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ARTÍCULO

How does State Equity Participation Contribute to Performance of State-Owned Enterprises in Indonesia?

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Abstract: State-Owned Enterprises (SOEs) must be kept healthy by the government as one of the driving factors of the Indonesian economy. This capital injection into State-Owned Enterprises is officially referred to as State Equity Participation, or in Indonesian, Penyertaan Modal Negara (PMN). It is envisaged that increased equity involvement, if employed for investment, will boost the company's operational activities, hence improving the performance of SOEs. The purpose of this study is to determine the influence of state equity participation and business strategy on the implementation of good corporate governance principles and their effect on the performance of the company. The researcher's method is explanatory research. The sample for this study consisted of 35 enterprises owned by SOEs that received state equity participation in Indonesia between 2010 and 2019. Using the Structural Equation Model-Partial Least Squares approach, a sample size of at least 30 to 100 is recommended. The findings indicated that State Equity Participation had a substantial effect on the Good Corporate Governance variable, as did Business Strategy. However, whereas State Equity Participation has no substantial effect on the Company's Performance Variable, Business Strategy does. The implications of this research include a focus on the implementation of the company's business strategy, particularly the differentiation and focus strategies, by improving services to the community in accordance with consumer segmentation, controlling operating costs, and implementing the principles of Good Corporate Governance, which are not simply a matter of conformance.

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1. Introduction

State-Owned Enterprises (SOEs) are critical to Indonesia's economy. According to Article 2 of Law No. 19 of 2003, the aims of establishing State-Owned Enterprises are to profit, to fulfil a special mission (Public Service Obligation/PSO), to pioneer new businesses deemed significant, and to actively participate in giving guidance and help. the economically disadvantaged entrepreneurs, cooperatives, and the general public, and finally for government revenue in the form of dividends and taxes. This indicates that, in general, State-Owned Enterprises in Indonesia must consider social functions in addition to profit-oriented/commercial functions, specifically features of social interest to the community, as mandated by Article 33 of the 1945 Constitution. The position of State-Owned Enterprises as agents of development encourages them to continue growing and being sustainable, while still being able to compete in a highly competitive market. On the other hand, as company owners, State-Owned Enterprises must continue to compute their portion of earnings through dividend payments to the government (Assagaf & Ali, 2017).

As a vital component of the Indonesian economy, State-Owned Enterprises must be maintained in good health by the government. However, because not all SOEs have adequate capital, one of the government's initiatives to aid in the development of State-Owned Enterprises is to provide more money. State Equity Participation, or in Indonesian, Penyertaan Modal Negara (PMN), is the formal term for this capital injection into State-Owned Enterprises (Bumn, 2021). State Equity Participation, as defined in Government Regulation No. 44 of 2005 on Procedures for State Capital Participation and Administration in State-Owned Enterprises and Limited Liability Companies, is the separation of state assets from the APBN or the determination of company reserves or other sources to serve as State-Owned capital. Meanwhile, pursuant to Government Regulation No. 6 of 2006 on the Management of State/Regional Property, Central/Regional Government Equity Participation is the process by which ownership of state/regional property that was previously an inseparable asset is separated into separate assets that are calculated as state or regional capital/shares. on State-Owned Enterprises, Regional-Owned Enterprises (BUMD), or other state-owned legal entities (Eforis, 2018). According to Article 7 of PP No. 44 of 2005, the government hopes that through providing State Equity Participation, it will boost the capital structure and/or commercial capabilities of the SOEs that receive it. Whereas, with a strong capital structure, the business will almost likely remain viable.

This assumption implies that the business will continue to exist indefinitely in the future; hence, there is no presumption that the entity will be dissolved/liquidated in the future. On the other hand, if a business has an unfavorable capital structure and a big debt load, it will inevitably impose a severe weight on the business, namely the emergence of financial disruptions produced by an insufficient balance between available and required capital (Bragoudakis, 2019). This going concern principle applies to the reorganisation of State-Owned Enterprises in order to ensure their commercial continuation and also serves as the foundation for the fairness of the values included in State-Owned Enterprises' financial reporting. Where State Equity Participation is provided only when capital restructuring is necessary and the State-Owned Enterprises in question have a strategic position, their products and services have a significant impact on the lives of many people, perform particular duties, or are mandated by law, State Equity Participation is a critical component of reorganising State-Owned Enterprises (Bumn., 2014). Provision of State Equity Participation to SOEs is expected to improve their business capabilities, allowing State-Owned Enterprises to contribute optimally to the national economy.

Giving State Equity to State-Owned Enterprises has two components: cash (new money) and conversion (non-cash). The cash value of State Equity Participation in State-Owned Enterprises is derived from the State-Owned Enterprises/Ministry of SOEs' extra State Equity Participation proposal and the Ministry of Finance's appraisal of the proposal. Meanwhile, state equity participation in convertible SOEs might take the form of principal debt conversion for continued loans, dividend conversion, and share awards, among other things. According to data from the Ministry of State-Owned Enterprises' Performance Report (Bumn, 2002), the provision of State Equity Participation to SOEs increased significantly between 2015 and 2016, as illustrated in Figure 1.

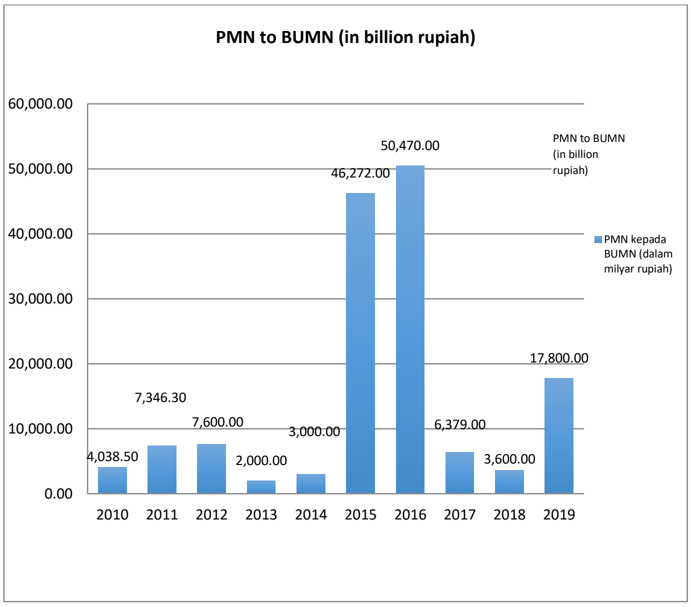

Figure 1. Provision of PMN to SOEs

Source: SOE Performance Report (Ministry of SOEs)

