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# The Privatization of State-Owned Enterprises in Islamic Perspective: Case of Indonesia

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*Keywords: privatization; natural resources; privatization of state-owned enterprises; islamic ownership concept; public policy.*

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# The Privatization of State-Owned Enterprises in Islamic Perspective: Case of Indonesia

Sebastian Herman[1]

*Abstract-* In Indonesia, the last few years have seen the privatization of many industries previously owned by the state. The surge was requirement of International Monetary Fund (IMF) to lend its fund in order to support Indonesian economy after monetary crises between 1997 and 1999. However, this phenomenon causes some novel polemics amidst stakeholders. Most of nation"s wealth is brought by multinational companies to overseas without rendering great benefit to citizen. Therefore, inhabitant cannot savour many adventages from their abundant natural resources. In line with this privatization case, Islam as a way of life which is universal and comprehensive has a particular discussion on assets ownership that should be utilised according to its status. There are three concepts of ownership in Islam, namely individual, public and government ownership. The main objective of this paper is to point out the best scheme of natural resources ownership, whether should be owned by public, private or state based on *siyāsah shar„ah* approach. The author utilizes descriptive qualitative methodology to find the appropriate pattern of natural resources management in Indonesia, particularly firms which manage the basic need of human being.

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## I. Introduction

Indonesia is the largest Muslim majority country in the world which is blessed by Allah with an abundance of natural resources. It consists of 13.466 large and small islands that make Indonesia being the largest archipelagic country in our earth[2]. Definitely, Indonesia can become tremendously rich nation, if Indonesian"s government can manage its natural resources truly. Indonesia has significant natural gas reserves and supplies 20 percent of the world's tin and has considerable copper, nickel, gold, and coal resources[3]. Oil and gas are found in Aceh, Riau, South Sumatra and East Kalimantan. Mineral ores such as copper and gold are abundant in Papua, coal in most of Kalimantan and West Sumatra, tin on the island of Bangka, and nickel in South Sulawesi and North Maluku. At the same time, as a tropic country, it has very diverse forest and marine resources. Indonesia"s vast rainforests account for over 50 per cent of the tropical forests in the Southeast Asian region and more than 10 per cent of the world"s total tropical forests. In them, there are found extremely diverse flora and fauna with abundant nutrients and untapped medicinal potential. Similarly, for marine resources, fish stocks in Indonesian waters provide a source of income and livelihood for at least 5 million fishermen. Fish provide more than 60 per cent of the animal protein intake of the average Indonesian and are the only affordable source of protein for the majority of the population[4].

On the other hand, almost of them, particularly underground mine and agricultural sector, are owned by foreign corporates which purchase through privatization policy which has been made by authority. There are several nations which extremely dominate natural resources management in Indonesia such as United State of America, China, England, France, and Canada. America, for instance, is main player in gold mine, oil and gas sector which has many big enterprises operating in Papua and Nusa Tenggara. In 2012, Newmont, one of American companies, could reach $ 4.17 million in NTT. Moreover, Freeport McMoran, a gold mine company, is able to produce 220.000 ton seed of gold and silver every day in Mimika, Papua. However, those cannot contribute more to make people prosperous owing to privatization[5]. Therefore, inhabitant cannot savour many *manfaah* from their abundant natural resources.

The exploitation of Indonesia"s natural resources intensified greatly after Soeharto came to power in 1966–1967. But, the massive surge happened after facing monetary crises from 1997 to 1998. The currency crisis in the region, which began in mid-1997, destroyed the expectation that rapid growth would continue. In this climate, the loss-making state companies were a serious financial burden, and privatisation has been promoted as a quick solution. In response to IMF and World Bank pressure and its own

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[2] Good News for Indonesia https://www.youtube.com/watch?v=HwS53KtXmIA accessed date 18/02/2017

[3] Natural Resources Government Institute http://www.resourcegovernance. org/our-work/country/indonesia

[4] Budy P. Resosudarmo, eds., *The Politics and Economics of Indonesia's Natural Resources* (2005), 2-3

[5] Hizbut Tahrir Indonesia http://hizbut-tahrir.or.id/2013/06/25/5-negara-yang-meraup-untung-dari-kekayaan-alam-indonesia/



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fiscal difficulties, the government took several measures to reform the state sector. Policy makers privatized some potential companies like which had been in great financial burden by low price. PT Indosat, PT Semen Gresik, PT Aneka Tambang, PT Tambang Timah, PT Angkasa Pura II, PT Telkom, PT Pelindo II dan III, PT Jasa Marga, PT Perkebunan Nusantara IV, PT Tambang Batu Bara Bukit Asam and PT Krakatau Stell. This phenomenon is in line with the tendency of global economy which wants a less role of state in economy and this role will be replaced by market mechanism like what was done in British and USA before 1980s decade by capitalism system.

This privatization policy applied by current government is deterioration compared with what founding fathers have done by nationalizing colonists" companies managing natural resources in the beginning of independence. Nationalization of ex-Netherlands"s corporates was undertaken with the aim of equity distribution. The main task of state-owned companies is to equalize welfare for people. It produces several functions which can be categorized to become two goals, both social oriented and commercial oriented. To conduct both functions, those should be source of government income[6].

In line with this privatization discourse, Islam as a way of life which is universal and comprehensive has a particular discussion on assets ownership that should be utilised according to its status. There are three essences of belonging in Islam. First and Foremost, Allah is the only creator of the universe owning all of asset. Secondly, wealth is facilitation from Allah to ease mankind live in the earth. Thirdly, Allah has graced the ownerships of natural resources to human. There are three concepts of ownerships according to Islamic perspective, namely individual, public, and state possessing. These terms extremely relate to privatization policy and natural resources management in Indonesia since every categorization of ownership has consequences of management and utilizing processes[7].

Looking in the detail way at phenomenon of privatization in state-owned companies leading to many polemics among stakeholders, author argue that it should be discovered the best scheme of natural resources ownership, based on Islamic perspective.

