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ARTICLE

OPTIMISING REGIONAL ENTERPRISE CONTRIBUTIONS TO LOCAL OWN-SOURCE REVENUE: EVIDENCE FROM SUKABUMI CITY, INDONESIA

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Abstract

Regional Government-Owned Enterprises (Badan Usaha Milik Daerah/BUMD) occupy a structurally important yet chronically underperforming role in Indonesia's local fiscal architecture. Despite their statutory mandate to generate returns to the regional treasury, their aggregate contribution to Regional Own-Source Revenue (Pendapatan Asli Daerah/PAD) remains marginal across most Indonesian localities. This qualitative study examines how BUMD contributions to PAD can be optimised in Sukabumi City, West Java, applying Halim's (2016) intensification–extensification framework operationalised through nine analytical dimensions. Data were collected via semi-structured in-depth interviews with purposively selected informants from three city-owned enterprises BPR Kota Sukabumi (Municipal People's Credit Bank), Sukabumi City Water Utility (PDAM Tirta Bumi Wibawa), and PD Waluya (a regional public enterprise centred on health and optical services, currently transforming into PT Sejati Bangun Bumi (Perseroda) together with fiscal management officials and legislative representatives, and triangulated with documentary analysis and field observation. Findings reveal that BUMD contributions averaged only 0.38% of total PAD over 2021–2025. BPR Kota Sukabumi exhibited markedly superior performance underpinned by sound corporate governance, professional management, and financial stability, whereas PDAM and PD Waluya remain constrained by operational inefficiencies, governance deficits, and regulatory rigidities. Extensification efforts encompassing business diversification, market expansion, service innovation, and strategic partnerships are underway across all three enterprises but remain nascent and uneven. The study recommends differentiated, enterprise-specific optimisation strategies centred on governance reform, regulatory modernisation, infrastructure rehabilitation, and deepened inter-sectoral partnerships as complementary pillars for sustainably augmenting BUMD fiscal contributions.

Keywords: Extensification, Fiscal Decentralisation, Intensification, Regional Own-Source Revenue, Regional Government-Owned Enterprises.

A. INTRODUCTION

Fiscal decentralisation in Indonesia has conferred upon local governments substantial authority over public service delivery and financial management. A principal benchmark of decentralisation effectiveness is the degree of fiscal autonomy attained by subnational governments, commonly measured as the ratio of Regional Own-Source Revenue (PAD) to total regional expenditure. Higher PAD ratios signal reduced dependence on intergovernmental transfers and a commensurate capacity to finance locally determined priorities (Halim, 2016; Mardiasmo, 2018; Oates, 1972, as cited in IMF, 2014).

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Sukabumi City illustrates the structural fiscal vulnerability that pervades most Indonesian local governments. Its 2025 regional budget contracted significantly following Presidential Instruction No. 1/2025, which restricted central government fiscal transfers — a fiscal shock that exposed the city's insufficient own-revenue base. As depicted in Figure 1, central transfers have consistently dwarfed PAD over the 2021–2025 period, confirming that fiscal independence remains a structurally distant objective.

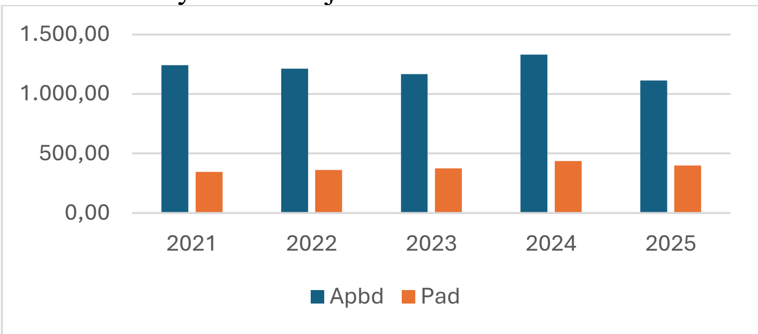

Figure 1: Regional Government Budget (APBD) and Own-Source Revenue (PAD) of Sukabumi City, 2021–2025 (trillion IDR). Source: Ministry of Finance, kemenkeu.go.id

Within the PAD structure, municipal enterprise dividend proceeds principally dividends from BUMDs represent a strategically significant yet chronically underperforming component. Sukabumi City directly manages three BUMDs: BPR Kota Sukabumi (Municipal People's Credit Bank) (micro-credit banking), Sukabumi City Water Utility (PDAM Tirta Bumi Wibawa) (water utility), and PD Waluya (a regional public enterprise whose principal active line of business is health and optical services delivered under a National Health Insurance (BPJS Health) partnership, and which is currently undergoing legal transformation into PT Sejati Bangun Bumi, a regional government-owned limited liability company (Perseroda)). The city also holds a minority stake in Bank Jabar Banten (BJB), a provincial government-owned commercial bank. Despite their dual mandate of public service provision and treasury contribution, these enterprises collectively deliver marginal and uneven PAD contributions, as depicted in Figure 2.