From Rp3.000 billion in 2014 to Rp46.272 billion in 2015 and Rp50.470 billion in 2016, the amount has increased significantly. This shift was precipitated by the conclusion of 2014 government change. In comparison to the previous policy, the policy for the addition of State Equity Participation in the 2015-2019 period has changed. Between 2010 and 2014, the policy of increasing state equity participation aimed primarily at increasing business capacity and strengthening the capital structure of State-Owned Enterprises. Meanwhile, the policy of growing state equity participation is meant to promote one of the national goals (Nawacita) outlined in the 2015-2019 RPJMN, namely to assist State-Owned Enterprises in expanding their role as development agents in a variety of domains. Investments made using state equity will boost financial performance (Arshad et al., 2020; Hasanuddin, Elpisah, & Muslim, 2021). Increased capital investment, if employed for investment, will result in an increase in operational activities, which will result in an increase in performance. Equity involvement occurs through productive investment in a business that generates a profitable and effective rate of return (Mangantar, 2018). By lowering operational and non-operational (inefficient) costs, boosting revenue, and making productive investments, the State-Owned Enterprise's performance will ultimately improve.

However, the size of the state equity stake does not guarantee that State-Owned Enterprises would generate a profit for the government. According to Table 1, the highest ROI of 2257.6 percent came from BUMN (PT Jasa Marga) and PT Pelabuhan Indonesia III (Persero) at 1677.4 percent, both of which got only one-time state equity participation over a ten-year period. And the best profit growth of 3,497.8% was achieved by BUMN (PT IKI), which got state equity participation only twice over a ten-year period. While PT Perikanan Nusantara (Persero) was unable to generate returns and ROI growth of -16 percent with the assistance of State Equity Participation, another BUMN, PT Penjaminan Infrastruktur Indonesia (Persero), was only able to generate a ROI of 44 percent and suffered a loss of Rp3.9 trillion in 2019 despite receiving six times State Equity Participation.

According to the Semester II-2016 Summary of Examination Results, the State Equity Participation Examination Board identified a number of issues with the management of State Equity Participation. The primary issues are budgets that are not used appropriately or in accordance with their assignment, departures from specific field norms, and activities that are delayed or handicapped to the point of impairing objective achievement. Certain State-Owned Enterprises utilise State Equity Participation for non-core business activities. While the primary mission was not completed optimally. For some State-Owned Enterprises, the difficulty of managing state equity participation emerged from the start, specifically during planning. Numerous State-Owned Enterprises that have received State Equity Participation are unprepared in terms of business strategy.

The dilemma of State-Owned Enterprises incurring losses despite receiving government capital injections in the form of State Equity Participation is not limited to public service assignments that restrict their freedom of movement. Cost structure management issues also result in significant losses in State-Owned Enterprises such as Garuda or Krakatau Steel. Sari and Lubis (2018) shown that SOEs have difficulties in the realisation of expenses. The cost of revenue, operating expenses, and other expenses of SOEs have thus far exceeded the budget. This scenario results in losses for the SOE in question. The causes of difficulties in implementing this expense budget demonstrate management's lax control over the budget, particularly the expense budget used. State ownership is another form of centralised control that is prevalent in a number of countries (Azar, Duro, Kadach, & Ormazabal, 2021). Therefore, government ownership can help to enhance the image of transparency that Good Corporate Governance should have (Noodezh, Amiri, & Ghany, 2016). Additionally, state equity involvement is associated with stakeholder theory, according to which SOEs must be accountable for all operations undertaken, both through the results of completed projects and through financial reports (Sadiq, Singh, Raza, & Mohamad, 2020). It will raise the equity of the corporation and, of course, the assets of SOEs.

Kim (2018) stated that PMN is provided to assist SOEs in executing out their activities and is also provided to SOEs that receive special government assignments. Apart from unavoidable external causes, the poor performance of numerous State-Owned Enterprises is partly attributable to a lack of competition. This vulnerability originates from the slow pace of business anticipating caused by changing environmental dynamics, an insufficient quality of people resources and leaders, and maybe an excessive amount of bureaucracy in decision-making (T, 2017). The performance of a business is determined by comparing the work accomplished by personnel to predefined standards. Individuals who have been adapted to their function or task attain performance as a result of their effort (Tweedie, Wild, Rhodes, & Martinov-Bennie, 2019). Performance appraisal is critical as a barometer of an organization's success in accomplishing its objectives. For public bureaucracies, performance data is useful for determining the extent to which the bureaucracy's assessment meets community expectations and satisfaction (Umar et al., 2019).

According to (Ariania & Agustiab, 2020), corporate performance is a term that refers to a business's operational success. Corporate Governance enables management to pursue profit and firm continuity in a balanced manner (Anginer, Demirguc-Kunt, Huizinga, & Ma, 2018). GCG implementation in State-Owned Enterprises is expected to alleviate these issues and improve managerial effectiveness and efficiency, particularly the ability of the enterprise to earn profits. Where corporate governance is a structure and process (Regulatory System and Procedure) that guides and controls the company in order to achieve sustainable growth and added value while maintaining a balance of stakeholder interests in accordance with sound corporate principles and applicable laws and regulations (Anginer et al., 2018). Corporate governance, on the other hand, defines the direction of the business in accordance with the leadership characteristics of the business. Where a leader's character has an effect on the judgments he takes (R. Tresnawati, R, 2021).

So that companies with strong governance can raise their value, this is because effective GCG can mitigate the risks associated with the board making self-serving decisions, and corporate governance can usually increase investor confidence (Setiawanta, 2019). State-Owned Enterprises that have not performed satisfactorily face a variety of challenges, including (1) limited capital that has not yet enabled the achievement of economies of scale and stable performance; management issues caused by (a) the corporate governance system; and/or (b) management factors, including strategic and managerial competence, and management integrity; and (3) unanticipated/unresponsive competitive dynamics. This fourth point includes legal, political, and societal issues that can obstruct State-Owned Enterprises from implementing plans to achieve their corporate goals (Sari & Lubis, 2018). To revitalise State-Owned Enterprises with poor management performance, the Government, as the owner, must reorganise State-Owned Enterprises through the application of Good Corporate Governance principles. Corporate Governance (CG) is a term that refers to the connection between the numerous stakeholders in a business that defines the direction and performance of the business (Kovermann & Velte, 2019). Corporate governance became a topic of discussion, particularly in Indonesia, following the country's lengthy period of turmoil since 1998.

