Proceeding Book of ***The 6th ICMEM 2021****, 11-13 August 2021, Bandung, Indonesia*
ISBN*: 978-623-92201-2-9*

State-Owned Enterprises and Cost of Debt: Evidence from Indonesia

Diva Milano* and Deddy Priatmodjo Koesrindartoto

School of Business and Management, Institut Teknologi Bandung, Indonesia

Email: diva_milano@sbm-itb.ac.id

Abstract - **State-Owned Enterprises or SOEs is a significant economic player. In Indonesia, SOEs as the representation of government dominates the strategic business sectors and directly contribute to GDP and employment, but the performance of SOEs in Indonesia is still associated with improper management such as poor and inefficient governance. In recent years, efficiency and restructuring of SOEs have continued to be carried out but currently, several SOEs are struggling to avoid the threat of bankruptcy due to the uncontrollable debt. Unfortunately, there isn't much paper that discusses the SOEs and capital structure-related topics, especially debt financing. Thus, this research aims to fill the gap and investigate the influence of state ownership on the cost of debt in Indonesia. The sample from this research is all bonds issued from non-financial public companies that are listed on Indonesia Stock Exchange in 2017-2019. The result indicates that the SOEs in Indonesia will receive a lower cost of debt compared to the non-SOEs. Moreover, this study also reveals some factors that could influence the cost of debt in Indonesia. Through the result from this study, this research could present new insight into corporate finance topics regarding capital structure decisions of SOEs in Indonesia.**

Keywords – **state-owned enterprises, cost of debt**

I. INTRODUCTION

State-Owned Enterprises or SOEs is a significant economic player. Globally, approximately SOEs account for 20 percent of the investment, 5 percent of employment, and even up to 40 percent of output in some countries (World Bank, 2014). In China, India, Russia, and Indonesia, SOEs either full ownership or privatized, remain influential and important in the country's economy (Abubakar, 2016). Specifically in Indonesia, SOEs in Indonesia are engaged in almost all sectors of the economy of Indonesia, and in several economic sectors, state enterprises are companies that hold a dominant position. Prior to 2019, the number of State-Owned Enterprises in Indonesia is 142 until some consolidation in the process of downsizing to increase efficiency by the Ministry of State-Owned Enterprises (*Kementerian BUMN*) and 20 of them has listed in Indonesia Stock Exchange or partially privatized.

In some literature, SOEs are commonly associated with inefficiency and poor financial performance (Maxim et al., 1996; World Bank, 2014). It's also happened in Indonesia where SOEs in Indonesia has a long history of inefficiency, poor governance, and corruption (Rakhman, 2018). Many SOEs were used as cash cows by certain political interests. In 2017, the performance of SOEs continues to be in the spotlight due to 24 SOEs experienced losses, and end up with Indonesia lost up to IDR 5.8 trillion (Surifah et al., 2020).

(Wong & Hooy, 2018) in their research state that state-owned enterprise is one of four types of political connection as the government has a direct controlling stake in the SOEs which is proven from the statement of coordinating Minister on Economy of Indonesia that it is a kind of tradition in Indonesia if the position of the board of directors or commissioners at state-owned enterprises (SOEs) is commonly filled by politicians or former of politicians (Sukmana, 2015)

However, becoming SOEs bring up some benefit for the company. (Borisova et al., 2015) found out that the involvement of government in company ownership can carry an implicit guarantee on the debt of the firm given that there is a lower possibility that a firm with state ownership would be allowed to fail. Then, (Siswanto & Hutajulu, 2019) argued that it is quite reasonable for SOEs to receive special treatment given that the SOEs have a mission to provide public services or services of general public interest. Hence, it is also reasonable the bondholders will expect that the government will directly support the company given that the SOEs commonly has a strategic importance to the country so it is nearly impossible that the government will allow the company to go bankrupt (Megginson, 2011). In the case of China, the SOEs will have easier access to cheaper and less restrictive banks loans and offer their employees a higher level of employment security (Stan et al., 2014). Unfortunately, this situation is also bringing up risks, such as lower motivation among employees (Girma et al., 2009).

