

A Review on the Settlement of 'Jiwasraya' Case: A Study of Governance of State-Owned Enterprises (SOEs) Based on the Indonesian Economic Constitution

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Abstract

Jiwasraya is one of a State-Owned Enterprise (SOEs) engaged in the insurance sector in Indonesia, which was declared to have experienced a financial failure due to liquidity and solvency problems. This study was done to provide a management analysis as a tool for reviewing and evaluating the government policies, in accordance with the direction of the constitutional economy. This study was conducted using a qualitative methods, with a case study approach. Meanwhile, the philosophy of interpretation in this study was pragmatism. The data collection in this study was the result of observations of public information, company financial reports, and state documents

relevant to the data interpretation and analysis. The results of this study identified that the Jiwasraya case was motivated by a poor degree of good corporate governance, as well as the occurrence of acts of corporate fraud which has the potential for the state financial losses. Furthermore, this study also describes various alternative government policies as an option for the case resolution strategies, including: (1) liquidation; (2) recapitalization; (3) mergers and holdings; or (4) privatization. The results of the study recommend recapitalization and privatization using the practical of Indonesia Raya Incorporated (IRI) rather than other policies. These findings contribute to the knowledge of murakabi economics and its constitutionalization, and have implications for good governance practices for government and corporations, as well as strategic management for Jiwasraya. Universally, contributing to the interests of SOEs governance, and the economic development of Indonesia.

Keywords: Corporate Governance, Indonesia Raya Incorporated (IRI), Jiwasraya Case, Government Policy, Murakabi Economics, State-Owned Enterprises (SOEs).

1. Introduction

PT Jiwasraya (Persero) or "Jiwasraya" is one of the State Owned Enterprises (SOEs) in Indonesia which is engaged in the non-bank financial sector, particularly insurance. Research and studies on the governance of SOEs in Indonesia with a deepening of the constitutional economy have introduced the world of science to the terminology of Indonesia Raya Incorporated (IRI), and the Murakabi economic system (see, Trihatmoko, 2020; Trihatmoko, 2019; Trihatmoko and Susilo, 2018a and 2018b; Trihatmoko, 2018).

The economic philosophy or paradigm of Murakabi or called as murakabism has a different meaning from the economic ideas of neo-liberalism and social-maxism (Asshiddiqie, 2016). Some economists in Indonesia call the Pancasila economic system (Salim, 1979; Mubyarto, 2000; Kuncoro, 2009; Tjakrawerdaja et al., 2017), since

murakabism is a manifesto of the Pancasila economic system (Trihatmoko, 2018). Murakabi practice in the realm of large corporate businesses in Indonesia has not been implemented world wide since the murakabi thinking is still relatively new and is a contemporary economic approach (Swasono, 2017; Trihatmoko, 2018; Trihatmoko, 2019; Trihatmoko, 2020).

Murakabi business practice has actually been carried out for a long time in Indonesia and in many countries in the world, namely in the form of a cooperative business entity. Nevertheless, cooperative business in Indonesia is difficult or not yet applicable to large corporations, both private companies and SOEs and Regional Owned Enterprises (ROEs). In general, the existence of a cooperative business is only a small part of the company's business activities for employees or in the form of a business partnership group. There are only a few descriptions of successful and large cooperatives in Indonesia, among others are: "*Koperasi Serba Usaha Dosen Universitas Gadjah Mada (Kosudgama)*, *Koperasi Warga Semen Gresik*, *Koperasi Semen Padang*", however, they are local/ exclusive to the institution or business.

The IRI conception was initiated by Prabantoro (2014) and his study team group (2016, 2017) to promote integration and/ or incorporation of SOEs and ROEs share ownership in the natural resource-based business sector. Subsequent academic studies recommended IRI to be applied in the governance of state companies, namely SOEs, ROEs, and Village Owned Enterprises (VOEs) in Indonesia (Trihatmoko, 2019; Trihatmoko and Susilo, 2018a and 2018b; Trihatmoko, 2018). The understanding of businesses in the cooperative business format or IRI, both of which are in accordance with the orientation of the Murakabi economic system, even though each has different entities and business scale.

The above arguments encourage this study to explore one of the SOEs in Indonesia that is currently experiencing serious problems, namely Jiwasraya. The issue at the beginning of 2020, the business world in Indonesia was shocked by the status of

Jiwasraya, which failed to pay for the placement of funds due to its customers. The case is still a mystery and is debated by various groups and parties with an interest in Jiwasraya's business. Until June 2020, the government has not shown any specific policies in completing Jiwasraya. This issue seems increasingly invisible amid the outbreak of the Covid 19 pandemic, which has led to the emergence of an economic and health crisis that has hit the world and Indonesia.

The initial indication of the failure of Jiwasraya was that the company was experiencing a financial liquidity problems or was categorized as a illiquid company. The financial liquidity problem was caused by the accumulated losses that were recorded at IDR 13.7 trillion, as reported by the Attorney General's Office of the Republic of Indonesia (Liputan 6, 2020). This financial condition indicates that the profitability of the company has suffered a loss that exceeds normalcy in business. The financial performance of Jiwasraya was further exacerbated by indications of the insolvable category, namely the net asset value far below the nominal liabilities of the company. An indication of the cause of the insolvency of Jiwasraya was that the savings funds of the customers (company debt) were used to invest in bad-risk-valued stocks. The market value of these shares has fallen very low compared to the value during the investment time that was made by Jiwasraya. This problem leads to the analogy that good corporate governance practices and management functions were not running well, until there was a deviation or fraud in the management body that leads to indications of corruption (Detik News, 2020; Kata Data, 2020).

