Dualism Regulating Requirements for Filling in the Directors of Regional Owned Enterprises

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Article

Abstract

The problem of conflicting norms is a conflict between one regulation and another, such as in regulating the requirements for filling the board of directors of Regional Owned Enterprises. Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises and Regulation of the Minister of Home Affairs Number 37 of 2018 concerning the Appointment and Dismissal of Members of the Supervisory Board or Members of Commissioners and Members of the Board of Directors of Regional Owned Enterprises on the one hand implies the provision of minimum and maximum age requirements for filling Regional Owned Enterprises directors and the selection mechanism through a Selection Committee formed by the Regional Head, while on the other hand Law Number 40 of 2007 concerning Limited Liability Companies determines the absence of age. This study aims to analyze and describe the problems of dualism in the regulation of the terms and mechanisms for filling Regional Owned Enterprises directors and the legal implications of violating the provisions of Law Number 23 of 2014 concerning Regional Government and its various implementing regulations. Based on the type of normative research with a statutory and conceptual approach, this research argues that the terms and mechanisms for filling the Regional-Owned Enterprises directors refer to the regime of the Local Government Law along with all its implementing regulations and the legal consequences of filling the directors who violate the statutory provisions are null and void.

Introduction

Law is used as an instrument to bring prosperity, one of which is welfare in increasing the economy and regional income (Garaika, et.al., 2019). Law Number 32 of

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2004 concerning Regional Autonomy as replaced by Law Number 23 of 2014 concerning Regional Government (Law No. 23/2014), in Article 258 paragraph 1 of Law No. 23/2014 stipulates that regions carry out development to increase and equalize people’s income, employment opportunities, business fields, improve access, and quality of public services and regional competitiveness (Noviawati, 2016).

The Regional Government continues to innovate in line with changes in the environment of its region (Nadzir & Suhartini, 2021). A responsive attitude to change is needed to increase entrepreneurial attitudes so that local governments can encourage change and can accelerate the achievement of community welfare in their respective regions (Xena & Fadlian, 2021).

One of the ways for the regions to generate income is by establishing a Regional Owned Enterprise (Hartanti, et.al., 2022). The purpose of establishing these Regional Owned Enterprises is to carry out regional development through providing services to the community, organizing public benefits, and increasing regional government revenues (Qurbani, et.al., 2020). Regional Owned Enterprises are business entities whose capital is wholly or substantially owned by the Region. Regional Owned Enterprises can be in the form of Regional Public Company or Regional Public Company (Anhari, 2023).

The relationship between Regional Owned Enterprises and the implementation of regional autonomy is illustrated when Regional Owned Enterprises are divided into two types, namely Regional Public Companies (Perumda) and Regional Public Companies (Perseroda) (Aniyyah, 2022). Article 8 of Government Regulation Number 54 of 2017 concerning Regional-Owned Enterprises (GR No. 54/2017) states that Regional-Owned Enterprises Perumda are more focused on public benefits in the form of providing goods and/or services according to the conditions, characteristics, and potential of the area concerned. In contrast to the Regional Owned Company Perseroda which is in the form of a Limited Liability Company based on the provisions of Law Number 40 of 2007 concerning Limited Liability Companies (Law No. 40/2007) which is more oriented to generate profit for the private sector (Ansari, et.al., 2020).

Regional Owned Enterprises must be managed properly. One of the government’s efforts to create good corporate governance is to issue Minister of Home Affairs Regulation Number 37 of 2018 concerning Appointment and Dismissal of Members of the Supervisory Board or Members of Commissioners and Directors of Regional Owned Enterprises (Minister of Home Affairs Regulation No. 37/2018). This
regulation is a derivative of GR No. 54/2017 and Law No. 23/2014. The hope is that there will be uniformity in the process of filling the directors of Regional Owned Enterprises so as to create legal certainty and justice for everyone to have an equal opportunity to become directors of Regional Owned Enterprises (Cahyaningrum, 2018).