Like other companies, SOEs as corporate demand money-related decisions or financial decisions such as capital structure decisions, investment decisions, and dividend policy decisions. In the context of capital structure, the Indonesian constitution (*Undang-undang no. 19 tahun 2003*) states that the ownership of SOEs requires at least 51% of equity owned by the government of the Republic of Indonesia. Besides the equity allocation from the state, there are several options of financing that an SOE can select, which represent by equity and debt. The literature on firm financing decisions focuses either on the choice between equity and debt which is primarily addressed in the capital structure literature (Orlova et al., 2020). For SOEs, the main source of its financing is from the state through direct participation from separated state assets. After the privatization, the government could sell off a part of their ownership through privatization therefore they can earn cash from the public. Moreover, (Astami et al., 2010) found out that SOEs entirely owned

ISBN*: 978-623-92201-2-9*

by the government demonstrate lower performance levels when compared to SOEs that are privatized and partly owned by the public.

Besides privatization, SOEs also can earn cash through debt financing. In the United States, debt is the primary means for raising long-term capital (Bhojraj & Sengupta, 2003). In the last two decades, the corporate bond markets in Asia have expanded rapidly. In the last two decades, the corporate bond markets in Asia have grown rapidly. In fact, the number of corporate bonds issued in the region has grown up to fourfold since the global financial crisis in 2008. In addition, the market capitalization of the corporate bond market has increased from almost 17% of the region's GDP in 2008 to more than 24% in 2012 (Kowalewski & Pisany, 2019) while in Indonesia, corporate-bond and sukuk activities have accelerated significantly since the beginning of 2003 and have maintained momentum since then. As an alternative to receiving financing, the issuance of bonds does not require the transfer of ownership to the private sector.

In the prior studies, (Borisova et al., 2015) state that the influence of government ownership on the cost of debt is especially complex yet to our knowledge, the study regarding the relationship between SOEs and cost of debt is still in insignificant amount, similar to the statement from (Shailer & Wang, 2015) that the implications of controlling government ownership of corporations for their cost of debt appear ambiguous.

There are many factors that could influence the cost of debt. (Elyasiani et al., 2010) find that the more stable the institutional ownership will lower the yield spread and result in the better credit rating of the firm, similar (Roberts & Yuan, 2011) finding that institutional ownership reduced the cost of corporate debt which force the firm managers to build a good reputation in the debt market. Then, the presence of an independent board of a company also could reduce the cost of debt (Anderson et al., 2003). In Canada, (Ghouma et al., 2018) reveal the negative correlation between corporate governance and the cost of debt while in Serbia, (Stanisic et al., 2016) find out that the cost of debt has a significant association with at least 4 factors which are: a) the general level of the market interest rates; b) credit risk which influenced by some firm characteristic which are the sector of the company operates, size of the company, interest coverage ability, total leverage, and short-term leverage; c) ownership structure that related to state ownership, shareholder capital, and foreign ownership structure; and d) the quality of the financial report that has been confirmed by audit opinions.

The indication of the SOEs will obtain the lower cost of debt is appear as the government could offer implicit guarantees to bail out the firm when the firm is already in distress and in China, SOEs are able to obtain more support from the government than non-SOEs (Ge et al., 2020), similar to the findings from (Shailer & Wang, 2015) that SOEs gain the benefits arising from government control in Chinese firms' financing activities. The SOEs are considered to have a lower risk so the bondholders will demand a lower return given that if an SOE is facing bankruptcy, bondholders will expect that the government will back up and directly support the company, and satisfy their claims (Megginson, 2011). Then, the study from (Liu et al., 2018) reveals that during the financial crisis, SOEs in China will receive a better stimulus package than the non-SOEs from the government. (Lin et al., 2020) also state that the SOEs in China have easier access to bank loans, and also the state-owned bank in China prefer to give loans to SOEs and tend to discriminate against the non-SOEs.

In Indonesia, the event where the government support has been seen in some cases in Indonesia. In 2020, the government of Indonesia has injected funds of 75.94 trillion-rupiah last year to several companies under the Ministry of State-Owned Enterprises (BUMN) or SOEs in form of equity and debt. The purpose of this financing is to strengthen the capital of each SOE in order to carry out special assignments given by the government. Hence, it's reasonable to perceive that SOEs have lower default risk since it directly backed up by the government.