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Table 1. Summary of Profit Growth and ROI of BUMN PMN Receipts for 2010-2019 (in IDR Billion, Except Percentage)

No	Name of BUMN Receiving PMN	Freq PMN	Grwth 10 th	Total Profit 9 th	Total PMN Received	Surplus	ROI
1	PT Industri Kapal Indonesia (Persero)	2	3497.8%	429.52	400.00	29.52	107.4%
2	PT Kereta Api Indonesia (Persero)	3	2454.7%	14,394.31	7,600.00	6,794.31	189.4%
3	PT Hutama Karya (Persero)	3	2074.2%	8,708.61	16,100.00	-7,391.39	54.1%
4	PT Sarana Multi Infrastruktur (Persero)	5	1893.0%	6,363.32	11,160.00	-4,796.68	57.0%
5	PT Permodalan Nasional Madani (Persero)	1	1019.8%	1,013.62	1,000.00	13.62	101.4%
6	PT Waskita Karya (Persero) Tbk.	1	906.9%	19,110.98	3,500.00	15,610.98	546.0%
7	PT Barata Indonesia (Persero)	1	767.8%	496.52	500.00	-3.48	99.3%
8	PT Sarana Multigriya Finansial (Persero)	6	626.2%	3,304.94	5,800.00	-2,495.06	57.0%
9	PT Pindad (Persero)	2	590.1%	1,472.60	1,000.00	472.60	147.3%
10	PT Pembangunan Perumahan (Persero) Tbk.	1	577.4%	12,310.64	2,250.00	10,060.64	547.1%
11	PT Industri Kereta Api (Persero)	1	527.9%	665.80	1,000.00	-334.20	66.6%
12	PT Wijaya Karya (Persero) Tbk.	1	433.8%	13,077.53	4,000.00	9,077.53	326.9%
13	Perum Jamkrindo	7	396.8%	3,355.59	6,769.00	-3,413.41	49.6%
14	PT Perikanan Nusantara (Persero)	1	345.9%	(32.04)	200.00	-232.04	-16.0%
15	PT Adhi Karya (Persero) Tbk.	1	324.1%	8,250.78	1,399.90	6,850.88	589.4%
16	PT Perusahaan Listrik Negara (Persero)	3	232.9%	249,993.22	35,060.00	214,933	713.0%
17	PT Angkutan Sungai , Danau, dan Penyeberangan (Persero)	1	226.5%	1,104.71	1,000.00	104.71	110.5%
18	PT Penjaminan Infrastruktur Indonesia (Persero)	6	216.9%	3,077.43	7,000.00	-3,922.57	44.0%
19	PT Pelabuhan Indonesia III (Persero)	1	171.9%	16,774.05	1,000.00	15,774.05	1677.4%
20	PT Jasa Marga (Persero) Tbk.	1	149.8%	28,219.94	1,250.00	26,969.94	2257.6%
21	PT Angkasa Pura II (Persero)	2	88.7%	14,683.28	4,000.00	10,683.28	367.1%
22	PT Pelabuhan Indonesia IV (Persero)	1	71.1%	4,009.25	2,000.00	2,009.25	200.5%
23	PT Pengembangan Pariwisata Indonesia (Persero)	1	21.0%	412.89	250.00	162.89	165.2%

Source: (BUMN Financial Statements & LKPP, processed data)

State-Owned Enterprises that have not performed satisfactorily face a variety of challenges, including (1) limited capital that has not yet enabled the achievement of economies of scale and stable performance; management issues caused by (a) the corporate governance system; and/or (b) management factors, including strategic and managerial competence, and management integrity; and (3) unanticipated/unresponsive competitive dynamics. This fourth point includes legal, political, and societal issues that can obstruct State-Owned Enterprises from implementing plans to achieve their corporate goals (Sari & Lubis, 2018). To revitalise State-Owned Enterprises with poor management performance, the Government, as the owner, must reorganise State-Owned Enterprises through the application of Good Corporate Governance principles. Corporate Governance (CG) is a term that refers to the connection between the numerous stakeholders in a business that defines the direction and performance of the business (Kovermann & Velte, 2019). Corporate governance became a topic of discussion, particularly in Indonesia, following the country's lengthy period of turmoil since 1998. Many individuals believe that Indonesia's lengthy improvement process is due to the country's extremely low corporate governance. Since then, both the government and investors have increased their focus on CG practises. The reason a business succeeds or fails may be attributed to the strategy employed by the business (Haseeb, Hussain, Kot, Androniceanu, & Jermsittiparsert, 2019). The success of a business is heavily influenced by its strategic and management features. These tactics may include those for instituting Good Corporate Governance (GCG) practises within the organisation. The application of GCG principles in a business may influence its success or failure. The organisational environment has a critical role in determining a business's business strategy. According to R. Tresnawati, R (2021), business strategy is one of the methods used by businesses to identify their long-term goals and objectives while organising the many tasks that must be carried out and allocating resources. The business environment plays a causal role in the relationship between manufacturing strategy and corporate profitability. As a result, firms must constantly scan the environment in order to remain competitive, and this scanning process must be ongoing in order for the organisation to survive (going concerned and sustainability). Management must examine accounting reports and other relevant information and then compare them to previously established plans. The comparison can demonstrate whether tasks were implemented properly and efficiently. Effectiveness is defined as the accomplishment of predetermined goals after evaluating all available alternatives. According to Eforis (2018), enhancing corporate governance can benefit stakeholders. Additionally, government support for business growth is beneficial in emerging countries. Thus, governance and government assistance can have an effect on firm performance. By conducting a survey of BUMN Recipients of State Equity Participation in Indonesia, this study will analyse the influence of State Equity Participation and Business Strategy on the Implementation of Good Corporate Governance Principles and Their Impact on Company Performance. The purpose of this research is to ascertain the truth through a review of the literature (theory and previous research) and empirical testing regarding the effect of state equity participation and business operations strategy on company performance and the implementation of good corporate governance principles in State-Owned Enterprises Recipients of PMN in Indonesia. The peculiarity of this scientific research is that it refines the model developed by Noodezh et al. (2016), where these investigations focused exclusively on the relationship between capital structure and GCG, capital structure and profitability, and GCG and profit. And the model developed by R. Tresnawati, Octavia, and Herawati (2017); Brooks and Oikonomou (2018), in which the relationship between Business Strategy and GCG is evaluated, as well as the association between GCG and Profitability. Thus, the novelty of this research is in changing prior models in order to formulate the effect of the incorporation of state models and business strategies on the adoption of Good Corporate Governance principles and firm success. Methodologically, there is the development of financial research methods based on simultaneous/econometric regression and the use of financial indicators or ratios; the researcher chose this method because he desired to obtain a fundamental understanding of cause and effect by analysing the factors causing the phenomenon in the concepts raised in the researcher's background.Literature Review