The review above suggests that Jiwasraya's problems lie in the viewpoint of financial management and corporate governance. There are only two alternatives for the company to be in illiquid and insolvable financial conditions, namely to be liquidated (dissolved) or saved so that it can run again. In addition, in this case, the resolution of governance problems related to indications of corruption or fraud is being handled by law enforcers.

Two dilemmatic choices between "the company to be liquidated or run again" should immediately be determined by the Government as the shareholder of the SOEs. However, both have very difficult consequences, so that a careless policy will cause bigger problems again in the future. A choice is expected to have an impact on the parties of stakeholders to bear the loss for Jiwasraya's financial deficit. The urgency of government policy needs to be taken immediately to anticipate so as not to cause negative psychology from the point of view of the market, social and national economy. Apart from that, where the most important expectation of the parties (for example, customers) who is aggrieved over the Jiwasraya case relies on its resolution through the role of the government as the shareholder of the company.

The fundamental questions that was answered by this study were: What is the rationality of government policies in resolving the Jiwasraya case based on the constitutional economy?

This study has purpose to provide management analysis as a means of observing and evaluating a government policy as a company shareholder in order to resolve the Jiwasraya case. The implications of the results of this study are the good governance practices for the government and corporations in the Jiwasraya case, as well as the strategic management of Jiwasraya. Particularly, it is to resolve the Jiwasraya case by internal management and the government. The study of the theory and concepts in this paper is expected to contribute to the development of murakabi economics, as well as the expansion of the theory of IRI related to the strategic management and the corporate governance. Generally, in its implication, it requires commitment and concrete steps towards the governance of state companies in an effort to promote the principles of good corporate governance.

2. Literature Review

The Jiwasraya case study refers to 2 (two) reviews of agency theory, the government and corporate perspective (Wicaksana et al., 2019; Trihatmoko, 2019; Trihatmoko and Susilo, 2018b; Lopez-Quesada et al., 2018; Farhan et al., 2017; Lukviarman, 2016; Liang et al., 2015; Lane, 1999; Jensen and Meckling, 1976). The structure of government agency theory places the position of the Parliament or House of People Representatives (DPR) as the principal, the government as the agent, and the corporations (SOEs & ROEs) as the sub-agents of the government. The corporate agency positions the General Meeting of Shareholders and Board of Commissioners (BoC) as principal, which is management Board of Directors (BoD) and its organizational ranks as agents (see, Purnamasari and Negara, 2020; Khan et al., 2018; Lopez-Quesada et al., 2018; Furqan et al., 2018; Lukviarman, 2016; Purnamasari et al., 2016; Lukas and Basuki, 2015).

The review of the principal-agency theory has the essence of the efficiency contract between the principal and the agent, which is explicitly stated in a number of regulations. This regulation includes the Basic Constitution of 1945 especially Article 33 (33/ UUD/ 1945), Law Number 19 Year 2003 concerning SOEs (UU 19/2003-SOEs), Government Regulation especially the Regulation of the Minister of State for State-Owned Enterprises Number PER-01/ MBU/ 2011 (R-MBU/ 2011) and Decree of the Secretary of the Ministry of State-Owned Enterprises Number SK-16/ S.MBU/ 2012 (R-MBU/ 2012) (see, Purnamasari et al., 2016; Trihatmoko, 2019; Purnamasari and Negara, 2020). Efficiency contracts in the context of corporate management are based on the minutes of the General Meeting of Shareholders (GMS), strategic management policy direction, laws and other government regulations, as well as provisions and elements of business law related to the operation of the company, namely Law No. 40 of 2007 About Limited Liability Companies (UU 40/2007-PT).

The two perspectives of agency theory above provide the next review, namely stakeholder theory (Lukviarman, 2016; Kuncoro, 2006). The direct stakeholders in SOEs

include all organizational and individual elements with an interest in the SOEs business, as well as the interests of the public represented by the DPR as the highest principal in the agency theory. The performance of the governance and management elements of SOEs is intended to fulfill the company's and government efficiency contracts. This stakeholder theory review confirms the Jiwasraya case is concerned with all interests, that: "Not only has the potential to harm customers and employees, but also has the potential to harm the state and society".

Previous literature explains that IRI adheres to the mechanism of the murakabi economic system or the murakabism approach as the practice of the five principles of Pancasila (Trihatmoko, 2018; Trihatmoko and Susilo, 2018a and 2018b). This means that philosophically and its descriptions are in line with experts in Indonesia who suspect IRI as the concept of SOEs governance with the Pancasila Economic approach or system (see, Salim, 1979; Mubyarto, 2000; Kuncoro, 2009; Tjakrawerdaja et al., 2017; Swasono, 2017; Trihatmoko, 2018; Trihatmoko, 2020). The initial description of IRI, the incorporation of various state-owned enterprises, is illustrated as a form of marriage between SOEs and ROEs, and includes the next opportunity, namely involving VOEs (Prabantoro, 2014; Trihatmoko and Susilo, 2018a and 2018b).