Refer to the previous related studies, the impact of SOEs on the cost of debt varies depending on the region, sample, and period. Therefore, the developed hypothesis is as follow:

H_1: There is a significant relationship between State-Owned Enterprises (SOEs) and the cost of debt.

II. METHODOLOGY

A. Data Collection and Sample

Secondary data are used thoroughly in conducting this research, which is the data that was collected by someone other than the user. In this research, we collect all corporate bonds that are rated by *Pemeringkat Efek Indonesia* or *Pefindo* from the listed company in IDX during 2017 – 2019. All bonds are collected from Indonesia Bond Market Directory. However, we exclude the company from the financial sector due to the differences in financial reporting. We collect 42 bonds from 13 companies in 2017, 23 bonds from 9 companies in 2018, and 40 bonds from 14 companies in 2017. Hence, there are 105 bonds from 7 sectors that will be analyzed, 20 of them are issued by SOEs of Indonesia. The company sample for this study is shown in Table I.

B. Variable

This study will consist of the dependent variable, independent variable, and control variable. The independent variable is a dummy variable that distinguished between private-owned enterprises and state-owned enterprises. State-owned enterprises are defined as the business entity whose capital is wholly or partly owned by the state through direct participation originating from separated state assets that require at least 51% of firm ownership is owned by the government of

Indonesia. As a dummy variable, the reference category will be non-SOEs that are symbolized by 0 and the SOEs will be symbolized by 1.

TABLE I THE COMPANY SAMPLE

No	Company	Sector
1	**Adhi Karya (Persero) Tbk, PT**	**Infrastructures**
2	**Barito Pacific Tbk, PT**	**Basic Materials**
3	**Hartadinata Abadi Tbk, PT**	**Consumer Cyclicals**
4	**Indosat Tbk, PT**	**Infrastructures**
5	**Pembangunan Jaya Ancol Tbk, PT**	**Consumer Cyclicals**
6	**J Resources Asia Pasifik Tbk, PT**	**Basic Materials**
7	**Pembangunan Perumahan (Persero) Tbk, PT**	**Infrastructures**
8	**Semen Indonesia (Persero) Tbk, PT**	**Basic Materials**
9	**Summarecon Agung Tbk, PT**	**Properties & Real Estate**
10	**Tridomain Performance Materials Tbk, PT**	**Basic Materials**
11	**Tiphone Mobile Indonesia Tbk, PT**	**Consumer Cyclicals**
12	**Timah Tbk, PT**	**Basic Materials**
13	**Chandra Asri Petrochemical Tbk, PT**	**Basic Materials**
14	**Voksel Electric Tbk, PT**	**Industrials**
15	**Medco Energi Internasional Tbk, PT**	**Energy**
16	**Mayora Indah Tbk, PT**	**Consumer Non-Cyclicals**
17	**Waskita Karya (Persero) Tbk, PT**	**Infrastructures**
18	**Kapuas Prima Coal Tbk, PT**	**Basic Materials**
19	**AKR Corporindo Tbk, PT**	**Energy**
20	**Global Mediacom Tbk, PT**	**Industrials**
21	**Indofood Sukses Makmur Tbk, PT**	**Consumer Non-Cyclicals**
22	**Lautan Luas Tbk, PT**	**Basic Materials**

Then, the cost of debt is the dependent variable for this research. To measure the cost of debt, we adopt the measurement from (Ge et al., 2020) which uses the cost of debt measurement from(Sengupta, 1998). The cost of debt is measured by using the yields spread between corporate bonds and government bonds. Hence, the cost of debt proxies is described as follow, where YS is the yield spread between corporate bonds and government bonds:

$$YS_i = CY_i - GY_i \tag{1}$$

Where:

YS_i = *Yield Spread*
CY_i = *Corporate Bond Yield*
GY_i = *Government Bond Yield*

For the control variable, we follow the study from Ge et al. (2020) that uses several control variables categorized as firm characteristics and bond characteristics, however, we add a new variable which is the sector to depict the differences in the cost of debt among sectors. The firm characteristic will consist of stock return volatility (SRVOL), return on asset (ROA), firm size (FSIZE), ownership concentration (OC), current ratio (CR), and leverage (LEV) while bond characteristic will consist of bond credit rating (BRATE), bond issuance amount (BVAL), and time to maturity (TTM). For the sector variable, the dummy variable is use and the reference category is properties & real estate sector.

