

## Research Article

# Political Support for the Performance of Regionally-owned Enterprises: Case Study of PT Sulsel Citra Indonesia in South Sulawesi Province

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## Abstract.

The background of this research stems from a fundamental issue concerning how political power relations influence the performance of regionally-owned enterprises (BUMD), particularly in the case of PT Sulsel Citra Indonesia (SCI) in South Sulawesi Province. Preliminary findings indicate that the relationship between political elites and BUMDs is characterized by capital dependency, regulatory uncertainty, and the dominance of informal power networks. This study aims to analyze the forms and impacts of political support on BUMDs and to formulate an ideal model of power relations capable of enhancing their sustainable performance. This research employs a qualitative approach with an instrumental case study design. Data were collected through in-depth interviews with key informants from the provincial government, the Regional House of Representatives (DPRD), BUMD management, and relevant civil society actors. Thematic analysis was applied to trace the dynamics of actor relations and the tension between political power and business logic in regional enterprises. Each finding was interpreted using a theory-based reflective approach to reveal how power relations shape policy structures, decision-making processes, and the strategic direction of BUMDs. The results reveal that political support for BUMDs remains inconsistently institutionalized and is often exercised through patronage logic. Capital injection processes lack long-term regulatory planning, the appointment of directors tends to be politically driven, and the relationship between the executive, legislative, and BUMD management lacks a stable coordination forum. Consequently, this research formulates an ideal model of political support for BUMD performance, consisting of five key elements: (1) formal institutionalization as the main pillar, (2) limitation of political intervention, (3) managerial autonomy of BUMDs, (4) consolidation of a tripartite forum, and (5) a performance-based accountability system. This model is developed through the integration of empirical findings and theoretical reflections grounded in the Political Economy of Institutions (North), Public Choice Theory (Buchanan & Tullock), and Rent-Seeking Theory (Krueger). The theoretical implication of this study underscores the importance of institutionalizing power-business relations in the governance of public enterprises at the regional level, while the practical implication offers a strategic direction for regulatory reform and performance-based governance strengthening in BUMDs. This research also contributes to the academic discourse on local political dynamics within the institutional economic governance domain.

**Keywords:** political support, BUMD performance, power relations, ideal model, institutional political economy

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## 1. Introduction

Political economy as a discipline developed along with the transformation of relations between the state and the market in the history of human civilization. In the 18th century, Adam Smith (1776) in *The Wealth of Nations* emphasized the importance of free markets and the minimal role of the state in the economy. Smith criticized excessive state intervention because it could hinder economic efficiency and individual freedom in running a business. However, this idea was opposed by Karl Marx in 1867 in *Das Kapital*, who saw that economic power tended to be concentrated in the hands of a handful of capitalist elites who used political instruments to maintain their dominance over the working class [1].

In its development, modern political economy theory presents a more complex perspective, one of which is through the liberalism approach in political economy (Yunus & Ardiansyah, 2024; Pennington, 2010). [2] in *Capitalism, Socialism, and Democracy* highlighted the role of innovation and entrepreneurship in a dynamic capitalist system. However, he also acknowledged that political actors often have incentives to maintain the status quo through various forms of intervention, both in the form of regulation and protectionist policies. In the context of state and business relations, the *rent-seeking theory* put forward by Krueger (1974) shows that business actors often focus more on efforts to gain profit through political channels than on increasing productivity. This is relevant in understanding the phenomenon of how regional companies depend on political support to gain access to strategic projects.

Liberalism in modern political economy developed by [3] emphasizes that political and economic institutions influence each other in forming regulations that govern the business world. North explains that strong institutions are the main factor in ensuring economic and political stability that can drive growth. In the context of regional companies, this approach is relevant in understanding how government regulations and institutions can be supporting or inhibiting factors for BUMD performance.

PT Sulsel Citra Indonesia (PT SCI) as a regional company in South Sulawesi Province faces political economic dynamics that reflect the problematic relationship between business and politics at the local level. Several main problems that are the focus of this study include dependence on political support. PT SCI does not receive financial support from the local government. This condition shows that access to funding is highly dependent on the effectiveness of political lobbying and relations between directors and key political actors in the local government.

The Board of Directors of PT SCI also experienced challenges in implementing policies sustainably due to the lack of strong political support. Changes in directors due to changes in political leadership often have implications for changes in company policies, including in terms of business partnerships. In addition, PT SCI has shares worth Rp 245 billion, but these assets are not in liquid form, making them difficult to optimize without financial support from the government. This limitation shows how political decisions affect the sustainability of BUMD operations.

In terms of the political support process for regional companies, the theory of *Political Economy of Institutions* is relevant [4] [5]. This theory explains how political and bureaucratic institutions influence economic policies and the implementation of regulations in a government system. [3] stated that weak institutions can create uncertainty in economic policies which ultimately impact the business world. In the context of PT SCI, this is reflected in how inconsistent regulations are formulated, budget allocations that do not support business growth, and political networks that play a role in determining the direction of company policies.