## II. Theories of Privatization and Islamic View Towards Ownership

There are several definitions which are given by experts regarding to term of Privatization. Generally, privatization is defined as the transfer of ownership control or functions from the public to a private sector.[8] Meanwhile, according to Savas (1987) privatization means changing to an arrangement where the private sector plays a more dominant role.[9] To privatize means to rely more on the private institutions of society and less on government to satisfy people's needs. More narrowly, privatization is the act of increasing the role of the private sector, or decreasing the role of government, in an activity or in the ownership of assets. [10]

On the other hand, based on Presidential Decree No. 122/2001, privatisation means a transfer of part of state enterprise control to private hands through an initial public offer, direct sale to strategic partners, sale to workers, or via other appropriate means. According to Gupta, privatisation, in the present context, refers not only to the transfer of ownership of public assets but also the abandonment of some of the functions that the government had taken upon itself in the recent past.[11]

The most commonly used methods of privatization are:

1. Public Offering of Share
2. Public Sale of Shares
3. New Private Investment in Public Enterprises
4. Sale of Government or Public Enterprises Assets
5. Reorganization (Or Break-up) into Component Parts
6. Management Employee Buy Out
7. Lease and Management Contract[12]

Islam includes a set of principles and doctrines regulating a Muslim's relationship with God and community. Islam is not only the service of God as well as Judaism and Christianity, but also unifying the rules which organize people both in the human and spiritual life material. In the view of Islam, owner of all property with all of stuff is Almighty God because He is the creator and owner of all existing in this universe, as His word in surah Al-Maidah verse 17:[13]

> "*And to Allah belongs the dominion of the heavens and the earth, and all that is between them. He creates what He wills. And Allah is Able to do all things*"

While humans are the ones who get the power of Allah to own and ultilise the natural resources, Allah says in surah Al-Hadid verse 7:[14]

[6] Yulizar D. Sanrego Nz & Rusdi Batun, "Pandangan Islam Terhadap Privatisasi BUMN," *La-Riba Jurnal Ekonomi Islam,* Vol. III, No. 2 (2009), 133

[7] *Ibid*, P 134

[8] N Beyamen Supit, "Privatization in Indonesia: One Economic Strategy to Accelerate Economic Growth, 1996-06" (PhD diss., Naval Postgraduate School Monterey, California, 1996) P V

[9] *Ibid,* P 28

[10] *Ibid,* P 31

[11] Yasmin Sungkar, Indonesia's State Enterprises: from State Leadership to International Consensus Journal of Indonesian Social Sciences and Humanities http://www.kitlv-journals.nl/index.php/jissh/index Vol. 1, 2008, pp. 95–120

[12] N Beyamen Supit, *Op. Cit* P 31-32

[13] Yulizar D. Sanrego Nz & Rusdi Batun, Op. Cit P 135

[14] Ibid



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"*Believe in Allah and His Messenger, and spend of that where of He has made you trustees. And such of you as believe and spend (in Allah's Way), theirs will be a great reward*"

In Islam, everything belongs to God and so the accumulation of wealth is not a goal, but a source of pleasing God. What individuals consume or give away to charity is what they own[15]. A person who has been fortunate to have wealth essentially only receives the mandate to be distributed and spent in accordance with the owner's will actually, God Almighty, either in developing or utilizing. From the beginning God has ordained the wealth should be used for public interest, even if it is not excessive said that in the beginning it is society that is authorized to use the property as a whole, then Allah bestows some of it to individuals and institutions that seek acquisition according to their respective needs. So that an ownership wealth can be regarded as valid if they have earned the permission of Allah SWT to have it, this means that the ownership and utilization of a property must be based on Qur'an and al-*Sunnah*.[16]

Islamic economics has explained everything matters relating to the ownership acquisition mechanism, the procedures for managing and develop ownership, as well as how to distribute that wealth in the midst of men in detail by statute laws. On that basis, the laws concerning economic issues in Islam built on common economic rules of Islam that includes three rules, namely: ownership, wealth management mechanism and distribution wealth among human-being.[17]

## III. Ownership Classification in Islamic Perspective

According to *sharī„ah* perspective, there are three kinds of ownership in Islam which are classified, namely: Individual, public and government ownership.

*a) Individual Ownership*

Private ownership of resources is recognized as God has created the world with natural resources for people to enjoy. Private owners are entitled to returns on their labor and capital investments. Also individuals involved in free trade must be rewarded for their investments and willingness to take risks. But, they all must contribute to the betterment of the community by making tax and charity payments. Unproductive hoarding of resources is prohibited and profit making is encouraged. Collective ownership of resources is not recognized as absolute ownership is only limited to God.[18]

Private ownership is *sharī„ah* stipulation which allows the owner to take advantage of those goods, as well as obtain a good compensation for usefulness taken by others such as rent or consumption of the goods. Their authority rendering to people to spend and perform various forms of transactions on property owned, such as trade, mortgage, lease, grant, wills, and others is a roof recognition of Islam on their individual ownership rights.[19]

*b) Public ownership*

Common ownership is the provision of *sharī„ah* to a community to jointly utilize the objects, while the objects that belong to the category of common ownership are objects that have been declared by God as objects owned by the community together and should not be controlled by only one man or a certain group.

Due to public property, then each individual can use but are forbidden to have it. At least, objects can be grouped into common ownership; there are three types, namely:

i. *Public Facilities*

These objects belong to the kind of public ownership owning to becoming a staple of society and if not met can cause disputation. This property type described in the hadith of the Prophet relating to public facilities[20]:

*"Muslims associate (together own) in there things: water, pastures, and fire[21] (in the another hadith there are additional :) and the price is haram[22]"*

In the hadith above water is still not taken, either out of springs, wells, and flowing in a river or lake water is not owned by an individual at his home. Therefore, the discussion of the jurists of the water as a common property is focused on water that has not been captured. As for *al-kala*' is meadows, either wet grass or green (*al-Khala*') and hay (*al-hashish*), which grows in the ground, mountains or streams that has no owner, while the question of al-Nar is material fuel and everything associated with it, including the firewood.

