

CHAPTER V

CONCLUSION AND RECOMMEDATION

5.1 Conclusion

The study evaluates the impact of partial privatization on financial and operating performance of SOEs in Indonesia during 1995- 2013. The study uses several variables to examine the changes of performance: *profitability, operating efficiency, capital investment spending, output, employment, leverage, and dividend payouts*. The study documents that:

1. Profitability.

There is a positive improvement in *Return on Sales* (ROS). Meanwhile, there is a negative improvement in *Return on Assets* (ROA) and *Return on Equity* (ROE). Overall, the Wilcoxon test documents insignificant improvement in profitability after privatization. This finding rejects *H1*.

2. Operating Efficiency

There is a positive improvement for both operating efficiency indicators, *sales to the number of employees* (SALEFF) and *net income to the number of employees* (NIEFF). The Wilcoxon test reveals that there is a significant difference in operating efficiency after privatization. This finding supports *H2*.

3. Capital Investment Spending

There is a positive improvement for *capital expenditures to sales* (CESA) and *capital expenditures to total assets* (CETA). However, the Wilcoxon test shows insignificant difference in for both ratios. Hence, it is

concluded that there is no significant difference in capital investment spending after privatization. This finding rejects *H3*.

4. Output

There is a positive improvement in output (*real sales*) following privatization and the Wilcoxon test also finds that there is a significant difference in output after privatization. This finding supports *H4*.

5. Employment

There is an increase in employment level after privatization, however the Wilcoxon test shows insignificant difference in employment after privatization. This finding rejects *H5*.

6. Leverage

There is a decline in *total debts to total assets* (LEV1) and *long- term debt to total equity* (LEV2) following privatization and Wilcoxon test results support this declining. Hence, there is a significant difference in leverage after privatization. This finding supports *H6*.

7. Dividend Payouts

There is a positive improvement in *dividends to sales* (DIVSAL) and *dividends to net income* (PAYOUT) following privatization. However, the Wilcoxon test indicates insignificant difference in dividend payouts after privatization. This finding rejects *H7*.

In sum, this study documents significant changes in operating efficiency, output (inflation- adjusted sales) and leverage — and insignificant

changes in profitability, capital investment spending, employment, and dividend payouts following privatization.

5.2 Research Limitation

There are some limitations in examining the before and after privatization impact on financial and operating performance of the firms. First, this study does not take all of the privatized firms as the sample of research. The financial firms which consist of banks, are excluded from the sample. Second, this study does not consider the macroeconomic factors in analyzing and interpreting the results of the test.

5.3 Research Recommendation

The study contributes to the understanding about the privatization's impact on firms' performance by providing the financial and operating performance changes through privatization. The findings highlight some significant changes and insignificant changes in variables. As such, the findings could be used by governments and managers in managing the newly privatized firms.

Taken as a whole, as the results of privatization show improvement in some financial indicators, therefore, it is suggested that the government should continue to privatized the SOEs, in partial privatization particularly. By selling partly, the government still can control the firms. Furthermore, it is also suggested that the government should efficiently manage the firms before come into privatization program by preparing well-trained human

resources, especially the firms' managers that will manage the newly privatized firm.

For the further research, the researcher suggests to examine and compare the performance of privatized SOEs and non privatized SOEs and see the difference between them.

