

Analysis Of Local Government Capital Participation Policy Towardsperformance Of Public Company In The Lematang Enim Drinking Water Region Muara Enim Regency

Dini Harlini

Master Of Accounting Science Program, Sriwijaya University, Indonesia

Taqqiyah Ulinnuha

Master Of Accounting Science Program, Sriwijaya University, Indonesia

Mukhtaruddin

Department Of Accounting, Sriwijaya University, Indonesia

Corresponding Author: dini.harlini@gmail.com

Abstract

This study aims to determine the amount of equity investment provided by the Muara Enim Regency Government to Perusahaan Umum Daerah Air Minum Lematang Enim and to investigate its impact on the company's performance. The object of this research is Perusahaan Umum Daerah Air Minum Lematang Enim in Muara Enim Regency, covering a 10-year study period from 2020 to 2025. Data collection techniques included observation, interviews, and documentation. The data analysis technique used a quantitative approach evaluating financial performance formulas, specifically Return on Equity (ROE), Operating Ratio, Cash Ratio, and collection effectiveness. The results of this study show that the amount of equity investment from the Muara Enim Regency Government to Perusahaan Umum Daerah Air Minum Lematang Enim varied over the years, and the company did not receive any equity investment in certain years. The impact of the equity investment on company performance is reflected in the Return on Equity, Operating Ratio, Cash Ratio, and Collection Effectiveness, which have not yet shown a positive influence on the company.

Keywords: Equity Investment, Company Performance.

INTRODUCTION

The Regional Public Company of Drinking Water or abbreviated as Perumda is one of the companies owned by the province, district or city area that is engaged in the management and

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provision of clean water. Perumda is a company that is not only oriented to the community, but also oriented to generate profits. The profits generated by the company are partly used for the company's operational activities and partly paid to the government to increase local original income (PAD). However, in reality, most of Perumda has suffered losses so that it has not been able to contribute to the original regional income.

Regional governments should be able to increase their local revenue to finance their operational activities. If a region can finance its programs and activities from local original revenue, then the region can be said to be an independent region, because the region does not depend on balance funds and transfer revenues from the central and provincial governments. The government must pay attention to or immediately follow up on Perumda who are unhealthy and sick so that the community's needs for clean water can be met. (Citra Sarasmitha, 2023)

The management of local government capital participation, if realized in the form of productive investment in a regional company, will create a productive and effective rate of return. This is done by reducing operational and non-operational costs, increasing income, and making productive investments that will ultimately improve financial performance. (Nova et al., 2024) This condition can occur if the governance of capital participation for asset growth, efficiency creation, and financial performance improvement can be carried out consistently by BUMD management. (Rachim et al., 2022)

The problem of Perumda Muara Enim Regency is not much different from Perumda's problems that exist throughout Indonesia, namely the low performance seen from the profit obtained by the company, where Perumda Lematang Enim Muara Enim Regency is still always at a loss. Problems related to Perumda's performance generally occur in service performance, namely there are still complaints from the community/customers regarding services that have not been maximized. The same thing also happens to Perumda Lematang Enim, Muara Enim Regency, where people have not been able to enjoy clean water services for 24 hours, even there are still areas that do not have a pipeline network so that the service coverage for the Muara Enim Regency area is still not optimal, besides that what causes Perumda Lematang Enim's services to be not optimal is the high level of water loss so that this has an impact on the company's performance. The condition of Perumda's facilities and infrastructure that have passed the technical age so that it cannot be optimally utilized.

The latest development is when the Government finally issued a regulation related to Regionally Owned Enterprises (BUMD), namely Government Regulation (PP) No. 54 of 2017 concerning BUMD, in article 92 concerning Good Corporate Governance, expressly states that



BUMDs must manage companies by implementing the principle of transparency. From the description above, it can be formulated the problem of the impact of the capital participation of the Muara Enim Regency Regional Government on the performance of Perumdam Lematang Enim?