Currently there are several regulations governing age requirements and the mechanism for filling in the directors of Regional Owned Enterprises. Can be found in: (1) Article 47 letter (h) GR No. 54/2017; (2) Article 35 letter (h) Minister of Home Affairs Regulation No. 37/2018; (3) Article 93 Law No. 40/2007; (4) Article 4 of the Financial Services Authority Regulation Number 33/POJK.04/2014; and (5) Regulation of the Financial Services Authority Number 55/POJK.03/2016 concerning Implementation of Governance for Commercial Banks.

With so many regulations, the question or future problem is which rules are the conditions for filling in the directors of a Regional Owned Company with the status of a public company (go public) because there are several regulations inherent in one company body, attached to the status of a Regional Owned Enterprise Bank which in it also attached the status of a bank, then attached also the status of a public company (Wibowo, 2020).

Previously it was stated that for Regional Owned Enterprises which are banks and have the status of going public, four regulations surround them which consist of two conflicting groups. The first group, namely the Regional Owned Enterprises group stipulates that there is a minimum age requirement of 55 years and the filling of directors through the Panel. The second group of regulations is the Law No. group. 40/2007 and the Financial Services Authority Regulation, which stipulates that there is no minimum age requirement for filling in directors and the mechanism for selecting directors through a GMS – for Law No. 40/2007 and POJK 33/POJK.04/2014 – and through Remuneration and Nomination Committee (POJK 55/POJK.03/2016). The existence of this conflicting norm implements the election of Regional Owned Enterprises directors ambiguous and has no certainty. Which rules are then referred to by Regional Owned Enterprises with go-public status, whether they refer to the first type of rule group, or refer to the second group of rules.

The problem of conflicting norms that creates legal uncertainty occurs at Bank Jatim in determining the legal basis for filling in the directors of Bank Jatim. In 2019 and 2022 Bank Jatim will hold elections for directors and pass directors who are more
than 55 years old. If Bank Jatim passes the age of more than 55 years, then the basis used is the Law No. 40/2007 and POJK 33/POJK.04/2014 which does not specify a minimum age requirement of 55 years. Compared to practice, simultaneously the mechanism for filling in the directors of Bank Jatim is carried out by a Selection Committee formed and determined by the regional head, which is a substitute for the old mechanism, namely the Remuneration and Nomination Committee. That is, at one time Bank Jatim "referred to two different legal bases", for age requirements referred to the Limited Law No. 40/2007 and POJK 33/POJK.04/2014 and for the mechanism referred to GR No. 54/2017 and Minister of Home Affairs Regulation No. 37/2018 which mandates elections through the Committee The selection is made by the regional head. Finally, there was legal uncertainty which led to the validity of the act of appointing directors.

To demonstrate the novelty of this study. It is necessary to do a comparison with previous studies that already exist. First with the writings of Ibnu Sam Widodo about "Changes in the Form of Legal Entities for Regional Owned Enterprises Based on Government Regulation No. 54 of 2017 in Efforts to Increase Regional Original Income "in the journal Yurisprudens (Widodo, 2021). The difference between this research and the article lies in the focus of the discussion, if this research examines the problem of the position of director in BUMD, the article discusses the institutional form of Regional Owned Enterprises. Then Dian Cahyaningrum article entitled "Implications of the Legal Form of Regional Owned Enterprises for the Management" in the Negara Hukum Journal (Cahyaningrum, 2018). This article is almost the same as previous research, the difference is that the focus of this article lies in the implications of the form of Regional Owned Enterprises and that is also what makes this research different. The similarity of this research with the article is the same as studying Regional Owned Enterprises.

Based on this problem, it is necessary to examine which one should be referred to in filling in the directors of a Regional Owned Enterprise bank with the status of going public. This paper will first examine the position of directors in a company legal entity, then the arrangement of directors in a Regionally Owned Enterprise, and an analysis of the conditions for filling directors in a Regionally Owned Enterprise.
Method

This article was written with a normative research type based on two approaches, namely the statutory approach and the conceptual approach. The statutory approach is used to analyze the provisions regarding the requirements for filling in directors in Regional Owned Enterprises as previously mentioned (Marzuki, 2009). The conceptual approach is used to examine the meaning of directors, corporations, and regionally owned enterprises. Legal sources and materials are classified into three classifications, namely primary, secondary, and tertiary legal materials. This writing uses qualitative data analysis with a descriptive approach that aims to describe a certain situation. In addition, the implementation of the analysis of legal materials was also preceded by legal interpretation techniques (Sonata, 2014).