[13] Yulizar D. Sanrego Nz & Rusdi Batun, *Op. Cit* P 135
[14] Ibid
[15] Amir Kia, "A Non-Technical Primer on Private Ownership in Islam", *Journal of Business Inquiry* , Utah Valley State College (2007) 72
[16] Yulizar D. Sanrego Nz & Rusdi Batun, *Op. Cit* P 138
[17] Ibid

[18] https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKEwjJofbl5tDSAhURTY8KHZe-BAoQFggzMAM&url=http%3A%2F%2Fwww.csub.edu%2F~agrammy%2Fcourses%2Fecon312%2FIslamic%2520Economic%2520Principles.pdf&usg=AFQjCNEOWEZc1s_22210aKhwqOWNem593Q&sig2=QWkV8RlT-HYoPK2XF649Hg DR Grammy Econ 312 received date : 20/03/2017
[19] Ibid
[20] Muhammad Al-Syaukani, *Nailul Authâr* (Beirut: Dâr el-Fikr.), vol 6 (1994) 48.
qf : Yulizar D. Sanrego Nz & Rusdi Batun, "Pandangan Islam Terhadap Privatisasi BUMN," *La-Riba Jurnal Ekonomi Islam,* Vol. III, No. 2 (2009), 139
[21] Narrated by Ahmad and Abu Dawud
[22] Narrated by Ibnu Majah



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Forms of public ownership is not just limited to the three kinds of the object, but also includes everything needed by the public. This is because there is an indication related to this such issue looked at objects that are categorized as public property due to certain properties contained therein categorizing them as common ownership. According *Sholahuddin*, the state must provide public infrastructure facilities so that all people can enjoy and use it as a shared ownership, such as:

1. Means of postal services, correspondence, telephone, television facilities, satellite intermediary and others.
2. Payment instrument in the form of a medium of exchange, deposit services, currency exchange, gold and exchange of money printing.
3. Means of public transport, such as trains.
4. The factory or industry. The state must set up a factory as an obligation of the state in regulating human benefit.

First, factories associated with an object belong to public property. The types of this plant may be used as common ownership, following the law of objects produced by the plant and related to it. Second, the factory plant related to heavy industry and military industry. This type of plant can be owned by individuals, as part of individual ownership. But this type of factory requires a very large capital so hard to do individual. So it is the state that should be established manufacturers/ military industry and heavy industry, but that does not mean it prevents a person to set up factories/ industries.[23]

ii. *Natural resources which are forbidden to be owned by individual or certain group*

Even though they are same as public ownership of the first kind, but there is a difference between the two. If the ownership of the first kind, character formation and origin does not preclude a person to have it, then this second type, in character and origin of its formation, prevents a person to have it personally. As the hadith of the Prophet SAW

*"City of Mina is place residence for everyone who comes first"* [24]

Mina is a place located outside the city of *Makkah al-Mukarramah* as a haven Hajj people fafter completing standing at Padang Arafah with the intention of carrying out the symbols of the pilgrimage that time is determined, like throwing *jumrah*, *hadd* slaughtering animals, cutting sacrificial, and overnight there. Meaning of "*place residence for everyone who comes first*" in the hadith above is that Mina is where all the Muslims, he who firstly reachs the place in Mina and he occupies it, then part of it is a part and not owned by individuals so that others may not have it (occupied).

Similarly with Common Street, everyone has the right passing over it. Therefore, the use of the road that can harm others should not be permitted by the authorities.[25] It also applies to the mosque, are included in this category is the train, the installation of water and electricity, pillars electricity, drains and pipes. Those are public property in accordance with the status of a public road itself as the common property, so he should not be privately owned.[26]

iii. *Unlimited mining*

Basic Argument which is used for this kind of goods is the *hadeeth* of the Prophet narrated by Abu *Daud* on *Hamal ibn Abyad* who asked the Prophet that he would be allowed to manage the salt mines in the area *Ma'rab*:

*"That he came to the Prophet asking for (mine) salt, then he gave it. After he left, there was a man who asked him: "O Messenger of Allah, do you know what you give him? Look, you have to give something like water flowing ". Then he said: Then the Messenger pulled back from her mine"*

According to Al-Maliki, the ban is not limited to the salt mines alone but includes all minerals that amount of deposit a lot (like running water) or unlimited, this also includes ownership of all types of mines, both of which appear on the surface of the earth like salt, precious stones or mines that are in the bowels of the earth like mine gold, silver, iron, copper, oil, tin and others.

Such minerals become public domain so that should not be owned by an individual or a few people and should not be legal to give privileges for a specific person or institution to exploit, but authorities shall allow them as common property for all citizens. It is the state that must dig and separate from other objects, sell and store the result in the bait al-mâl.[27]

Meanwhile minerals that deposit is small or very limited can be owned by individuals or trusts. It is based on the hadith of the Prophet which allowed the Bilal bin *Harith al-Muzani* for having a mineral that already is at the Najd and *Tihamah*, just that they are obliged to pay the *khums* (one-fifth) of which produced the bait al-mâl.[28]

[23] Yulizar D. Sanrego Nz & Rusdi Batun, *Op. Cit* P 140
[24] Narrated by At Tirmidzi, Ibnu Majah, and Al Hakim

[25] Abu Ya'la al-Farra', 1994, *Aa-Ahkâm al-Sulthâniyyah,* (Beirut: Dâr el-Fikr.), 253 qf : Yulizar D. Sanrego Nz & Rusdi Batun, "Pandangan Islam Terhadap Privatisasi BUMN," *La-Riba Jurnal Ekonomi Islam,* Vol. III, No. 2 (2009), 141
[26] Yulizar D. Sanrego Nz & Rusdi Batun, *Op. Cit* P 141
[27] *Ibid* P 142
[28] Ibid

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c) *State ownership*

According to Al-Nabhani state properties are treasure that is the right of all Muslims (the people) and the management of the authority becomes the caliph"s (state) right, where the caliph (state) grants or devotes them to some Muslims (the people) in accordance with *ijtihad*. It means, this is the power of the caliph to manage them.