LITERATURE REVIEW

Company Performance

In evaluating the company's performance, one of the sources of information that can be used is information in the Financial Statements. One of the components of the Financial Statements that is often used in evaluating performance is the Profit and Loss Statement. Profit is often used as a measure of performance or as a basis for calculating the profitability ratio. The elements of the income statement related to the company's performance are income and expenses. (Egbunike & Okerekeoti, 2018)

Return On Equity (ROE)

This ratio is used to see how much a company is able to generate profits from the capital owned by the company. This ratio is very important, considering that adequate profits are required to maintain the flow of the company's capital sources. (Kayana et al., 2024)

Operating Ratio

Operating ratio is a ratio that can measure the level of efficiency of a company caused by the amount of operating costs in each sale of its assets. Operating Ratio is used to evaluate the profit margin from operating activities. The operating ratio is calculated from sales divided by total costs. The ratio is also the sum of net income minus the net investment income earned. (Dharmayanti et al., 2024)

Cash Ratio

Liquidity ratio is a ratio used to measure a company's ability to meet short-term financial obligations in the form of short-term debts. The current ratio shows the company's ability to meet its current obligations with its current assets. The current ratio for a normal company is around 2.0. This ratio is the most accurate in measuring a company's ability to meet short-term obligations because it only takes into account the most liquid current asset component. (Wineh, 2021)



Billing Effectiveness

Effectiveness is the relationship between output and goals, the greater the contribution/contribution of output to the achievement of goals, the more effective the organization, program or activity. (Wibowo et al., 2017)

Capital Participation

Capital participation in BUMDs is part of the region's long-term investment, where the cumulative amount is presented in the Balance Sheet on the Asset side. In the budgeting, this capital participation or investment is not recognized as expenditure, but is included as financing expenditure. On the other hand, the results received from investments that have been made are categorized as PAD. (Purba et al., 2024). Regional Government Capital Participation is the Capital Participation of the Regional Government of Muara Enim Regency which is given to the Public Company of the Lematang Enim Drinking Water Region, Muara Enim Regency, through the mechanism of determining the Regional Regulation on Capital Participation. The form of capital participation can be in the form of money, goods and equipment as well as fixed assets. (Nur, 2020)

METHOD

The object of the research is the Public Company of the Lematang Enim Drinking Water Region, Muara Enim Regency. The type and source of data used in this study is quantitative data. The data sources used in the research are in the form of primary data, where primary data is obtained directly from informants and secondary data, where the data is in the form of written data, namely documents including the Company's Financial Statements. The data collection techniques used are observations, interviews, and documentation. The data analysis technique used is quantitative analysis, where the analysis of research that gives an overview and the company's past state is described through the Financial Statements. (Alfian et al., 2024)

The formula for data analysis techniques used based on Perumdam's performance measurement analysis techniques includes:

$$1. \text{Return On Equity} = \frac{\text{laba rugi setelah pajak}}{\text{Jumlah Ekuitas}} \times 100\%$$

$$2. \text{Rasio Operasi} = \frac{\text{Biaya Operasi}}{\text{Pendapatan Operasi}} \times 100\%$$



$$3. \text{ Cash Ratio} = \frac{\text{Kas setara kas}}{\text{Utang Lancar}} \times 100\%$$

$$4. \text{ Efektivitas penagihan} = \frac{\text{Jumlah Penerimaan}}{\text{Jumlah Rekening Air}} \times 100\%$$

5. Capital Participation = the amount of government capital participation in a given year.

DISCUSSION

Large Capital Participation to Perumda Lematang Enim

Lematang Enim Regional Drinking Water Company (PDAM) Muara Enim Regency is a Regionally Owned Enterprise established based on Regulation Number 4 of 1986 on May 9, 1986. The objectives of the establishment of the Lematang Enim Regional Drinking Water Company (PDAM) are:

- Participate in carrying out regional development in particular and national economic development in general
- Realizing and improving the welfare of the people towards a just and prosperous society based on Pancasila.

Perumda Lematang Enim has the main task of organizing drinking water management in order to improve the welfare of the community which includes economic, health, social and public service aspects. In running Perumda Lematang Enim's business, its performance is supervised by the Supervisory Board consisting of elements of the Regional Government and the general public. The following is the company's performance data from 2015 to 2025.

Table 1. Capital Participation Data received by Perumdam Lematang Enim

Year	Capital Participation Value	Total
2020	-	300.079.852.475,00
2021	13.804.734.000	313.884.586.475,00
2022	10.393.434.000	324.278.020.475,00
2023	8.582.617.000	332.860.637.475,00
2024	-	332.860.637.475,00
2025	-	332.860.637.475,00

Source: Financial Statements of PDAM Lematang Enim



In an effort to improve the performance of regional companies, local governments as company owners can provide financial assistance, one of which is through capital participation. Regional Government expenditures recorded as capital participation are included in the Regional Expenditure Budget (APBD) and in the implementation of capital participation in Regional Companies, separate regulations are made that regulate the mechanism of capital participation. Regional Government Capital Participation to Regional Companies can be implemented and budgeted in the APBD if the amount to be included in the relevant fiscal year has been stipulated in the Regional Regulation on Capital Participation.

