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(AIJBES)**www.aijbbs.com**ANALYSIS OF REGIONAL NEEDS AND MINING POTENTIAL
IN THE POLICY ON ESTABLISHING BUMDs TO INCREASE
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DOI: 10.35631/AIJBS.622013**This work is licensed under** [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/)**Abstract:**

The establishment of Regionally-Owned Enterprises (BUMD) in East Luwu Regency is one of the efforts to increase Regional Original Income (PAD). This article analyzes regional needs and mining potential in the BUMD establishment policy. The research method used is a qualitative method with a SWOT analysis approach and policy research, which is interpreted as a process to support policy making or analyze issues to help policy makers solve problems, through data analysis, statistics, and case studies in East Luwu Regency. Data were obtained from various sources, including relevant laws and government regulations, as well as case studies in East Luwu Regency. The potential of natural resources in the region, especially in the mining sector, has not been optimally utilized in supporting the increase in PAD, so strategic efforts and efforts are needed to obtain sources of regional income, through the establishment of BUMD. This study aims to analyze regional needs and mining potential in the BUMD establishment policy in East Luwu Regency and its impact on increasing PAD. The results of the study indicate that the mining sector is one of the regional potentials that is worthy of being developed by BUMD to increase PAD. Regional potential in the mining sector has a significant effect on the BUMD establishment policy in East Luwu Regency. The BUMD establishment policy makes a positive contribution to increasing PAD and can be beneficial for meeting community needs.

Keywords:

BUMD, Mining, PAD, Potential, Regional Needs.

Introduction

Regional governments have an important role in encouraging development and community welfare in their regions. One effort that can be made is through the establishment of a Regionally-Owned Enterprise (BUMD) which is expected to increase PAD sources (Rizky Syaputra et al., 2023). The policy of establishing a BUMD must be based on a comprehensive analysis of regional needs and potential resources, including mining potential. This is in accordance with the understanding of the potential income from regional capital investment, the importance of good governance in regional companies, and the role of BUMD in increasing regional economic contributions. Thus, this study can be a reference in policy planning that supports regional economic growth (Yanto et al., 2023), so it is important to ensure that the BUMD that is established can provide optimal benefits to the community and support regional development.

In order to implementation of real and responsible regional autonomy and accelerate the process of development and regional economic growth, then to increase regional original income in East Luwu Regency, strategic efforts and efforts are needed to obtain regional income sources. Based on the provisions of Article 1 number 20 of Law Number 1 of 2022 concerning Financial Relations Between the Central Government and Regional Governments, Regional Original Income is regional income obtained from Regional Taxes, Regional Levies, Results of Management of Separated Regional Assets and other legitimate Regional Original Income in accordance with laws and regulations.

From the results of local revenues so far, it is felt that it is still not sufficient to finance development in East Luwu Regency. Therefore, the East Luwu Regency Government considers it necessary to make other efforts to increase sources of regional income. In accordance with current developments, a more appropriate and possible and reliable effort to increase regional income sources is to manage companies through the principles of corporate economics based on Good Corporate Governance (Siahaan et al., 2022). To realize the receipt of PAD for East Luwu Regency through the results of managing the separated regional assets, this can be done, among others, through the establishment of BUMD. The Regional Government takes strategic steps to improve the economy by optimizing the management of natural resource potential in the region (Digdowiseiso & Rengganisa, 2023).

Along with changes in laws and regulations in Indonesia, especially Law Number 23 of 2014 concerning Regional Government and Government Regulation Number 54 of 2017 concerning Regionally-Owned Enterprises and the desire of the Regional Government to have a BUMD whose entire capital is owned by the region with a share composition of 100% (one hundred percent) owned by the East Luwu Regency Government, so that the policy of establishing a BUMD is very much needed. BUMD is a *lex specialis* in a company (Suwandi et al., 2024). In order to encourage regional development, the role of BUMD is felt to be increasingly important as a pioneer in the business sector that has not been of interest to private businesses, as an implementer of public services, a balancer of market forces, and to help develop small and medium enterprises. This is in line with the evaluation of the BUMD establishment policy

that the fairly large investment and prospects of the hotel business in the State Capital are seen as having great potential to contribute to increasing regional original income (Putra et al., 2021) Local Original Income (PAD) is a reflection of the independence of a region or in other words that PAD is the most important benchmark for the ability of a region to organize and realize regional autonomy. PAD sources come from regional taxes, regional levies, results of managing separated regional assets, and other legitimate PAD. PAD originating from the results of managing separated regional assets is income sourced from BUMD. BUMD has a strategic role in realizing prosperity in the region by contributing to PAD revenues either in the form of dividends or taxes. One of the challenges in increasing PAD can be answered by increasing the role/contribution of BUMD. In macro terms, the role of BUMD in the regional economy can be measured through its added value contribution to Gross Regional Domestic Product (GRDP) and its ability to absorb labor.

The role of the economic sector of East Luwu Regency can be seen in the GRDP value based on current prices in 2020 reaching 21.5 trillion rupiah. In nominal terms, the GRDP value increased by 535.6 billion rupiah compared to 2019 which reached 21 trillion rupiah. The increase in the GRDP value was influenced by increased production in all business fields and inflation.