Discussion

1. Board of Directors in Company Business Entities

There are four business criteria included in the category of business entities in the form of legal entities, namely the existence of treatment in the separation of assets between the company and also the owner of the company, having certain goals, having separate interests, and having an organized organization. A business entity is also referred to as a legal entity if it fulfills several conditions, including: (1) There are separate assets (rights) for specific purposes and separates the personal assets between members or partners or shareholders and the entity concerned; (2) There is an interest that becomes the goal of the agency concerned; and (3) There are several people who become administrators of the agency (Prabowo & Umami, 2018).

Business entities are divided into several types, one of which is a company business entity. Company business entities are further divided into three types, including: (a) privately owned company business entities; (b) state-owned company; and (c) mixed company business entity (which has capital from both the state and private elements) (Kasih, et al., 2022). In this study, the focus will be on state-owned enterprises whereas the state context here focuses on regional share ownership.

The Board of Directors has full roles and responsibilities for the company's activities both in terms of managing the company and representing the company both inside and outside the court. This is also stated in Law Number 40/2007 Article 1 Paragraph 5, apart from that in Article 92 Paragraph 1 it is also stated in Law 40/2007.
that the directors (association of directors) carry out the management of the company for the benefit of the company itself (Safitri & Hariyani, 2022).

Directors are company officials, a person who becomes a director or a member of the board of directors is not an employee or employee, so someone who becomes a director is not entitled to receive or receive preferential payments if the company is liquidated. The board of directors has two main tasks, namely management and representation. Meanwhile, Freddy Haris and Teddy Anggoro stated that the duties of the directors which consist of management and representation are seen from a doctrinal point of view (trustee doctrine and agency doctrine) (Harris & Anggoro, 2010).

To be able to become directors in a company, several things must be met as requirements as directors. The criteria for selecting nominees for directors are a function of company size, ownership, management, and goals. Over time, these factors change requiring directors of various talents as the company grows and develops. Robert W. Hamilton in this context reveals eight criteria that are useful in the selection process regardless of the circumstances of each company. Each potential candidate should be considered based on the following statement (Hamilton, 1994):

a. Have experience in dealing with company management problems in general
b. Have sufficient time to manage the company
c. Have the ability to be a good listener and have the courage to express their opinion
d. Have a great interest in managing the company
e. Must be free of conflicts of interest
f. Must be able to mingle and be compatible with management as well as other members
g. Must or at least have the ability on par with other members
h. Must be able to contribute to the company

Yahya Harahap explained that there are several basic requirements to become a member of the board of directors. Yahya divides into two categories including Individuals and competent to perform legal actions (bevoegd or competent). The requirements regarding natural persons are a logical consequence of a limited liability company which is an artificial legal entity (Harahap, 2011). As for the requirements for the ability to carry out legal actions, what is meant is indicating that someone who will become a member of the board of directors is an adult who has a sound mind.
Furthermore, the Law Number 40/2007 clearly does not state other requirements besides the three aspects described above, both requirements in terms of educational qualifications, age, nationality or place of residence of the candidate for directors. In addition, members of the board of directors are also not required to be part of the shareholders (Johan & Santie, 2022).

Based on the explanation above, it relates to the appointment and replacement of directors under the control of the General Meeting of Shareholders (GMS). If the directors stumble upon a problem, the GMS has the right to dismiss the directors, of course by first allowing the directors to defend themselves at the GMS. If the directors concerned are unable to attend or deliberately do not attend the GMS, the decision to dismiss them can be made without the presence of the directors concerned.