The derivative of applied management science using the IRI concept is called state asset ownership management (Trihatmoko and Susilo, 2018a). SOEs are seen as the wealth of nations through their business role in the natural resource, economic and strategic industrial sectors. The relevance of the existence of SOEs and the strategic economic sector is a reflection of the implementation of the constitutional economic mandate (33/UUD/ 1945). Increasing awareness of the Indonesian people in participating to protect themselves and their business interests through insurance companies creates a new phenomenon in the national economy. A striking development in the last 5 years in the insurance sector is the insurance institutional program of government policies, particularly the Health and Employment Social Security Administration Agency (BPJS).

The phenomenon of industrialization of insurance services encourages every thought that a business or insurance company is a strategic economic branch, so that it needs to be managed by the state in accordance with the direction of the constitutional economy.

The hope of this management and economic review is to place Jiwasraya as an urgent state asset to be saved in order to live again into a large, healthy, and strong company.

The economic crisis situation affected by the Covid 19 pandemic illustrates the results of the negative side of the neo-liberalism system which makes it difficult for large corporations to get out of trouble (Trihatmoko, 2020). This public view encourages the implementation of the murakabi economy in Indonesia, SOEs businesses are advised to practice the IRI conception. The criticism of the Jiwasraya case is a consequence of the state asset ownership system which is capitalistic because SOEs shares are only majority controlled by the central government (Trihatmoko, 2019). The Jiwasraya management crisis and the accompanying economic crisis due to Covid 19 were unexpected events, so that the government is expected to have difficulties in overcoming this problem. The Jiwasraya case is a learning or proof of the previous allegation that capitalism in SOEs in Indonesia is resistant to the issue of good corporate governance (GCG) (see, Trihatmoko, 2019).

Each development of the study on the theme of IRI explains that state ownership of state companies, both SOEs, ROEs, and VOEs, is expected to provide opportunities for the wider community to share in owning this state-owned company (Trihatmoko and Susilo, 2018a and 2018b; Trihatmoko, 2019). The conception of IRI as the true manifestation of the principles of economic murakabism and/ or 'Pancasilaism', namely kinship and mutual cooperation, especially for the governance of state companies in the strategic economic sector and the natural resources sector (33/ UUD/ 1945; Explanation I - UU 19/2003-SOEs). Trihatmoko (2018) has broadened IRI's thinking, namely recommending that private corporations in the strategic economic sector and the natural resource sector should be privatized into murakabi corporations. Therefore, the

SOEs case study this time provides a theoretical and practical overview of IRI alongside other alternative approaches, as the rationality of every possible policy that the government will pursue in solving the Jiwasraya case.

3. Methodology

This study applied a qualitative method with a case study approach and its interpretive philosophy, namely pragmatism (Trihatmoko, 2019; Kalu and Bwalya, 2017; Creswell, 2013; Fatchan, 2011). The case study methodology referred to was a collective type, namely the Jiwasraya company which has experienced a failure or financial crisis, and has direct implications for all stakeholders related to the interests of company (Creswell, 2013).

The deepening of the Jiwasraya case in order to find strategic policy alternatives by the government to solve this problem using a framework of interpreting the philosophy of pragmatism. A pragmatic methodological approach as directed by Creswell (2013), namely researchers: (1) have the freedom to choose research techniques, procedures and techniques; (2) not committed to any philosophy or reality; (3) believe that the external world is free from thoughts and that there is a world in the mind; (4) looking at what and how the will of a study. The definition of the philosophy of pragmatism supports the direction of the results of the deepening of the Jiwasraya case which is holistic and collective to find a way out of case resolution by the will of the thought of researchers.

Researchers collect the data relevant to theoretical perspectives and concepts, namely laws and regulations, financial reports, or public information in media coverage. The data collection technique is methodological as an observative procedure. Furthermore, the data validation efforts were taken by revealing the essence of the results of this study to the public domain through national news (see, Investor Daily, 2020; Tribun News, 2020; Berita Satu, 2020).

The interpretive analysis used was an analogy that is pragmatic or applied, then its relevance is examined for each of the focus themes of this study. The nominal

quantitative data of company finance was interpretive analytical reference, meaning that the focus of the research is not merely calculating and presenting the truth and/ or completeness of the reality of the financial data of Jiwasraya. This limitation of quantitative data sources was justified in qualitative research that prioritizes data interpretivism rather than data numbers (Creswell, 2013).

The results of the deepening of government policy alternatives in the settlement of the Jiwasraya case will be an open phenomenon for future researchers to follow up on in the realm of science and practice according to their respective interests and perspectives. The results of the interpretation of each study theme propose a research premise to provide opportunities for future research to build propositions, or hypotheses and theoretical testing.

The Jiwasraya case has entered into the realm of law, however, data on “unscrupulous” legal files are not presented in this article. The aim is as an effort to maintain the credibility of studies that prioritize their substance. Nevertheless, it did not weaken the study focus units of analysis. The collectivity of interpretive analysis in a holistic and comprehensive manner highlights inter-institutional and public interests within a framework of stakeholder theory and agency theory.