Prior research in the field of public sector accounting, particularly in the areas of Good Corporate Governance and firm performance, has been conducted, albeit few have addressed issues of state equitable involvement. According to Ali, Almagtome, and Hameedi (2019), government subsidies have a considerable negative influence on financial strength, making it impossible for SOEs to operate themselves freely if the government continues to offer subsidies or extra capital. Mangantar (2018) expressed the same thing, stating that regional government capital investment has a detrimental influence on the growth of BUMD assets and financial performance, but has no effect on BUMD's efficiency. In contrast to Abidin, Prabantarikso, Wardhani, and Endri (2021), where government equity participation has a direct effect on financial performance, this study examines the indirect effect of equity participation on financial performance via asset expansion and capital structure. Similarly, Noodezh et al. (2016) assert that more transparency in financial reporting will boost investor confidence. Disclosure of a company's overall funding policy can help foster the image of transparency that Good Corporate Governance should foster. Transparency improves performance and protects shareholders' interests. State equitable participation is recognised to be related to stakeholder theory, in which SOEs are held accountable for all operations undertaken, both by the results of completed projects and through financial reports (Sadiq et al., 2020). Wijaya and Andriani (2020) In an effort to rebuild and strengthen SOEs, the government has allocated PMN. However, the PMN offered does not always boost SOEs' profitability. The PMN supplied by the government is likewise incomplete, failing to account for the synergy between SOEs. Kim (2018) highlighted that increasing equity involvement increases the company's equity and, of course, the BUMN's assets. Where PMN is provided to assist SOEs in carrying out their activities and is also provided to SOEs that receive special government tasks. Soepardi (2005) demonstrates in his research that strategy formulation and implementation have a favourable and significant impact on financial performance, either partially or simultaneously. According to Banjarnahor and Ariani (2016), the more effective a company's strategy, the more effective the relationship between agent and principal (agency theory). This improved relationship will increase the likelihood of GCG being employed by a company. Krenn (2015) details the company's progress toward reaching the desired outcomes. Where good corporate governance is more attractive to businesses and also more sustainable is when the following conditions exist: the company's compliance costs are relatively high, the company's direct and visible non-compliance costs are relatively high, and the external compliance monitoring costs are relatively high. According to GS and Soemantri (2020), it is well established that the deployment of GCG has a considerable effect on ROE and CSI. GCG plays a critical role in strengthening the interaction between management and stakeholders (e.g consumers). Similarly, Sukmadilaga, Pratama, and Mulyani (2015) found that while the Indonesian government's financial statements contain more disclosures than those of Malaysia, both countries' disclosure levels are low. This demonstrates that both countries' level of disclosure needs to be increased in the future. Where disclosures demonstrate sound corporate governance. Transparency, justice, accountability, social awareness, independence, discipline, and the business performance of the corporation are all factors that have an effect on the GCG principles.

2. Hypothesis Development

State ownership is another form of centralised control that is prevalent in a number of countries (Azar et al., 2021). State-owned enterprises are typically inefficient since they are motivated by political objectives, and the consequent losses result in economic deficits (Hodge, 2018). The effect of state equity participation on corporate governance is due to efficient corporate governance mechanisms such as increasing the size and independence of the board of directors and the presence of more dispersed ownership (managerial and institutional), which results in lower leverage and debt levels, thereby lowering the risk of financial instability (Malagila, Zalata, Ntim, & Elamer, 2021). Transparent financial reporting will boost investor trust. Disclosure of a company's overall funding policy can help foster the image of transparency that Good Corporate Governance should foster. Transparency improves performance and protects shareholders' interests (Noodezh et al., 2016). The success of a business is heavily influenced by its strategic and management features. Among these techniques is one for implementing a Good Corporate Governance (GCG) structure within the organisation. The structure of GCG within a business may be able to predict a business's success or failure (Haseeb et al., 2019). Strategy implementation is described as a managerial activity that involves putting a new strategy in place. The managerial exercise in question is monitoring the implementation of the strategy, strengthening the strategy's competence so that it can be performed, and demonstrating progress toward reaching the desired goals (Siegel & Leih, 2018).

Given the critical nature of strategy implementation in achieving objectives, it is critical to evaluate the impact of strategy execution on Good Corporate Governance principles. Along with impacting corporate governance, State Equity Participation may have an effect on the Company's performance. The ratio of aggressive financing policies entails a greater reliance on debt as a source of funding (Mital, Del Giudice, & Papa, 2018). When businesses concentrate on the usage of current liabilities, they are more aggressive in managing them, putting them closer to the liquidity ratio. This method is undoubtedly risky, as the corporation must maintain a low net working capital position. However, profit margins are significant due to the low total cost. This has an effect on the firm's profit acquisition since the more debt the company has, the more exposed the company is to an excessive debt burden. As a result, it can be stated that the Company's aggressive financing programme has an effect on its performance.