Table 1. Gross Regional Domestic Product Based on Current Prices According to Business Sector in East Luwu Regency 2018-2020 (in Million Rupiah)

Category	Business Field	2018	2019	2020
A	Agriculture, Forestry and Fisheries	4,941,165.3	5,005,805.8	5,157,680.0
B	Mining and Quarrying	9,741,532.8	9,502,349.5	9,677,497.8
C	Processing industry	691,960.3	801,193.7	790,884.9
D	Electricity and Gas Procurement	9,721.2	10,218.2	10,595.4
E	Water Supply, Waste Management, Recycled Waste	1,345.0	1,471.1	1,622.3
F	Construction	1,885,660.9	2,192,080.8	2,269,461.3
G	Wholesale and Retail Trade; Automobile and Motorcycle Repair	775,841.0	882,665.1	883,234.4
H	Transportation and Warehousing	146,264.6	164,428.4	147,146.7
I	Provision of Accommodation and Food and Beverages	41,408.0	46,132.7	41,372.1
J	Information and Communication	288,236.8	325,470.8	362,769.7
K	Financial Services and Insurance	189,925.0	210,775.7	221,042.8
L	Real Estate	465,327.8	509,270.1	542,983.8
M N	Corporate Services	10,755.2	12,096.3	11,270.2
O	Government Administration, Defense and Compulsory Social Security	517,747.4	566,441.9	573,813.9
P	Educational Services	409,500.4	454,545.5	486,909.1
Q	Health Services and Social Activities	251,514.2	280,438.4	325,953.5
R,S,T,U	Other services	25,987.8	28,836.1	25,571.9
Gross Regional Domestic Product		20,393,893.9	20,994,219.8	21,529,809.6

Source: RPJMD East Luwu Regency Year 2021-2026

The contribution of the Mining and Quarrying category to GRDP in 2020 based on current prices reached 9.7 trillion rupiah or 44.95%. Economic growth in the Mining and Quarrying category declined during 2016-2019. In 2020, growth in this category increased by 1.66%. This figure ranks second in contributing to the GRDP of East Luwu Regency.

The realization data of PAD of East Luwu Regency in 2021 amounted to IDR 375.5 billion, sourced from original regional income of IDR 166.5 billion, transfer income (central and provincial) of IDR 159.1 billion and other legitimate regional income sourced from PT. Vale Indonesia, Tbk (electricity and scrap grants) of IDR 49.96 billion. This figure shows that the contribution of PT. Vale Indonesia, Tbk as a source of PAD for East Luwu Regency from the mining sector has a significant influence, namely in 2021 as much as 13.31%. East Luwu Regency, located in South Sulawesi Province, is one of the areas with quite large mining potential, especially for mineral commodities such as nickel. However, the utilization of this mining potential has not been optimal in supporting the increase in PAD. Therefore, this study aims to analyze regional needs and mining potential in East Luwu Regency, as well as its implications for the policy of establishing BUMD in an effort to increase PAD in East Luwu Regency. Based on the background above, the study aims to: (i) Identify the regional needs of the East Luwu Regency Government (ii) Identify and analyze mining potential in East Luwu Regency; and (iii) Analyze the implications of mining potential on the policy of establishing BUMD in an effort to increase PAD in East Luwu Regency.

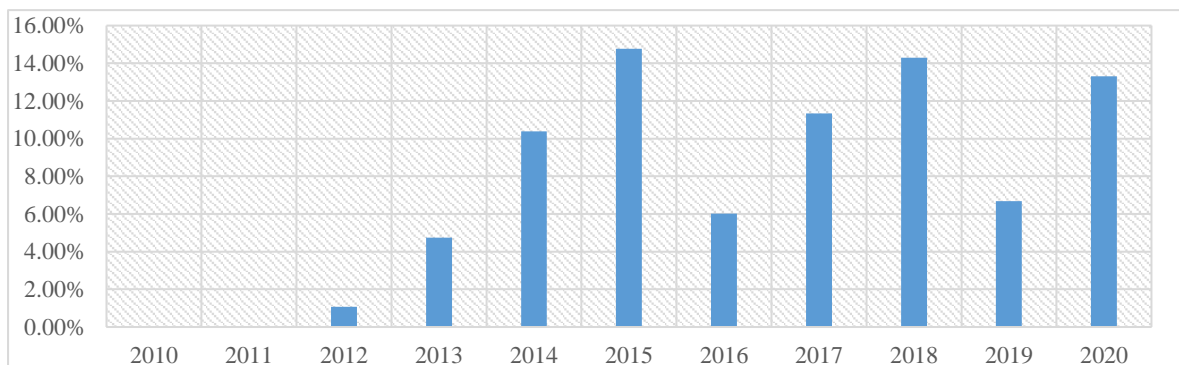


Figure 1. Graph of Development of Revenue Contribution of PT. Vale Indonesia, Tbk

Literature Review

BUMD Concept

BUMD is a business entity whose capital is wholly or mostly owned by the regional government. BUMD has a strategic role in managing regional resources to increase PAD and public services. Based on Law Number 23 of 2014 concerning Regional Government, BUMD aims to provide benefits for regional economic development, provide public services, and make a profit. Government Regulation Number 54 of 2017 also regulates the establishment, management, and dissolution of BUMD. Based on the provisions of Article 7 of Government Regulation Number 54 of 2017 concerning BUMD, the establishment of BUMD aims to (i) provide benefits for regional economic development; (ii) organize public benefits in the form of providing quality goods and/or services to fulfill the needs of the community according to the conditions, characteristics, and potential of the region concerned based on Good Corporate Governance ; and (iii) obtain profit and/or benefits.