4. Results and Discussion

Company expenditure management or financial statement analysis as a tool to assess a financial performance of company, namely the formulation of profitability, liquidity, and solvency. Profitability is the ability of company to generate operating profit, and liquidity is the company's ability to meet its short-term debt that matures at any time. The two measuring tools for the financial performance of company are very bad for Jiwasraya, which is engaged in the insurance business, so that it has an impact on the solvency problems.

The company failed to meet its short-term or daily obligations due to the maturity of the fund of customers placement in the company, so that Jiwasraya was included in the

illiquid category. The liquidity problem cannot be overcome by the availability of company assets, namely cash funds, fixed assets, and movable assets, namely stock investment in the capital market, so that the company is included in the insolvable category.

“A media report on the chronology of the Jiwasarya case, briefly includes: (1) October 2018, Jiwasarya's request to its partner bank to delay payment claims to customers; (2) November 2018, one of the ex-directors admitted that the claim was postponed due to company liquidity pressures; The SOEs Minister asks the Supreme Audit Agency to conduct an investigative audit; Decided to change the main director; and so forth; (3) September 2019, Jiwasarya signs an agreement to form a subsidiary company 'PT Jiwasarya Putra' with four state-owned companies”.

The chronology illustrates that financial problems of Jiwasarya have been recognized by the corporate governance organs since a long time ago. The results of data analysis identified several important notes about the solvency of Jiwasarya as follows:

“The equity record of Jiwasarya is in a negative position of IDR 23.92 trillion as of September 2019. The company needs funds of IDR 32.89 trillion to meet the 120 percent solvency ratio or Risk Based Capital (RBC)” (Liputan 6, 2020).

“This information or data is supported by the financial statements of company, which provide an indication of insolvable risk for the company as of December 31, 2017, namely the total debt of IDR 40.08 trillion, while total equity is only IDR 5.61 trillion. The solvency position of the insurance company 'Jiwasarya' as a financial business institution can be considered reasonable. However, the condition is that the investment of customer funds in the company is invested in a liquid manner, meaning that the funds can be withdrawn according to investment planning expectations. The results of data analysis show that Jiwasarya's investment placement in the form of securities, namely stocks, bonds and mutual funds, as

well as property investment, has dropped to the lowest point of "loss". The financial statements as of December 31, 2017 show that the total investment account value is IDR 32.4 trillion or 77% of the total investment account of IDR 40.3 trillion. The increase in investment value was material (significant) in the mutual fund account, namely in 2016 amounting to IDR 13.5 trillion to IDR 19.2 trillion in 2017. Data for the 2015 Financial Report shows a total value of securities of IDR 12.7 trillion (Note: data is not detailed)".

This data analysis serves as a starting point for the interpretation of the themes of this study, and is supported by other relevant data. The research results are presented in two thematic, namely good corporate governance, as well as alternative rationality of Jiwasraya settlement by **being liquidated or being run again** through recapitalization, merger and holdingization, privatization, or recapitalization and privatization to become a murakabi corporation.

4.1 Good Corporate Governance (GCG)

The GCG practice of Jiwasraya is considered bad with two indicators, namely the role of the internal audit commission and compliance with corporate financial reporting, referring to R-MBU/ 2011 and R-MBU/ 2012 (Purnamasari et al., 2016; Purnamasari and Negara, 2020). These two regulations show that every SOEs has complete guidelines for implementing CGG. Organizational or internal audit commissions are corporate governance tools through the role of the BoC as shareholder representation (Furqan et al., 2018). The role of the audit commission and the annual reporting of company interpreted the poor condition of GCG of Jiwasraya, and the following is an explanation.

"The investment account risk of IDR 32.4 trillion should be a finding or critical point of the company's internal audit since its financial position in 2016 and 2017 due to a significant increase in investment".

“GCG is also considered to be getting worse by the indications of the late submission of the 2018 Financial Report to the Financial Services Authority (OJK), in accordance with OJK Regulation Article 8 Number 55/ POJK.05/ 2017. In fact, until early 2020, Jiwasraya has not submitted the 2018 Financial Report to the OJK” (Serambi News, 2019).

“The failure of financial management of Jiwasraya due to bad GCG practices has been proven by the determination of the status of suspects by the General Office of Attorney to several perpetrators of fraud within the company” (Berita Satu, 2020; CNCB Indonesia, 2020; Jawa Pos, 2020).

4.2 *Liquidation*

“The Jiwasraya liquidation (dissolution) policy is a logical alternative, because the company is in an illiquid and insolvable position. UU 19/2003-SOEs Article 64 (1), gives authority to the government to dissolve SOEs by issuing a Government Regulation (PP). Furthermore, if this is done it needs to be regulated to take into account the interests of all parties, namely the body of SOEs, shareholders, third parties, and employees (Article 65 (2))”.

The discussion on UU 19/2003-SOEs meant that the liquidation policy was difficult to implement fairly for stakeholder equality. The interests of third parties are mainly Jiwasraya customers, namely to obtain the right to withdraw funds that they place in the company. Next, Jiwasraya employees are entitled to severance pay for their employment status. To fulfill these two points of interest has consequences for the government, namely by providing bailout funds sourced from the State Budget (APBN). In the stakeholder theory perspective, the state finances "in nominal APBN" are national money of the people. Therefore, this will be a big obstacle for the government to finance the liquidation action against Jiwasraya from the APBN.