C. Data Methodology

To investigate the effect of the state-ownership of SOEs on the cost of debt, this study will use the multiple linear regression method as this study will involve more than one variable. Then, as the study will use the regression analysis, the classical assumption will be included as well. The regression will run twice – with and without the control variable. Both regression models for this study are as follows:

$$YS_i = \alpha_0 + \beta_1 SOE_i + e_0 \tag{2}$$

$$YS_i = \alpha_0 + \beta_1 SOE_i + \beta_n Control_i + e_0 \tag{3}$$

YS_i = Yield spread as the proxy of cost of debt
β_1 = Regression coefficient for dummy SOE
SOE_i = Dummy variable to distinguish SOEs and non-SOEs
β_n = Regression coefficient for control variables
$Control_i$ = Control variables for firm characteristic (SRVOL, ROA, LEV, FSIZE, CR, SECTOR) and bond characteristic (TTM, BVAL, BRATE)
e_0 = Error term

III. RESULTS

A. Classical Assumption Test

The classical assumption test is a statistical test used to determine the relationship between variables, including: multicollinearity test, heteroscedasticity test, autocorrelation test, normality test, and linearity test (Ainiyah et al., 2016). However, this research will only perform the normality test, multicollinearity test, and heteroscedasticity test. The normality test was tested by analyzing the Skewness and Kurtosis to assess whether the residual calculation is normally distributed or not. From the table below, with the alpha level 0.05, the value of Skewness is 0.051 and the value of Kurtosis is 0.722, hence the error distribution is considered as normal.

TABLE 2. DESCRIPTIVE STATISTICS

Descriptives

			Statistic	Std. Error
Unstandardized Residual	Mean		.0000000	.05860193
	95% Confidence Interval for Mean	Lower Bound	-.1162098	
		Upper Bound	.1162098	
	5% Trimmed Mean		.0015367	
	Median		.0071647	
	Variance		.361	
	Std. Deviation		.60049111	
	Minimum		-1.65949	
	Maximum		1.95608	
	Range		3.61557	
	Interquartile Range		.77446	
	Skewness		.051	.236
	Kurtosis		.722	.467

ISBN*: 978-623-92201-2-9*

Then, the multicollinearity test is conducted by generating the collinearity statistic that consists of Tolerance and VIF. From the coefficient table below, it can be concluded that there is no appearance of multicollinearity in this observation since each value of Tolerance is more than 0.1 and each value of VIF is less than 10.

TABLE 3. MULTICOLLINEARITY TEST

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-1.046	3.644		-.287	.775					
	SOE	-.902	.236	-.232	-3.829	<.001	-.283	-.378	-.160	.474	2.108
	SRVOL	87.674	8.719	.828	10.055	<.001	.802	.731	.421	.259	3.879
	ROA	.051	1.301	.002	.039	.969	.201	.004	.002	.505	1.982
	LEV	.703	.846	.063	.830	.409	-.370	.088	.035	.302	3.316
	FSIZE	.020	.115	.014	.171	.865	-.599	.018	.007	.256	3.906
	CR	.492	.149	.340	3.306	.001	.239	.332	.138	.165	6.058
	OC	1.772	.769	.175	2.305	.024	-.465	.239	.096	.305	3.281
	SECBM	.040	.370	.012	.107	.915	.212	.011	.004	.151	6.614
	SECCC	-.898	.536	-.147	-1.676	.097	.127	-.176	-.070	.227	4.405
	SECCN	-.262	.508	-.033	-.517	.607	-.103	-.055	-.022	.429	2.329
	SECEN	-.136	.426	-.030	-.319	.751	.158	-.034	-.013	.194	5.161
	SECID	1.769	.450	.270	3.929	<.001	.278	.386	.164	.372	2.691
	SECIF	.028	.402	.009	.069	.945	-.468	.007	.003	.105	9.546
	TTM	.000	.000	.156	3.276	.002	-.066	.330	.137	.771	1.297
	BVAL	3.519E-14	.000	.012	.229	.819	-.305	.024	.010	.607	1.646
	BRATE	-.108	.048	-.202	-2.241	.028	-.536	-.232	-.094	.216	4.628