Political support can affect the performance of BUMD, with the *Public Choice theory approach* this can be explained. This theory argues that political actors, including government officials and bureaucrats, have their own interests in distributing public resources. This explains how the preparation of regulations can be influenced by certain political interests that are often not in line with economic efficiency. In the case of PT SCI, slow regulation preparation and complex bureaucracy are the main inhibiting factors in obtaining more stable and sustainable political support.

In addition, the concept of *rent-seeking* in political economy can also explain how regional companies are trapped in the dynamics of political dependence. Krueger (1974) explained that companies that rely on political relations to obtain strategic projects are often not oriented towards increasing competitiveness and efficiency, but rather towards efforts to maintain access to policies that benefit them. PT SCI faces a similar condition, where the company must make various political lobbying efforts in order to obtain regulatory and financial support.

In this study, the concept of political dependence on BUMD will be analyzed based on three main aspects: first, how capital dependence reflects the inability of regional companies to develop without government intervention; second, how dependence on regulations reflects bureaucracy and legal barriers in the operation of regional

companies; and third, how the inability to compete reflects the limitations of companies in facing competition with the more flexible and innovative private sector.

Thus, this study will provide deeper insight into the relationship between political support and BUMD performance, especially in the context of PT SCI. By delving deeper into the uniqueness and urgency of the political economic dynamics faced by PT SCI, this study is expected to provide recommendations for an ideal model in political support for BUMD performance and become an academic reference in the study of the political economy of regional companies.

## 2. Methods

### 2.1. Research Approach and Type of Research

This study uses a qualitative approach with a case study type of research. The qualitative approach aims to deeply understand the meaning, process, and dynamics that occur in a particular social context. This approach is suitable for use when researchers want to capture phenomena from the perspective of the subject being studied, as well as understand the hidden meaning behind the behavior or decisions taken by social actors. Case studies as a type of research were chosen because they allow in-depth exploration of a unit of analysis, namely BUMD in South Sulawesi, in a real context by considering the complexity of social, political, and institutional relations that surround it.

### 2.2. Data Sources and Informant Selection Techniques

The data sources in this study are divided into two, namely primary data and secondary data. Primary data is data obtained directly from the field through interactions between researchers and key informants, such as direct interviews and observations. Meanwhile, secondary data is obtained from official documents, policy reports, scientific literature, and media publications that are relevant to the research topic. The informant selection technique is carried out purposively, namely the selection of informants based on certain criteria such as their knowledge, experience, and strategic position in the government system or business world. Informants consist of executives, legislators, BUMD managers, academics, and actors from civil society organizations who understand political issues and public policies in South Sulawesi.

## 2.3. Data collection technique

Data collection techniques in this study include in-depth interviews, observation, and documentation. Interviews are used as the main technique in obtaining information directly from informants. This technique allows researchers to explore the opinions, views, and experiences of informants in depth regarding the process and forms of political support for BUMD. Observation is used to directly observe the socio-political context in the field, including the dynamics of interactions between actors, symbols of power, and bureaucratic practices in supporting or hindering BUMD performance. Meanwhile, documentation is used to obtain secondary data from official documents, policy archives, meeting minutes, regional regulations, and financial reports that serve as written evidence of the relationship between politics and BUMD.

## 2.4. Data analysis

Data analysis in this study follows the stages of the Miles and Huberman analysis model consisting of data reduction, data presentation, and drawing conclusions. Data reduction is done by simplifying and sorting raw data obtained during the study so that only data that is relevant to the focus and objectives of the study is analyzed further. Data presentation is done by arranging data in the form of narratives, tables, or thematic maps to facilitate interpretation and meaning-making. The final stage is drawing conclusions or data verification, which is an effort to test the validity of data through a triangulation process between sources, techniques, and time, to ensure that the conclusions produced have validity and can be scientifically accounted for.

# 3. Results and Discussion

## 3.1. Political Dependence

The relationship between political power and the performance of public organizations is an unavoidable aspect in the governance system of regionally owned companies. As a business entity established by the regional government, BUMD (Regional-Owned Enterprises) do not operate in a political vacuum. Instead, they are greatly influenced by the local political structure and dynamics inherent in the process of establishment, budgeting, and operational supervision. Political dependence is one of the key variables

that explains why BUMD performance is not only determined by internal factors such as management and resources, but also by how external relations with political actors are formed and maintained. Political dependence can be interpreted as a condition in which regional companies have a high level of attachment to political decisions, both structurally and functionally, which have the potential to affect the independence, efficiency, and accountability of the company. As explained by the theory of public choice and political economy, public companies often become an arena for contestation of interests between market logic and power logic. The performance of Regional-Owned Enterprises (BUMD) cannot be separated from the dynamics of the relationship between political and economic aspects, especially those reflected through capital support from the regional government. The high capital dependence on the provincial government as the main shareholder shows that BUMD is not yet fully independent in carrying out its business activities. This dependency is an important indicator in understanding how political influence works structurally on the performance of BUMD. Capital is not only understood as financial support, but also as a form of binding control, because the strategic decision-making process in BUMD tends to be adjusted to the political interests of the financiers, in this case the local government.

