PT. PINDAD in Supporting The Defense Economy in East Java Indonesia

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Abstract

Defense is important for a country, especially Indonesia, which is the largest archipelago in the world, namely the number of islands reaching 17,500 islands with a population of 274 million people. Indonesia also has a diverse natural wealth and is in a fairly strategic location because it is an international trade crossing. This then makes Indonesia vulnerable to threats both from within and outside the country that can threaten sovereignty, territorial integrity and the safety of the Indonesia nation. In maintaining the sovereignty and integrity of its territory, Indonesia prepared a TNI armed by Alutsista. Defense Industry is an industry that produces Alutsista. The Defense Industry is not only built to meet the needs of tni equipment, but is expected to have an influence on the national economy in general and the region in particular. This study uses descriptive research. The results of the study proved that PT Pindad (Persero) Turen has a share in the national economy in general and East Java Province in particular. This can be proven from the amount of the company's net profit and taxes deposited by PT Pindad (Persero) every time there is a transaction or routine every month to the state treasury. Contributions to East Java Province can also be seen from the large number of workers absorbed by the company and the multiplier effect it causes such as the absorption of labor through the company's business partners. The welfare of the population of East Java Province every year also increases and is almost at the national average. The amount of UMK to per capita expenditure is also relatively able to meet the food and non-food needs of residents of East Java Province. PT Pindad (Persero) is currently also working on many projects both from within and outside the country and has strategic steps to develop its business, so it is not impossible that PT Pindad (Persero) can contribute more to the region and nationally in the economic field.

Keywords: State Defense, Defense Industry, East Java Economy.

1. Introduction

Every Indonesian citizen must maintain the sovereignty and territorial integrity of the Unitary State of the Republic of Indonesia and protect the safety of all Indonesians from all threats, both from within the country and abroad without exception. This is stated in the Law of the Republic of Indonesia Number 3 of 2002 concerning State Defense. Indonesia is the world's largest country, as it has nearly 17,499 islands with 13,466 islands frozen by the United Nations and 4,033 islands are still in the process of validation and verification. Indonesia's area reaches 7.81 million km2 which includes land and oceans with abundant and diverse natural resource potential on each island (Prakoso et al, 2022).
2021). In addition, Indonesia is also in a strategic position, which is located between two oceans and two continents that allow it to be a very crowded crossroads of world traffic, both sea and air traffic. Indonesia is also at the point of crossing world economic activities, namely trade between industrialized countries and developing countries, such as China, Korea, Japan with countries in Asia, Africa and Europe. Wealth and strategic position becomes an advantage and challenge for Indonesia, namely the advantage of having more capital to build a developed country and the challenge of having to defend the country from all threats that interfere with sovereignty and the integrity of the territory of Indonesia. (Dipua et al, 2020)

Like the Sipadan and Ligitan islands that are claimed and officially became part of Malaysia and East Timor which was previously part of the province of Indonesia, which has now seceded and become a sovereign state under the name of the Democratic Republic of Timor Leste. This is the basis of the importance of State Defense for a country. As with the concept of the defense economy, which is to stimulate the economic growth of the state in order to achieve the welfare of the nation, it is necessary that the state and conditions are safe or in the sense that the state economy will continue to grow if the security and comfort of the nation which is the driving force of the economy is guaranteed.

In terms of upholding state sovereignty, maintaining territorial integrity and protecting the entire nation and all Indonesian blood spills from all threats and disturbances originating from inside and outside Indonesia, Indonesia formed the Indonesian National Army (TNI) and divided into three dimensions, namely land, sea and air. As for its operation, the TNI is facilitated by the Main Equipment of Weapons Systems such as weapons (pistols, rifles, artillery, grenade launchers, mortars, revolvers), combat vehicles (panser, tanks), tactical vehicles, munitions, communication devices, electronic warfare devices, aiming devices, aircraft, ships and so on. Procurement of equipment can be obtained from other countries through purchase, from within the country by means of self-production or cooperation from both through coproduction. The Defense Industry is a national industrial order that has the potential to be developed and produce products in the form of weapons systems, equipment, equipment and the availability of goods for the defense interests of a country.