a. Dependent Variable: YS

The last test is the heteroscedasticity test that will be assessed by the scatter plot. Heteroscedasticity could be detected if there is any specific pattern in the data and from the figure below, there is no specific pattern. As seen from the scatter plot figure below, the residuals of the data are spread randomly and the variance among the data is relatively the same, therefore it can be concluded that the data has no symptom of heteroscedasticity.

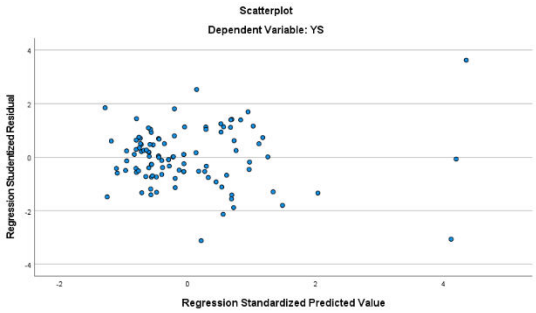

Fig. 1 Heteroscedasticity test

B. Regression Result

The regression run by using SPSS and the regression was run twice, with and without the control variable, refers to the study from (Ge et al., 2020). The model summary of the first regression results is as below:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.283[a]	.080	.071	1.4748180

a. Predictors: (Constant), SOE

The first regression shown in the table above, the model resulted in 0.08 for the R Square and 0.071 for the adjusted R Square which can be interpreted as 8% of the dependent variable could be explained by the independent variable or 8% of the cost of debt of a firm is determined by whether a firm is state-owned or private-owned.

In the second regression, the control variable from firm characteristic (SRVOL, ROA, LEV, FSIZE, CR, OC, and dummy for sector with properties & real estate sector as the reference category) and bond characteristic (TTM, BVAL, and BRATE) has included to the model as the predictors. From the regression result, it indicates a huge difference between the R Square and adjusted R Square. The result of the regression resulted in 0.846 for the R Square and 0.818 for the adjusted R Square that indicates the 81.8% of the cost of debt from a company is could be explained by the independent and control variable used.

TABLE 4. MODEL SUMMARY

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.920[a]	.846	.818	.6528027	1.501

a. Predictors: (Constant), BRATE, SECEN, BVAL, SECID, SECCN, SECBM, TTM, SRVOL, SOE, ROA, SECCC, OC, LEV, FSIZE, CR, SECIF

b. Dependent Variable: YS

As the value of R Square from the first regression is low (0.08), the coefficient subchapter will only discuss the second regression since the low R Square from the first regression indicates the independent variable is could not explaining the dependent variable much. The coefficient table for the second regression is as follow:

TABLE 5. COEFFICIENT TABLE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.046	3.644		-.287	.775
	SOE	-.902	.236	-.232	-3.829	<,001
	SRVOL	87.674	8.719	.828	10.055	<,001
	ROA	.051	1.301	.002	.039	.969
	LEV	.703	.846	.063	.830	.409
	FSIZE	.020	.115	.014	.171	.865
	CR	.492	.149	.340	3.306	.001
	OC	1.772	.769	.175	2.305	.024
	SECBM	.040	.370	.012	.107	.915
	SECCC	-.898	.536	-.147	-1.676	.097
	SECCN	-.262	.508	-.033	-.517	.607
	SECEN	-.136	.426	-.030	-.319	.751
	SECID	1.769	.450	.270	3.929	<,001
	SECIF	.028	.402	.009	.069	.945
	TTM	.000	.000	.156	3.276	.002
	BVAL	3.519E-14	.000	.012	.229	.819
	BRATE	-.108	.048	-.202	-2.241	.028

a. Dependent Variable: YS

As stated before, the second regression will use the firm characteristic and bond characteristic as the control variable. From the second regression in the table above, we find some significant variables which are SOE, SRVOL, CR, OC, SECID, TTM, BRATE. From the regression result of the second regression, we can develop the regression equation as follows:

$$YS = -1.064 - 0.902(SOE) + 87.674(SRVOL) + 0.492(CR) + 1.772(OC) + 1.769(SECID) + 0.00(TTM) - 1.08(BRATE) + e \quad (4)$$