The dependence of regional company capital on political actors is greatly influenced by the origin of the capital used to support business activities and expansion. In this study, the analysis related to PT Sulsel Citra Indonesia (PT SCI), the source of political capital reflects the extent to which the company relies on support from the South Sulawesi Provincial Government and the Regional People's Representative Council (DPRD) as the entity that grants fiscal authority. This dependence also shows the company's position in the regional political landscape which is full of intervention of interests.

The results of an interview with Andi Syahrur, as Director of Business Development and Operations of PT SCI, revealed that most of the capital used by the company came from capital participation from the Provincial Government. He stated:

*"Our capital comes from the government, in the form of equity participation. Without it, we would not be able to carry out most of the investment activities." (Interview, Andi Syahrur, Director of PT SCI).*

The statement emphasized that the operational sustainability of PT SCI is greatly influenced by the availability of capital support from the government, which is not

obtained through market mechanisms, but rather through bureaucratic and political channels.

*“Although a budget of Rp 30 billion has been prepared, its realization is hampered because there is no Regional Regulation on capital participation.” (Interview, Azis Bennu, South Sulawesi Provincial Government).*

This makes it clear that legislative political support is a key prerequisite, and without it, even the allocated budget cannot be disbursed. This strengthens the argument about how the fiscal bureaucratic structure is fully tied to the political process.

On the other hand, an interview with Azis Bennu, an official at the South Sulawesi Province Regional Finance and Asset Agency, explained that every application for capital participation from regional companies such as PT SCI must go through the DPRD approval process. He emphasized:

*“Every capital investment must go through the DPRD’s approval, because this concerns the use of the APBD. We are only the executors after the regulations and legal umbrella are approved.” (Interview, Azis Bennu, South Sulawesi Provincial Government).*

This indicates that capital provision is not merely a fiscal matter, but is closely related to legislative dynamics, which of course can be influenced by non-technocratic factors such as electoral considerations or the interests of certain factions.

This political support from the legislature was later confirmed by Fadel Tauphan, Deputy Chair I of Commission C of the South Sulawesi DPRD, who stated that capital support for PT SCI was also a form of political investment.

*“We in the DPRD ensure that regional companies such as PT SCI continue to operate because they have strategic value. That’s why our support is not only budget, but also institutional strengthening.” (Interview, Fadel Tauphan, DPRD Sulsel).*

In this case, capital support can be interpreted more broadly as the provision of legitimacy and guarantee of sustainability from people’s representative institutions to regionally owned business entities, which indicates the existence of a political dimension in the source of capital.

However, from a civil society perspective, political involvement in PT SCI’s capital sources creates vulnerabilities. An NGO representative criticized that PT SCI’s capital is highly dependent on who is in power, and not on the capacity of the business itself.

*“PT SCI is very dependent on who is in power. When the governor is strong, the budget comes in. When not, it stagnates. This is not just about business, this is about political connections.” (Interview, NGO Activist).*

This view strengthens the analysis that PT SCI's capital sources are not autonomous, but are strongly influenced by the dynamics of power at the regional level. This indicates a form of structural dependency that places PT SCI in a subordinate position to the local political elite.

Furthermore, Aziz Bennu emphasized that even though the budget has been prepared, its realization still depends on the approval of the Regional Regulation on capital participation, indicating that the political process has a central role in the allocation of public funds.

Based on *Public Choice Theory*, capital allocation decisions are often influenced by changing political incentives, not by economic rationality. In the context of PT SCI, this is reflected in the fact that the sustainability of capital participation is highly correlated with the direction of political policy and power configuration.

*“One of the efforts that has been made is to take over assets owned by the provincial government to be managed directly by PT SCI... rather than only accepting certain projects that can limit the company's innovation and creativity. (Interview, NGO Activist).*

This effort could be the first step towards asset independence, although dependence on political capital remains a major challenge for PT SCI. This shows the dynamics of independent efforts that have begun to be carried out by the company, despite major political challenges.

When analyzed through the *Rent-Seeking Behavior lens* as explained by Krueger (1974), the capital distribution pattern experienced by PT SCI not only reflects fiscal dependency, but also the potential for distortion in decision-making. When political actors have full power in determining capital allocation based on political proximity or factional interests, there is a shift in orientation from economic efficiency to political gain. In other words, the decision to invest capital is not determined by an analysis of PT SCI's business feasibility or growth prospects, but by political intentions such as strengthening electoral support, placing cadres, or mastering the Development narrative.

