ABSTRACT

This study examines the effect of government and foreign ownership on the performance of infrastructure sector companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024, with political connections as a moderating variable. The study is motivated by a performance paradox among state-linked construction firms, where companies with dominant government ownership, such as PT Waskita Karya (Persero) Tbk. and PT Wijaya Karya (Persero) Tbk., experienced severe financial distress, in contrast to other state-owned infrastructure firms that continued to record positive performance. The sample was selected using purposive sampling from a population of 70 infrastructure firms, yielding 45 firms that met the sampling criteria. Data were analyzed using panel data regression with a Random Effect Model (Panel EGLS, Swamy-Arora estimator), resulting in 210 firm-year observations from 43 companies after missing-value treatment on the debt-to-equity ratio (DER).

The results show that none of the four hypotheses were statistically supported under the main linear specification: government and foreign ownership had no significant effect on return on assets (ROA), and political connections did not significantly moderate either relationship. Behind these results, this study uncovers a substantive finding that constitutes its main contribution: a robustness test using a nonlinear specification reveals that foreign ownership does significantly affect performance in an inverted-U relationship, enhancing performance up to a turning point of approximately 44.35% ownership before the effect reverses, a pattern undetected under standard linear specification and consistent with turning points reported in prior studies in Vietnam (43%) and the Indonesian manufacturing sector (49.83%). An additional test splitting the sample by state-ownership status found results consistent with the main model in the non-state-owned subsample, while the state-owned subsample revealed a significant political connection effect, albeit with the caveat of a very small number of cross-sectional units, warranting an exploratory interpretation.

This study contributes to the literature by demonstrating that the ownership-performance relationship is contingent and not always linear, and that agency conflicts arising from political connections are not exclusive to government ownership but may also emerge in interaction with foreign ownership. The practical implications are relevant for the Ministry of State-Owned Enterprises, investors, and capital market regulators in evaluating the role of political connections in corporate governance.

Keywords: *government ownership, foreign ownership, political connections, nonlinear relationship, firm performance, panel data, state-owned enterprises*