Regional Government Capital Participation is part of investment in the form of capital provisions, both initial capital participation and additional capital for efforts to improve the company's ability to carry out its operational activities (Muhammad Nur, 2020). The greater the capital participation of the Regional Government given to Regional Companies is expected to improve the company's performance, in 2020 Perumdam Lematang Enim did not receive capital participation funds, then in 2021 again received capital participation assistance of Rp. 13,804,734,000, in 2022 received assistance worth Rp. 10,393,434,000 and in 2023 received assistance worth Rp. 8,582,617,000 then in 2024 and 2025 Perumdam Lematang Enim did not receive capital participation assistance, so that the total capital participation of the Regional Government to Perumdam Lematang Enim from its inception until 2025 is Rp. 332,860,637,475.

Table 2. Financial Performance Data of Perumda Lematang Enim

Year	ROE	Operating Ratio	Cash Ratio	Collection Effectiveness	Capital Injection
2020	-6,59	1,44	0,44	1,18	-
2021	-6,66	1,43	0,90	1,08	13.804.734.000,00
2022	-7,74	1,48	0,28	0,91	10.393.434.000,00
2023	-7,10	1,37	0,03	0,86	8.582.617.000,00
2024	-4,43	1,25	0,11	0,91	-
2025	-6,71	1,36	0,05	0,90	-

Source: data processed, 2026

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Performance analysis of Perumda Lematang Enim Drinking Water

Overall, the results of data processing from Perumdam Lematang Enim's Financial Statements from 2020 to 2025 show that Perumdam Lematang Enim's financial performance is still weak. The Return On Equity value is always negative, the operating ratio value is always above 1, and the cash ratio is falling sharply after 2021. If the ROE is presented in percent, this means that the company recorded a negative return on capital. The operating ratio is always above 1, the ratio improves from 1.48 in 2022 to 1.25 in 2024, then rises to 1.36 in 2025, assuming this ratio is comparing operating costs to revenue, the value shows that operating costs exceed revenue. The cash ratio has been very low since 2022, falling from 0.90 in 2021 to 0.03 in 2023, rising to 0.11 in 2024, and then dropping to 0.05 in 2025. This indicates the ability of cash to cover short-term liabilities needs attention. Billing effectiveness weakened from 1.18 in 2020 to around 0.86–0.91 in 2022–2025. Minor improvements in 2024 do not last in 2025.

The cause of the large operating costs is due to:

1. Very high electricity operational costs are due to the use of many pumps for the transmission and distribution process.
2. The number of pumps that have passed the technical age makes the cost of pump repair even greater.
3. The large maintenance costs are due to many distribution pipes that have passed the technical age.
4. The high rate of water loss means that water consumption by violators is still very low.

If it is related to the amount of capital participation, it can be concluded that the provision of local government capital participation to Perumdam Lematang Enim has an impact on additional income but is accompanied by an increase in operational costs.

The company's performance as seen from the cash ratio from 2020 to 2025 is getting smaller, this is due to the high business debt that must be paid due to very large operational costs. In 2021, the cash ratio is indeed a little large because Perumdam Lematang Enim received assistance from the State Budget for the cheap water installation program, namely the MBR Program

The company's performance when viewed from the effectiveness of billing from 2020 to 2025 is seen to be declining, in 2020 and 2021 it is still high, and decreasing in the following year.

CONCLUSIONS AND SUGGESTIONS

Almost every year, Perumdam Lematang Enim receives Capital Participation fund

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assistance. The impact of the Regional Government's capital participation in Perumdam Lematang Enim has not been seen economically, but in terms of revenue, it has been able to increase the amount of company income.

Based on the results of the above research, the author gives the following suggestions:

1. Local governments in providing capital participation should conduct investment studies and study the company's history so that the use of capital participation can be utilized according to the company's needs in terms of improving company performance.
2. Perumdam Lematang Enim needs to improve its performance that is not good, and be able to make good use of the assistance provided by the Regional Government in the form of Capital Participation, so that the company's performance can improve.
3. For researchers, it is hoped that this research can be a reference in future research related to the same topic.

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