

ABSTRACT

The purpose of this study was to examine the effect of government ownership, independent commissioner, leverage, and firm size on profitability and efficiency of State-Owned Enterprises (SOEs). This study was also conducted to examine the difference of the effect of independent variables on profitability and efficiency of SOEs before and after privatization.

The population in this study are SOEs in Indonesia that privatized through capital market from 2002 to 2012. The research sample in this study was using purposive sampling. The analysis technique utilized was multiple regression analysis with a level of significance of 5%. Before doing multiple regression, we did the classic assumption test, including normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Chow Test has used to examine the difference of the effect of independent variables on profitability and efficiency of SOEs before and after privatization.

This research observation period are 3-5 years before and after privatization. During the examination period, there were no irregularities discovered in classical assumptions. Hypothesis test showed that before privatization, leverage has negative effect on profitability, firm size has positive effect on profitability and efficiency, and government ownership has negative effect on efficiency. After privatization, independent commissioner has positive effect on profitability and efficiency, and leverage has positive effect on efficiency. The result of Chow Test showed that there was no difference on the effect of independent variable on profitability before and after privatization, but there was a difference on the effect of independent variable on efficiency before and after privatization.

Keywords: Government ownership, independent commissioner, leverage, firm size, profitability, efficiency, SOE privatization.