State ownership includes all types of property that cannot be classified into types of public property, but sometimes can be classified into individual types of property ownership. In the *sharī„ah* there are some of the treasures that can be categorized into types of ownership and the state is entitled to manage them with a view of *ijtihad*.[29]

1. Treasure ghanimah, *anfâl* (assets acquired from the spoils of war with kafir), *fay'* (treasure obtained from the enemy without fighting) and *khums*.
2. Treasure comes from *kharaj* (the rights of the Muslims over land acquired from kafir, either through war or not).
3. Treasure from the *jizyah* (the rights given by God to the Muslims of the ka? R as their subjection to Islam).
4. Treasure from taxes.
5. Treasure from *'ushr* (sales tax taken by the government of merchants beyond its boundary with levies that classified by religion).
6. Treasure no heirs or excess property from the rest of the inheritance (*amwâl al-fadla*).
7. Treasure left by *murtad* people.
8. Assets acquired illegally by rulers, state employees, treasure obtained is not in line with *sharī„ah*.
9. Other Assets belonging to the state, such as deserts, mountains, beaches, sea and dead land that has no owner.[30]

*Sharī„ah* outline the government has a strong role in the economy, so it should not be leaving the hands of the rights of its people. *Sharī„ah* said the government should be able to be a regulator and steward public affairs as that relates to what the prophet Muhammad (PBUH) said:

> "*An imam (caliph) is a maintainer and regulatory affairs (of the people), and he will be held accountable to the people* ".[31]

To be able to organize and serve the affairs of society, the government must have the tools and means, one of them by setting up agencies in charge of exploring minerals, producing vital goods and dominate the life of the people, producing capital goods/ machinery needed by the community in carrying out their industrial and agricultural activities. Government should has an institution that ensures the distribution of goods and services needed by society.[32] *Rasulullah* said:

> "*A rulers is like a shepherd and he alone is responsible for the flock (people)*" [33]

Privatization of state-owned enterprises, which has been conducted by government, categorized public property and strategic industrial sectors are not allowed in Islamic law. the Prophet Muhammad (PBUH) said:

> "*The Muslims of association in three things: water, pasture and fire*" [34]

According to *Al-Nabhani*, public property generally includes public facilities, tremendously large number of mineral, the natural resources that the nature of its formation has made it impossible controlled by the individual, while other strategic industry is an industry that produces products/machines required by the activities of the sector economy such as manufacturing, agriculture, transportation, and telecommunications.

[30] Abd al-Qadim Zallum, 1986, *al-Amwâl _ Daulah al-Khilâfah*, p39 and Abu 'Ubaid ibn Salâm, *Al-Amwâl,* (Beirut: Dâr el-Hikmah el-'Ilmiyah.), p21 qf : Yulizar D. Sanrego Nz & Rusdi Batun, "Pandangan Islam Terhadap Privatisasi BUMN," *La-Riba Jurnal Ekonomi Islam,* Vol. III, No. 2 (2009), 143

[31] Bukhari and Muslim

[32] Yulizar D. Sanrego Nz & Rusdi Batun, *Op. Cit* P 143

[33] Narrated by Muslim

[34] Narrated by Ahmad and Abu Dawud



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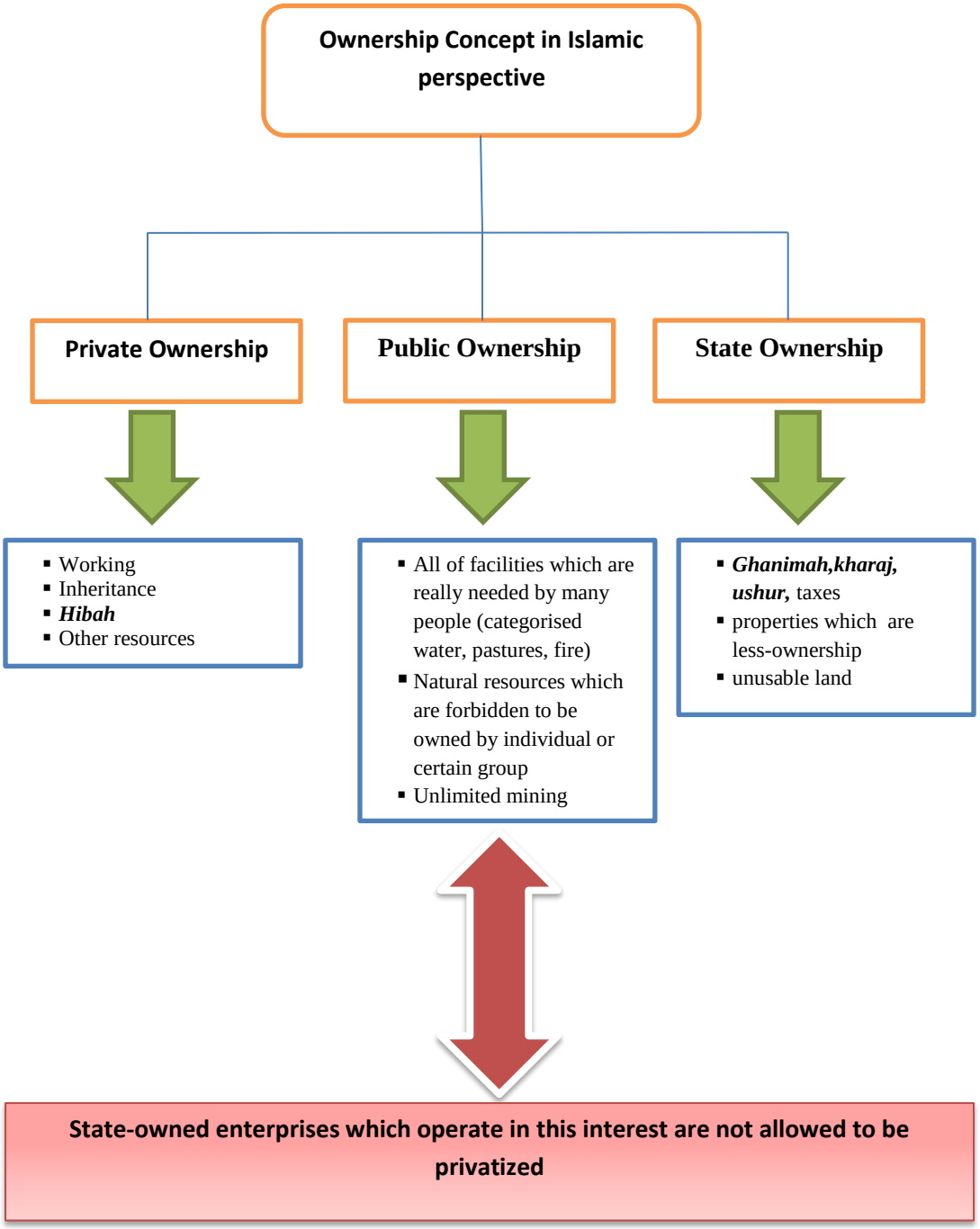


*Figure 1:* Privatization of State-owned Enterprises According to Ownership Concept of Islam

*Brief Explanation about State-owned Enterprises in Indonesia*

Nowadays, according to the data of the state minister for State-owned enterprises, there are 118 companies which belong to government. Since 2012, the number of SOEs declined continously from 140 to 118 in 2016. 2004 saw the most significant offering to public.