2. Regulation of Regional Owned Enterprises in Indonesia

Basically, Regional Owned Enterprises are one of the many important assets owned by regional governments, especially in the aspects of national economic development and regional economic development. If you look back, Regional Owned Enterprises or what used to be known as regional companies in Indonesia have existed since the Dutch East Indies era (Ramadhan & Rafiqi, 2021b). At that time, regional companies in Indonesia were regulated according to ICW (Indische Compabilititeit) and IBW (Indische Bedrijvenwet) provisions. As time went by, with the achievement of independence, the emergence of regulations relating to regional companies based on Indonesian government regulations (Widodo, 2021).

In 1960, regulations relating to regional companies were regulated in Law No. 19 of 1960 concerning Regional Companies, then the Law was updated and changed to Law No. 5 of 1962 concerning Regional Companies. Looking further at the regulations of Law No. 19 of 1960 that these regulations arose due to the efforts made by the government to nationalize companies belonging to the Dutch colonial heritage where the nationalization provisions have been stated in Law no. 86 of 1958 concerning the Nationalization of Dutch-Owned Companies in Indonesia. In other words, the purpose of nationalization is a form of delegating or handing over an asset from the central government to the local government (Murryanto, 2017).

In 1998, regulations relating to regional companies underwent changes. This makes Law No. 5 of 1962 was repealed and replaced with Minister of Home Affairs Regulation No. 3 of 1998 concerning the Legal Form of Regional Owned Enterprises. With the emergence of new regulations, the term "regional company" has shifted to
become "regional-owned enterprise". In the Minister of Home Affairs Regulation No. 3 of 1998 which states that Regional Owned Enterprises are divided into two, namely Regional Owned Enterprises in the form of Perusda legal entities and Regional Owned Enterprises in the form of Limited Liability Company legal entities (Arrisman, 2017).

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Furthermore, in the Regulation of the Minister of Home Affairs No. 3 of 1998 concerning the Legal Form of Regional Owned Enterprises, it is explained in more detail in Article 3 paragraphs 1 and 2 which states that Regional Owned Enterprises whose legal form is Regional Companies, are subject to the applicable laws and regulations governing Regional Companies. Then, Regional Owned Enterprises whose legal form is a Limited Liability Company, are subject to Law No. 1 of 1995 concerning Limited Liability Companies and their implementing regulations.

Regional Owned Enterprises that fall into the category of legal entities, because there is a trend in which the local government collaborates with the Regional People's Representative Council to stipulate regional regulations regarding the formation of Regional-Owned Enterprises. The trend in enacting Regional Regulations concerning the formation of Regional Owned Enterprises is in accordance with the provisions of law No. 5 of 1962 Article 4 Paragraph 1 which states that Regional Companies are established by means of Regional Regulations on the authority of this Law.

If you look further into Regional Owned Enterprises in the form of Limited Liability Companies, that there is an advantage, namely the commercial nature of Regional Owned Enterprises in the form of Limited Liability Companies (Ramadhan & Rafiqi, 2022). What is meant by a commercial nature in this context is that a Regional Owned Enterprise in the form of a Limited Liability Company has dividends that will be received in the form of Local Own Revenue, which will be included in the local Regional Expenditure Budget.
The development of Regional Owned Enterprises seen from the course of history that has not experienced much change, both in terms of structure, characteristics and also classification. When looking at the characteristics and classification of Regional Owned Enterprises as a business entity according to Law no. 23/2014 where Regional Owned Enterprises are divided into two forms, including: Regional Public Company (Perumda) and Regional Public Company Company (Perseroda).

The activities of Regional Owned Enterprises are based on concepts related to corporations that apply to Law Number 1 of 1995 concerning Limited Liability Companies, as renewed into Law no. 40/2007. Referring to the autonomy policy based on Law no. 32/2004 in which it is stated that it gives rights to regions to be able to form Regional Owned Enterprises as one of the drivers of regional autonomy activities in their regions. Regional Owned Enterprises are one of the efforts that can be made to be able to contribute to the national economy and state treasury revenues (Ramadhan & Rafiqi, 2021).