The Defense Industry in Indonesia was originally only processed by State Milki Business Entities (SOEs), but now after the 2021 Job Creation Law, PrivateLy Owned Enterprises are welcome to contribute in building the country's defense strength. One of the state-owned enterprises engaged in the defense industry is PT. Pindad (Persero). PT. Pindad (Persero) has two business locations, namely in Bandung- West Java by producing weapons, special function vehicles and industrial products and the location of both is in Turen-Malang which produces munitions products and explosives. Based on the direction of the President of the Republic of Indonesia, the development of the Indonesian defense industry is not only to support independence in the defense sector, but becomes a national economic recovery strategy through the jobs it opens. As stated by Dr. Hery Mochtady, B.Eng., M.Eng as Vice President (VP) of Performance Planning of PT. Pindad (Persero) in the Post-Graduate Domestic Work Lecture of the Republic of Indonesia Defense University informed that there were about 300 people employed for weapons production and had a multiplier effect to company partners as many as 300 companies and ammunition lines were able to create 17 new affiliated companies. East Java is one of the provinces in Indonesia that is the second largest contributor to Gross Regional Domestic Product both on the island of Java and Nationally, namely after the province of DKI Jakarta which is the capital of the Republic of Indonesia and the center of national economic and political activities.

Based on the Central Statistics Agency, the PDRB of East Java Province contributes 14.48% to the National GDP or worth Rp 2,454.50 trillion, while the Jakarta Provincial GDP contributes 17.19% or Rp2,914.58% to the National GDP. So that East Java province becomes one of the alternative locations to develop the defense industry amid the condition of DKI Jakarta province which is already densely populated. Based on the background that has been discussed before, this paper will further analyze how the role of the defense industry to the economy in East Java, with a case study.
on PT. Pindad (Persero) Turen, Malang. So from the results of the analysis we will know (1) What are the roles of the Defense Industry (2) How PT. Pindad (Persero) contributes to the economy of the National and East Java Province, and (3) How the prospects of PT. Pindad Turen-Malang in the future in advancing the national economy and East Java Province.

2. Methods

This study is descriptive research. Descriptive research includes collecting data to test hypotheses or answer questions regarding the last status of the research subject (Lubis, 2019). In an effort to find the truth, researchers use quantitative and qualitative data and spiked with statements derived from literature studies. The quantitative data used is secondary data obtained from the annual publication report issued by the Central Statistics Agency on statistics on the welfare of the population and economic sectors in East Java. Qualitative data was obtained from the direct statements of speakers during the Domestic Work Lecture of the Faculty of Defense Management UNHAN RI in 2022 which took East Java Province as a discussion locus. As well as literature studies obtained from sharing books, references and similar previous research results, which are useful to get a theoretical foundation on the problem to be studied (Sarwono, 2006)

3. Results and Discussion

Economic Growth Theory

The theory of economic growth has been widely researched by economists for a long time. This theory is often associated with factors that can determine the increase in per capita output in the long term and explains how these factors interact with each other, resulting in a growth process. This theory is also often used as an indicator of development success in one region. The theories that have been researched and developed by experts are as follows:

1. Kaldorian Industrial Growth Theory

This theory considers that the manufacturing industry sector is an engine of growth for a region in increasing the growth of other sectors while increasing economic growth (Sholihah., etc., 2017) Starting from the theory researchers have a hypothesis that PT. Pindad (Persero) Turen is a manufacturing industry that has an influence on East Java Province as an operational and national region globally and opens opportunities for other sectors to partner business.