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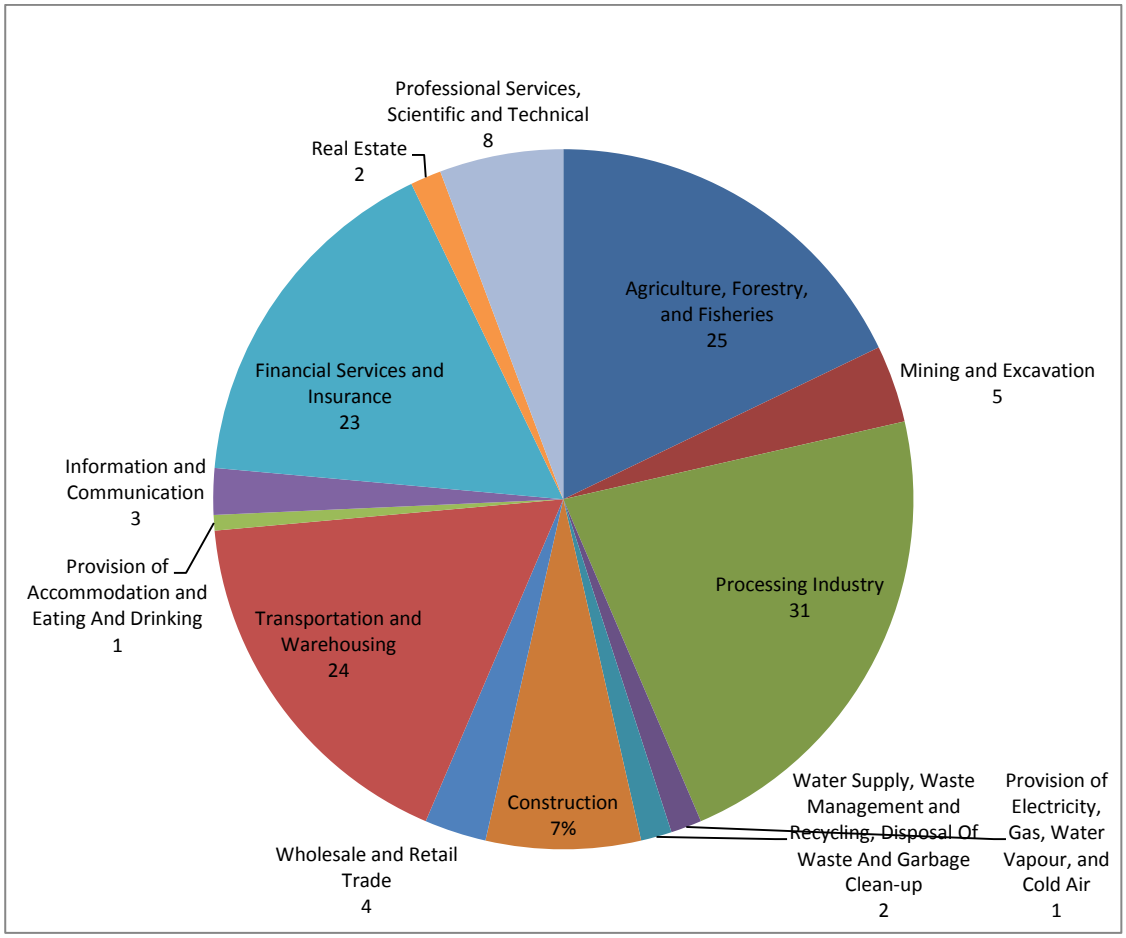
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Listed/Public SOEs | 18 | 20 | 20 | 20 | 20 |
| Non Listed SOEs | 108 | 105 | 85 | 84 | 84 |
| Special Purpose Entity | 14 | 14 | 14 | 14 | 14 |
| Total Number of SOEs | 140 | 139 | 119 | 118 | 118 |
| Enterprises With Minority Government Ownership | 13 | 12 | 24 | 24 | 24 |

*Source: The State Minister for State-owned Enterprises, Republic of Indonesia*[35]

Meanwhile, those can be categorized into 13 types based on each on operation sector. Those are: [36]

1. Agriculture, Forestry, and Fisheries
2. Mining and Excavation
3. Processing Industry
4. Provision of Electricity, Gas, Water Vapour, and Cold Air
5. Water Supply, Waste Management and Recycling, Disposal Of Waste And Garbage Clean-up
6. Construction
7. Wholesale and Retail Trade
8. Transportation and Warehousing
9. Provision of Accommodation and Eating And Drinking
10. Information and Communication
11. Financial Services and Insurance
12. Real Estate
13. Professional Services, Scientific and Technical




*Source: The State Minister for State-owned Enterprises, Republic of Indonesia* [37]

*Figure 2:* Categorizing of SOEs Based on Operation Sector

[35] http://www.bumn.go.id/halaman/0-Statistik-Jumlah-BUMN received date 10/04/2017
[36] https://www.sahamok.com/daftar-perusahaan-bumn/ received date 10/04/2017
[37] http://www.bumn.go.id/halaman/0-Statistik-Jumlah-BUMN received date 10/04/2017



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The chart above shows that the number of state-owned enterprises based on its categorization. Indonesian goverment has 31 SOEs which oparate in processing industy sector, whereas the number of SOEs in accomodation, electricty, waste management, real estate, information and communication, and retail trade sector are relatively small which are less than 4. Meanwhile, the figure for sectors which can obtain large amount of fund like mining, constraction and techical and scientific service are 5, 7,8 subsequently. However, the number of financial service and insurance, agriculture, forestry, fisheries and transportation witness fairly similar around 23-25 SOEs.