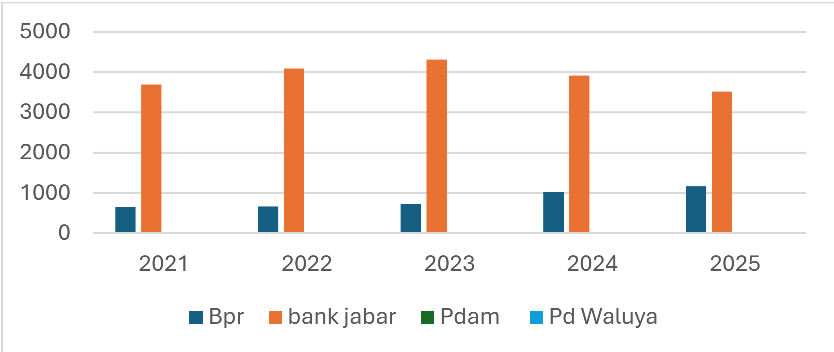

Figure 2: BUMD Contributions to PAD, Sukabumi City, 2021–2025 (billion IDR). Source: BPKAD Sukabumi City

Existing scholarship has documented persistently low BUMD contributions to PAD across Indonesia (Jamaluddin, 2020; Nurmiati et al., 2019), though Yahya and Syafitri (2024) report a positive association between capital investment and PAD outcomes. At the broader comparative level, studies of state-owned enterprises (SOEs) in developing countries consistently identify governance quality as the primary performance determinant: weak principal-agent relationships, political interference in managerial appointments, and diffuse

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accountability structures systematically erode enterprise efficiency and financial returns (Andrews et al., 2017; Bräutigam et al., 2020; Vagliasindi, 2008). In the Indonesian context, these dynamics are compounded by the dual-mandate tension inherent to BUMDs the structural conflict between public service obligations and profit maximisation which creates a persistent institutional ambiguity that neither purely commercial nor purely public-sector governance frameworks adequately resolve (Wulandari & Iryanie, 2017; Fauzan, 2021; Kuncoro, 2018). However, extant research predominantly relies on aggregate quantitative contribution measures, without examining the enterprise-level strategic conditions through which individual BUMDs can overcome their specific institutional and operational constraints to generate sustainable fiscal returns.

This study addresses that gap by applying Halim's (2016) intensification–extensification framework to produce contextualised, enterprise-level strategic analysis across five intensification dimensions corporate governance, managerial capacity, financial performance, policy support, and operational conditions and four extensification dimensions: business diversification, market expansion, service innovation, and strategic partnerships. The study's distinctive contribution lies in its simultaneous application of this multi-dimensional framework across three enterprises of different typologies and performance trajectories, enabling comparative strategic diagnosis within a single local fiscal system under conditions of transfer compression. The objective is to generate differentiated, evidence-based recommendations for BUMD revitalisation that are sensitive to each enterprise's institutional context rather than prescribing uniform solutions.

B. LITERATURE REVIEW

Fiscal Decentralisation and Regional Own-Source Revenue

The normative foundation of fiscal decentralisation rests on Oates' (1972) decentralisation theorem, which posits that subnational governments can deliver public services more efficiently by aligning provision with local preferences and informational advantages. In Indonesia, this principle has been institutionalised through Law No. 33/2004 and Law No. 1/2022, which assign expenditure responsibilities to local governments alongside statutory own-revenue instruments. PAD comprising regional taxes, levies, municipal enterprise dividend proceeds, and miscellaneous legitimate revenues constitutes the primary instrument of local fiscal autonomy; its augmentation is therefore both a fiscal imperative and a governance priority (Halim, 2016; Mardiasmo, 2018; Smoke, 2001). Empirically, Indonesian local governments have struggled to develop PAD bases commensurate with their expenditure responsibilities, with the majority remaining structurally dependent on intergovernmental transfers (Bird & Vaillancourt, 2008; Lewis, 2003). This dependency renders subnational budgets acutely vulnerable to centralisation shocks as exemplified by the 2025 transfer compression in Sukabumi City and intensifies the imperative for own-source revenue diversification.

Regional Government-Owned Enterprises: Mandate, Performance, and Governance

BUMDs are legally constituted under Government Regulation No. 54/2017 in two forms: public enterprises (municipal utility enterprises), oriented primarily toward public service provision, and limited liability companies (municipal commercial enterprises), organised along commercial principles. Irrespective of legal form, BUMDs are mandated to pursue a dual mission of service delivery and financial contribution to the regional treasury. This dual mandate creates an inherent institutional tension: optimising public service coverage often requiring below-cost pricing and universal access obligations is structurally in conflict with profit maximisation. This tension is well-documented in the comparative SOE literature, where the conflation of public service obligations with commercial objectives frequently results in