Article 7 GR No. 54/2017 states that there are several objectives with the establishment of Regional Owned Enterprises, including: (1) To provide benefits to the regional economy; (2) Organizing public benefits in the form of providing quality goods and/or services to meet the people's needs following the situation, conditions, characteristics and regional potential based on good corporate governance; and (3) To obtain profit/or profit.

Looking at the three objectives stated in Article 7 GR No. 54/2017, that Regional Owned Enterprises have characteristics with a social nature as well as a commercial nature, that Regional Owned Enterprises on the one hand are Commercial Corporations and on the other hand are social service corporations. In addition, the role of Regional Owned Enterprises seen from the economic and regional development aspects can be seen from several aspects, including: (a) increasing production, (b) expanding employment opportunities; (c) increase in regional income.

3. Regulating Requirements for Filling in the Directors of Regional Owned Enterprises: How should it be?

As previously mentioned, arrangements regarding the age requirements for filling in the directors of Regional Owned Enterprises are regulated in several laws and regulations. Among others, (1) Article 47 letter (h) GR No. 54/2017; (2) Article 35 letter (h) Minister of Home Affairs Regulation No. 37/2018; (3) Article 93 Law No. 40/2007; (4) Article 4 of the Financial Services Authority Regulation Number 33/POJK.04/2014;
and (5) Regulation of the Financial Services Authority Number 55/POJK.03/2016 concerning Implementation of Governance for Commercial Banks.

Article 47 letter (h) GR No. 54/2017 states that in order to be appointed as a member of the Board of Directors concerned, the minimum age requirement is 35 (thirty-five) years and the highest is 55 (fifty-five) years when registering for the first time. Then this is also regulated in Article 35 letter (h) of the Minister of Home Affairs Regulation No. 37/2018 mentioned that to be appointed as a member of the Board of Directors, the person concerned must meet the minimum age requirement of 35 (thirty-five) years and a maximum of 55 (fifty-five) years when registering for the first time. Referring to the GR No. 54/2017 and the minister of home affairs regulations, the mechanism for appointing directors and the board of commissioners is carried out by a selection committee formed by the regional head.

Problems arise where apart from the filling provisions in the government regulations and the minister of home affairs regulations, it turns out that there are also provisions in the Limited Liability Company Law which regulate filling requirements, namely in Article 93 Law No. 40/2007 which stipulates that “Those who can be appointed as members of the Board of Directors are individuals who are capable of carrying out legal actions, unless within 5 (five) years before their appointment: a. declared bankrupt; b. being a member of the Board of Directors or a member of the Board of Commissioners who is found guilty of causing a company to be declared bankrupt, or c. convicted of committing a crime that is detrimental to state finances and/or related to the financial sector. (2) The provisions on the requirements as referred to in paragraph (1) do not reduce the possibility of the technical agency having the authority to stipulate additional requirements based on statutory regulations. (3) Fulfillment of the requirements referred to in paragraph (1) and paragraph (2) is evidenced by a letter kept by the Company.”

The requirements to become directors are also contained in Article 4 of the Financial Services Authority Regulation Number 33/POJK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies, that "those who can become members of the Board of Directors are individuals who meet the requirements at the time of appointment and during their tenure: a. have good character, morals, and integrity; b. capable of carrying out legal actions; c. within 5 (five) years prior to appointment and while in office: 1. has never been declared bankrupt; 2. have never been a member of the Board of Directors and/or member of
the Board of Commissioners who was found guilty of causing a company to be declared bankrupt; 3. have never been punished for committing a crime that is detrimental to state finances and/or related to the financial sector; and 4. have never been a member of the Board of Directors and/or a member of the Board of Commissioners during their tenure: a) never held an annual GMS; b) their responsibilities as members of the Board of Directors and/or members of the Board of Commissioners have never been accepted by the GMS or have failed to provide accountability as members of the Board of Directors and/or members of the Board of Commissioners to the GMS; and c) has caused a company that has obtained a license, approval or registration from the Financial Services Authority to fail to fulfill its obligation to submit annual reports and/or financial reports to the Financial Services Authority. d. commit to comply with laws and regulations, and e. have knowledge and/or expertise in the field required by the Issuer or Public Company.” Financial Services Authority Regulation Number 33/POJK.04/2014 indicates the mechanism for appointing directors is carried out by the GMS. Similar to the Law No. 40/2007, POJK 33/POJK.04/2014 also does not include an age requirement for becoming directors.