However, 20 companies have been offered to public in the Indonesian Stock Market. These are enterprise which a portion of its stock has belonged to public:

| | Name of SOEs | Sector | Status | IPO Date | Stock Code |
|---|---|---|---|---|---|
| 1 | PT Indofarma | Pharmacy | Go Public | 17/04/2001 | INAF |
| 2 | PT Kimia Farma | Pharmacy | Go Public | 04/07/2001 | KAEF |
| 3 | PT Perusahaan Gas Negara | Energy | Go Public | 15/12/2003 | PGAS |
| 4 | PT Krakatau Steel | Metal Industry | Go Public | 10/11/2010 | KRAS |
| 5 | PT Adhi Karya | Construction | Go Public | 08/03/2004 | ADHI |
| 6 | PT Pembangunan Perumahan | Housing | Go Public | 09/02/2010 | PTPP |
| 7 | PT Wijaya Karya | Coustruction | Go Public | 29/10/2007 | WIKA |
| 8 | PT Waskita Karya | Construction | Go Public | 19/12/2012 | WSKT |
| 9 | PT Bank Negara Indonesia | Banking | Go Public | 25/11/1996 | BBNI |
| 10 | PT Bank Rakyat Indonesia | Banking | Go Public | 10/11/2003 | BBRI |
| 11 | PT Bank Tabungan Negara | Banking | Go Public | 17/12/2009 | BBTN |
| 12 | PT Bank Mandiri | Banking | Go Public | 14/07/2003 | BMRI |
| 13 | PT Aneka Tambang | Mining | Go Public | 27/11/1997 | ANTM |
| 14 | PT Bukit Asam | Mining | Go Public | 23/12/2002 | PTBA |
| 15 | PT Timah | Mining | Go Public | 19/10/1995 | TINS |
| 16 | PT Semen Baturaja | Semen | Go Public | 28/06/2013 | SMBR |
| 17 | PT Semen Indonesia | Semen | Go Public | 08/07/1991 | SMGR |
| 18 | PT Jasa Marga | Transportation | Go Public | 12/11/2007 | JSMR |
| 19 | PT Garuda Indonesia | Transportation | Go Public | 11/02/2011 | GIAA |
| 20 | PT Telekomunikasi Indonesia | Telecommunication | Go Public | 14/11/1995 | TLKM |

*Source: The State Minister for State-owned Enterprises, Republic of Indonesia* [38]

## IV. Discussion

In this part, the author will elaborate more regarding to the status for every categorizing of SOEs based on operation sector, which SOEs can be privatized according to Islamic perspective about ownership.

[38] http://www.bumn.go.id/halaman/0-Statistik-Jumlah-BUMN received date 10/04/2017



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*a) Agriculture, Forestry and Fishery*

| | State-Owned Enterprises | Sector | Privatization |
|---|---|---|---|
| 1 | Perum Perhutani | Forestry | Not allowed |
| 2 | PT Inhutani I (Persero) | Forestry | |
| 3 | PT Inhutani II (Persero) | Forestry | |
| 4 | PT Inhutani III (Persero) | Forestry | |
| 5 | PT Inhutani IV (Persero) | Forestry | |
| 6 | PT Inhutani V (Persero) | Forestry | |
| 7 | PT Pertani (Persero) | Forestry | |
| 8 | PT Perikanan Nusantara | Fisheries | Allowed |
| 9 | Perum Prasarana Perikanan Samudera | Fisheries | |
| 10 | PT Pekebunan Nusantara I | Agriculture | allowed by note |
| 11 | PT Pekebunan Nusantara II | Agriculture | |
| 12 | PT Pekebunan Nusantara III | Agriculture | |
| 13 | PT Pekebunan Nusantara IV | Agriculture | |
| 14 | PT Pekebunan Nusantara V | Agriculture | |
| 15 | PT Pekebunan Nusantara VI | Agriculture | |
| 16 | PT Pekebunan Nusantara VII | Agriculture | |
| 17 | PT Pekebunan Nusantara VIII | Agriculture | |
| 18 | PT Pekebunan Nusantara IX | Agriculture | |
| 19 | PT Pekebunan Nusantara X | Agriculture | |
| 20 | PT Pekebunan Nusantara XI | Agriculture | |
| 21 | PT Pekebunan Nusantara XII | Agriculture | |
| 22 | PT Pekebunan Nusantara XIII | Agriculture | |
| 23 | PT Pekebunan Nusantara XIV | Agriculture | |
| 24 | PT Rajawali Nusantara Indonesia | Agriculture | Allowed |
| 25 | PT Sang Hyang Sari (Persero) | Agriculture | |

Government has 25 enterprises which operate in this sector, whereas 7 companies run in forestry area, 2 are in fisheries and others produce agricultural products. Regarding to their status, firm running in forestry arena are not allowed to be privatized since those can be analogized as pasture. Thus, those are categorized as public ownership which should be managed by authority in order to give prosperous to people. Meanwhile, PT Perkebunan Nusantara I-XIV classified as state ownership, but may be privatized since everyone is allowed to have land. The permission of privatization is allowed by note that government can guarantee the availability and stability of agricultural product. It also happed with fishery sector because of similar characteristic.

*b) Mining and Excavation*

| | State-Owned Enterprises | Sector | Privatization |
|---|---|---|---|
| 26 | PT Aneka Tambang | Diversified of Mining and Metal | Not allowed |
| 27 | PT Bukit Asam | Coal Mining | |
| 28 | PT Pertamina | Petroleum and Natural Gas | |
| 29 | PT Sarana Karya | Asphalt Product | |
| 30 | PT Timah | Tin and Mining | |



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Based on stipulation above, all of SOEs operating in mining and mineral industry may not be privatized definitely. This is because mining and mineral can be analogised as flame like what the Prophet said that Muslim associate in three things; water, pastures and fire. As such, the meaning of fire in this *hadeeth* is all fuel and everything which are associated with fire, such as petroleum, tin, natural gas, and coal. Those are public ownerships which are not allowed to be privatized. Moreover, in this case in Indonesian authority should pull out the licences of mining management which have been given to private. Government have to abolish exploitation licences of giant company like Chevron and Freeport.