2. Economic Growth Theory

Neokeynes The most influential figure in the Neokeynes school is Roy. F Harrod and Evsey D. Domar. They both argue about the influence of investment on aggregate demand and production capacity growth. They assume that this investment will then be able to increase economic growth. Neokeynes theory is of the view that investment is a very major component in the process of determining the success of economic growth. Starting from this theory, researchers have a hypothesis that the government which is the owner of 100% capital of PT Pindad (Persero) has a large share in advancing PT Pindad (Persero), because it is no secret that the capital or the amount of budget owned by a relatively small company can make the business become stuck and difficult to develop and on the contrary large capital can certainly make the company dare to take the existing business opportunities to develop its corporate wings.
The Role of PT Pindad (Persero) Turen in Building and Driving the National Economic Mode and the People of East Java

The economy in East Java is fairly developed, because the PDRB of East Java Province contributes 14.48% to the National GDP or equivalent to Rp 2,454.50 trillion in the 2021 period, which is above West Java Province which contributes 13.03% and is below Jakarta Province which is the capital of the country and the center of the national economy which is 17.19% of national GDP. The economic structure in East Java is 30.74 from the processing industry sector, 18.46% of the trade sector, 11.44% of the agricultural sector and 39.36% of the other 14 sectors. This indicates that the industrial sector has an important role in the economy in East Java.

In addition, the Human Development Index (HDI) of East Java Province continues to increase and is almost at the national average hdi, namely in 2021 the HDI of East Java Province is at 72.14% and the national is at 72.29%. The Minimum Wage of Employees in Regencies / Cities in East Java is also at Rp1.9 - 4.3 million with per capita expenditure based on Susenas March 2021 recorded an average expenditure for eating 50.12% or worth Rp557,791 and non-food expenditure of 49.88% or worth Rp 555,211. so that when viewed from the income that comes in and its expenditures, the people of East Java are still fulfilled both basic and non-basic needs. The presence of PT Pindad (Persero) as one of the defense industries in East Java can be said to have a direct and indirect impact in building and driving the economic mode in East Java.

This is because according to Law No. 19 of 2003 concerning State-Owned Enterprises, profits from companies owned by the state will be deposited into the State Treasury as Non-Tax State Revenue (PNBP) which will then be realized into the State Budget & Regional Development Budget that has been passed by the House of Representatives regarding the nominal. So it can be said that the profit from state-owned enterprises such as PT Pindad (Persero) Turen, does not directly impact the development of the East Java area, but the profit is processed first in the center along with other state revenues, then it can then be enjoyed when Regional Development Budget and it have been legalized a PT. Pindad (Persero) annually contributes to the country and the region through Income Tax, Value Added Tax (VAT), Customs Value & Excise Value and Regional Tax paid. PT Pindad (Persero) has a workforce of 2,578 people in 2020 with a composition of 2,348 men and 240 women with an age range ratio of 20-45 years as much as 46.05%, ages 45-50 years as much as 18.19%, 50-55 years as much as 30.37% and over 55 years as much as 5.39% of the total workforce of PT. Pindad (Persero). As for the level of education from the workforce, the majority of the last education was junior high school-high school with a ratio of 67.77%, followed by S1 with a ratio of 20.21% and 10.05% educated D1-D3 Diploma with few who were educated late S2 & S3.

Meanwhile, when viewed from the location of the workforce, there are 1,879 employed at PT Pindad (Persero) Bandung branch, 8 Jakarta branches and 691 Turen branches. PT. Pindad (Persero) has four (4) divisions operating in Bandung, West Java, namely (1) the weapons division (producing long-barreled weapons, handheld weapons, heavy weapons, Surface and Heat Treatment parts and services), (2) the special vehicle division (producing personnel transport vehicles, pansers and other special vehicles), (3) the heavy equipment division (producing products supporting the construction, mining, shipping, electricity and agriculture), (4) transportation infrastructure division (producing forged and cast goods products, rail fastening, water brake production and railway facilities). Furthermore, two (2) divisions operating in Turen, Malang- East Java are (1) the munitions division (producing small caliber munitions, large caliber munitions and special munitions) and (2) the commercial explosives division (producing explosives).