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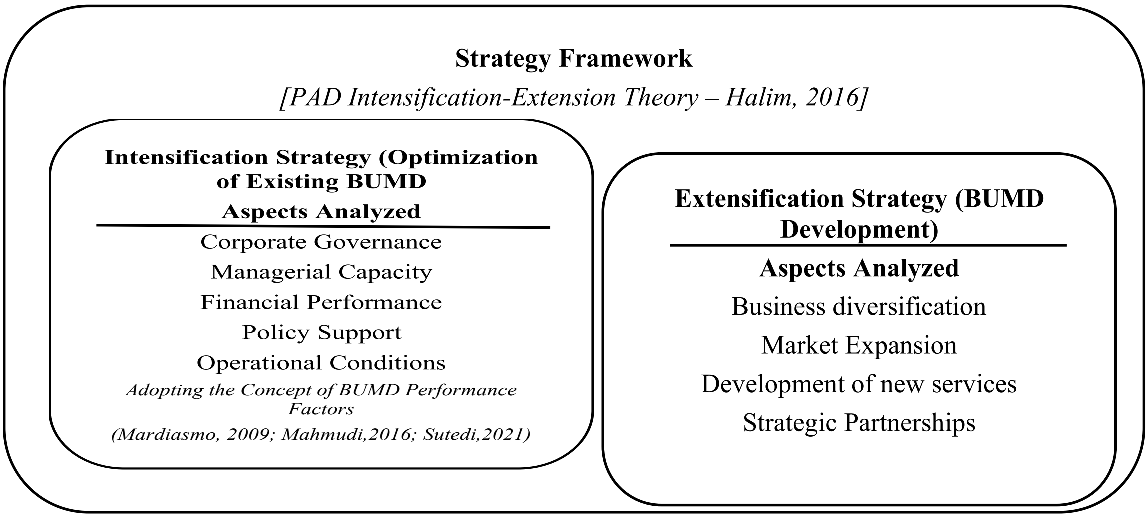
underinvestment, operational inefficiency, and chronically low financial returns (Vagliasindi, 2008; Bräutigam et al., 2020; World Bank, 2014). In the Indonesian context, this structural tension is exacerbated by weak corporate governance: meritocratic board appointments, effective supervisory mechanisms, and managerial professionalism produce superior financial outcomes, whereas political patronage in executive selection, diffuse accountability, and governance vacuums generate chronic underperformance and dependence on public capital injections (Dwiyanto, 2018; Sutedi, 2012; Kuncoro, 2018; Wulandari & Iryanie, 2017; Fauzan, 2021). This pattern resonates with the broader literature on democratic governance, which identifies bureaucratic professionalisation the selection of public officials on the basis of merit and expertise rather than patronage as a key institutional mechanism through which improved governance translates into more effective public service delivery (Sampurna & Chou, 2025). Principal-agent theory (Jensen & Meckling, 1976) provides a useful conceptual anchor: where principals (regional governments) lack effective monitoring mechanisms and agents (BUMD managers) face insufficient performance incentives, moral hazard and managerial opportunism erode enterprise value. Regional government policy support capital injections, enabling regulatory frameworks, and monitoring and evaluation is a further critical success factor, though its effectiveness is bounded by enterprise absorptive capacity and regional fiscal constraints.

The Intensification–Extensification Framework

Halim's (2016) intensification–extensification typology provides the analytical architecture of this study. Intensification strategies maximise revenue from existing sources through optimisation of current operations, governance improvements, and efficiency gains. In the BUMD context, intensification is operationalised across five dimensions: corporate governance reform, managerial capacity building, financial performance rehabilitation, regulatory policy strengthening, and operational improvement. Extensification strategies develop new revenue streams by broadening enterprise activity scope, encompassing product and service diversification, geographic market expansion, technology-driven service innovation, and inter-sectoral strategic partnerships. This framework was selected over alternative typologies such as generic balanced scorecard or new public management frameworks because its intensification–extensification logic directly mirrors the dual fiscal challenge faced by BUMDs: the need to first resolve internal performance deficits before credibly expanding the revenue frontier. As illustrated in Figure 3, the two strategic dimensions are analytically distinct but operationally interdependent: extensification efforts are unlikely to generate sustainable fiscal returns in the absence of the foundational governance and operational reforms that intensification prescribes.



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[Figure 3: Research Conceptual Framework — Intensification–Extensification Strategy for BUMD

Source: Adapted from Halim (2016); operationalised with Mardiasmo (2009), Mahmudi (2016), and Sutedi (2012)

C. RESEARCH METHODOLOGY

Research Design and Case Selection

This study employs a qualitative research design (Creswell, 2016; Sugiyono, 2022), apposite given the study's aim of producing contextualised, explanatory understanding of BUMD performance dynamics and strategic options an objective ill-suited to the aggregate measurement logic of quantitative designs. The research adopts a comparative case study approach (Yin, 2018) in which each of the three city-owned BUMDs constitutes an embedded unit of analysis within the overarching case of Sukabumi City's local fiscal system. This design enables within-enterprise depth and cross-enterprise comparison, illuminating both enterprise-specific constraints and systemic patterns. Bank Jabar Banten was excluded as the city government lacks full ownership and strategic decision-making authority over it, making meaningful governance analysis impossible.