*c) Processing Industry*

| | **State-Owned Enterprises** | **Sector** | **Privatization** |
|---|---|---|---|
| 31 | Batan Teknologi | Atom | Not allowed |
| 32 | Industri Telekomunikasi Indonesia | Electronics | allowed |
| 33 | LEN Industri | Electronics | |
| 34 | Bio Farma | Pharmacy | |
| 35 | Indofarma | Pharmacy | |
| 36 | Kimia Farma | Pharmacy | |
| 37 | PT Garam | Salt | |
| 38 | Cambrics Primissima | Garment | |
| 39 | Industri Sandang Nusantara | Garment | |
| 40 | Industri Gelas | Glasses | |
| 41 | Boma Bisma Indra | Sugar | |
| 42 | Dok & Perkapalan Kodja Bahari | Shipping | |
| 43 | Dok and Perkapalan Surabaya | Shipping | |
| 44 | Industri Kapal Indonesia | Shipping | |
| 45 | PAL Indonesia | Shipping | |
| 46 | Industri Kereta Api | Train System | not allowed |
| 47 | Kertas Kraft Aceh | Papers | allowed |
| 48 | Kertas Leces | Papers | |
| 49 | Barata Indonesia | Metal | |
| 50 | Krakatau Steel | Metal | allowed |
| 51 | Balai Pustaka | Media | allowed |
| 52 | Percetakan Negara Indoensia | Media | allowed |
| 53 | Pecetakan Uang Republik Indonesia | Money printing | Not allowed |
| 54 | Pradnya Paramita | Media | allowed |
| 55 | Dirgantara Indonesia | Aerospace | allowed |
| 56 | Pupuk Indonesia Holding Company | Fertilizer | allowed by note |
| 57 | Semen Baturaja | Semen | |
| 58 | Semen Indonesia | Semen | |
| 59 | Semen Kupang | Semen | |
| 60 | Dahana | Weaponary | allowed |
| 61 | Pindad | Weaponary | |

This is the widest sector that government has many SOEs which consist of 31 companies. Basically, almost of firms operating in this field is permitted to be offered to public. However, there are three enterprises which may not be sold to individual or certain groups, namely Batan Teknologi running in atomic and uranium area, Industri Kereta Api operating in train system and Perum PERURI printing both paper and metal currency. Industri Kereta Api and PERURI are not allowed to be privatized because these two are categorized as public facilities which absolutely needed by public, while Batan Teknologi is classified as fires and fuel. Meanwhile, Pupuk Holding Company, Semen Baturaja, Semen Indonesia, and Semen Kupang are permitted to be sold to public, but the ownership is not more than 55%. This is because their products are really determine other price.



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*d) Provision of Electricity, Gas, Water Vapour, and Cold Air*

| | State-Owned Enterprises | Sector | Privatization |
|---|---|---|---|
| 62 | PT Perusahaan Gas Negara | Gas Vapour | not allowed |
| 63 | PT Perusahaan Listrik Negara | Electricity | |

The SOEs in this sector surely are not allowed to be offered to public. As such, their products are classified as public facilities which dominate people needs and also analogised like fire.

*e) Water Supply, Waste Management and Recycling, Disposal of Waste and Garbage Clean-up*

| | State-Owned Enterprises | Sector | Privatization |
|---|---|---|---|
| 64 | Perum Jasa Tirta I | Waste Management | allowed |
| 65 | Perum Jasa Tirta I | Waste Management | |

This area operation is allowed to be privatized due to classifying as individual ownership.

*f) Construction*

| | State-Owned Enterprises | Sector | Privatization |
|---|---|---|---|
| 66 | Perum Pembangunan Perumahan Nasional | Housing | allowed |
| 67 | PT Adhi Karya | Construction | |
| 68 | PT Amarta Karya | Construction | |
| 69 | PT Brantas Abipraya | Construction | |
| 70 | PT Hutama Karya | Construction | |
| 71 | PT Istaka Karya | Construction | |
| 72 | PT Nidya Karya | Construction | |
| 73 | PT Pembangunan Perumahan | Housing | |
| 74 | PT Pengerukan Indonesia | Exvacation | |
| 75 | PT Wijaya Karya | Construction | |

Fundamentally, corporates running in this business are permitted to be sold to individual or groups. Nevertheless, the author suggest that when government construct various infrastructure, such as railway, bridges, institutional buildings and others, it is preferable to utilised SOEs in order to economize budget.

*g) Wholesale and Retail Trade*

| | State-Owned Enterprises | Service | Privatization |
|---|---|---|---|
| 76 | PT Perusahaan Perdagangan Indonesia | Retail Trading | Allowed |
| 77 | PT PP Berdikari | Insurance | |
| 78 | PT Sarinah | Retail Trading | |

This operation area is allowed to be privatized due to classifying as individual ownership.

*h) Transportation and Warehousing*

| | State-Owned Enterprises | Service | Privatization |
|---|---|---|---|
| 79 | Perum Bulog | Logistic of Basic Food | not allowed |
| 80 | Perum Damri | Transportation | allowed |
| 81 | Perum Pengangkutan Penumpang | Transportation | |
| 82 | PT Angkasa Pura I | Air Traffic Service & Business Airport | not allowed |
| 83 | PT Angkasa Pura II | | |
| 84 | PT ASDP Indonesia Ferry | Marine Transportation | allowed |