This situation opens up space for *rent-seeking practices*, where political elites can use capital allocation as a bargaining tool in the legislative process or as a form of political reward. In the long term, dependence on this type of capital source has the potential to reduce the competitiveness and independence of regional companies.



Instead of becoming a professional business entity, PT SCI is trapped in a power relationship structure that is transactional and opportunistic.

Thus, high political capital sources have implications for the occurrence of structural dependency and vulnerability to political intervention, which can ultimately hinder the achievement of optimal performance and sustainability of PT SCI as a regional economic entity. This finding strengthens the argument that dependence on politically determined capital sources places PT SCI in a vulnerable position to power fluctuations, which can ultimately affect the sustainability and performance of the regional business entity.

### 3.1.1. Stability of Capital Flows

The stability of capital flows is a major factor determining the sustainability and development of PT Sulsel Citra Indonesia (PT SCI). Based on *rent-seeking theory*, inconsistent capital flows are often caused by efforts to obtain unsustainable profits through political intervention. Krueger (1974) argues that in this context, capital flows that depend on political decisions tend to fluctuate, especially when these decisions are influenced by changing political incentives. Therefore, in this study, the stability of capital flows received by PT Sulsel Citra Indonesia (PT SCI) will be analyzed by measuring the consistency and continuity of capital support received from political sources over a certain period of time, taking into account these theories.

In line with that, the results of an interview with Aziz Bennu (Head of the South Sulawesi Regional Finance and Asset Agency) showed that although a budget for capital participation of Rp 30 billion has been prepared, its realization depends on the political process which is not always smooth. Aziz stated:

*“Although a budget of Rp 30 billion has been prepared, its realization is hampered because there is no Regional Regulation on capital participation.” (Interview with Aziz Bennu, South Sulawesi Provincial Government)*

This statement highlights the high dependence on legislative decisions, where the success of fund allocation depends not only on the existing budget, but also on regulations approved by the DPRD. Without a Regional Regulation governing capital participation, even if there is a budget, the funds cannot be allocated. In this context, the stability of PT SCI's capital flow is highly influenced by the sustainability and certainty of political decisions, which creates uncertainty in the timing of capital disbursement.

Furthermore, Andi Syahrums (Director of Business Development and Operations of PT SCI) explained that the main obstacle in the stability of capital flows is not only the uncertainty of the disbursement time, but also the lack of mechanisms to ensure the sustainability of funds. Andi said,

*“We often have to wait for decisions that take a long time, and this affects our business plans.” (Interview, Andi Syahrums)*

Uncertainty in the timing of capital disbursement makes PT SCI unable to plan well, especially in the long term. Unpredictable political decisions can delay or even cancel capital flows, thus affecting the financial stability of companies that are highly dependent on these funds. This adds pressure for PT SCI in planning and implementing development projects, because financial stability that relies on capital flows from the government becomes highly vulnerable to fluctuations in political decisions.

On the legislative side, Fadel Tauphan Ansar (Deputy Chair I of Commission C of the South Sulawesi DPRD) said that decisions regarding capital participation were greatly influenced by the political dynamics occurring in the DPRD. Fadel explained,

*“Sometimes, political decisions in capital participation are inconsistent, depending on the political composition and legislative priorities at that time.” (Interview, Fadel Tauphan)*

This underlines how the capital flows received by PT SCI are highly dependent on changes in political priorities at the legislative level. Uncertainty in the DPRD's budget priorities has caused the funds that PT SCI should receive for development to be inconsistent, even hampered by political processes involving various parties with different interests.

In addition, the NGO that also monitors PT SCI stated that the company needs to find a way to reduce its dependence on capital flows from the government, which are heavily influenced by political dynamics. In an interview with the NGO, it was said,

*“One of the efforts that has been made is to take over assets owned by the provincial government to be managed directly by PT SCI, rather than only accepting certain projects that can limit the company's innovation and creativity.” (Interview, NGO)*

This shows that PT SCI is trying to reduce dependence on capital flows that depend on political decisions by managing its own assets. This step is a strategy to create more independent financial stability and not depend on changing political decisions.

However, despite efforts to seek stability through self-management of assets, dependence on capital flows from the government remains very high, especially when Aziz Bennu revealed that

*“Capital participation from the Provincial Government has not been fully fulfilled due to limited fiscal capacity.” (Interview, Aziz Bennu)*

Regional fiscal limitations caused by various factors, including limited budget allocation and large fiscal needs, make the capital participation process unable to be carried out consistently and regularly. This further increases its vulnerability in facing the uncertainty of capital flows, and shows that in addition to political factors, regional fiscal conditions are also factors that limit the stability of capital flows.

