Potentials of Regional Owned Enterprises in West Papua
Development from Liquidity Perspective

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Keywords: Regional Owned Enterprises, West Papua, Liquidity

ABSTRACT
The ability to analyze and optimize local potential can be a source of regional strength in continuing development. One way is to establish a regional company that has a very important and strategic position in supporting the regional autonomy implementation. Regional owned enterprises in Manokwari is a water supply company (PDAM) and Papua Doberai Mandiri (PADOMA). The aim of this research is to identify the potential of regional owned enterprises in Manokwari Regency by examining its liquidity level. The research sample is a water supply company (PDAM) and Papua Doberai Mandiri (PADOMA) in Manokwari Regency. Financial analysis ratio consisting of current ratio, cash ratio and current asset ratio of total assets is used to analyze the research data. The research findings show that average of the liquidity level of Papua Doberai Mandiri (PADOMA) is minimum 0.26 or 26 percent, which is high. Meanwhile, average of the liquidity level of a water supply company (PDAM) is very low which is minimum 0.03 or 3 percent. This indicates that PADOMA have more potential compare to PDAM in the development of West Papua. However, involvement of local government is still needed to evaluate and control the existing regional owned enterprises in order to increase its potential in the development of West Papua

INTRODUCTION

Regional Government and law number 25 year 1999 about Financial Balance between the Central and the Regional Government, each region must be able to optimize the potential of its human and natural resources. The ability to analyze and optimize local potential can be a source of regional strength in continuing development. One way is to establish a regional company that has a very important and strategic position in supporting the regional autonomy implementation. Regional companies are companies established by local governments who mostly or entirely owned the capital such as the Regional Owned Enterprises. According to the law number 5 Year 1962, regional owned enterprises is a regional company that can support the regional autonomy implementation.

West Papua is one of the provinces with abundant natural resources that can become the potential revenue for the region. An establishment of Regional Owned Enterprises will manage the potential of the region. The role of Regional Owned Enterprises needs to be directed and supported by good management in order to provide income for the region in the form of local revenue. Local revenue will contribute to the welfare of the people in the development that continues to grow. To assess the performance of Regional Owned Enterprises an evaluation on its financial liquidity is needed.
Previous studies on the Regional Owned Enterprises performance such as by Handayani (2013) uses financial ratios to evaluate the financial aspect of a water supply company (PDAM) in Surakarta. The result shows that the performance of the water supply company (PDAM) as one of the Regional Owned Enterprises in Surakarta during the period of 2007 to 2011 has not reached the maximum value in terms of financial aspect. Suroso (2007) also done a research to evaluate the Regional Owned Enterprises performance in Purwakarta. There were three Regional Owned Enterprises examined (a water supply company (PDAM), Purba Husada pharmacy and Purbalingga Ventura company). The result shows that all three Regional Owned Enterprises have sufficient performance.

Based on the explanation above the purpose of this study is to identify the potential of regional owned enterprises in Manokwari Regency by examining its liquidity level.

CONCEPTUAL FRAMEWORK

This study evaluates the performance of the Regional Owned Enterprises by using liquidity ratio. The higher the liquidity ratio means the better the financial performance of a company. As for the Regional Owned Enterprises means it able to provide benefits for regional development in the form of local revenue. However, if the level of liquidity is low then it can be assumed that the operational is slow and will not be able to provide benefits for the region. This study identifies the potential of regional owned enterprises in Manokwari Regency by examining its liquidity level by using liquidity ratios. The conceptual framework is presented as follows:

![Conceptual Framework]

METHOD

The research data of this study is financial report of the Regional Owned Enterprises in Manokwari, a water supply company (PDAM) and PT. Papua Doberai Mandiri (PADOMA), from the period of 2010 to 2015. The data is analyzed by using liquidity ratio as summarize in the following table:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Formula</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Ratio</td>
<td>Current Asset / Current Liability</td>
<td>The company’s ability to pay short-term and long-term obligations.</td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>Cash / Current Liability</td>
<td>The amount of cash and short term equivalents a company has over current liabilities. It helps to determine whether the company has potential short-term liquidity issues.</td>
</tr>
<tr>
<td>Current Asset to Total Asset Ratio</td>
<td>Current Asset / Total Asset</td>
<td>To observe how much portion of total assets is occupied by the current assets, as current assets are essentially involved in forming working capital.</td>
</tr>
</tbody>
</table>

Resource: Assauri, 2008

The indicator used is the greater the value of the ratio means the greater the ability of the company to be able to pay its liabilities. The value of the ratio is 1 or 100%.

