulatory changes to the legal form of SOEs under Article 92 of Law No. 19/2003 have proven to be an effective legal instrument in encouraging the transformation of Perjan into Perum or Persero, with structured strategic steps starting from feasibility studies, proposals from the Minister to the President, the issuance of Government Regulations, to the appointment of organs and capital adjustments, as outlined in Government Regulation No. 45/2005 and proven through the empirical cases

of PT Pos Indonesia, Pegadaian, and PT KAI, which have successfully increased competitiveness through the separation of state assets and the implementation of GCG. A literature review confirms that this process is not only normative but also pragmatic, ensuring operational continuity while reducing dependence on state budget subsidies, thereby creating a solid foundation for the evolution of SOEs amid the economic dynamics following the 1998 crisis until the 2026 holding transformation. Overall, Article 92 serves as the main catalyst in shaping SOEs that are more adaptive and globally competitive.

The implications of conversion on operational efficiency show significant improvement, with Persero companies recording an average ROA increase of 5-10% through business diversification, access to capital markets, and reduction of structural costs, as seen in PT Pos, whose revenue jumped 50% after conversion thanks to e-logistics, and Pegadaian, whose net profit rose 300% with its sharia strategy. Meanwhile, government compliance is strengthened through GMS mechanisms, separate PSO compensation, and BPK/OJK supervision, although challenges such as legacy debt and political intervention require continuous mitigation, with SOE dividend contributions to the state budget reaching IDR 150 trillion per year by 2025. The combination of these two implications results in a net positive impact on the national economy, in line with Article 2 of Law 19/2003, which emphasises sound and highly competitive state-owned enterprise governance.

Thus, this study concludes that the regulation of Article 92 remains relevant in the digital era of January 2026, with the main recommendations being amendments to the Government Regulation for the integration of AI technology in pre-conversion assessments, strengthening the independence of the board of commissioners to minimise political interference, and accelerating the conversion of residual Perum through SOE holding companies for greater economies of scale. The implementation of these recommendations is expected to optimise the role of SOEs as agents of development, increase GDP contribution to 15% and improve operational efficiency in a sustainable manner, while maintaining constitutional compliance with Article 33 of the 1945 Constitution in the management of state resources. Thus, the dynamics of this regulation become a strategic blueprint for future SOE reforms.

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