Based on *public choice theory*, these changes in political priorities and fiscal uncertainty indicate that capital flows for PT SCI are not completely stable. Political decisions that change over time, as well as fiscal constraints of local governments, cause great uncertainty in the flow of funds. PT SCI, although trying to reduce dependence on political capital by managing its own assets, still has to rely on political processes that affect their financial stability.

The analysis of capital flow stability shows that PT SCI is still highly dependent on political decisions and legislative dynamics to obtain the necessary capital. Uncertainty in fund disbursement, political influence, and regional fiscal limitations are the main obstacles in maintaining stable capital flows. Despite efforts to be independent by managing its own assets, dependence on capital sources that depend on political decisions remains a major challenge to the sustainability of PT SCI.

Based on the results of interviews with various actors, the stability of capital flows received by PT Sulsel Citra Indonesia (PT SCI) can be said to be highly dependent on political dynamics and ongoing bureaucratic processes. Support from the provincial government, both in the form of capital participation and budget allocation, is not always consistent and is often hampered by administrative constraints, such as the non-enactment of the Regional Regulation (Perda) on capital participation. This shows that even though there is an intention to provide fiscal support, the unfinished political process hampers the realization of the capital flow.

In addition, the strong influence of local political factors is seen in the pattern of capital flows that tend to fluctuate. Although there is a commitment from various parties such as Fadel Tauphan Ansar and Andi Syahrur to encourage the development of PT SCI, political interventions that are not always predictable also affect the sustainability of

funding. Along with the dynamics of policy changes and temporary political incentives, PT SCI also faces challenges in maintaining the stability of the capital received.

PT SCI's efforts to reduce dependence on regional politics by managing its own assets is a positive step in reducing the volatility of capital flows. However, despite the potential for independence, the reality of dependence on political decisions in terms of capital participation remains a major obstacle to the company's financial stability.

### 3.1.2. Capital Attachment to Personal Interests

In the dynamics of the relationship between the government and Regionally-Owned Enterprises (BUMD), capital distribution is often not entirely based on rational economic calculations, but also on political considerations that are full of interests. This gives rise to the practice of capital attachment, namely a condition in which budget support or state assets are provided by including hidden conditions or interests that can affect the independence of BUMD management.

In this context, political capital support to regional-owned companies (BUMD) such as PT SCI has the potential to be accompanied by unwritten conditions or certain interests that demand political reciprocity, either in the form of policy influence, project management, or profit distribution. Thus, it is important to analyze whether the capital support received by PT SCI contains ties to personal interests or certain political groups that can limit the company's operational autonomy.

Based on the results of the interview with Andi Syahrums, Director of Business Development of PT SCI, it is implied that the process of capital participation from the regional government did not take place in a completely technocratic manner. He said that,

*"We do have to build intense communication with the legislature and executive. Sometimes a personal approach is needed to explain the urgency of business development."*

This expression shows that capital support is often not simply given based on considerations of corporate performance or needs, but also through intense social and political interactions, opening up the possibility of the influence of non-technocratic interests in the allocation process.

Furthermore, Andi added that in dealing with regional political dynamics,

*"We try to maintain good relations because sometimes the direction of support depends very much on the political climate."*

This statement shows that dependence on public capital is not only administrative, but also contains a relational dimension, which can open up space for political actors to insert their interests into the funding process.

Meanwhile, Fadel Tauphan Ansar, Deputy Chairman I of Commission C of the South Sulawesi DPRD, emphasized that the DPRD fully supports the development of PT SCI without intervention from certain political interests. He stated,

*“There are no political actors obstructing us, and we are actually encouraging maximum asset management so that companies do not continue to depend on capital participation.”*

Although this statement shows that formally there is no political pressure weighing on PT SCI, the emphasis on the management of the East Luwu mine and the importance of a local wisdom-based approach signals that there are agenda priorities that may be in line with certain political directions in the DPRD.

Aziz Bennu, Head of BPKAD South Sulawesi, also confirmed that capital support cannot be immediately distributed without the approval of the DPRD through a regional regulation. He said,

*“The realization of capital participation must go through regional regulations and it depends on the approval of the DPRD, even though the funds already exist.”*

This makes it clear that capital channels are highly dependent on political processes that can be influenced by collective or even individual preferences in the legislature. Although Aziz does not explicitly mention political conditions, mechanisms that depend on collective decisions in the political space open up opportunities for negotiations based on certain interests.

From the external side, NGOs highlighted that dependence on APBD makes PT SCI vulnerable to political intervention. They suggested

*“PT SCI will immediately optimize its independent assets so that it does not depend on government projects that limit the company’s innovation and creativity.”*

This criticism strengthens the suspicion that political intervention accompanying capital from the APBD could impact the independence and operational flexibility of PT SCI.