“For example, the matter that needs to be checked is whether there is a budget line in the APBN for the purpose of liquidating SOEs bailouts. Even if this can be

fulfilled by the APBN through a “Government Regulation (GR)” policy, it must receive full support from the Legislative Body; The socio-political aspect has the potential to cause future polemics regarding economic democracy justice. Another argument is that the Jiwasraya case is the main cause of fraud in the corporate body, it is unrealistic to be charged to the state budget. On the other hand, if there is no APBN bailout, then the third parties and employees will not have their interests fulfilled”.

“An analysis of the previous data provides an estimate that fresh funds of more than IDR 30 trillion must be provided by the State Budget (APBN) to bail out the fulfillment of Jiwasraya's obligations. If, this assumption is possible, it can be reduced from the return to the State Treasury in the range of IDR 2 trillion by the sale of fixed assets (Financial Report, 2017). An opportunity and a great hope is that the bailout funds can come from a significant return on the results of the fraudulent legal process being handled by law enforcement. However, the previous phenomenon provides experience that to withdraw funds back for criminal cases often experiences difficulties and takes a long time, and the nominal value is difficult to predict”.

The alternative of dissolution using the second technique refers to Article 64 (2) of UU19/2003-SOEs, namely without requiring GR. This means that the liquidation policy is sufficient with the implementation of GMS, as the organization that has the highest authority in the company. However, the said Law Phrase stipulates that the remaining liquidation proceeds must be deposited directly into the State Treasury. It is quite clear that Jiwasraya financially does not have the funds to pay off the rights of customers and employees in a fast time. Financial data shows that the potential for funds can only be obtained directly from the sale of fixed assets worth IDR 2 trillion. This analysis illustrates in practical terms that a company is unable to pay its nominal obligations to

its customers. Meanwhile, the responsibility of 'government' shareholders is limited to the paid-up capital of IDR 235 billion (see, UU 40/2007-PT).

If, liquidation to Jiwasraya is carried out in this way, it has the potential to cause socio-political polemic, especially for Jiwasraya's customers and employees. Thus, interpretive liquidation forecasts refer to the first premise in the stakeholder theory perspective.

P(1): The choice of Government policy to liquidate Jiwasraya has the potential for socio-political problems, due to the difficulty of fulfilling the interests of the parties fairly.

The discussion on the possibility of Jiwasraya being liquidated gives a message that a policy option is considered constitutional, namely in accordance with the company law and the SOEs law, but does not meet the expectations of customers and/ or stakeholders. If, the said liquidation policy is supported by a state political decision it is deemed that it will not fulfill a sense of justice ". The argument is that the failure of financial management of Jiwasraya is caused by bad good corporate governance practices in the company body. On the other hand, the performance of corporate governance cannot be separated from the government's own "historical and current" policies (interference) as shareholders. This scenario criticism during the liquidation series is in line with Kuncoro et al. (2019) that such practices are not new, such as the case in Pertamina or many other SOEs cases.

4.3 Recapitalization

Capital recovery or recapitalization is the next alternative as an effort to resolve the Jiwasraya case. The recapitalization gap can be carried out in two ways, namely the Jiwasraya management policy and supported by shareholders to fund the company internally or externally. Internal, namely additional paid-in capital by shareholders and external loan funds, namely bank loans and bonds payable. Such a recapitalization

policy is very difficult for management to implement, due to the financial insolvency of company and the GCG of company.

4.3.1 Additional Paid in Capital

The nominal paid-up capital in the 2018 Financial Statements is IDR 235 billion, therefore, the latest policy is to increase paid-in capital by issuing a number of new shares with a certain nominal value.

“In that case, the government will have difficulty recording it in the APBN budget line, because the required capital is at least IDR 30 trillion. The situation is getting more difficult during the current economic crisis, the potential state budget (APBN) deficit itself is in need of an additional of funds from the Covid 19 virus bond launch program”.

“Nevertheless, the obstacle to the nominal amount of the funds can be set proportionately according to the maturity of the customer's fund claim. As a consequence, this policy is not sufficient with GR, but must be approved by the Indonesian Parliament (DPR RI). Any new law regulating the handling of the social and economic crisis affected by Covid 19 is not justified if it is adopted to handle the Jiwasraya case”

The constitutionalism of government policies in the perspective of political democracy is binding on potential debates in the future. The analogy is that the gradualization of capital payments is related to APBN funding, in this context every year the preparation of the APBN Plan is influenced by political dynamics. Meanwhile, political phenomena in Indonesia may change at any time beyond the usual predictions. Thus, only the policy of paying up capital directly from the 2020 State Budget (APBN) or no later than 2021. The description of the recapitalization policy with paid up capital can theoretically be estimated, as follow:

P(2): The Jiwasurya recapitalization option with additional paid-in capital sourced from the State Budget (APBN) requires a constitutionalization process by the Indonesian Parliament (DPR RI).