Other provisions also exist in the context of commercial banks with the status of Regional Owned Enterprises regulated in the Financial Services Authority Regulation Number 55/POJK.03/2016 concerning Implementation of Governance for Commercial Banks which regulates the process of filling in directors carried out by the Remuneration and Nomination Committee and in its provisions does not stipulate specific requirements for directors.

<table>
<thead>
<tr>
<th>Requirement (especially regarding age)</th>
<th>GR No. 54/2017 and GR No. 37/2018</th>
<th>Law No. 40/2007</th>
<th>POJK 33/POJK.04/2014</th>
<th>POJK 55/POJK.03/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection mechanism</td>
<td>Through the Selection Committee formed by the Regional Head</td>
<td>GMS</td>
<td>GMS</td>
<td>Through the Remuneration and Nomination Committee</td>
</tr>
<tr>
<td></td>
<td>There is a minimum age requirement of 55 years</td>
<td>There is no minimum age requirement</td>
<td>There is no minimum age requirement</td>
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</tbody>
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It is necessary to map out the arrangements regarding the filling mechanism and requirements for becoming directors of Regional Owned Enterprises. In the case of a
Regional Owned Enterprise with the status of a public company, especially banking, it refers to the regime of regional government laws and regulations, starting from Law No. 23/2014, GR No. 54/2017, Minister of Home Affairs Regulation No. 37/2018 and Regional Regulations regarding Regional Owned Enterprises as further implementing regulations of central government policies in the regions. This is based on the nature of the company capital of Regional Owned Enterprises which are majority owned by the Regional Government, and seen from the nature of regulations from the Financial Services Authority Regulation 55/POJK.03/2016 which is the executor of the Banking Law, which does not specifically regulate Regional Banks that have specific forms of organization and capital are different from other banks. Each Regional Regulation must adjust to regulate obligations to all Regional Owned Enterprises without exception, to make adjustments to the new rules and forms of companies in these rules.

The legal implications for filling in directors who violate the provisions of laws and regulations are null and void. This is because the filling mechanism and requirements to become directors are not in accordance with/contrary to the provisions of laws and regulations. To resolve this problem, 2 steps can be taken: First, the Governor as an authorized official to inaugurate and also issue a Decree on the appointment of the previous Directors, can revoke/annul it with a new Decree revoking and declaring the Decree on the appointment of the previous Directors invalid. This is based on a principle in state administrative law, namely the principle of contrarius actus, that is, a decision-making official can annul/revoke his previous decision. Second, it can be done through a court mechanism, namely the State Administrative Court, where an administrative error occurred in the process of appointing directors, especially Remuneration and Nomination Committee Koreno who no longer has the authority to fill in directors.

**Conclusion**

Based on the analysis in the discussion, it can be concluded that the regulations for filling in the directors of Regional Owned Enterprises in Indonesia are problematic because there is a dualism of provisions. First, in Regional Owned Enterprises regulations (GR No. 54/2017 and GR No. 37/2018) which stipulate that there is a minimum age requirement of 55 years and the filling of directors through the selection committee. The second is the group of Law No. 40/2007 and Financial Services Authority Regulations, which stipulate that there is no minimum age requirement for
filling directors and the mechanism for selecting directors through a GMS – for the Law No. 40/2007 and POJK 33/POJK.04/2014 – and through Remuneration and Nomination Committee (POJK 55/ POJK.03/2016). The existence of this conflicting norm makes the implementation of the election of Regional Owned Enterprises directors ambiguous and has no certainty. Which rule is then referred to by the Regional Owned Enterprises with go public status, whether it refers to the first type of rule group, or refers to the second group of rules.

References


Harris, F., Anggoro, T. (2010). Hukum Perseroan Terbatas: Kewajiban Pemberitahuan Oleh