In the perspective of *Rent Seeking Theory* (Krueger, 1974), actors in the government and public business systems do not always operate to create economic added value, but often utilize political power to obtain exclusive, unproductive, and unsustainable benefits. In the case of PT Sulsel Citra Indonesia (SCI), this pattern is reflected in the

way the company relies on intervention and informal relations with political actors to obtain capital flows.

This is made clear by Andi Syahrums statement regarding the need for a “personal approach” to the legislature to fight for capital participation. This indicates that access to public capital does not only depend on technocratic rationality such as feasibility studies or performance reports, but also on the extent to which management is able to build informal, *patrimonialistic relationships* with policy makers. This phenomenon is the essence of rent-seeking behavior where public resources such as capital, instead of being allocated through market mechanisms or bureaucratic professionalism, become the object of political transactions based on personal proximity.

From the analysis results that have been presented, it is clear that the attachment of capital to PT SCI with personal interests or political groups not only affects the funding structure, but also forms operational dynamics and management strategies that tend to be short-term and influenced by certain political agendas. In relation to this, although public capital has great potential to encourage the sustainability and growth of BUMD, dependence on political power can reduce the effectiveness and operational autonomy of PT SCI. Deviations from the principles of *public entrepreneurship* are becoming increasingly apparent, because decisions that should be based on efficiency and professionalism are more influenced by political power that is often transactional.

This condition provides an overview of the importance of reform in capital allocation and management of BUMD, to be more independent and focus on more efficient and sustainable long-term goals. The separation between political interests and healthy business management is a crucial step so that PT SCI can develop optimally and provide a positive impact on the regional economy.

## 3.2. Regulatory Dependence

### 3.2.1. Policy Stability

PT SCI, as a Regionally-Owned Enterprise (BUMD), shows a very high dependence on political and dynamic regulations. Policy instability is a major challenge in maintaining the continuity of the company’s business programs and strategies. One of the main findings in this study comes from an interview with Andi Syahrums, Director of Business Development and Operations of PT SCI, who said that,

*“Annual political decisions have a huge impact on our funding availability. We have to plan again if there is a budget reduction or policy change .”*

This statement emphasizes that fluctuations in budget policies, both in the form of changes in fiscal priorities and capital participation policies, often hamper the company's long-term planning process.

Furthermore, Aziz Bennu, Head of the South Sulawesi Regional Finance and Asset Agency, provided a deeper understanding of the link between fiscal and political policies in determining the allocation of capital participation.

*“Capital participation is regulated in the Regional Regulation, but the final decision is very dependent on the fiscal capacity of the region and also the political dynamics that influence the regional budget.”*

This statement indicates that although there is a formal legal framework through Regional Regulations, the concrete implementation of the policy remains dependent on the political process and annual fiscal dynamics, which are not always consistent.

Adding a legislative perspective, Fadel Tauphan Ansar as Deputy Chair I of Commission C of the South Sulawesi DPRD also emphasized that support for PT SCI, including in terms of capital participation, depends on the political process at the DPRD level, especially through discussions at the Budget Agency. He stated,

*“Capital participation depends on the results of discussions in Banggar. We encourage it, but we must remain realistic with the existing fiscal.”*

This shows that even though there is a political commitment to support PT SCI, factors such as political agreement between factions, fiscal calculations, and legislative leadership dynamics are very important in determining the sustainability of policies that support the company.

The policy instability experienced by PT SCI can be further explained through the *Public Choice Theory framework* (Buchanan & Tullock, 1962), which states that public policy making is not always driven by economic rationality, but is often subject to the political interests of individuals or groups in a democratic system. In this context, PT SCI's dependence on annual decisions and budget cycles opens up space for short-term oriented political intervention, especially approaching the electoral period or changes in regional leadership.

Further, the *rent-seeking theory* as proposed by Krueger (1974) provides an analytical basis for understanding why fiscal and capital investment policies are often not oriented towards economic efficiency. In an institutionally unstable environment, political actors

have incentives to pursue the allocation of public resources for personal or group gain, which can shift the direction of policy from economic rationality to political preferences. In this study, this indication appears through the inconsistency of budget allocation to PT SCI, which is not always correlated with the company's performance or growth potential, but rather with contemporary political considerations.

### 3.2.2. Regulatory Flexibility and Adaptability

In practice, the regulations governing PT SCI tend to be static and very tied to the formal structure of government. This was expressed by Andi Syahrur (Director of Business Development and Operations of PT SCI) in an interview,

*"We cannot move directly in business development without referring to the applicable regulations. Even for expansion, we must wait for approval from the local government or DPRD first. Whereas business conditions change rapidly."*

This statement highlights that overly rigid regulatory ties actually hinder companies' ability to respond to market dynamics, including in terms of business diversification, tariff adjustments, and the development of new business units.