RESULTS AND DISCUSSIONS

The analysis of collected financial data of a water supply company (PDAM) and PADOMA during 2010 to 2015 is presented below:

1. Regional Water Supply Company (PDAM)
Audited financial data of PDAM during 2010 to 2015 has shown that the amount of fixed assets of PDAM over the years has decreased while the amount of current assets fluctuate. However, the company’s equity since 2010 experienced losses. The financial data of Water Supply Company can be seen in Table 2. Meanwhile, the proportion of Balance Sheet can be seen in the Table 3.

### TABLE II
FINANCIAL DATA OF WATER SUPPLY COMPANY MANOKWARI REGENCY

<table>
<thead>
<tr>
<th></th>
<th>BALANCE SHEET</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>1.568</td>
<td>2.681</td>
<td>2.942</td>
<td>3.130</td>
<td>4.483</td>
<td>3.867</td>
<td></td>
</tr>
<tr>
<td>Other Assets</td>
<td>1.483</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>(2.889)</td>
<td>(4.680)</td>
<td>(6.115)</td>
<td>(5.242)</td>
<td>(5.711)</td>
<td>(10.358)</td>
<td></td>
</tr>
</tbody>
</table>


### TABLE III
PROPORTION OF BALANCE SHEET OF WATER SUPPLY COMPANY MANOKWARI REGENCY

<table>
<thead>
<tr>
<th></th>
<th>BALANCE SHEET</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Current Asset</td>
<td>7.89</td>
<td>15.29</td>
<td>18.27</td>
<td>21.12</td>
<td>30.03</td>
<td>28.84</td>
<td></td>
</tr>
<tr>
<td>Fixed Asset</td>
<td>85</td>
<td>85</td>
<td>82</td>
<td>79</td>
<td>70</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Other Asset</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LIABILITY</td>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Liability</td>
<td>115</td>
<td>127</td>
<td>138</td>
<td>135</td>
<td>138</td>
<td>177</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>(15)</td>
<td>(27)</td>
<td>(38)</td>
<td>(35)</td>
<td>(38)</td>
<td>(77)</td>
<td></td>
</tr>
</tbody>
</table>

Resource: Processed Data 2017

Collected financial data also shown in the form of financial liquidity ratios that consist of current ratio, cash ratio and current assets to total assets ratio. The liquidity ratio of PDAM during 2010 to 2015 can be seen in Figure 2 below:

![Fig. 2 Liquidity Ratio of PDAM](image)

There are three liquidity ratios being shown in figure 2. For current ratio, it can be seen that the highest value of current ratio is in the period of 2014, that is 0.22 or 22%. This means PDAM only have 22% ability to pay its liabilities with its current assets, while the remaining 78% is needs to be funded from other sources. However, the average value of current ratio throughout the examined years is 0.15 or 15% per year. As for the value of cash ratio is 0.04 or 4% at the highest with the average value of 0.03 or 3%. This means the ability of PDAM in paying its liabilities with its cash is very low. Further, the ratio of current asset to total asset has better values compare to other liquidity ratios, since it shows the value of 0.30 or 30% at the highest with the average value of 0.20 or 20%. This means 20% is the portion of total assets is occupied by the current assets.

Overall, the liquidity level of PDAM is low since it ranges only from 0.03 to 0.30 at the highest. PDAM is been having financial difficulties in paying its liabilities due to lack of income. This is because it has outstanding water payments problems over the years. The amount of average income in the form of cash received during six years is Rp. 660.859.580 or Rp. 9.178.605 per month, which is not large enough to
cover its routine equipment maintenance cost that tend to be high, such as water pipes maintenance and any other operational equipment cost maintenance.

This however affects the potential of PDAM to give contribution to the economic development in Manokwari Regency in the form of local revenue. As a water supply company, PDAM expected to be able to give high contribution to the economic development since it provides the main need of every human being. Therefore, PDAM needs to increase its liquidity by minimizing the outstanding water payment that’s been a problem over the years.