The contribution of BUMD to PAD in a provincial area is quite significant and can improve the regional economy (Daerah et al., 2022). This shows that with good management, BUMD can be an important source of income for the region. In East Luwu Regency, the establishment of BUMD in the mining sector can be a strategic step to optimize the potential of natural resources owned. The establishment of BUMD is one of the efforts of the regional government to improve public services. Based on Government Regulation Number 54 of 2017 concerning Regional-Owned Enterprises, BUMD can be in the form of a Regional Public Company (Perumda) or a Regional Limited Liability Company (Perseroda).

Research conducted by (R. Nugroho, 2020) shows that mining potential in the region has not been optimally utilized to support increasing PAD. This is due to various factors, such as limited infrastructure, lack of human resource capacity, and the absence of a BUMD that manages the mining potential. In addition, research conducted by (Prasada, 2023) revealed that the establishment of a BUMD in the form of a Perseroda can be one of the strategies of the Regional Government to increase PAD. Perseroda has flexibility in managing finances and resources and can be more responsive to community needs.

Government Policy on Establishment of BUMD and Budget

The local government has an important role in the establishment of BUMD. The right policy in establishing BUMD must be supported by adequate budget allocation. Regulation of the Minister of Home Affairs Number 118 of 2018 regulates the procedures for establishing BUMD, including the requirements and procedures that must be met. The local government must ensure that the establishment of BUMD is in accordance with the needs and potential of the region. Good growth and management of BUMD will be able to increase the profits generated so that it can provide added value to PAD which will play a very important role in the regional economy and can increase GRDP and the effectiveness of fiscal decentralization (Syahrudi & Amalia, 2024). The policy for establishing BUMD in East Luwu Regency in the mining sector must consider the potential of the natural resources it has. Based on data from the Ministry of Energy and Mineral Resources, there are several locations that have the potential for nickel and iron ore mining in East Luwu Regency.

Regulatory Support

Strong and clear regulations are essential to support the success of establishing a BUMD. Law Number 23 of 2014 and Government Regulation Number 54 of 2017 provide a strong legal basis for the establishment and management of BUMD. In addition, Regulation of the Minister of Home Affairs Number 118 of 2018 also provides clear guidelines on the procedures for establishing a BUMD. In East Luwu Regency, strong regulatory support is needed to ensure that the establishment of a BUMD in the mining sector can run smoothly. The local government must ensure that all requirements and procedures stipulated in the regulations have been met. In addition, strict supervision is needed to ensure that the BUMD is managed in accordance with the principles of good corporate governance.

Locally-Generated Revenue

Several studies have shown that good management of BUMD can significantly increase PAD (Munandar et al., 2023; Primaningtyas & Habib, 2024). The policy of establishing BUMD in the mining sector is expected to provide a significant contribution to PAD. The local government must ensure that BUMD is managed properly and in accordance with the principles of good corporate governance. The role of mining BUMD in driving regional economic development through a Case Study of the Establishment of BUMD in East Luwu Regency as

an area rich in natural resources, is expected to explore how the establishment of BUMD in the mining sector can be a catalyst for regional economic development, evaluate how mining BUMD can utilize local potential, create jobs, and encourage inclusive and sustainable economic growth. In addition, it will be analyzed how the policy of establishing BUMD in increasing PAD, in order to strengthen regional fiscal independence, and optimize the role of BUMD in managing natural resources for the welfare of local communities and sustainable development. The results of the study (Yanto et al., 2023) show that the recentralization of mining authority has direct implications for the depression of regional income from the Regional Original Income (PAD) and Minerba Revenue Sharing Fund (DBH) sectors.

Regional Potential in the mining sector, especially in Indonesia, has abundant natural resources, including in the mining sector. Various types of minerals, such as gold, silver, copper, coal, and nickel, are spread across various regions in Indonesia. Local governments need to conduct an inventory and mapping of mining potential in their regions. This information will be the basis for local governments to formulate policies and strategies for developing the mining sector. The delegation of authority to manage mining from the central government and provincial governments actually creates new problems so that it is necessary to involve local governments in managing mining so that those directly affected by mining activities can file complaints against the local government (Isnaeni, 2018), mining environmental permits and supervision are not yet based on environmental policies, and there is no implementation of an integrated environmental supervision system in the regions (W. Nugroho, 2020) even opening up opportunities for criminalization of residents who reject mining (Darongke et al., 2022) Improving Public Services can be done by establishing BUMD in the mining sector, local governments can improve the quality and reach of public services.

Conceptual Framework

Conceptual framework of research is the link or relationship between one concept and another concept of the problem to be studied. The conceptual framework is used to show a general picture of the research object carried out within the framework of the existing analysis unit.