Data Collection and Informant Selection

Purposive sampling was employed to select informants with substantive, direct knowledge of BUMD management and PAD policy (Sugiyono, 2019; Lincoln & Guba, 1985). Table 3 presents the informant profile.

Table 1. Research Informant Profile

Code	Institution	Position / Role	Relevance to Study
I-1	City Fiscal Management Agency (BPKAD), Sukabumi City	Head of Accounting Division	PAD targets, BUMD realisation data, fiscal reporting
I-2	DPRD, Sukabumi City	Chair, Committee II (Finance and Economy)	Legislative oversight of BUMD and regional budget
I-3	BPR Kota Sukabumi (Municipal People's Credit Bank)	Director / Senior Management	Internal governance, financial performance, strategy
I-4	Sukabumi City Water Utility (PDAM Tirta Bumi Wibawa)	Director / Senior Management	Operations, infrastructure constraints, development plans
I-5	PD Waluya / PT Sejati Bangun Bumi (Perseroda)	Director / Senior Management	Governance reform, business revitalisation, partnerships

Source: Authors' fieldwork, 2025–2026.

Data were collected through three complementary methods. Semi-structured in-depth interviews, guided by a protocol aligned with the nine analytical dimensions of the framework, were conducted with each informant. Systematic documentary analysis covered BUMD

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financial statements, PAD realisation reports, business plans, governance assessment reports (including Financial Services Authority (OJK) self-assessment documents), and regulatory instruments. Field observation at each enterprise provided first-hand assessment of operational infrastructure and service delivery contexts. Data collection continued until thematic saturation was reached the point at which additional interviews yielded no substantively new insights (Guest et al., 2006).

Data Analysis and Credibility

Analysis followed Miles and Huberman's (2014) interactive model of iterative data reduction, display, and conclusion drawing, guided throughout by the intensification–extensification framework. Quantitative figures drawn from financial statements, PAD realisation reports, and governance self-assessment documents (e.g., ROA, BOPO, cash ratio, and non-revenue water rates) were extracted and compared against the prudential or sectoral benchmarks specified in the source documents themselves (principally Financial Services Authority (OJK) thresholds for BPR Kota Sukabumi); these figures were then treated as a documentary data source within the broader thematic coding process, used to corroborate, qualify, or contextualise themes generated from interview and observational data rather than analysed through separate statistical procedures. Credibility was established through source triangulation (cross-referencing interview, documentary, and observational data) and methodological triangulation (comparing data generated by different collection techniques). Member-checking was employed to verify interpretive accuracy. Reflexivity was maintained through systematic documentation of analytical decisions in a research journal, consistent with Lincoln and Guba's (1985) criteria for trustworthiness in qualitative inquiry.

D. RESULTS AND DISCUSSION

Across 2021–2025, BUMD contributions to Sukabumi City's PAD averaged 0.38%, with BPR Kota Sukabumi and BJB accounting for the bulk of this figure while PDAM and PD Waluya generated no dividend payments. This structural underperformance confirms that BUMD potential as fiscal mobilisation instruments remains largely unrealised — a pattern consistent with findings from other Indonesian localities (Jamaluddin, 2020; Nurmiati et al., 2019) and reflecting the broader SOE governance challenge identified in the comparative literature (Vagliasindi, 2008; World Bank, 2014). The following analysis maps findings across the intensification and extensification dimensions, with cross-enterprise comparison synthesised in Table 4.

Intensification Strategies

- **Corporate Governance**

Corporate governance quality emerged as the most consistent performance differentiator across the three enterprises a pattern in line with principal-agent theory's predictions regarding the centrality of monitoring, incentive alignment, and accountability structures for public enterprise performance (Jensen & Meckling, 1976; Vagliasindi, 2008), though the small number of cases means this association cannot be treated as a definitive test of the theory. BPR's Governance Self-Assessment Report (Semester II, 2025), evaluated under Financial Services Authority (OJK) Regulation No. 9/2024 and OJK Circular No. 12/SEOJK.03/2024, attests to its institutional soundness across governance structure, process implementation, and outcome dimensions (Table 1). This governance integrity appears to coincide with clear performance accountability, transparent financial reporting, and consistent compliance with prudential standards operational conditions plausibly linked to the enterprise's capacity for consistent dividend remittances to the regional treasury.