2. PT. Papua Doberai Mandiri (PADOMA)

Audited financial data of PADOMA during 2010 to 2015 has shown that the amount of fixed assets of PADOMA increases over the years while the amount of current assets decreases. Furthermore, the company's equity also decreases. The financial data of PADOMA can bee seen in Table 4. Meanwhile, the proportion of Balance Sheet can be seen in the Table 5.

| TABLE IV  | FINANCIAL DATA OF PT. PAPUA DOBERAI MANDIRI MANOKWARI REGENCY |
| ASSETS    | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  |
| Current Assets | 49.443 | 46.914 | 45.124 | 41.655 | 39.274 | 44.233 |
| Fixed Assets   | 412   | 1.368 | 25.849 | 24.222 | 27.542 | 32.530 |
| Other Assets   | -     | -    | -     | -     | -     | -     |
| LIABILITY      | 49.443 | 46.914 | 45.124 | 41.655 | 39.274 | 44.233 |
| Liability      | 25.313 | 25.099 | 25.339 | 29.021 | 30.449 | 35.301 |


| TABLE V  | PROPORTION OF BALANCE SHEET OF PT. PAPUA DOBERAI MANDIRI MANOKWARI REGENCY |
| ASSETS    | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Current Asset | 99   | 97   | 43   | 42   | 30   | 26   |
| Fixed Asset   | 1    | 3    | 57   | 58   | 70   | 74   |
| Other Asset   | -    | -    | -    | -    | -    | -    |
| LIABILITY     | 100  | 100  | 100  | 100  | 100  | 100  |
| Liability     | 51   | 54   | 56   | 70   | 78   | 80   |
| Equity        | 49   | 46   | 44   | 30   | 22   | 20   |

Resource: Processed Data 2017

It is shown in Table 5 that the numbers of current asset allocation in the first two years were large compare to fixed assets. Then in the following years of 2012 to 2015 the number of fixed assets allocation were larger compare to current assets. This is due to large amount of unusable fund in the first two years. However, collected financial data also shown in the form of financial liquidity ratios that can bee seen in Figure 3.
It is shown in figure 3 above that the current ratio of PADOMA is quite high particularly in the period of 2010 and 2011. The value of current ratio of PADOME reach up to 156.77 or 15677% in 2010 and 460.52 or 46052% in 2011. This means PADOMA's ability to pay its liabilities is very high. Similar with the value of cash ratio that reach up to 104.07 or 10407% in 2010 and 141.72 or 141% in 2015. This means the amount of cash of PADOMA has over current liabilities is very high. However, the value of both ratio then decreases in the following year of 2012. As for the ratio of current assets to total assets is 0.99 or 99% at the highest in 2010 and 0.97 or 97% in 2011. This means about 97% to 99% of the portion of total assets of PADOMA in the first two years is occupied by the current assets. However, the value of the ratio decreases in the following year, which means the the portion of total assets occupied by the current assets also decreases. This shows that the company is able to balance the allocation of assets through out the following year.

Overall, the liquidity level of PADOMA throughout the examined years is good since the value of the liquidity ratio range between 0.26 to 460.52. This means PADOMA is able to pay its short or long term liabilities. The value of liquidity ratios were high at the first two years were due to a large amount of unused fund or cash as current assets compare to the amount of the company's short term liabilities. Thus, PADOMA have potential to contribute in the economic development of Manokwari Regency in the form of local revenue. However, in 2012 to 2015 PADOMA started to allocate its fund in fixed assets by buying an airplane to be used as public transportation and distribution service. Therefore the liquidity ratio of PADOMA from the start of 2012 to 2015 decreases. Moreover, the company's assets has not been used productively, therefore it affects PADOMA contribution to the economic development of Manokwari Regency. The company needs to find a better and a faster way to do business in order to generate profit.

CONCLUSION AND SUGGESTION

Based on the result and discussion of this study, it is concluded that from the liquidity perspective, PDAM as a water supply company has lower potential in giving contribution to the economic development of Manokwari Regency compare to PADOMA. This is due to the value of the liquidity ratio of PDAM that is smaller than the value of the liquidity ratio of PADOMA, which ranges only from 0.03 to 0.30 at the highest. This means PDAM only able to cover or pay its liabilities in the maximum of 0.30 or 30%. Thus, the amount of income is not large enough to cover its routine equipment maintenance cost. Meanwhile, PDOMA has the value of liquidity ratio that ranges between 0.26 to 460.52. This means PADOMA is able to pay its short or long term liabilities at the minimum of 0.26 or 26% percent. However, PADOMA has not been able to use the company assets productively. Therefore, it affects PADOMA contribution to the economic development of Manokwari Regency.

Further, PDAM needs to reduce its outstanding water payments in order to increase its liquidity performance. Meanwhile, PADOMA needs to productively use its assets to generate profit. Moreover, the role of local government is also needed to evaluate and control the existing regional owned enterprises in Manokwari in order to increase its potential in the development of West Papua.

ACKNOWLEDGMENTS
We would like to thank to Mr. Ihwan Tjolli, Mrs. Trees Paitisina and special thank to Mrs. Ellen Yolanda Pelamonia, the regional secretariat of the economic. Who give the opportunity to do data collection. Not forgetting to all parties who become object of the research.

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