With an alpha of 0.01, the government subsidy variable has a strong negative effect on financial performance, implying that it is difficult for State-Owned Enterprises to manage themselves if the government continues to provide subsidies and more capital programmes each year (Ali et al., 2019). For BUMN investment decisions, the capital structure variable has a favourable but small effect on financial performance. When government subsidies are utilised as a moderator, this study discovers that they improve the association between capital structure and financial performance. A strategy is a method for achieving an organization's objectives (Lamb, 2018; Mardatillah, Rosmayani, & Ramadhani, 2021; Paterlini, 2020). Numerous studies demonstrate that strategy has an effect on an organization's performance (Aluchna & Tomczyk, 2018; Yang, Shinkle, & Goudsmit, 2022). Non-market strategy has an effect on a company's performance. Concerning the implementation of the planned strategies, the company will require additional resources or funds to execute these strategies and improve the Company's performance. Environmental costs are the expenses incurred by a firm to avoid or repair environmental damage caused by its operations (Brooks & Oikonomou, 2018). Environmental scanning has been shown to improve a company's performance in this study.

H1: State Equity Participation has a significant effect on Good Corporate Governance

H2: Business Strategy has a significant effect on Good Corporate Governance

H3: State Equity Participation has a significant effect on Company Performance.

H4: Business Strategy has a significant effect on Company Performance.

3. Methodology

The term "research methods" refers to the procedures employed by researchers to conduct studies in order to address problems (Quinlan, 2019). The researcher's method is explanatory research. Explanatory research is conducted to gain a description, a systematic, factual, and accurate account of the facts, nature, and interactions among the variables researched (Sekaran & Bougie, 2016). The researcher chose this method because she desired to obtain a fundamental response regarding causation by evaluating the components that contribute to the occurrence of the phenomena in the idea developed in the research background (Quinlan, 2019).

Field research was used to collect data, with questionnaires distributed to respondents who were included in the study analysis unit. Questionnaires were circulated by Google Forms, email, and the WhatsApp application, and were delivered personally to respondents by contact persons. The data were collected using a differential semantic scale and interval data. The Structural Equation Model (SEM) model is used to determine the influence of the factors researched on the formulation of the research problem.

The population for this study included 35 enterprises that received State Equity Participation in Indonesia between 2010 and 2019. Using the Structural Equation Model-Partial Least Squares Method, a sample size of at least 30 to 100 is recommended. The finance department, internal supervisory unit, company secretary, and several other sections of SOEs receiving State Equity Participation in Indonesia were surveyed. Respondents included Senior Manager positions (Head of Division, Head of Division, General Manager, General Head, Chief of, Corporate Secretary, and Senior Auditor), Middle Manager positions (Head of Unit, Manager, Inspector, and Accounting Manager), and Junior Manager positions (Head of Unit, Manager, Inspector, and Accounting Manager) (Senior Officer and Supervisor). This type of data collection is a field study in which data are gathered by delivering questionnaires to respondents who are part of the research analysis unit. Questionnaires were delivered by Google Forms, email, and Whatsapp and were sent directly to respondents via contact individuals. Data collected using a differential semantic scale in conjunction with interval data.

Four variables were used to determine the variables in this study: state equity participation (PMN), business strategy (SB), good corporate governance (GCG), and company performance (KP). Exogenous variables include state equity participation and business strategy, whereas endogenous variables include good corporate governance and company performance. The structural model's construction is illustrated in Figure 2.

State equity participation and business strategy are latent variables that are composed of numerous indicator latent variables, each of which has several indicators.

The indicators of State Equity Participation used in this study are qualitative indicators with limitations in the form of elements that can be considered in accordance with the Decree of the Minister of State-Owned Enterprises in Bumn (2002), which states that when assessing the health of SOEs, directors are given the option of disregarding development projects/investments that have been declared commercial operations based on the Statement of Financial Position.

The constraint is that the research indicators are based on Baltzan's (2012) perspective on cost leadership, which is based on two metrics, namely the ability of SOEs to compete and become service providers at reasonable rates. The differentiation strategy's limitations include varying degrees of product specificity/uniqueness and changes in product segmentation. While the focus strategy's shortcomings include the inability to offer particular products at cheap prices and the inability to offer diverse products at high prices.

Corporate governance variables and company performance variables are latent variables comprised of a number of latent indicator variables, each of which contains a number of indicators.

The indicators of good corporate governance used in this study are qualitative indicators based on A (2012) and Anginer et al. (2018) with indicator limitations, namely that companies must provide adequate, accurate, and timely information to stakeholders without manipulating reports or violating the principles of report defects (transparency), that SOEs can assess management integrity, ethics, and compliance with applicable laws (accountability), and that companies can know th (fairness).

The company performance indicators used in this study are qualitative indicators based on Kaplan and Norton (1996), with the caveat that financial measurement is limited to determining whether or not company strategy, implementation, and implementation contribute to or are unrelated to increasing company profits, whereas the non-financial perspective includes the customer perspective, internal business process perspective, and learning and growth perspective.

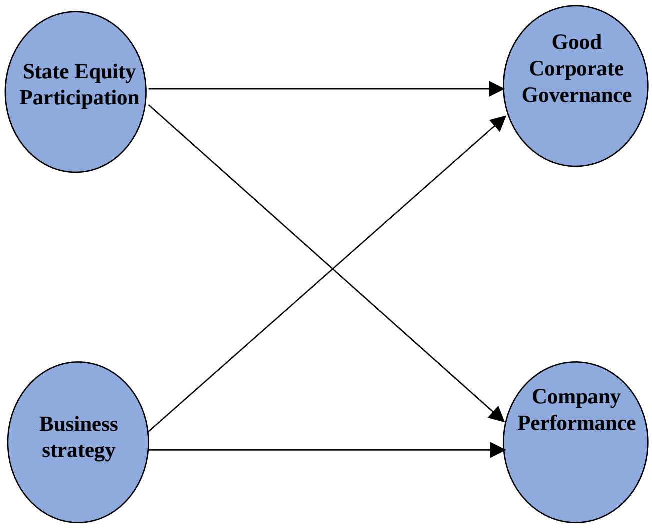

Figure 2. Theoretical Framework

4. Result

Convergent validity is comprised of the indicators' individual validity and the average variance retrieved (AVE). Convergent validity is used to determine the extent to which present indicators can adequately explain latent variables. This means that the stronger the indicator's convergent validity, the more capable it is of describing the latent variable. A loading factor of between 0.5 and 0.6 is still deemed adequate (Hair Jr, 2017). Table 2 and Figure 3 below illustrate the findings of the structural model with an AVE value greater than 0.5 and a standardised loading factor greater than 0.6. This indicates that the indicators in the model are valid as a method for measuring latent variables and thus suitable for modelling.