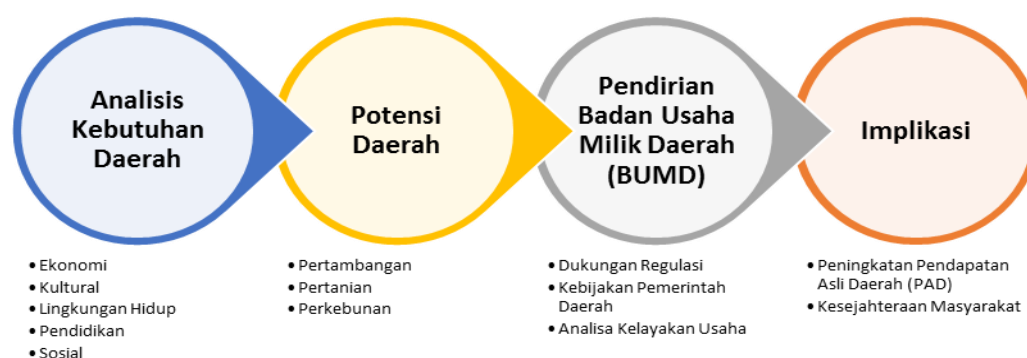


Figure 2. Conceptual Framework

In Figure 2. The researcher will analyze the regional needs and mining potential in the BUMD establishment policy towards increasing local revenue through a case study in East Luwu Regency. The effectiveness of the BUMD establishment policy in increasing PAD requires systematic and extensive information support. This research can be a source of information that meets these criteria. In this position, policy research is important, namely providing systematic

and extensive information so that the BUMD establishment policy can be implemented effectively and efficiently in order to increase PAD in the region.

Methods

Research Design

This research is classified as qualitative research using SWOT analysis and a policy approach (*policy research*) which is defined as the process of conducting research to support policies or analysis of something to help policy makers solve problems by providing recommendations that are oriented towards action or behavior. (R. Nugroho, 2020) The target that needs to be produced in policy research does not lie in the extent of the scientific weight of a research result, but to what extent the research result has applicability in solving problems, in a simpler form so as to provide convenience for researchers (Tohardi, 2020) in this case is analyzing regional needs and mining potential in the policy of establishing BUMD towards increasing regional original income through a case study in East Luwu Regency.

Location and Time of Research

Research will be conducted in East Luwu Regency. This research will be conducted for 3 months, starting from June to August 2024. East Luwu is the easternmost area of South Sulawesi which has mining potential that can be maximized for the welfare of the community.

Data Collection Technique

The data collection techniques that will be used in this study are: (1) Collecting primary and secondary data from several references and informants, then conducting a systematic SWOT analysis through empirical and theoretical reviews; and (2) Conducting qualitative research through SWOT analysis by identifying strengths, weaknesses, opportunities, and threats that have an influence on the research by analyzing these factors, so that the right strategy can be developed to optimize research results and improve research quality.

Data Analysis Techniques

technique used to answer the research objectives, the analysis technique that will be used through a qualitative research approach using SWOT analysis. This analysis method consists of a combination of elements of strengths, weaknesses, opportunities, and threats that are able to produce a strategy based on internal and external environmental situations. SWOT analysis is a strategic planning analysis method used to monitor and evaluate the company's environment, both external and internal, for a particular business purpose. SWOT is an acronym for the words: strengths, weaknesses, opportunities, and threats in a project or business speculation. These four factors form the acronym SWOT, in order to increase the effectiveness of strategy formulation, communication, and organizational learning (Puyt et al., 2023) helping researchers understand the internal and external aspects of the organization (Palazzo & Micozzi, 2024)

Strategic considerations of SWOT analysis consist of a combination of four factors, namely (1) SO Strategy This strategy is made based on the company's way of thinking, namely by using all strengths to take advantage of opportunities; (2) ST Strategy This is a strategy to use the strengths owned by the company by avoiding threats; (3) WO Strategy This strategy is implemented based on the utilization of existing opportunities, by overcoming existing weaknesses; and (4) WT Strategy This strategy is based on defensive activities and is aimed at

minimizing existing weaknesses and avoiding threats. After the data is analyzed, several decisions can be taken that are in accordance with the conditions of the research object.

Results And Discussion

Regional Needs Of The Government Of East Luwu District

Overview of Geographical Conditions

Geographically the conditions East Luwu Regency is partly composed of mountains that are included in the mountain range and partly a young plain area. The central part and extending to the south consists of ultrabasic rocks (MTosu) and sedimentary rocks of the Larona Formation (Tpls). In the West, it consists of recent deposits in the form of alluvium (Qal). In the north-eastern part, it is generally composed of metamorphic rocks in the form of marble (MTmw) and limestone of the Matano Formation (Kml). Ultrabasic rocks and this group of rocks are the oldest rocks in the Malili area and the distribution of these rocks includes Lake Matano and Towuti and the Verbeek Mountains .