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Table 2. Corporate Governance Assessment, BPR Kota Sukabumi (Municipal People's Credit Bank), Semester II 2025

Governance Dimension	Assessment	Remarks
Structure and Infrastructure	Adequate	Designated compliance director and executive officers in place per Financial Services Authority (OJK) requirements; clear lines of authority and responsibility.
Process Implementation	Adequate	Compliance functions operationalised through systematic regulatory monitoring and internal oversight; documented procedures.
Outcome	Adequate	Timely OJK regulatory reporting; minimal non-compliance incidents; prudential ratios within prescribed thresholds.
Overall	Adequate	Compliance function supports sound governance and sustainable financial performance; selected procedural areas warrant further strengthening.

Source: BPR Kota Sukabumi (Municipal People's Credit Bank), Governance Self-Assessment Report, Semester II 2025 (processed by authors).

PDAM nominally operates under Government Regulation No. 54/2017 but suffers substantive governance deficits in practice. The absence of robust internal oversight mechanisms has permitted a non-revenue water (NRW) rate that reached a historical peak of 83% and has only recently been reduced to approximately 75% — a level that still represents severe operational and financial liability. This is consistent with the broader literature on water utility governance, where weak accountability structures are systematically associated with high water losses, tariff collection inefficiencies, and inability to cross-subsidise capital investment (Tortajada, 2015). PD Waluya's governance failure was more fundamental: the Chief Executive position remained vacant for eight years (2016–2024), a condition that Fauzan (2021) and Wulandari and Iryanie (2017) identify as one of the most debilitating forms of BUMD governance failure, as it precludes strategy formulation, institutional learning, and credible external engagement. The appointment of a permanent director in 2026 represents a necessary, if belated, institutional corrective.

- **Managerial Capacity**

Managerial capacity findings reinforce the governance analysis. BPR's board was recruited through a nationally competitive, Financial Services Authority (OJK)-mandated professional certification process a meritocratic selection mechanism that, consistent with new public management literature on executive accountability (Dwiyanto, 2018; Mahmudi, 2016), has produced demonstrably superior strategic stewardship and financial discipline. The enterprise's principal human resource constraint understaffing that necessitates role duplication is operational rather than structural, and manageable relative to the governance and managerial deficits observed at the other enterprises.

PDAM's current directorate has initiated incremental operational improvements, including modest NRW reduction, but interview data reveal an institutional posture characterised by risk aversion toward transformative innovation and private sector partnership, perpetuating a dependency culture predicated on public capital injections rather than self-generated revenue growth. This pattern is consistent with Brinkerhoff and Goldsmith's (2002) observation that public managers in resource-dependent organisations frequently exhibit low entrepreneurial orientation when state patronage insulates them from competitive pressure.

The managerial vacuum at PD Waluya was the most acute: eight years without permanent executive leadership fundamentally impaired the enterprise's capacity to formulate strategy, develop institutional capability, or engage credibly with potential private partners. The 2026 business plan inaugurated by the new director constitutes a foundational recovery step, but its translation into sustained performance improvement will depend on whether the structural governance reforms underpinning it achieve institutional depth beyond the individual incumbent.

- **Financial Performance**

Financial data (Table 2) corroborate governance and managerial findings across all three enterprises. BPR Kota Sukabumi is the sole enterprise exhibiting consistent financial health: total assets grew from IDR 46.3 billion to IDR 51 billion in the nine months to September 2025, net profit increased from IDR 1.8 billion to IDR 3.7 billion year-on-year, return on assets (ROA) stood at 8.21%, the operating expense-to-revenue ratio (BOPO) at 58.77%, and cash ratio at 35.31% all within Financial Services Authority (OJK) prudential thresholds enabling consistent annual PAD dividend contributions. These metrics align closely with the governance and managerial quality documented above, lending support to the association between governance integrity and fiscal contribution that principal-agent theory predicts, though the cross-sectional, three-case design of this study cannot establish causality.

Table 3. Municipal Enterprise Dividend Contributions to Own-Source Revenue (PAD), Sukabumi City, 2021–2025

Year	PAD Target (IDR)	PAD Realisation (IDR)	Municipal Enterprise Dividend Revenue (IDR)	Municipal Enterprise Dividend as % of PAD Realisation
2021	IDR 1,185,387,683,649	IDR 1,244,104,862,003	IDR 4,346,251,729	0.35%
2022	IDR 1,190,541,508,400	IDR 1,212,391,016,133	IDR 4,753,064,486	0.39%
2023	IDR 1,242,719,869,460	IDR 1,256,510,130,005	IDR 5,025,635,160	0.40%
2024	IDR 1,307,949,268,093	IDR 1,331,427,011,097	IDR 4,942,863,937	0.37%
2025	IDR 1,316,710,313,076	IDR 1,322,493,905,371	IDR 4,677,922,257	0.35%
Average	—	—	—	0.38%

Source: City Fiscal Management Agency (BPKAD), Sukabumi City. Note: PAD Target and Municipal Enterprise Dividend Revenue columns represent budgeted figures.