4.3.2 *Debt*

The management policy of Jiwasurya is to obtain fresh funds by means of long-term debt to banking institutions and/ or issuing bonds. Normatively in the financial management of creditors it is difficult to entrust funds to Jiwasurya. It has very clearly been constrained by financial and investment business rules and norms.

The rules and norms are regulated in the authorities and functions of State Institutions, namely Bank Indonesia and the Financial Services Authority. In short, alternative funding from external parties has the potential to lead to irregularities in the management of creditors financial institutions and the provisions of Bank Indonesia and the Financial Services Authority. It is also reinforced that Jiwasurya does not have sufficient assets that allow it to be used by bank creditors "worth IDR 2 trillion". Thus, the premise of this study is:

P(3): The recapitalization option of Jiwasurya with the addition of external capital has the potential to deviate from management principles and regulations of the national financial authority, namely "Bank Indonesia, the Ministry of Finance, and the Financial Services Authority".

The discussion on the recapitalization of the theorizing of this study (P (3-4)) provides an early warning that "if it is done", then the said policymaker will have a risk in the jurisdiction. Steps to minimize legal risks require support for political decisions, namely GR or legislation approved by the DPR RI. However, the said political product has unforeseen consequences, namely the potential for a constitutional challenge to the Supreme Court.

Next, the perspective in the financial management regarding external capital recapitalization policies is hampered by the analysis of Return On Investments (ROI).

This means that the management policy is only delaying the time to a “certain” point where the liquidity problem will erupt again for Jiwasraya. Loan interest expense and previous financial deficits are unrealistic to be able to create an ideal ROI in the “Jiwasraya” insurance business going forward.

4.4 Merger and Holdings

Another alternative to rescue the Jiwasraya policy is to use a merger or holding strategy between insurance companies. Normatively, this strategic policy can only be effective if the financial position of a company is illiquid, but still solvable; Even though Jiwasraya's financial condition is in an insolvable position. From a mathematical calculation, it is estimated that the new holding will have to bear the solvency deficit of Jiwasraya. That is, it still needs fresh funds from the government as the shareholder of a newly formed holding insurance company.

The stipulation of the holdingization policy is constitutionally regulated by Articles 63 and 65 of UU 19/2003-SOEs, that is, technically enough with GR without the approval of the Indonesian Parliament. However, the problem of bailout funds to third parties does not allow the holding company to become a burden. A discussion of a holdingization perspective can be illustrated as a “cover the hole from digging deeper holes” policy, or in management it leads to window dressing measures. A perspective reminds that the phenomenon of SOEs holdingization in Indonesia from the beginning has been predicted to be at risk of business management deviations (Trihatmoko, 2019). Therefore, a statement as a premise can be mentioned:

P(4): The choice of merger or holding policy of Jiwasrsaya has the potential to deviate from corporate management principles.

4.5 Privatization

The privatization policy of Jiwasraya has a chance to be determined by GMS Extraordinary. This policy is technically regulated in Article (74 - 78) UU 19/2003-SOEs, but this opportunity will have difficulty getting potential investors as new

shareholders. The value of the solvency deficit and the company's need for fresh funds are reasons for potential investors to be careful about taking these opportunities. In financial management, investment business people always consider the prospect of Return on Investment (ROI).

“For example, whether investors will assess the possibility of their strategy, namely that IDR 30 trillion in funds will be used to acquire Jiwasraya or to build a new insurance company? This means that opportunities for privatization are only possible for entrepreneurs or giant national or multinational corporations that are aggressively building expansion of their conglomerate business portfolios. In the current economic crisis situation, the analogy of investors can be seen as having a dilemma to invest by acquiring big problem companies. The next consequence is "if" the presence of private investors in Jiwasraya occurs, then the status of the company is no longer SOEs ". Therefore:

P(5): The privatization policy of Jiwasraya options provide opportunities for national and multinational private companies to expand their business portfolio, "although this opportunity is unlikely".

Discussions about the privatization of SOEs to the private sector are purely automatic and at the same time criticize that UU 19/2003-SOEs is liberal or liberalizes the Indonesian economic system. This is like a critical view in the case study of the Constitutional Court Material Review of the Law (Trihatmoko, 2019).

Some of the policy alternatives in the future are general or conventional patterns in anticipating a company with financial problems, and in business law or legislation there are opportunities to be pursued, meaning that it is constitutional. However, theoretically (the premises) above provide a signal that the implications of each alternative government policy choice have complicated and counter-productive consequences in the various perspectives of the respective stakeholders. Therefore,

further deepening needs to be done using the IRI field method which leads to the murakabi business or corporate format for Jiwasraya.

4.6 Recapitalization and Privatization: The Murakabi Corporation

The idealism of the conception of IRI is the recapitalization and privatization of SOEs that are not as serious as those experienced by Jiwasraya. Even so, the universality of the way of thinking IRI is considered to be able to provide alternative solutions for Jiwasraya's future. It should be underlined that the mathematical substance of Jiwasraya's financial deficit has not been erased and remains a burden on state finances, because the government is the shareholder. This burden is too large if it only goes through one budget line by the central government. This means that the participation of local and village governments provides opportunities for funds to alleviate the intended APBN, and at the same time implement IRI.