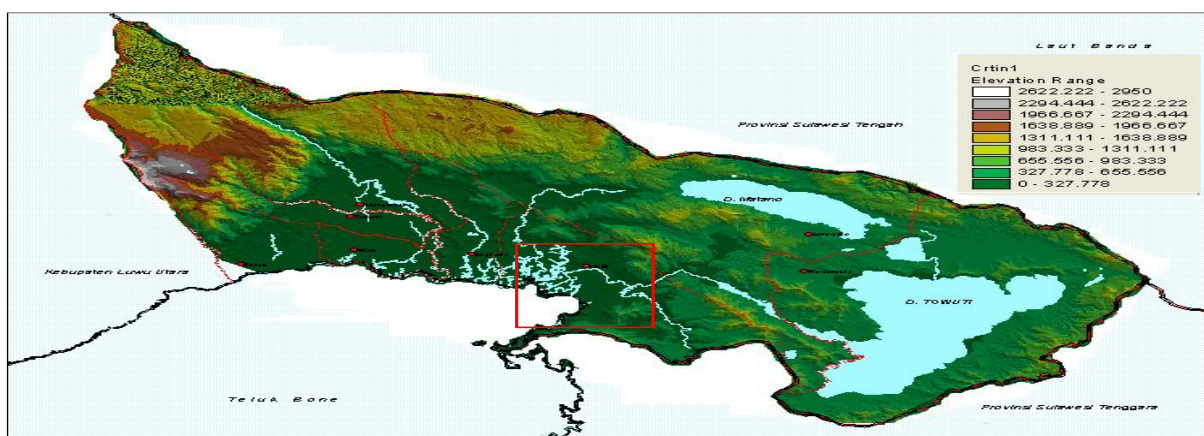


Figure 3. Topographic Map of East Luwu Regency

The geological potential in East Luwu Regency includes Energy and Mineral Resources. Based on the characteristics of geological conditions, East Luwu Regency has the potential for natural resources specifically for mineral resources. The potential is in the form of nickel, iron ore, marble, limestone and other industrial mining materials. The existence of nickel in East Luwu Regency is undoubted. PT Vale Indonesia Tbk. has been exploiting it for decades. Meanwhile, the potential for Iron Laterite is also widely found and associated with iron laterite. Stratigraphically, Iron Laterite is in the limonite layer, while nickel is more commonly found in the saprolite layer. Another potential in East Luwu Regency besides nickel and marble is silica. This resource is not in the form of sand but in the form of rocks, namely rijang from the Melange Wasuponda (MTmw) complex. This silica potential has been managed to be used as a mixture in the nickel refining process.

In addition to the excellent mining potential support, regulatory support in the policy of establishing a BUMD is one of the supporting factors for the establishment of a BUMD in the form of a Perseroda in East Luwu Regency. Decree of the Minister of Energy and Mineral Resources No. 181 K / 30 / MEM / 2019 concerning Mining Business Permit Areas and Special Mining Business Permit Areas for the 2019 Period Attachments XI, XII and XIII state that the

Special Mining Business Permit Area (WIUPK) Exploration in East Luwu Regency, South Sulawesi Province includes the Pongkeru block exploration WIUPK, Bulubalang block exploration WIUPK and Lingke Utara block exploration WIUPK with a total area of 7137.48 ha exploration WIUPK.

In addition, this is also supported by Government Regulation Number 96 of 2021 concerning the Implementation of Mineral and Coal Mining Business Activities Article 75 paragraph (2) WIUPK is given to BUMN, BUMD, or Private Business Entities by the Minister of Energy and Mineral Resources and Article 75 paragraph (3) that the Minister in granting WIUPK must first provide an offer to BUMN and BUMD on a priority basis. Based on the provisions above, the East Luwu Regency Government has established a BUMD PT. Luwu Timur Gemilang (Perseroda) based on Government Regulation Number 54 of 2017 concerning Regional-Owned Enterprises Article 10. East Luwu Regency Regional Regulation Number 11 of 2021 about Regional Medium Term Development Plan In 2021-2026, in chapter III of the RPJMD Regional Financial Overview, sub-section on Regional Revenue Policy, it is stated that one of the strategies for achieving the PAD policy target as stated in the RPJMD is provide the widest possible opportunity for BUMD to be involved in mining sector, plantations and other sectors so that they can contribute especially to increasing local original income.

Mining Potential In East Luwu Regency

Niche Market (Specific Market)

Nickel is a mixed material for making stainless steel, making anti-rust metals, nickel-metal hybrid batteries, and so on. The demand for nickel is currently increasing to meet the needs of the electric vehicle industry. The presence of BUMD as a nickel mining business actor is considered important to manage nickel potential in East Luwu Regency in order to meet the needs of the nickel market. The BUMD that was established can contribute to increasing PAD and economic growth, working professionally, transparently, accountably, moving in the mining and agricultural sectors according to regional potential in a sustainable manner, BUMD can create jobs, improve community welfare, facilitate the community in meeting basic needs, empower MSMEs. As an illustration, the presence of PT Vale Indonesia Tbk in East Luwu Regency has absorbed 2799 local Sorowako workers (96.85%) of the total workforce of PT Vale Indonesia Tbk, which is 2890 people. Of the number of local workers accepted, generally as non-staff workers, 56%. BUMD is able to improve performance and empower local communities by competing in the industrial world and providing benefits to the Regional Government and the community as follows: (i) Access to fulfilling the basic needs of the community, especially when there is a shortage of food; (ii) Use of CSR funds to improve the quality of education for students through the provision of scholarships; (iii) Fulfillment of infrastructure in supporting the increase in the competitiveness of MSMEs; and (iv) Provision of employment as an effort to reduce unemployment.

Implications of Mining Potential for PAD

BUMD Business Plan

The business run by BUMD is mining sector activities with a focus on nickel excavation/exploitation activities. The approach in selecting a business model at the exploration stage and production operation stage of the Pongkeru Block, Bulubalang Block and Lingke Utara Block. The composition of BUMD ownership established in the BUMD

Establishment policy in the mining sector according to regional needs is a BUMD with share ownership entirely owned by the regional government.