PDAM's operating losses are driven by high provisions for uncollected water bills and a 75.67% NRW rate, compounded by a tariff collection rate of only 75%, collectively precluding any dividend distribution. PD Waluya carries IDR 38.1 million in legacy operational liabilities, IDR 988.8 million in long-term debt to Bank Jabar Banten (BJB), and negative retained earnings of approximately IDR 7.8 billion. Despite these encumbrances, the enterprise recorded current-year profit of IDR 49.2 million and December 2025 net profit of IDR 18.8 million, derived almost entirely from its optical services unit under a National Health Insurance (BPJS Health) arrangement. This near-total revenue concentration in a single service line underscores the enterprise's structural fragility: any disruption to the National Health Insurance (BPJS Health) partnership would eliminate its sole profit source.

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- **Policy Support**

The Sukabumi City Government extends support to all three BUMDs through phased capital injections, enabling regulatory frameworks, and legislative oversight through the City Council (DPRD). However, the effectiveness of this support varies considerably, reflecting both enterprise-level absorptive capacity differences and the inherent limitations of policy instruments in the absence of enterprise-level governance preconditions. BPR Kota Sukabumi benefits from the most coherent policy environment: Local Ordinance No. 3/2025 is well-aligned with Financial Services Authority (OJK) supervisory requirements, ensuring legal certainty and institutional stability. This regulatory coherence exemplifies what Andrews et al. (2017) term 'capability-aligned institutional design' where external governance demands match and reinforce internal enterprise capabilities.

PDAM receives capital support and periodic monitoring including inter-regional study visits, but actual impact is constrained by deep-rooted operational challenges and the city government's limited fiscal space for large-scale infrastructure co-investment. PD Waluya has historically suffered most severely from regulatory rigidity: its 2008 founding local ordinance was wholly inadequate for a commercially oriented enterprise, particularly in restricting third-party contractual arrangements that are essential for business development. PD Waluya's legal transformation into PT Sejati Bangun Bumi, a regional government-owned limited liability company (Perusahaan Perseroan Daerah/Perseroda), was approved by the Sukabumi City Council (DPRD) in June 2026, with base capital set at IDR 30 billion and a minimum 51% municipal shareholding. This transformation signals meaningful institutional commitment to revitalisation, though as the SOE reform literature cautions (World Bank, 2014) legal restructuring is necessary but insufficient without concurrent governance capacity development.

- **Operational Conditions**

Operational profiles are similarly divergent across the three enterprises. BPR Kota Sukabumi maintains stable operations despite physical space constraints at its sole premises, absence of branch offices, and role duplication from understaffing operational limitations that constrain growth but do not threaten viability. PDAM confronts severe systemic challenges: the 75.67% NRW rate caused by ageing pipeline infrastructure prevents 24-hour continuous water supply, directly eroding revenue collection capacity and service quality. Operational losses from NRW at this scale effectively function as a subsidy to non-paying consumers, compressing the financial surplus available for reinvestment or dividend distribution (Tortajada, 2015). PT Sejati Bangun Bumi faces the most multifaceted operational deficiencies an underdeveloped business model, insufficient productive assets, elevated cost structures relative to revenues, and weak market positioning requiring comprehensive reform of asset utilisation, cost efficiency, and competitive strategy before meaningful revenue growth is achievable.

Extensification Strategies

- **Business Diversification**

PDAM launched a commercially branded bottled drinking water product (packaged drinking water product ('TBW')) in March 2026, initially targeted at city government work units and the general public — a modest extension logically contiguous with its core water processing competencies and consistent with resource-based view logic regarding capability exploitation (Barney, 1991). As PT Sejati Bangun Bumi (Perseroda), PD Waluya has articulated the most ambitious diversification agenda, with its enabling regulation defining a multi-business scope spanning trade, health services, tourism, property development, market management, off-street parking, alternative energy, workforce services, advertising, and courier services, building outward from its established health and optical services line. While this breadth signals entrepreneurial intent, the resource-based view cautions that diversification beyond enterprise core competencies in conditions of constrained managerial and financial capacity frequently results in strategic overextension and value destruction rather than value creation (Penrose, 1959; Prahalad & Hamel, 1990). Sequential prioritisation anchored in demonstrated capabilities is therefore critical. BPR Kota Sukabumi has pursued more measured, competency-adjacent diversification within its core banking mandate, differentiating its savings and micro-finance product portfolio to sustain competitive positioning against commercial banks and fintech providers.

- **Market Expansion**

BPR Kota Sukabumi focuses credit expansion on government employee segments — particularly part-time civil service contract workers (P3K) — characterised by lower default risk relative to the micro, small, and medium enterprise (MSME) sector, which remains restricted following elevated post-pandemic non-performing loan rates. This risk-calibrated market segmentation reflects sound portfolio management practice consistent with Financial Services Authority (OJK) prudential guidelines. PDAM targets new subscriber connections and distribution pipeline extensions to currently unserved urban periphery areas, though implementation is impeded by unresolved infrastructure constraints. PT Sejati Bangun Bumi pursues multipronged market outreach combining direct marketing, inter-agency partnerships, digital media utilisation, and community engagement activities such as complimentary school eye examinations a socially embedded strategy to expand service footprint and build market visibility among underserved segments.