If the choice of government policy uses the IRI-based pattern, then it is constitutionally supported by UU 19/2003-SOEs in Chapter I Article 1.12, namely: The government has the authority to privatize SOEs to the wider community; The aims and objectives of SOEs privatization are in Article 74 and 75 of UU 19/2003-SOEs, and one of them has been regulated, namely expanding community ownership of Persero (Article 74 (1.a)). This is a reflection of the highest constitutional economy in Indonesia, namely the meaning of article 33 in the 1945 Constitution (33/ UUD/ 1945) regarding the family-based economy for the welfare of the people, or the description is called murakabi economy (Trihatmoko, 2019, Trihatmoko, 2020; Trihatmoko, 2018; Trihatmoko and Susilo, 2018a and 2018b). The illustration of the system or mechanism as follows is a practical step for IRI that directs Jiwasraya to find a way out, and becomes a murakabi corporation for the national community.

- (1) *Recapitalization*: Government policy as a shareholder in the form of GR by the President of the Republic of Indonesia and through the approval of the Indonesian Parliament (DPR RI), namely the content of reallocating part of the Village and/ or

Regional Funds to be used as capital deposits for new shareholders in Jiwasraya. This technique is not uncommon, but as a way to avoid disrupting APBN finances in 2020 or 2021. Reallocation of funds of IDR 30 trillion and the rest is to ensure that companies are solvable and able to return to normal operations.

“Even though the state's financial situation is difficult, because the Village and/or Regional Fund is currently allocated priority for Social Assistance and National Economic Recovery. However, the government's consequences for the Jiwasraya case will sooner or later burden the state budget (APBN)”.

- (2) *Privatization*: The government policy referred to in point (1) also regulates (constitutionalization) for Regional and Village Governments or through the existence of ROEs and VOEs in regions and villages that the budget allocation is converted in the form of Securities, namely Jiwasraya Shares. The nominal amount of shares and the number of new shares need to be regulated by GMS Extraordinary - Jiwasraya. The proportion of share ownership for regions and villages is regulated by the meeting referring to the central government regulation “RG”.
- (3) Realization of the nominal deposit of fresh funds from new shareholders (reallocation of Village and Regional Funds) is prioritized for settlement of maturing customer funds and the rest ensures that more than enough company funds are available for future business development. This strategy provides a gap that the solvency requirement of IDR 30 trillion is not immediately paid in, but can be adjusted gradually in the 2020-2021 State Budget (APBN).
- (4) The management policy of Jiwasraya is based on GMS, namely when withdrawing customer funds at maturity without being accompanied by an interest value "only principal nominal". Meanwhile, the interest value of the customer is converted into company shares, namely the nominal interest is converted to the name of the share sheet for the customer concerned.

(5) Policy point (4) includes regulating the availability of the remaining (unpaid) shares to be given the opportunity for all Jiwasraya customers to participate as shareholders.

Another method can be arranged in more detail, namely the calculation of the nominal unit and number of shares for urgent needs of the Jiwasraya funding amount. In essence, the recapitalization and privatization mechanisms in their application to rebuild Jiwasraya with share ownership by local and village governments or the community of Persero, do not deviate from the principles of good governance, secure/normalize the current state budget (APBN) finances, and meet the expectations of stakeholders.

Referring to the illustration of the murakabi corporation (Trihatmoko, 2018; 2020), the factor of justice needs to be taken into account, namely: The share ownership position places the central government as a major minority shareholder, and other parties as a minor majority. For example, the central government is 20%, then local and village parties, as well as customers and the community collectively at 80%. The composition of shares of a large corporation that is "Jiwasraya" in the economic paradigm is in accordance with the interpretive constitution of the Indonesian economy, namely 33/ UUD/ 1945, and the practice of the 5th Principle of Pancasila (Trihatmoko, 2019; Trihatmoko, 2018; Trihatmoko and Susilo, 2018a and 2018b).

"Jiwasraya customers who have large funds need to be careful and limit the number of share ownership. If, placing certain investors with share ownership is more dominant than others among the said 80% collectivity is considered inappropriate".

The choice of government policy to use the term murakabi corporation at the front has positive implications for Jiwasraya's governance. Theoretically, the composition of share ownership in the illustration above will place more Independent Commissioners than the President Commissioner, which represents the interests of the central

government. The principle of good governance referred to also has implications for placing the role of BoD free of conflict of interest biases between certain groups of shareholders, or certain other parties. Such good governance practices encourage management functions and organizational management to operate professionally and with the best quality. This happens by the mechanism of the position of the major shareholder is a minority, but the status of minority shareholders is in the majority position (Trihatmoko, 2018).

“An example of the weak practice of good governance has been shown by the recent phenomenon as the old habit of changing the board of directors and commissioners in SOEs companies by the absolute power of the majority shareholder "capitalist", in this case in the hands of the SOEs Minister. One view can be imagined that subjectivity and political interests dominate the decision to appoint governance and management organizations. The phenomenon of this criticism can be observed, namely that every change of the Minister of SOEs tends to change the governance and management organs of many SOEs companies" (Detik Finance, 2020; CNCB Indonesia, 2020).