Based on the provisions of Article 27 paragraph (1) of ESDM Ministerial Regulation No. 16 of 2021 concerning Amendments to ESDM Ministerial Regulation No. 7 of 2020 concerning Procedures for Granting Areas, Licensing, and Reporting on Mineral and Coal Mining Business Activities, the Minister offers BUMN and BUMD on a priority basis to obtain WIUPK for metal minerals and/or WIUPK for coal and paragraph (6) BUMD as referred to in paragraph (1) is a BUMD formed by the provincial government or district/city government where the WIUPK to be offered is located. The position of BUMD in the WIUPK Auction according to Article 32 paragraph (1) states that in the event that the WIUPK Auction is won by a BUMN, the Minister will announce the determination of the BUMN as the winner of the Auction and at the same time order the BUMN to provide share participation to the BUMD of at least 10% (ten percent) with the provision that the BUMN can a). form a new Business Entity as a *joint venture* within a maximum period of 90 (ninety) calendar days from the determination of the Auction winner; or b). use its affiliated Business Entity within a maximum period of 60 (sixty) calendar days from the determination of the auction winner.

Business Process in the BUMD establishment policy is to run a professional business based on competency. Mining production activities in the Pongkeru Block, Bulubalang Block and Lingke Utara Block by PT Luwu Timur Gemilang (Perseroda) are carried out after obtaining the IUPK for production operations. The stages of implementing the BUMD Mining Business process of PT Luwu Timur Gemilang (Perseroda) are as follows:

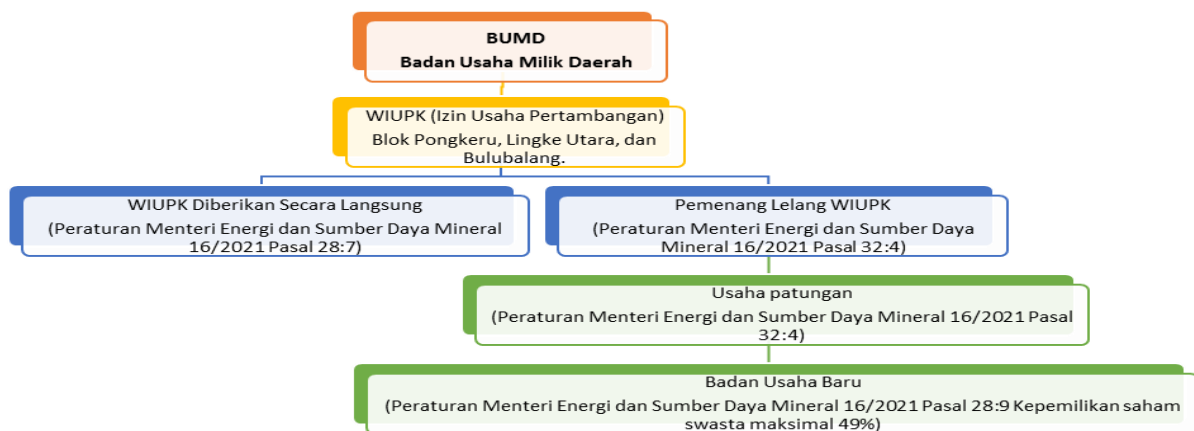


Figure 4. Stages of the Mining Business of the BUMD

Benefit Value Chain

The value chain of benefits from mining activities to be carried out by BUMD in the WIUPK Pongkeru Block, Bulubalang Block and Lingke Utara Block is a series of systems starting from the nickel ore mining process to ore sales. The value of the benefits obtained by the East Luwu Regency government from BUMD mining activities is the contribution of BUMD revenue to increasing PAD. Increasing PAD in East Luwu Regency can ultimately increase public facilities and infrastructure development activities, which can increase public access to fulfilling basic needs services such as education and health through increasing budget allocations to fulfill public service obligations or *Public Service Obligations* (PSO). BUMD's contribution to increasing PAD will ultimately improve the welfare of the people in East Luwu

Regency which is part of *the Sustainable Development Goals* (SDGs) commitment, especially in the pillars of social, economic and environmental development.

BUMD Added Value

BUMD establishment policy to PAD with the main activity of the mining sector can contribute to PAD of East Luwu Regency with a range of 24.48%/year to 33.2%/year. The detailed projections are as follows:

- **Pongkeru Block:** Average revenue from mining activities is IDR 272.20 billion per year, contributing around 33.2% to PAD.
- **Bulubalang Block:** Average revenue from mining activities is IDR 223.58 billion per year, contributing around 28.9% to PAD.
- **North Lingke Block:** Average revenue from mining activities is IDR 190.08 billion per year, contributing around 24.48% to PAD.

(Data Source: Economic and Development Administration Section, Regional Secretariat of East Luwu Regency).

This data illustrates that the management of nickel mineral resources in East Luwu Regency, especially in the Pongkeru block, Bulubalang block and Lingke Utara block by BUMD will be much greater when compared to the management of nickel mineral resources by other parties. As an illustration, the data on the realization of regional revenues in East Luwu Regency in 2021 amounted to IDR 375.5 billion from other legitimate regional income, namely from PT. Vale Indonesia, Tbk (electricity and scrap grants) amounting to IDR 49.96 billion or around 13.31% towards PAD of East Luwu Regency.

Demand and Supply Trend is indicated by a positive trend in world nickel production in the 2020-2023 period with a growth rate of around 7.97%/year. Meanwhile, nickel consumption grew by around 7%/year. Based on data from the Ministry of Energy and Mineral Resources in 2019, it shows that global nickel demand in 2040 will exceed 4 million tons (*Wood Mackenzie*) and battery sector demand will increase from 163,000 tons to 1.22 million tons.