If you look at the annual report published by PT Pindad (Persero) every year, the gross profit of the munitions division is under the special vehicle division whose notes are actually priced at a fairly large price. In addition, the munitions division also strives for each other to achieve optimal profits along with the weapons division. Munisi's revenue every year has also increased and only
decreased due to the impact of the Covid-19 pandemic which made production activities constrained. Likewise, the explosives/commercial division also saw an increase and contributed to the company's revenue. So that it can be concluded that the existence of the munitions division and explosives/commercials takes a considerable share for the income and taxes that will be paid. In addition, PT. Pindad (Persero) also has a multiplier effect, namely the absorption of labor through business partners who cooperate with PT Pindad (Persero). As for the business partners of PT Pindad (Persero) such as PT. Wijaya Karya Beton Tbk, PT. Fire Ship Industry (Persero), PT. Perkebunan Nusantara (Persero), PT Adhi Karya (Persero) and many others.

Prospects of PT Pindad (Persero) Turen to Improve the National and East Java Economy

PT. Pindad (Persero) is one of Indonesia's strategic industries. Strategic industry is a processing industry that processes output from basic industries such as raw material processing industry and semi-finished product processing industry in order to have added value. Strategic industries are usually in the form of a collection of State-Owned Enterprises (SOEs) selected by the state to focus on their development. Based on Law No. 3 of 2014 on Industry, it is stated that the Startegis Industry is an important industry for the country, able to meet the needs of many people, can produce added value for strategic natural resources and has a relationship with the interests of the state in maintaining and securing the country. So it can be said that the prospects of PT Pindad (Persero) in the future will continue to advance with the support of the Government or the state as a fully stock owner. Based on the annual report of PT Pindad (Persero) in 2020, for 2021 PT Pindad (Persero) is trusted to continue its production to meet the Tni Minimum Essenciel Force (MEF), one of which is a contract from the ministry of defense, namely the demand for supply of 4 billion munitions for 5 years (2020-2024), which in 2021 is planned by PT Pindad (Persero) to be able to fulfill the order of 1 billion munitions in addition, PT Pindad (Persero) also has a mega project, namely the procurement of maung's latest Rantis for the Ministry of Defense as many as 500 units to be completed in 2020-2024. So it hints that until 2024 PT Pindad will be busy working on orders from the Ministry of Defense.

In addition to meeting domestic needs, PT. Pindad is also wide open in taking export opportunities, one of which is the receipt of order letters from Thailand to meet the need for 9 mm & 5.56 mm caliber munitions as many as 10,000 grains and hand grenades as many as 5,000 items. Bangladesh, the Philippines and even the United States also have an interest in PT products. Pindad (Persero). So through this, PT Pindad (Persero) is optimistic that it can advance and start preparing strategeto get optimal results.

Dr. Hery Mochtady as Vice President of Corporate Performance Planning PT. Pindad (Persero) in the KKDN activities of the Faculty of FMP UNHAN RI said that PT Pindad (Persero) has prepared strategic steps for the growth of the Defense and security product business, namely (1) developing the capacity to support mega-projects of defense modernization (1 billion munitions per year, medium tanks etc.) and improving the go-to market strategy with a solution-based approach (2) Increasing the export market of munitions, weapons and combat vehicles through strategic alliances, marketing cooperation with the Ministry of Foreign Affairs / Indonesian Embassy, G2G collaboration and SOE synergy (3) Developing adjacent products (cognate) such as missiles, rockets, weapons & large caliber munitions, special vehicles through localization and partnership with international companies, (4) Developing C5ISR and Cyber Defense to strengthen Hankam's product portfolio, and (5) Strategic alliances, join ventures and acquisitions to access new products / technology / capabilities / development for import substitute and the integration of upstream industries in the framework of independence of Defense Industry and increase export competitiveness.