In this case, the role of Regional Regulation (Perda) becomes very dominant but not elastic enough. Aziz Bennu (Head of BPKAD South Sulawesi) stated:

*"We can only approve the allocation of funds or capital participation based on the mandate of the existing Regional Regulation. If the Regional Regulation has not regulated it, we have no room to move."*

This statement emphasizes that regulations at the regional level do not provide sufficient fiscal and managerial discretion for PT SCI to quickly adapt to business opportunities or risks.

Furthermore, the *Responsive Regulation approach* (Ayres & Braithwaite, 1992) emphasizes the importance of regulations that are not only command and control, but also able to provide space for innovation and collaboration. When companies such as PT SCI face obstacles in carrying out business transformation, this shows a gap between applicable regulations and dynamic market demands. When there is no mechanism for rapid regulatory updates, for example through adaptive Perda revisions, flexible decrees, or operational policy discretion, the company is trapped in procedural stagnation.



This adaptability weakness is also apparent in the asset management process. According to Andi Syahrur,

*“Many of our assets have unclear status. The process of handing over or utilizing them is hampered by regulations. There must be new regulations or changes in asset status from the province.”*

This condition indicates that overly bureaucratic regulations actually slow down the optimization of company resources, and have a direct impact on revenue and efficiency.

Non-adaptive regulatory conditions ultimately also create barriers to investment and cooperation with third parties. In many cases, PT SCI must wait for supporting regulations or additional permits from various institutions to start new projects, which means that regulatory dependency is not only high, but also unresponsive to timely business momentum.

Based on field data and interviews, it is clear that the regulations governing PT Sulsel Citra Indonesia are still very rigid and not adaptive enough to the dynamics of modern business. Regional regulations do provide a strong legal framework, but are not accompanied by flexible interpretative or execution mechanisms that allow PT SCI to innovate and expand responsively.

### **3.2.3. Level of Political Intervention in Regulation**

The analysis of this indicator at PT SCI will be conducted based on the results of interviews that show that political intervention in regulation occurs, but in a relatively controlled intensity. Director of Business Development and Operations of PT SCI, Andi Syahrur, said:

*“We cannot be separated from the political process because capital participation requires the approval of the DPRD. But so far, the relationship with the DPRD has been good, there is no political pressure that makes it difficult, although the process sometimes takes a long time.”*

This statement shows that legislative intervention exists, but tends to be administrative and procedural, not intervention that is dominant or manipulative. Fadel Tauphan Ansar (Deputy Chair I of Commission C of the South Sulawesi DPRD) also stated:

*“We in the DPRD actually encourage SCI to develop. No party is obstructing, all support especially if this company can contribute greatly to PAD and open up employment opportunities.”*

This reflects that politically, there is political will to support PT SCI, although it must still follow the supervisory mechanism and regulatory discussion in the legislative realm.

However, the NGO actor interviewed showed a more critical perspective. He said:

*“So far, regulatory decision-making for SCI has been too influenced by regional elites. This is dangerous if there is no transparency, especially regarding the use of assets and capital participation. Conflicts of interest could arise.”*

This indicates the potential for covert political intervention, especially in the context of the formation of Regional Regulations and the appointment of third parties in SCI strategic projects, such as the mining sector or asset management.

*The Regulatory Capture Theory* (Stigler, 1971) becomes relevant in this context, where there is concern that regulations are no longer made for the public interest, but rather for certain political actors who are close to those in power. This can lead to high regulatory dependency and disrupt the principles of healthy corporate *governance* .

On the other hand, the regulatory structure that still requires political intervention, for example through DPRD approval of capital participation, or executive intervention in the preparation of the BUMD Business Plan shows that PT SCI's institutional autonomy is still limited. This is in accordance with the analysis of the World Bank (2006), which states that dependence on political approval in the regulatory process slows down BUMD performance and increases the chances of bureaucratization.

Based on field data, the level of political intervention in regulation of PT SCI is moderate. There were no strong indications of coercive or detrimental political pressure, but the existing regulatory mechanisms still require companies to interact intensively with political actors, especially in matters of capital participation, business plan approval, and asset management.

This study discusses how the process of political support and regulation formulation affects the performance of PT Sulsel Citra Indonesia (PT SCI) as a Regionally-Owned Enterprise (BUMD). In the local political system of Indonesia, political support for BUMD is not automatically formed, but is carried out through formal institutional mechanisms and informal relational channels, involving regional heads, DPRD, political parties, bureaucracy, and civil society. PT SCI requires political legitimacy to access strategic resources such as capital participation and asset management.

Theoretically, this dynamic can be understood through *the Political Economy of Institutions approach* (North, 1990), which emphasizes the role of formal and informal institutions in shaping economic-political relations. Public Choice Theory [6] also explains that support for BUMD is more often based on political incentives than economic rationality.

Regulation plays an important role in regulating the interaction between BUMD and political actors. However, in practice, the formulation of regulations often reflects short-term political interests rather than the technocratic needs of the company. [7] explains that regulation in the era of *regulatory capitalism* reflects the dominance of the state in designing markets, not just supervising them.