IV. DISCUSSION

Based on the regression result, there is a significant association between being a the SOEs and the cost of debt that led to a conclusion that SOEs in Indonesia will obtain a lower cost of debt compared to the non-SOEs. The proxy of the cost of debt in this study is the yields spread

between corporate bonds and government bonds that were adopted. The measurement is adopted from (Ge et al., 2020) which adopts the cost of debt measurement from (Sengupta, 1998). The SOEs variable is measured by using a dummy variable by symbolized the non-SOEs firm as 0 and symbolized the SOEs as 1. From the regression result, the SOEs in Indonesia will receive a lower cost of debt by 0.902 compared to the non-SOEs. The result of the study is similar to the finding from another study from (Ge et al., 2020; Shailer & Wang, 2015) that uses the sample from the SOE in China, that SOEs will receive a lower cost of debt due to some reasons. (Ge et al., 2020) found out that the government of China could provide operational support to keep firms from facing financial difficulty and support the SOE to have easier financing access, moreover when the lender bank is also a SOEs in China (Claessens et al., 2008). The study from (Shailer & Wang, 2015) reveals that the association between the cost of debt and state ownership in SOEs is more beneficial during financial distress, have high excess shareholder control, or operate in provinces with low institutional development. In another study regarding the association of the state ownership and cost of debt, (Borisova et al., 2015) using a sample of the bond credit spread from 43 countries during the period of 1991-2010 reveal that the relationship between these two variables is depend on the situation, the SOEs generally will receive a higher cost of debt, but it associated with a lower cost of debt during the financial crisis when a firm more likely to be distressed.

Moreover, we found some factors that may affect the cost of debt in Indonesia. The study indicates that the cost of debt would be affected by some determinants such as the firm characteristic and bond characteristic that consist of the ownership from the firm - whether it is owned by the government or not – the stock return volatility, current ratio from the firm, the level of ownership concentration that represented by the largest shareholder, the sector of a firm – especially when it comes from the industrial sector – the time to maturity of a bond, and the bond credit rating from a bond.

V. CONCLUSION

To conclude this research, state ownership is an important issue in the emerging markets (Carney & Child, 2013) but the study regarding the SOEs especially for the capital structure is still rare in Indonesia. From this study, we reveal that state ownership from SOEs significantly influences the cost of debt for the firm itself. The implicit guarantee and backup from the government possibly influence the cost of debt of the SOEs.

Then, we also find out that the cost of debt of a firm in Indonesia has been affected by some factors such as firm characteristics and bond characteristics. The study indicates that the cost of debt would be affected by some determinants such as the firm characteristic and bond characteristic that consist of the ownership from the firm - whether it is owned by the government or not – the stock return volatility, current ratio from the firm, the level of ownership concentration that represented by the largest shareholder, the sector of a firm – especially when it comes from the industrial sector – the time to maturity of a bond, and the bond credit rating from a bond.

Based on the result of the study, there are some recommendations that can be implemented by the SOEs. The cost of debt of the SOEs is generally lower than the non-SOEs since the investor or creditor perceive that the non-SOEs has a higher risk since the riskier investment should demand a higher expected return compared to the risk-free return (Ghysels et al., 2016), commonly known as a high-risk high return and vice versa. Besides the privatization, the debt or bond issuance could be seen as an opportunity for the source of financing for SOEs since the cost of debt is considered to be lower than the cost of equity given that the shareholders will require a higher return due to the higher risk bear by them while the debt payment regardless of a company's financial condition and profit margins. However, the financial performance of non-SOEs is considered as better given that the result of the study implied that the SOEs have a lower bond credit rating, return on asset, and current ratio compared to the non-SOEs although the SOEs are most likely to have a lower stock return volatility. Hence, it can be summarized that SOEs could restructure their capital structure by obtaining funding through debt financing and SOEs should review their performance since the performance is still lower than the non-SOEs in Indonesia.