Table 2. AVE Value for Convergent Validity

Variabel		*Average Variance Extracted* (AVE)	*Composite Reliability*
GCG	AC	0.854	0.854
	FR	0.944	0.944
	TR	0.898	0.898
	RE	0.918	0.918
	IN	0.951	0.951
PMN	FP	0.839	0.839
	DER	0.785	0.785
	EAR	0.771	0.771
	IM	0.809	0.809
SB	CLS	0.907	0.907
	DF	0.906	0.906
	FS	0.916	0.916
KP	NK	0.965	0.965
	PK	0.962	0.962

According to Table 3, the overall composite reliability value of all latent variables is greater than 0.7. Thus, all latent variables are reliable, or in other words, indicators are consistent in their measurement of their respective latent variables.

Table 3. Discriminant Validity

	PMN	SB	GCG	KP
PMN				
SB	0.608			
GCG	0.718	0.605		
KP	0.442	0.862	0.607	

According to the discriminant validity analysis results in Table 3, the Heterotrait Monotrait ratio is less than 0.90. This demonstrates that the discriminant validity is valid in the absence of a large degree of correlation between the variables.

The structural model analysis conducted in this study indicates that the variable State Equity Participation (PMN) has a substantial effect on the variable Good Corporate Governance (GCG) at a 5% level of significance, implying that H1 is true. Then, at a significance level of 5%, the Business Strategy (BS) variable also has a significant effect on the Good Corporate Governance (GCG) variable, implying that H2 is accepted. Additionally, at a significance level of 5%, the Business Strategy variable (BS) has a substantial effect on the Company's Performance Variable, which accepts H4. However, at a 5% significance level, the State Equity Participation (PMN) variable has no significant effect on the Company's Performance Variable and so rejects H3. Table 4 summarises the results of the structural model study.