The next positive implication from the point of view of strategic management is clarified through the company's operational prospectus, which is to have the opportunity to: (1) expand Jiwasraya's customer portfolio, namely being able to reach the market to villages and regions, thereby increasing the number of customers in various types of products, or called marketing strategy synergy; (2) investing in a productive and safe economy, including shares in commercial infrastructure projects, healthy SOEs, companies with the best reputation on the stock exchange, or what is called intergovernmental synergy. These two points of management opportunity expectations are covered in the principle of incorporation, namely the strategic business synergy aspects. This strategic approach is expected to be able to accelerate Jiwasraya's ROI, so that the company can provide dividend payouts to shareholders. The

distribution of dividends to shareholders will reflect the nature of the Jiwasraya company, namely that it is a direct "profitable" murakabi for the community's economy.

So, the final theorization of this study is:

P(6): The choice of recapitalization and privatization policies is by thinking of IRI as a step or opportunity to rebuild Jiwasraya, so that the company plays a role in equitable distribution of murakabi economic development for the community. Such recapitalization and privatization policies require a constitutionalization process by the Indonesian Parliament (DPR RI).

The overall results of this study were contributed as material for academic studies to the government, and in general for other stakeholders and the community. A policy option for resolving the Jiwasraya case must be immediately determined by the government as the shareholder and by management as the executor of the body operations of company. Textual descriptions as arguments for study interpretation, and theoretical descriptions (premises) provide opportunities to be verified in the future after a policy has been established by the government.

5. Conclusion and Recommendation

The conclusion from the results and discussion of this study is that constitutionally the government has the opportunity to take policies in solving the Jiwasara case, namely liquidation, recapitalization, merger and holding, privatization, or recapitalization and privatization. Each of these options has implications for the future from the standpoint of stakeholder theory, as well as consequences for its constitutionalization process and company management. Recapitalization and privatization using the conception of Indonesia Raya Incorporated (IRI) is considered to ease the burden on the central APBN of government compared to others, by the participation of local and village governments, and the community. This policy is seen as a manifestation of the spirit of Murakabism or 'Pancasilaism' in the governance of SOEs.

“The tactical direction of IRI of making Jiwasarya aim at the murakabi corporation is indeed not the ideal or normal way of conventional policy. The practical thinking of IRI is considered as an alternative solution to open up good opportunities for the future of Jiwasarya”.

Observing cases of fraud by unscrupulous Jiwasarya management, it is recommended that law enforcers work together to solve the legal case. Various efforts need to be taken to maximize the possibility of withdrawal of funds and/ or property from parties suspected of causing Jiwasarya harm. Each nominal change or asset can reduce the financial burden of company on a strategic decision that will be chosen by the government. To implement a choice of government policies, a special team is required to act as guardians/ supervisors of the flow of money to comply with the principles of good governance in an effort to prevent potential fraud or the latest corruption.

The completion of the Jiwasarya case is very complicated, so it is recommended that the Jiwasarya management and its organizational components be cooperative and transparent in extracting various management data information. This is very necessary for parties related to their interests in every attempt to explain each cases of Jiwasarya. As explained earlier, this study is limited to information and data that can be known by the public until June 2020. Meanwhile, the nature of company financial data occurs every day with a movement of its nominal value. Due to the limitations of this study, a certain data period or cut-off data needs to be recalculated by a certain team which has the authority to ensure the accuracy of the financial data of Jiwasarya.

A strategic policy choice will rely on GR and legislation, in this case the highest authority is in the hands of the President of the Republic of Indonesia. For this reason, before the policy is stipulated, a comprehensive review by a special and independent team is recommended on the details of the Jiwasarya case and its prospectus. Including legality instruments, it needs to be complemented by a constitutionalization process in the form of accountable and objective rules or regulations. The message is that the

slightest error in analysis and studies has consequences for the credibility and objectivity of the Government Regulation (GR) by the President and the Government Cabinet.

In the methodological presentation, it was explained that the results of this study opened up research space for the future for researchers. For example, after the decision was set by the government, research on the evaluation / critique of case resolution and Jiwasraya's future prospects. Another comprehensive research also has the opportunity, namely a study to be developed related to the scientific domain of public and corporate sector governance, political economy and constitutional economy, with regard to civil and criminal business law, as well as state and commercial governance. More broadly, this review article is expected to make a valuable contribution to the governance practices of state enterprises "SOEs, ROEs, and VOEs".

At the end of this study, there is no definite choice regarding alternative government policies to be determined. A choice of government policies in solving the Jiwasraya case in the future provides an opportunity for further research to be carried out. The aim is to construct new propositions and/ or empirical testing of recent hypotheses from the perceptions of the premises of this study, or other sources.

"The history of the economy and SOEs in Indonesia awaits a truth from the journey of the highest economic constitution that was built by the Founders of the Nation, Indonesia".

"This article is also intended to provide inspiration and recommendations to the parties in order to eliminate losses for stakeholders in Jiwasraya; Also, as a form of empathy for customers and employees who are waiting for the fate of their rights, as well as for the public who may also feel disappointed over the tragedy that befell Jiwasraya".

Acknowledgments

The researcher expressed his gratitude and appreciation to Dr. Intan Novela, Q.A. (Faculty of Economics and Business, University of Sebelas Maret) for her contribution in exploring ideas and discussing this research. Thanks are also extended to Journalists in the mass media for their participation in public news reviews.

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