However, this research has some limitations such as the short-term research period, and the number of samples since the financial sector and company that rated from other credit rating agencies than *Pefindo* has been excluded. As the study regarding the SOEs and capital structure in Indonesia is still rare, the next researcher should broaden the scope of this study by providing other variables in a larger sample.

ACKNOWLEDGMENT

First and foremost, all praise and thanks to the God, Allah SWT, for His showers of blessing thought my research work so I could finish the research successfully. Then, I would like to express my deep and sincere gratitude to my research supervisor, Deddy Priatmodjo Koesrindartoto, Ph.D. from Bandung Institute of Technology for giving me this opportunity to being guided and mentored during the completion of this research.

I am extremely grateful to my parents for their love, prayers, caring, and sacrifices for educating and preparing me to face my future, I am very thankful to be your son. Last but not least, I also want to thanks all parties that directly and indirectly support me to complete this

research, to my family, my friends, my colleagues, and my partner, you guys are rock.

REFERENCES

[1] Abubakar, E. (2016). Corporate Governance , Government Intervention and Performance of State Owned Enterprises , Indonesia Doctor of Business Administration. *Doctor of Business Administration Universiti Utara Malaysia*.

[2] Ainiyah, N., Deliar, A., & Virtriana, R. (2016). The classical assumption test to driving factors of land cover change in the development region of northern part of west Java. *International Archives of the Photogrammetry, Remote Sensing and Spatial Information Sciences - ISPRS Archives*, *41*(July), 205–210. https://doi.org/10.5194/isprsarchives-XLI-B6-205-2016

[3] Anderson, R. C., Mansi, S. A., & Reeb, D. M. (2003). Founding family ownership and the agency cost of debt. *Journal of Financial Economics*, *68*(2), 263–285. https://doi.org/10.1016/S0304-405X(03)00067-9

[4] Astami, E. W., Tower, G., Rusmin, R., & Neilson, J. (2010). The effect of privatisation on performance of state-owned-enterprises in Indonesia. *Asian Review of Accounting*. https://doi.org/10.1108/13217341011045971

[5] Bhojraj, S., & Sengupta, P. (2003). Effect of Corporate Governance on Bond Ratings and Yields: The Role of Institutional Investors and Outside Directors. *Journal of Business*, *76*(3), 455–475. https://doi.org/10.1086/344114

[6] Borisova, G., Fotak, V., Holland, K., & Megginson, W. L. (2015). Government ownership and the cost of debt: Evidence from government investments in publicly traded firms. *Journal of Financial Economics*, *118*(1), 168–191. https://doi.org/10.1016/j.jfineco.2015.06.011

[7] Carney, R. W., & Child, T. B. (2013). Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics*, *107*(2), 494–513. https://doi.org/10.1016/j.jfineco.2012.08.013

[8] Claessens, S., Feijen, E., & Laeven, L. (2008). Political connections and preferential access to finance: The role of campaign contributions. *Journal of Financial Economics*, *88*(3), 554–580. https://doi.org/10.1016/j.jfineco.2006.11.003

[9] Elyasiani, E., Jia, J. J., & Mao, C. X. (2010). Institutional ownership stability and the cost of debt. *Journal of Financial Markets*, *13*(4), 475–500. https://doi.org/10.1016/j.finmar.2010.05.001

[10] Ge, Y., Liu, Y., Qiao, Z., & Shen, Z. (2020). State ownership and the cost of debt: Evidence from corporate bond issuances in China. *Research in International Business and Finance*, *52*(January), 101164. https://doi.org/10.1016/j.ribaf.2019.101164

[11] Ghouma, H., Ben-Nasr, H., & Yan, R. (2018). Corporate governance and cost of debt financing: Empirical evidence from Canada. *Quarterly Review of Economics and Finance*, *67*, 138–148. [] https://doi.org/10.1016/j.qref.2017.06.004

[12] Ghysels, E., Plazzi, A., & Valkanov, R. I. (2016). The Risk-[] Return Relationship and Financial Crises. *SSRN Electronic Journal*, *858*. https://doi.org/10.2139/ssrn.2776702

