ABSTRACT

Since 1991, the government of Indonesia has conducted privatization program for some state-owned enterprises. As a public company, the performance of state-owned enterprises (SOEs) will pay enormous attention from society. The researcher tries to collect empirical evidence documenting before and after privatization and analyze how privatization affects SOEs financial performance. The researcher investigates the financial performance of state owned enterprise by comparing financial ratio three years before and after privatization. The sample of the research are eleven state-owned enterprises listed on Indonesia Stock Exchange (IDX) from 1990-2007. The research use t-test to test the research hypotheses. The result shows that only return on equity and leverage which change significantly after three years of privatization. While the other variables, which are return on sales and return on assets do not change significantly after three years of privatization.

Keywords: Privatization, Return on Sales, Return on Assets, Return on Equity, and Leverage.