When connected with the potential nickel reserves in the Pongkeru Block WIUPK, the North Lingke Block and the Bulubalang Block with a WIUPK area of 7137.48 ha with a total reserve of 513.9 million metric tons, then the global nickel demand and the potential availability of nickel in the Pongkeru Block WIUPK, the North Lingke Block and the Bulubalang Block, become potential nickel market prospects.

Table 2. Estimated Ni Reserves In The Pongkeru, Lingke Utara And Bulubalang Blocks

Block	Area of WIUP (ha)	ore reserves (depth 9-12 m) mt	Production assumption 50% of reserves (mt)
Pongkeru Block	4527.97	652,027,680.0	326,013,840.0
North Lingke Block	943	135,792,000.0	67,896,000.0
Bulubalang Block	1666.51	239,977,440.0	119,988,720.0
Amount	7137.48	1,027,797,120.0	513,898,560.0

Based on the stratigraphy of nickel metal mineralization in East Luwu Regency, the thickness of nickel ore (*limonite* and *saprolite*) is 9-12 meters (PT. Vale Indonesia, 2021), so that the calculation of nickel ore reserves in the exploration WIUPK of the Pongkeru block, the Lingke Utara block and the Bulubalang block of East Luwu is estimated at 1.03 billion mt with the following details :

Table 3. Forecast of Top Soil and OB Volume

Block	Area of WIUP (ha)	Estimated Reserves (mt)			Location
		Top Soil (depth 1 m)	OB (depth 4- 6 m)	nickel ore (depth 9-12 m)	
Pongkeru Block	4527.97	72,447,520.0	289,790,080.0	652,027,680.0	Hungry. Lily
North Circle Block	943	15,088,000.0	60,352,000.0	135,792,000.0	Hungry. Towit
Wood Block	1666.51	26,664,160.0	106,656,640.0	239,977,440.0	Hungry. Lily
Amount	7137.48	114,199,680.0	456,798,720.0	1,027,797,120.0	

When connected with the potential nickel reserves in the WIUPK Pongkeru block, the Lingke Utara block and the Bulubalang Block with a WIUPK area of 7137.48 ha with total reserves of 513.9 million metric tons, then the global nickel demand and the potential availability of nickel in the WIUPK Pongkeru block, the Lingke Utara block and the Bulubalang Block, become potential nickel market prospects.

Table 4. Estimated Ni Reserves In The Pongkeru Block, North Lingke And Bulubalang

Block	Area of WIUP (ha)	ore reserves (depth 9-12 m) mt	Production assumption 50% of reserves (mt)
Pongkeru Block	4527.97	652,027,680.0	326,013,840.0
North Lingke Block	943	135,792,000.0	67,896,000.0
Bulubalang Block	1666.51	239,977,440.0	119,988,720.0
Amount	7137.48	1,027,797,120.0	513,898,560.0

The marketing strategy for the production (ore) of Pongkeru Block, Lingke Utara Block and Bulubalang Block includes nickel ore produced with a grade of 1.8% and prioritizing the local market segment, namely areas that have smelter facilities such as the smelter in Bantaeng Regency, South Sulawesi Province, the smelter in Morowali Regency, Central Sulawesi Province and the smelter in Konawe Province, Southeast Sulawesi Province.

By considering the condition of the newly formed company at the end of 2023, various internal and external factors can be identified in planning the company's performance in 2024 which are described in the SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis which shows Strengths, Weaknesses, Opportunities and Threats, described in the SWOT analysis matrix as follows:

Table 5. SWOT Analysis**Strengths**

1. Motivated management and staff.
2. The government's ownership status of PT Luwu Timur Gemilang.
3. Support from stakeholders for new projects, increasing employment opportunities and income for the community.

Weakness

1. Relatively minimal working capital for expansion or opening of new strategic business units.
2. Human resources available for business development are limited.
3. There are no special port facilities. There are no smelter facilities yet.
4. Lack of smelting facilities.

4. Large nickel reserves in the Pongkeru, Lingke Utara and Bulubalang blocks.
5. 100% equity investment does not affect the structure of the East Luwu Regional Budget.
6. Availability of adequate workforce.
7. Good environmental management skills.

Opportunity

1. Abundant natural resources including mining, agriculture, fisheries and tourism offer opportunities for development with strategic partners.
2. The presence of Sorowako Airport (formerly PT Vale Indonesia airport) improves access to and from East Luwu and promotes tourism business opportunities, including airport and hotel services.
3. Competition with private IUP holders.
4. Environmental issues, as nickel ore is a non-renewable energy resource, and mining practices can damage the environment.
5. Nickel mineral prices are unstable.

5. The location of WIUPK is generally in a forest area (HPT).

Threat

1. The perception of BUMD as being unprofessional and lacking capital.
2. High-value strategic business areas, especially mining, are dominated by state-owned enterprises/foreign/private sectors.
3. The high level of trust in BUMN/foreign/private companies can weaken the existence of BUMD.
4. The limited term of office of BUMD management can hinder the acquisition of long-term financing for activities over 5 years.