[13] Girma, S., Gong, Y., & Görg, H. (2009). What Determines Innovation Activity in Chinese State-owned Enterprises? The Role of Foreign Direct Investment. *World Development*, *37*(4), 866–873. https://doi.org/10.1016/j.worlddev.2008.07.017

[14] Kowalewski, O., & Pisany, P. (2019). What drove the growth of the corporate bond markets in Asia? *Research in International Business and Finance*, *48*(May 2018), 365–380. https://doi.org/10.1016/j.ribaf.2019.01.014

[15] Lin, K. J., Lu, X., Zhang, J., & Zheng, Y. (2020). State-owned enterprises in China: A review of 40 years of research and practice. *China Journal of Accounting Research*, *13*(1), [] 31–55. https://doi.org/10.1016/j.cjar.2019.12.001

[16] Liu, Q., Pan, X., & Tian, G. G. (2018). To what extent did the economic stimulus package influence bank lending and corporate investment decisions? Evidence from China. *Journal of Banking and Finance*, *86*, 177–193. https://doi.org/10.1016/j.jbankfin.2016.04.022

[17] Maxim, B., Shleifer, A., & W. Vishny, R. (1996). A Theory of Privatisation. *The Economic Journal*, *106*.

[18] Megginson, W. L. (2011). Does Government Ownership Affect the Cost of Debt ? Evidence from Privatization. *The Review of Financial Studies*, *24*(8). https://doi.org/https://doi.org/10.1093/rfs/hhq154

[19] Orlova, S., Harper, J. T., & Sun, L. (2020). Determinants of capital structure complexity. *Journal of Economics and Business*, *110*(August 2019), 105905. https://doi.org/10.1016/j.jeconbus.2020.105905

[20] Rakhman, F. (2018). Can partially privatized SOEs outperform fully private firms? Evidence from Indonesia. *Research in International Business and Finance*, *45*(July 2017), 285–292. https://doi.org/10.1016/j.ribaf.2017.07.160

[21] Roberts, G. S., & Yuan, L. E. (2011). Does Institutional Ownership Affect the Cost of Bank Borrowing? In *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.930138

[22] Sengupta, P. (1998). Corporate disclosure quality and the cost of debt. *Accounting Review*, *73*(4), 459–474.

[23] Shailer, G., & Wang, K. (2015). Government ownership and the cost of debt for Chinese listed corporations. *Emerging Markets Review*, *22*, 1–17. https://doi.org/10.1016/j.ememar.2014.11.002

[24] Siswanto, A., & Hutajulu, M. J. (2019). *STATE-OWNED ENTERPRISES (SOEs) IN INDONESIA ' S COMPETITION LAW AND PRACTICE*. *8*(1), 93–108.

[25] Stan, C. V., Peng, M. W., & Bruton, G. D. (2014). Slack and the performance of state-owned enterprises. *Asia Pacific Journal of Management*, *31*(2), 473–495. https://doi.org/10.1007/s10490-013-9347-7

[26] Stanisic, N., Stefanovic, N., & Radojevic, T. (2016). Determinants of the Cost of Debt in the Republic of Serbia. *Teme*, *40*(2), 869–882.

[27] Sukmana, Y. (2015). Ada Tim Sukses dan Orang Parpol di BUMN, Menko Sofyan Sebut dari Dulu Sudah Begitu. *Kompas.Com*. https://money.kompas.com/read/2015/03/19/084720726/Ada.Tim.Sukses.dan.Orang.Parpol.di.BUMN.Menko.Sofyan.Sebut.dari.Dulu.Sudah.Begitu

[28] Surifah, Rofiqoh, I., & Krismiaji. (2020). *The Ownership, Remuneration, Corporate Governance, and Financial Performance of Indonesian State-Owned Enterprises*. *135*(Aicmbs 2019), 295–300. https://doi.org/10.2991/aebmr.k.200410.045

[29] Wong, W. Y., & Hooy, C. W. (2018). Do types of political connection affect firm performance differently? *Pacific Basin Finance Journal*, *51*(July), 297–317. https://doi.org/10.1016/j.pacfin.2018.08.009

[30] World Bank. (2014). *Corporate Governance of State-Owned Enterprises: A Toolkit*. https://doi.org/10.1596/978-1-4648-0222-5