In the context of PT SCI, regulations such as Regional Regulation No. 2 of 2020 greatly determine the direction of the organization, but its substance is influenced by the dominance of legislative and bureaucratic politics. This dependency creates a structural dilemma because BUMD does not have enough bargaining power to influence the content of the regulation, so that business flexibility is disrupted. This is in accordance with Farazmand's (2001) analysis of the conflict between regulatory logic and business logic in developing countries.

The lack of stakeholder participation, especially PT SCI itself, is a major obstacle in producing accommodating regulations. Company involvement is usually symbolic, with no real influence on the content of the regulation. The concept of *the ladder of citizen participation* [8] shows that the level of PT SCI's participation is still at a consultative level, not deliberative. In many cases, technocratic input from companies is ignored by the legislature in order to maintain the political interests of factions.

From the perspective of *Interest Group Theory* [9] PT SCI has not been able to position itself as an active policy actor. The company does not yet have an advocacy network or policy forum that allows influence on the formulation of Regional Regulations. Meanwhile, the DPRD tends to use regulations as a tool for political negotiation, not a means of creating long-term development policies.

The alignment between regulations and the company's strategic needs is very low. For example, regulations on capital participation and asset assignment are not based on business feasibility studies, but on legislative political considerations. As a result, PT SCI has difficulty in formulating a stable long-term investment plan, due to regulatory uncertainty and the approval process that is vulnerable to political intervention.

OECD (2004) emphasizes that good regulation must be transparent, predictive, efficient, and participatory. However, in the context of PT SCI, regulation tends to

be exclusive and static. This is exacerbated by weak regulatory evaluation and the absence of indicators of successful implementation, so that policy sustainability is not guaranteed.

Inequality in the formulation of regulations indicates the immaturity of local institutional design. North (1990) emphasized that formal institutions will fail to function without adequate informal institutional support. In the case of PT SCI, the dominance of local political elites, patrimonial bureaucratic culture, and the lack of advocacy capacity from the company created uncertainty and weak regulatory accountability.

Furthermore, this phenomenon strengthens the distance between companies and the regulatory environment that regulates them. When companies are positioned as policy objects, not deliberative partners, the potential for organizational innovation and efficiency will be hampered. According to Wahid (2001), regulation is not just a legal text, but a reflection of the power relations and dominant narratives in the local political system.

## 4. Conclusion

Based on the analysis of the synthesis of findings and discussions in the previous chapter, it can be concluded that political support for the performance of BUMD in South Sulawesi Province requires the formulation of an ideal model that is able to answer structural problems in the form of capital dependence, regulatory uncertainty, and personalistic political network patterns. This study produces three main conclusions as follows:

This study reveals that the relationship between political power and BUMD in South Sulawesi is still heavily influenced by patronage logic and has not been optimally institutionalized. The process of capital participation, appointment of directors, and determination of the direction of regional company policies is not based on an established legal framework, but rather depends on the preferences and dynamics of the political elite. Political support for BUMD is more often transactional and short-term, thus reducing the effectiveness of company management and weakening public accountability. This dependence on power networks shows that political intervention not only creates managerial uncertainty, but also closes space for professionalism and innovation at the BUMD operational level.

The research results also found that the formation of an ideal model of political support for BUMD must begin by dismantling the power relations that have been informal, and replacing them with a rational and structured institutional architecture. The ideal model compiled in this study consists of five main elements that are interrelated: (a) formal institutions as the main pillar, (b) restrictions on political intervention, (c) BUMD managerial autonomy, (d) consolidation of tripartite forums, and (e) performance-based accountability systems. These five elements are designed not only as ideal norms, but as a direct response to field findings that show that BUMD problems cannot be solved only through a technocratic approach, but require fundamental improvements to the structure of political and institutional relations that surround them. By forming an institutionalized relationship between the executive, legislative, and BUMD management, the space for abuse of authority can be controlled, while policy orientation can be directed towards long-term public interests.

This study not only produces conceptual formulations, but also offers a systematic model that can be used as a normative reference for reforming the relationship between power and regionally-owned enterprises. This model places political power not as a source of absolute control over BUMD, but as a provider of macro policy direction equipped with strong accountability mechanisms. Managerial autonomy is encouraged to strengthen performance and innovation, while political control is institutionalized in the form of regulations, coordination forums, and evaluation systems based on objective performance indicators. Theoretically, this model is the result of a synthesis between the Political Economy of Institutions approach (North, 1990), Public Choice Theory (Buchanan & Tullock, 1962), and Rent-Seeking Theory (Krueger, 1974), which are described contextually based on the findings of the PT Sulsel Citra Indonesia case. Thus, this model has conceptual strength as well as empirical relevance to encourage improvements in the institutional management of BUMD in Indonesia.

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