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| | | | |
|---|---|---|---|
| 85 | PT Bhanda Ghara Reksa | Courier | |
| 86 | PT Djakarta Lloyd | Shipping Line & Logistic Service | |
| 87 | PT Garuda Indonesia | Airplane | |
| 88 | PT Jasa Marga | Highway | not allowed |
| 89 | PT Kawasan Berikat Nusantara | Management of Industry Area | |
| 90 | PT Kawasan Industri Makasar | | |
| 91 | PT Kawasan Industri Medan | | |
| 92 | PT Kawasan Industri Wijaya Kusuma | | |
| 93 | PT Kereta Api Indonesia | Train Transportation | |
| 94 | PT Merpati Nusantra Airlines | Airplane | allowed |
| 95 | PT Pelabuhan Indonesia I | Harbor Management | not allowed |
| 96 | PT Pelabuhan Indonesia II | | |
| 97 | PT Pelabuhan Indonesia III | | |
| 98 | PT Pelabuhan Indonesia IV | | |
| 99 | PT Pelabuhan Indonesia V | | |
| 100 | PT Pelayaran Nasional Indonesia | Sailing | allowed |
| 101 | PT Pengembangan Daerah Industri Pulau Batam | Management of Industry Area | not allowed |
| 102 | PT Pos Indonesia | Postal Service | |
| 103 | PT Varuna Trita Prakasya | Logistic Service | allowed |

Government has 24 corporates which run in this service. Some company are allowed to be owned by individual or groups but others are not. For those which are not permitted to be privatized to public, the reason is because such firms are facilities which satisfy public interest and which structuring character forbid to owned by private. Taking PT Angkasa Pura I & II as an example, these are companies managing all of airports in Indonesia. Hence, this business is advisable to be administered by authority.

*i) Provision of Accommodation, Food and Beverage*

| | **State-Owned Enterprises** | **Service** | **Privatization** |
|---|---|---|---|
| 104 | PT Hotel Indonesia Natour | Accomodation, Food & Bavarage | Allowed |

This is the only one SOE doing this business and it is categorized as private ownership. So, it is allowed to be offered to public.

*j) Information and Communication*

| | **State-Owned Enterprises** | **Service** | **Privatization** |
|---|---|---|---|
| 105 | Perum LKBN ANTARA | News | Allowed |
| 106 | Perum Produksi Film Negara | Filmming | |
| 107 | PT Telekomunikasi Indonesia | Information & Communication | |

This field are allowed to be privatized owing to be categorized as private ownership.



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*k) Financial Service and Insurance*

| | State-Owned Enterprises | Service | Privatization |
|---|---|---|---|
| 108 | Perum Jamkrindo | Credit for SMEs | Allowed |
| 109 | PT Asabri | Insurance for Military | |
| 110 | PT Askrindo | Credit for SMEs | |
| 111 | PT Asuransi Ekspor Indoensia | Insurance | |
| 112 | PT Asuransi Jasa Indonesia | Insurance | |
| 113 | PT Jasa Rahardja | Insurance | |
| 114 | PT Asuransi Jiwasraya | Insurance | |
| 115 | PT Asuransi Kesehatan Indonesia | Insurance | |
| 116 | PT Bahana PUI | Loan for SMEs | |
| 117 | PT Bank Mandiri | Banking | |
| 118 | PT Bank Negara Indonesia | Banking | |
| 119 | PT Bank Rakyat Indonesia | Banking | |
| 120 | PT Tabungan Negara | Banking | |
| 121 | PT Biro Klasifikasi Indonesia | Marine Trading Control | |
| 122 | PT Danareksa | Venture | |
| 123 | PT Kliring Berjangka Indonesia | Clearinghouse | |
| 124 | PT PANN Multi Finance | Finance | |
| 125 | PT Pegadaian | Fiduciary | |
| 126 | PT Permodalan Nasional Madani | Finance | |
| 127 | PT Perusahaan Pengelolaan Aset | Asset Management | |
| 128 | PT Reasuransi Umum Indonesia | Insurance | |
| 129 | PT Taspen | Pension Fund Management | |
| 130 | PT Jamsostek | Insurance | |

Essentially, this service area is allowed to be offered to public since such operational businesses categorized as state ownership. However, government may not sell most of stock, at least less than 45%. This is because these corporates have significant role in country‟s economy. If owners do not manage carefully, it has domino effect financial sector.

*l) Real Estate*

| | State-Owned Enterprises | Service | Privatization |
|---|---|---|---|
| 131 | PT Bali Tourism & Development Corporation | Real Estate | allowed |
| 132 | PT TWC Borubodur, Prambanan Dan Ratu Boko | Real Estate | |

This sector is allowed to be privatized because individual or certain groups can have it.



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*m) Professional, Scientific and Technical Services*

| | State-Owned Enterprises | Service | Privatization |
|---|---|---|---|
| 133 | PT Biro Klasifikasi Indonesia | Marine Trading Control | not allowed |
| 134 | PT Energy Managemnt Indonesia | Energy Conservation and Management Consulting Services | allowed |
| 135 | PT Indah Karya | Technical Consultation | |
| 136 | PT Sucofindo | Superintend | not allowed |
| 137 | PT Survey Udara Penas | Airplane | allowed |
| 138 | PT Surveyor Indonesia | Survey and Consultation Services | |
| 139 | PT Virama Karya | Technical Consultation | |
| 140 | PT Yodya Karya | Technical Consultation | |

Generally, this sector is allowed to be offered to public, but PT Sucofindo and PT Biro Klasifikasi Indonesia are not. The reason is because both companies hold control in their each area. While Sucofindo has role in securing foreign exchange in international trade, PT Biro Klasifikasi Indonesia is the only one company which is assigned to classify commercial ships either domestic or foreign operating in ocean of Indonesia.

## V. Conclusion

From such elaboration in this article, author can summarize some pivotal points:

1. Islam as a comprehensive and universal way of life provides different economic system from either capitalism or socialism. In this noble concept, Islamic economics harmonizes and protects two interests, both present and hereafter by involving state as deputy of God in the world (*khalifatullah*) and also as holder of people trustworthiness based on primary resources, *Alqur"an* and *Sunnah*.
2. Islamic Economics has known privatization before and it can be done for properties which are classified as individual and state ownership only if government is able to ensure the stability and availability of other products. However, it cannot be permitted for natural resources which categorized as public ownership. Allah has created and presented this universe to all people with the aim of achieving welfare, not only for certain groups.
3. Privatization are not enabled for SOEs which are categorized as; firstly, SOEs managing public facilities which dominant people needs like classifying as water, pasture and fire, secondly, SOEs operating natural resources which its structuring characteristic forbid to owned by private, thirdly, SOEs producing unlimited mining such as gold, silver, petroleum, metal, tin, coal and so on.

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