- **New Service Development**

BPR Kota Sukabumi has introduced a suite of technology-mediated services mobile banking application (Kotsi Mobile), virtual account payment facilities, and a mobile door-to-door outreach banking programme (‘door-to-door outreach banking’) complemented by systematic investment in human capital development. This integrated approach to technology-driven service quality enhancement reflects the service innovation logic articulated by Teece (2010): combining technological capabilities with complementary assets (trained staff, customer relationships) to create competitive service differentiation. PDAM’s new service development remains focused on the packaged drinking water product while pursuing the operational imperative of NRW reduction; further service expansion appropriately awaits core operational stabilisation. PT Sejati Bangun Bumi’s new service development centres on optical unit optimisation, underutilised asset leverage, and third-party business identification nascent but directionally sound steps toward revenue base broadening.

- **Strategic Partnerships**

BPR Kota Sukabumi has operationalised a government payroll partnership for civil service contract worker (P3K) payroll disbursement and is developing a joint online bill payment agency (PPOB) arrangement with partner financial institutions a partnership model that expands service reach without proportionate capital commitment, consistent with collaborative value creation frameworks (Doz & Hamel, 1998). PDAM has identified technology transfer and private co-investment partnerships as a strategic priority for NRW infrastructure rehabilitation, though partnership formation remains nascent given capital and operational constraints. For PT Sejati Bangun Bumi, private sector partnerships are the cornerstone of its revival strategy: the 2026 business plan relies on profit-sharing arrangements with private investors to reactivate dormant business units. The feasibility and investor attractiveness of these arrangements will depend critically on demonstrable governance reforms prospective partners require credible signals of managerial competence and institutional stability before committing resources (Doz & Hamel, 1998).

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- **Cross-Enterprise Comparative Analysis**

Table 4 synthesises the performance profile of each BUMD across both strategic dimensions, enabling systematic comparative diagnosis.

Table 4. Comparative Strategic Assessment of Sukabumi City BUMDs

Dimension	BPR Kota Sukabumi	Sukabumi City Water Utility (PDAM Tirta Bumi Wibawa)	PD Waluya / PT Sejati Bangun Bumi (Perseroda)
Corporate Governance	Strong: meritocratic board selection; full Financial Services Authority (OJK) compliance; adequate across all dimensions	Weak: absent internal oversight; NRW rate signals accountability failure	Critical deficit: 8-year executive vacancy; governance rehabilitation commenced 2026
Managerial Capacity	High: OJK-certified professional management; competent stewardship	Moderate: improved under new leadership; risk-averse institutional culture	Low (recovering): new permanent director appointed 2026; first business plan issued
Financial Performance	Healthy: ROA 8.21%; operating expense-to-revenue ratio (BOPO) 58.77%; consistent dividends to PAD	Loss-making: 75.67% NRW; 75% tariff collection; zero dividends	Distressed: IDR 7.8B negative retained earnings; nascent profitability via optical unit
Policy Support	Coherent: Local Ordinance No. 3/2025 well-aligned with Financial Services Authority (OJK) requirements	Partial: capital support and monitoring; limited fiscal space for infrastructure	Historically inadequate: 2008 local ordinance restricted commercial activity; transformation underway
Operational Conditions	Stable: constrained by single-branch capacity and understaffing	Severe: ageing infrastructure; 24-hr supply unavailable; high operational loss	Critical: underdeveloped model; weak assets; high costs; limited market position
Business Diversification	Measured: product differentiation within core banking mandate	Nascent: packaged drinking water product (TBW) launched March 2026; competency-adjacent	Ambitious: 11 new business areas planned; feasibility conditioned on capacity
Market Expansion	Risk-calibrated: civil service contract worker segment; MSME lending restricted post-pandemic	Constrained: new connections targeted; impeded by infrastructure limits	Multipronged: direct marketing, digital media, community engagement programmes
New Service Development	Advanced: Kotsi Mobile, PPOB, door-to-door outreach banking; supported by human resource development (HRD) investment	Early-stage: packaged drinking water product; NRW reduction prerequisite for further expansion	Nascent: optical unit optimisation; asset leverage; third-party identification
Strategic Partnerships	Operational: civil service contract worker payroll; online bill payment agency (PPOB) under development	Planned: technology transfer and co-investment partnerships identified	Central to strategy: profit-sharing with private investors; credibility-dependent
Overall Assessment	Highest performing: governance-anchored fiscal contribution sustainability	Mid-tier: stable public services; fiscal contribution blocked by infrastructure	Weakest: governance-constrained; recovery trajectory dependent on reform depth

Source: Authors' synthesis from fieldwork, documentary analysis, and enterprise reports, 2025–2026.