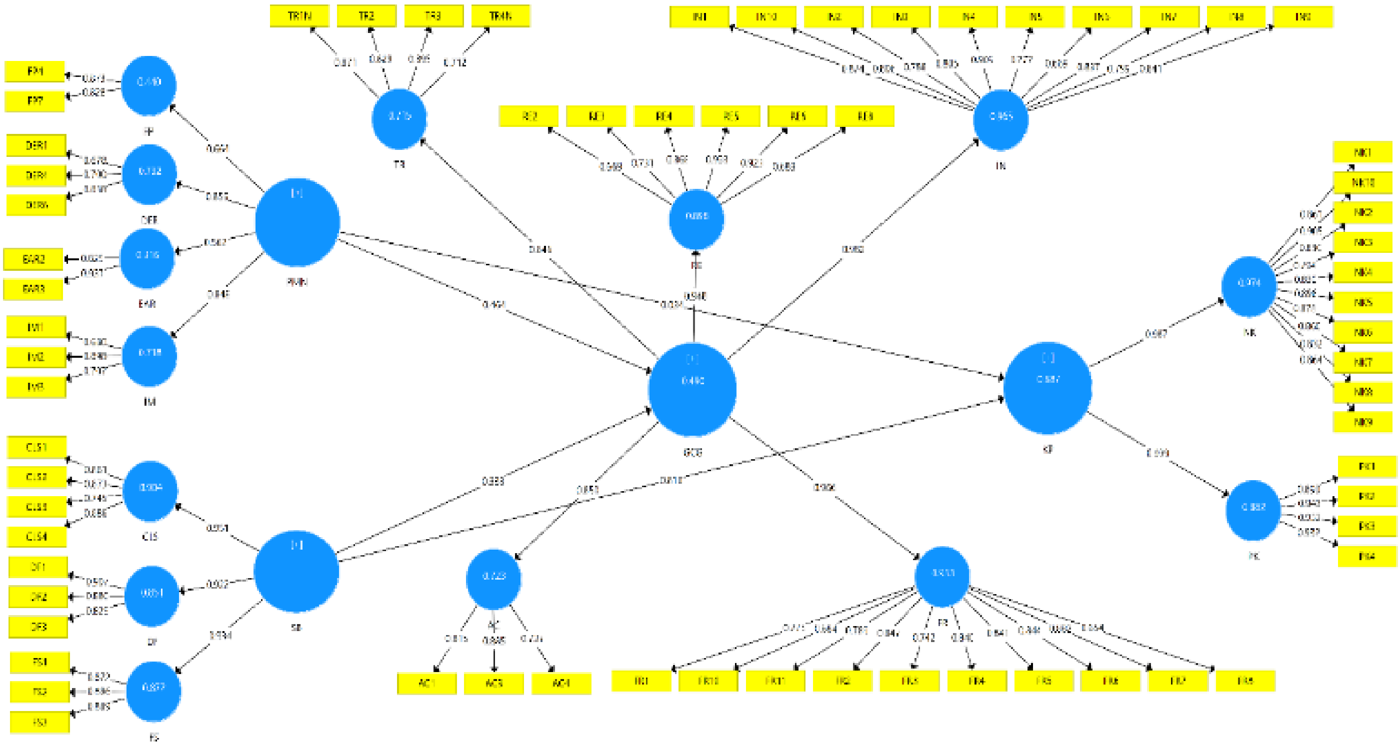

Figure 3. Assessment of the Measurement Model

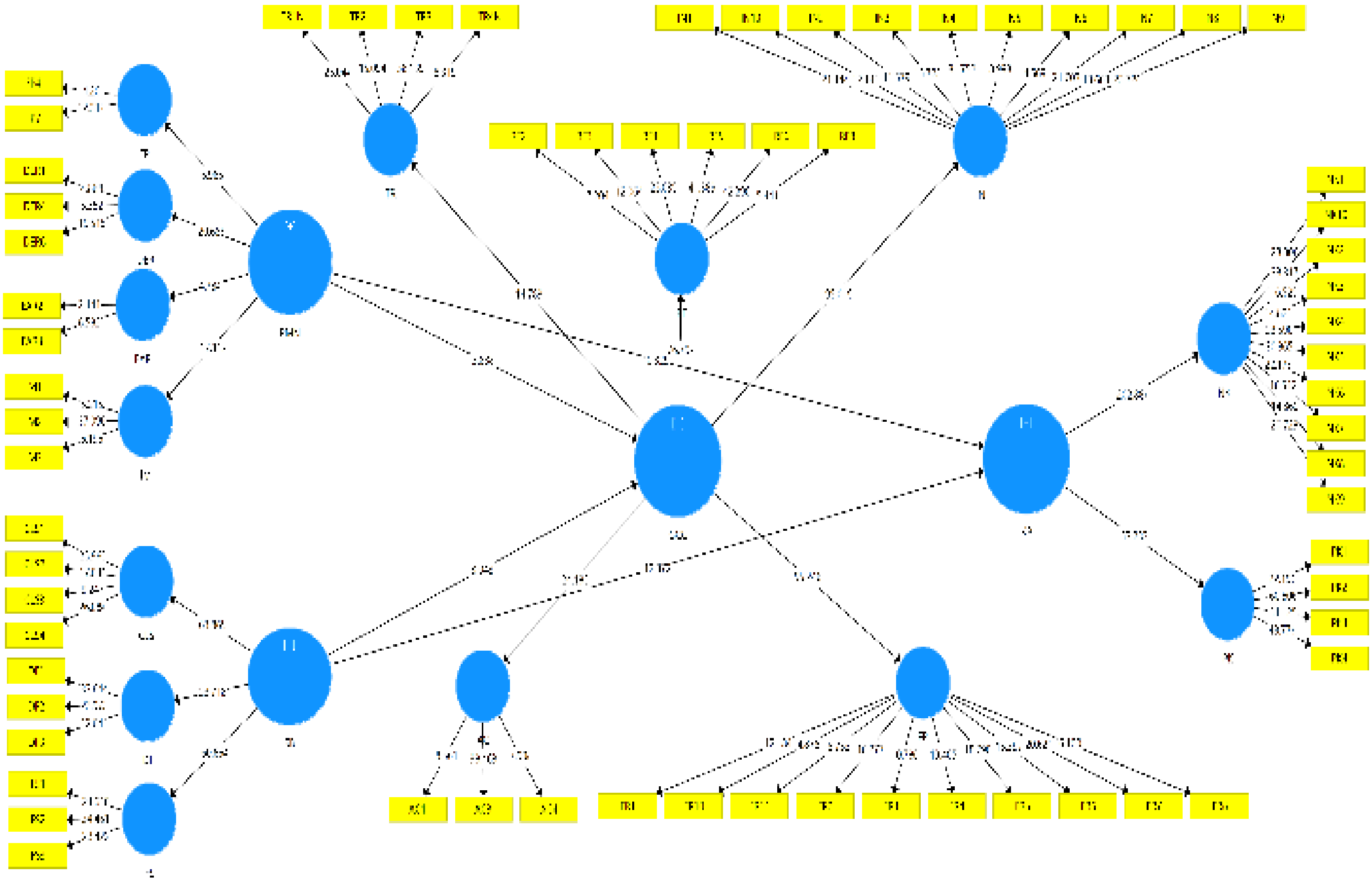

Figure 4. Structural Model Assessment

Table 4. Structural Model Analysis

Hubungan	Beta	SD	T statistics	P Values
PMN-> GCG	0.464	0.121	3.843	0.000***
SB -> GCG	0.333	0.110	3.028	0.003***
PMN -> KP	0.034	0.109	0.310	0.757 ts
SB -> KP	0.810	0.071	11.39	0.000***

Notes: ***: Significant at 1% level, **: Significant at 5% level, *: Significant at 10% level, ts: not significant

5. Discussion and Conclusion

The structural model analysis results indicate that the variable State Equity Participation (PMN) has a significant effect on the variable Good Corporate Governance (GCG) at a 5% significance level with a t-count value of 3.843 > t-table (1.645). Thus, Hypothesis 1 is established. It is deemed suitable that there is a favourable relationship between state equity participation and good corporate governance. As explained in Minister of SOE Regulation No. Per-1/MBU/03/2021 on Guidelines for Proposing, Reporting, Monitoring, and Changes in the Use of Additional State Equity Participation in State-Owned Enterprises and Limited Liability Companies, the issuance of this Regulation is part of the accountability and transparency principles that will become mandatory for all companies falling under the scope of State-Owned Enterprises. This is how effective corporate governance is affected in the context of State-Owned Enterprises.

According to PP No. 44 of 2005, State Equity Participation (PMN) is the separation of state assets from the State Revenue and Expenditure budget or the determination of company reserves or other sources to be used as capital for State-Owned Enterprises and/or other Limited Liability Companies and managed in a corporate manner. Meanwhile, Corporate Governance is believed to be a term that refers to a structure that enables the organisation to be governed and managed. Corporate Governance can also be used to denote the rights and obligations of major stakeholders in a business (Bragoudakis, 2019). The relationship between the two demonstrates that the more cash granted by the government to serve as capital for State-Owned Enterprises, the more steered and regulated a firm structure may be.

This finding is consistent with prior research, which indicates that effective corporate governance mechanisms such as increased board size and independence, as well as more dispersed ownership (managerial and institutional), result in lower levels of leverage and debt, thereby reducing the risk of financial instability (Malagila et al., 2021).

Another study argues that the capital structure has an indirect effect on agency costs, which, combined with the company's growth, has an effect on the corporate governance function. Additionally, it is well-known that capital structure, agency costs, and corporate governance are important pillars that influence the organisation in a systematic and synchronous manner.

At a significance level of 5% and a t-count value of 3.028 > t-table, the Business Strategy (SB) variable also has a significant effect on the Good Corporate Governance (GCG) variable (1.645). Thus, Hypothesis 2 is established. This is because the long-term goal of SOE reform is to establish an effective corporate governance system and a government control structure that is appropriate. So that the methods implemented can be effectively implemented and the company's progress toward obtaining the desired goals can be tracked. Given the critical nature of strategy execution in achieving objectives, it is critical to analyse the impact of strategy execution on the principles of Good Corporate Governance (Siegel & Leih, 2018).

Based on the Minister of State-Owned Enterprises' Decree No. Kep-117/M-MBU/2002 dated August 1 (Kepmen Bumn, 2021), concerning the Implementation of Good Corporate Governance Practices in State-Owned Enterprises, and as refined by the Minister of State-Owned Enterprises' Regulation No. PER-01/MBU/2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises It is well established that in order to implement these GCG principles, a business must develop the appropriate Business Strategy.