The strategic step was formulated to achieve PT. Pindad (Persero) taget in 2024, namely (1) Become a Top 100 global defense company, (2) Increase in gross margin, (3) Increase in export sales,
and (4) Launch of new products Conclusion PT Pindad (Persero) is a strategic industry owned by the country to meet the needs of the country and the needs of many people. Its presence not only affects the national, but the area where the location of PT Pindad (Persero) operates also has a good impact because of its presence. As for the results of research on the "Role of the Defense Industry on the Economy in East Java" by making PT. Pindad (Persero) Turen as a case study, proves that PT Pindad (Persero) Turen has a direct and indirect impact on the economy in East Java Province.

As for indirectly because PT Pindad (Persero) as a state-owned operating profit will be deposited into the State Treasury as Non-Tax State Revenue (PNPB) and VAT, Income Tax & Customs Value will be received as State Revenue derived from taxes, which will then be processed along with other state revenues and lead to its realization into the form of APBN & APBD and after that it can only be utilized by national and regional to build east Java Provisions. PT Pindad (Persero) Turen also has an impact on the national economy and East Java Province directly through (1) the regional taxes it pays, (2) the business fields it builds, and (3) business opportunities it opens for other businesses. This is also at the same time answering the kaldorian industrial growth theory which assumes that the manufacturing industry sector is an engine of growth for a region. The results of the next analysis are proving that the welfare of East Java Province every year increases and in 2021 it is already at the average National HDI of 72.14%. The Minimum Wage of Employees (UMK) for per capita expenditure of East Java Province is also relatively able to meet the needs of the community both the cost of eating and non-food, namely the lowest UMK is in Sampang Regency with a nominal amount of Rp1,913,322 / month with an average expenditure for eating bekisar Rp557,791 per capita / month and non-food Rp555,211 capita / month.

In addition, the contribution of the East Java Provincial PDRB is also in the second position after dki Jakarta Province which is the center of national economy and politics, especially the East Java PDRB dominated by the processing industry as much as 30.74% which makes this analysis strong that PT. Pindad (Persero) Turen has an influence on national development in general and the people of East Java Province in particular. PT Pindad (Persero) also has promising prospects in the future, especially its business is driven directly by the Government as a fully stock owner (Neokeynes Growth Theory). PT Pindad (Persero) is currently also working on contracts both domestically and abroad such as from the Ministry of Defense which requests the supply of munitions as many as 1,000 billion munitions per year and 500 units of rantis maung to be completed in 2020-2024 and the Country of Thailand which ordered a 9 mm & 5.56 mm caliber munition of 10,000 items and hand grenades as many as 5,000 items. In addition, PT Pindad (Persero) is also offering its products to Bangladesh and the Philippines and is taking care of export licensing to the United States to spread its wings in the international arena.

Dr. Hery Mochtady as Vice President of Corporate Performance Planning pt. Pindad (Persero) has also conveyed its strategic steps to advance PT Pindad (Persero) namely (1) develop the capacity to support mega domestic defense equipment modernization projects (1 billion munitions per year, medium tank etc.) and improve the go-to market strategy with a solution-based approach, (2) Improve the export market of munitions, weapons and combat vehicles through strategic alliances, marketing cooperation with the Ministry of Foreign Affairs / Indonesian Embassy, G2G collaboration and SOE synergy (3) Developing adjacent products (cognate) such as missiles, rockets, weapons & large caliber munitions, special vehicles (Ransus) through localization and partnership with international companies, (4) Developing C5ISR and Cyber Defense to strengthen Hankam's product portfolio, and (5) Strategy alliances, join ventures and acquisitions to access new products / technologies / capabilities / development for import substitute and upstream industry integration in order to strengthen Hankam's product portfolio, and (5) Strategy alliances, join ventures and acquisitions to access new products / technologies / capabilities / development for import substitute and upstream industry integration in order to strengthen hankam product portfolio, and (5) Strategy alliances, join ventures and acquisitions to access new products / technologies / capabilities / development for import
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