The comparative analysis reveals a performance hierarchy that maps closely onto governance quality: BPR's institutional strength is accompanied by fiscal contribution capacity; PDAM occupies an intermediate position of operational stability without

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profitability; and PD Waluya represents a governance-associated fiscal deficit that only recent leadership change has begun to address. This pattern is consistent with the principal-agent framework's prediction that governance quality, more than sector characteristics alone, shapes enterprise financial outcomes though, given the small-N comparative case design, this should be read as a pattern consistent with the theory rather than a causal test of it. Critically, the analysis also reveals that extensification ambitions across all three enterprises are conditioned by intensification preconditions: PDAM's market expansion is blocked by infrastructure deficiencies; PT Sejati Bangun Bumi's partnership strategy is conditioned on governance credibility; and even BPR's diversification is constrained by its single-branch operational base. This interdependence suggests that the intensification–extensification framework should be operationalised sequentially rather than simultaneously for enterprises with significant governance or operational deficits.

E. CONCLUSION

This study examined how BUMD contributions to PAD can be optimised in Sukabumi City, applying Halim's (2016) intensification extensification framework across nine analytical dimensions in three city-owned enterprises. Three principal conclusions emerge with implications for both theory and practice. First, in Sukabumi City, BUMD contributions to PAD averaged only 0.38% over 2021–2025, with BPR Kota Sukabumi as the sole consistent dividend contributor. This structural underperformance reflects, in this case, a failure to leverage regional enterprise assets for fiscal mobilisation, rendered more urgent by the compression of central government transfers that has amplified local fiscal vulnerability. Within this single-city setting, the fiscal gap between BUMD potential and actual contribution appears less a function of sector characteristics per se than of governance and institutional quality differentials that are, in principle, addressable through targeted reform; whether this pattern holds beyond Sukabumi is a question for the comparative research called for below.

Second, corporate governance quality and managerial professionalism appear to be foundational determinants of BUMD fiscal contribution capacity. BPR's sustained dividend contributions are closely associated with meritocratic board governance, professional management, and regulatory alignment the institutional conditions that principal-agent theory identifies as conducive to aligning managerial behaviour with owner (regional government) objectives. PDAM and PD Waluya's chronic underperformance is similarly associated with governance deficits that policy support and capital injections alone have not remedied. While this study's three-case design cannot establish governance reform as a sufficient condition for fiscal contribution, the pattern observed suggests that rehabilitation of governance structures should be treated as a prerequisite for, not merely a complement to, any extensification ambition.

Third, the comparative analysis reveals that the intensification–extensification framework operates most effectively when applied sequentially rather than simultaneously for enterprises with governance or operational deficits. Extensification strategies at PDAM and PT Sejati Bangun Bumi are structurally conditioned by unresolved intensification constraints: market expansion requires infrastructure rehabilitation; partnership formation requires demonstrated governance credibility. Uniform application of extensification prescriptions without addressing underlying intensification deficits risks strategic overextension and resource misallocation.

On the basis of these findings, the study advances the following differentiated policy recommendations. For BPR Kota Sukabumi: expansion of branch network and staffing capacity to sustain dividend growth; deepening of online bill payment agency (PPOB) and digital service ecosystem partnerships. For PDAM: mandatory NRW reduction programme through public–private infrastructure co-investment as an absolute precondition for any extensification; tariff policy reform to improve collection rates. For PT Sejati Bangun Bumi: effective operationalisation of its newly approved Perseroda status, including the appointment of professional, merit-selected directors and commissioners; sequenced, capability-anchored diversification prioritising sectors contiguous with existing competencies (notably its established health and optical services line); investor credibility building through demonstrable governance milestones. For the regional government: institutional strengthening of the BUMD monitoring and evaluation function; merit-based board selection mandated across all enterprises; and development of a comprehensive regional BUMD revitalisation roadmap integrating intensification and extensification milestones.

This study is bounded by several limitations. First, its single-city scope and the unavailability of longitudinal enterprise performance data beyond the 2021–2025 window restrict the generalisability of findings to other regional contexts. Second, while informants were purposively selected for their substantive knowledge of BUMD management and PAD policy, each enterprise was represented by a single internal informant at the director or senior-management level; this limits the within-enterprise triangulation of governance and operational claims (for example, regarding workforce conditions or service-delivery quality) to a single organisational vantage point, and findings on enterprise-level governance and culture should be read with this constraint in mind. Third, one of the authors holds professional and civic roles connected to regional public administration in Indonesia; while data collection relied on documentary sources and multiple informant types to mitigate this, readers should weigh this positionality when interpreting the study's access to, and framing of, government and enterprise informants. Future research should employ comparative multi-city designs to examine whether the governance–performance pattern observed here recurs across diverse institutional and fiscal contexts, multi-informant designs within each enterprise to strengthen internal triangulation, and mixed-methods approaches that integrate financial panel data with qualitative institutional analysis to build a more robust evidentiary basis for the conditions under which BUMD optimisation strategies generate sustained fiscal outcomes.

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