It is well established that the more effective a business's strategy, the more effective the interaction between agent and principal (agency theory) (Ariania & Agustiab, 2020). This improved relationship will increase the use of GCG in a business. This remark is backed up by prior studies that examined corporate governance from an international perspective, namely the existence of a global code of corporate governance (Aluchna & Tomczyk, 2018). This is demonstrated by the company's approach of engaging with larger corporate clients in order to have a better understanding of the risks associated with its governance.

These findings corroborate prior study in which it was demonstrated that the Business Strategy and Good Corporate Governance variables both have a substantial association with the Company's performance in a partial and concurrent manner (Seligsohn, Liu, & Zhang, 2018). Additionally, other publications demonstrate that business strategy has a large impact on an organization's competence (Ullah, Pinglu, Ullah, Zaman, & Hashmi, 2020). Where good corporate governance is more attractive to businesses and also more sustainable is when the following conditions exist: the company's compliance costs are relatively high, the company's direct and visible non-compliance costs are relatively high, and the external compliance monitoring costs are relatively high (Krenn, 2015).

However, at a 5% significance level and a t-count value of 0.310, the variable State Equity Participation (PMN) shows no significant effect on the Company Performance Variable (1.645). As a result, Hypothesis 3 is not established. This is because the non-disbursement of PMN at the start of the year has restricted SOEs' ability to make investments and utilise those assets to create income (return) (Kim, 2018).

This finding is consistent with prior research that found no association between government subsidies and the financial success of State-Owned Enterprises (Nugroho, 2019). This issue demonstrates that increasing capital investment will not increase the financial performance of the business.

State ownership has no effect on the Company's performance. Whereas, without taking into account the government's sharing structure, the concentration of ownership cannot account for the Company's performance. Furthermore, the monitoring or explanation of State Equity Participation does not appear to apply, unless it is tied to share ownership structure (Ali et al., 2019). Additionally, the presence of state ownership or participation in the Company's equity will have no effect on its performance. This is because the state and its representatives lack adequate resources and experience for monitoring and supervising State-Owned Enterprise performance management (Eforis, 2018).

According to prior research, the capital structure has a short-term effect on profitability, but not on long-term profitability (business performance) (Ullah et al., 2020). Additionally, it is reinforced by the fact that the Debt to Asset Ratio (DAR) has no effect on firm value, as does the payout ratio. Because the debt-to-asset ratio (DAR) is also a measure of state equity participation, this bolsters the assertion that state equity participation has no effect on company performance (Husna &

Satria, 2019). The corporation handles debt extremely efficiently, to the point where more debt boosts the company's worth (Šodan, 2019).

While the Business Strategy variable (SB) has a statistically significant effect on the Company's Performance Variable at a 5% significance level and a t-count value of 11.39 > t-table (1.645). Thus, Hypothesis 4 is established. There is a relationship between Business Strategy and Company Performance because Business Strategy is a company's activity of implementing integrated policies to create a competitive advantage in achieving the company's business objectives, and this competitive advantage will eventually affect the Company's Performance.

These findings corroborate prior studies demonstrating the importance of having a business strategy in enhancing the relationship between inventory management and the company's performance (Mahzura, 2018; Sitopu, Sitinjak, & Marpaung, 2021). Additionally, it is detailed how the Business Strategy would impact the Company's performance. This suggests that the more robust a business's strategy, the more robust the business's performance (Pratiwi & Riana, 2021).

This conclusion is corroborated by prior research indicating that the application of GCG and Business Strategy has a favourable effect on the financial and non-financial performance of Indonesian State-Owned Enterprises (Delila & Kania, 2018). Thus, the more effectively GCG and business strategy are implemented in Indonesia, the better the company's financial and non-financial performance. Additionally, other journals demonstrate a favourable and significant association between the inventory system and the company's performance; Second, it is established that strategies contribute to the strengthening of the interaction between systems (Mahzura, 2018).

In practise, it is expected that SOEs will: 1) manage state equity participation to ensure sufficient liquidity and mitigate the risk of not seeking external sources of capital or loans; 2) improve implementation strategy through cost leadership, differentiation, and focus strategies; and 3) management implements Corporate Governance, which is not only for compliance purposes, but also to improve the company's performance.

The study's limitation is in the relationship between the influence factors of state equity participation, business strategy, and the implementation of Good Corporate Governance principles on the company's performance, with actual implementation and real programme plans failing to reach the implementation stage. This study continues to make assumptions in order to evaluate the granting of State Equity Participation to State-Owned Enterprises, although they have not been acknowledged completely.

Based on the constraints outlined above, it can serve as a foundation for additional study or recommendations for practical policies for real-world implementation and programme design that make the effects of these elements more obvious in order to improve performance. Due to the paucity of research on state equity participation, this study focuses exclusively on the stage of practical factors affecting the performance of state-owned enterprises.Policy Implication

According to the findings of the research and discussion, as well as the study's conclusions, the government should be able to balance the corporate purpose with the social mission entrusted to SOEs. SOEs whose performance in controlling PMN has been subpar and have a history of losses are anticipated to improve through the following:

a) Concentrating on the implementation of the company's business strategy, particularly the differentiation and focus strategies, as well as the implementation of strategies, particularly those that differentiate themselves through their ability to serve and satisfy customer needs and desires, as well as the implementation of strategies, particularly those that differentiate themselves through their ability to serve and satisfy customer needs and desires.

b) Managing the company's operating costs and enhancing the economic aspect through the control of operational activities, resource allocation and utilisation, and operational inspectors who can encourage the improvement of company performance and the timely completion of each job with appropriate and timely resources.

c) Adherence to the principles of Good Corporate Governance, which is not merely a matter of conformity, but also focuses on regulation and required openness. Thus, it becomes a system that the business requires in order to boost performance.

For additional research that will discuss PMN in order to increase the number of SOE respondents who receive PMN and to broaden the selection of research indicators, such as decisions on fundamental improvements through synergies between SOEs in the context of cost efficiency, followed by downsizing decisions to conduct mergers and acquisitions, including the liquidation of SOEs based on similarities. line of business to minimise or even eliminate losses.

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