Strategy for establishing a Regionally-Owned Enterprise (BUMD) analyzed using the SWOT approach is as follows:

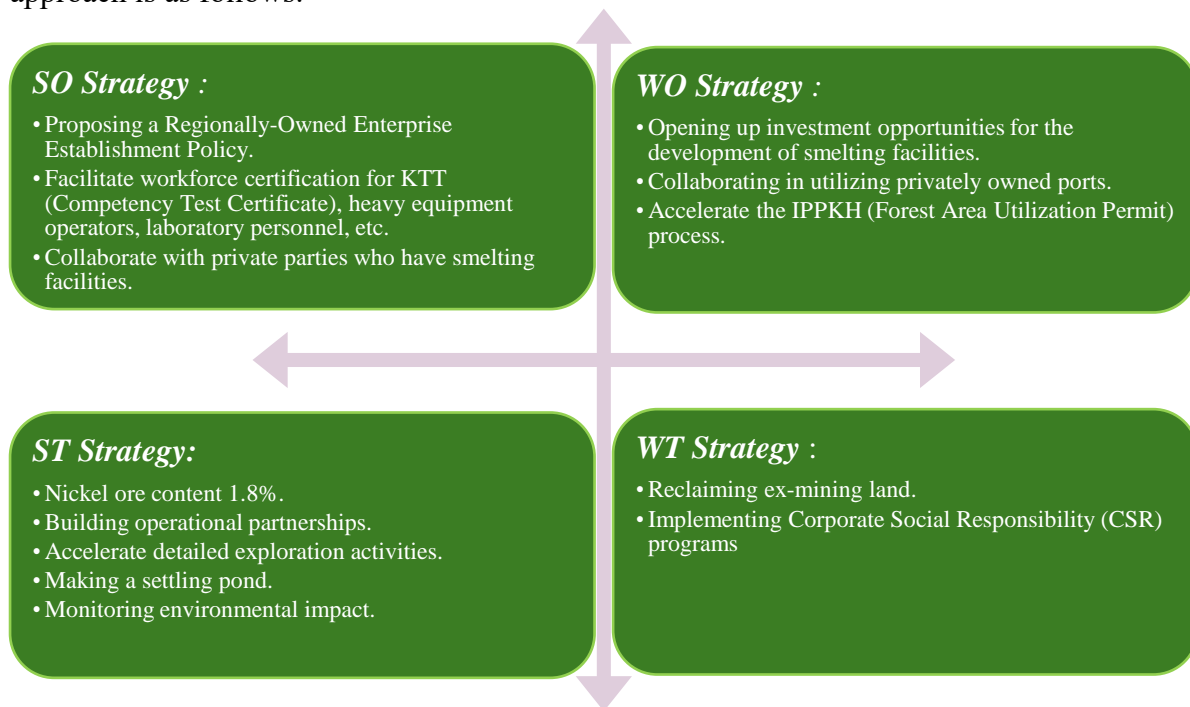


Figure 5. Development Strategy For Establishing Regionally-Owned Enterprises (BUMD) With SWOT Analysis

Based on the description above, the policy of establishing a BUMD in the mining sector is feasible and becomes a regional need in order to increase PAD in East Luwu Regency. BUMD business activities are very strategic by carrying out mining activities in the Pongkeru block WIUPK, North Lingke block and Bulubalang block with the following considerations: (i) The contribution of the Pongkeru block to the PAD of East Luwu Regency is IDR 272.20 billion/year or around 33.2%/year, the Bulubalang block is IDR 223.58 billion/year or around 28.9%/year and the North Lingke block to PAD is IDR 190.08 billion/year or around 24.48%/year; (ii) Nickel reserves in the Pongkeru block WIUPK, Bulubalang block and North Lingke block can contribute to the provision of national nickel raw materials; and (iii) The policy of establishing a BUMD, in addition to being economically and financially feasible, also receives support from other aspects, especially regulatory support such as Law 23 of 2014, Law No. 6 of 2023, PP. No. 54 of 2017, PP. No. 96 of 2021, ESDM Ministerial Regulation No. 16 of 2021.

Conclusion and Recommendations

From the discussion that has been described previously, it can be concluded that the policy of establishing a BUMD is a regional need that is worthy of being implemented by the Regional Government, with the potential of the region in the mining sector that is optimally managed by BUMD, providing a positive influence on increasing PAD. Positive contributions to increasing PAD through the policy of establishing a BUMD, with the support of regulations from the Government and natural resources, especially in the mining sector, can encourage economic growth and provide benefits in the form of providing quality goods and/or services to meet the needs of the community.

The potential of mineral resources (Ni) in East Luwu Regency is very large and with regulatory support, the policy of establishing a BUMD becomes a regional need. The policy of establishing a BUMD to manage natural resources is expected to have a positive impact on the PAD of East Luwu Regency. Based on the production target, the average gross income/year in each of the Pongkeru blocks, Lingke Utara blocks and Bulubalang blocks ranges from IDR 214.07-275.82 billion/year with a range of income after tax deductions (PPN + PPh) of IDR 103.69-147.40 billion/year. Furthermore, this study also shows that the policy of establishing BUMD is a regional need and a strategic step for the regional government to optimize the management of natural resources, especially the mining sector, in order to increase PAD and regional economic growth.

Recommendations : 1) Professional Management : BUMD management must be carried out professionally, accountably, and transparently, while adhering to Good Corporate Governance practices; 2) Compliance with Legislation : Implement Law Number 40 of 2007 concerning Limited Liability Companies, especially Article 74 (1) which mandates companies engaged in the natural resources sector or those related to natural resources to implement Social and Environmental Responsibility (CSR). Furthermore, Article 74 (2) states that CSR must be budgeted and calculated as a company expense, by considering fairness and propriety in its implementation.

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