FINANCIAL PERFORMANCE OF PLANTATION STATE OWNED ENTERPRISE BEFORE AND AFTER HOLDING ESTABLISHMENT

Gemanta Furi Bangun*)[1]**, Muhammad Firdaus****)**, Trias Andati*****)

*)School of Business, IPB University
Jl. Raya Pajajaran, Bogor 16151, Indonesia
**)Department of Economics, Faculty of Economics and Management, IPB University
Jl. Agatis, IPB Dramaga Campus, Bogor 16680, Indonesia
***)Sekolah Tinggi Manajemen PPM
Jl. Menteng Raya no. 9-19, Jakarta Pusat 10340, Indonesia

Abstract: Restructuration of State Owned Enterprise (SOE) through holding company establishment is aimed to transform the company to be more professional, independent and competitive in the global market. Thus far, the Ministry of SOE has established several holding companies, one of which is a plantation holding company. In the course of 5 years after the establishment, the plantation holding company has not shown proper financial performance. The objectives of this research are to analyze the impact of holding company formation towards company's performance and the required strategy to be implemented related to the company's capital structure. This research uses primary and secondary data to analyze IFE (Matrix Internal Factor Evaluation), EFE (Eksternal Factor Evaluation), and Internal-External (IE) matrices and compare them to the SWOT (strengths, weaknesses, opportunities, and threats) analysis. The research results show that the size and tangibility variables have increased while the other variables have decreased. Besides that, based on the results of financial performance research that have a significant effect on capital structure are profitability, size, growth, activity, lag leverage. Based on strategic analysis through IE matrix, the company is on the 5th quadrant which requires the company to implement market penetration strategy or doing product development. The SWOT analysis obtained several alternative strategies related to capital structure improvement.

Keywords: plantation holding, holding company, company's performance, financial performance, capital structure

Abstrak: *Upaya restrukturisasi Badan Usaha Milik Negara (BUMN) melalui pembentukan holding company bertujuan membuat perusahaan semakin professional, independent, dan memiliki daya saing di pasar internasional. Sampai dengan saat ini, Kementerian BUMN telah membentuk beberapa holding company, salah satunya holding perkebunan. Selama kurun waktu lima tahun pembentukan holding BUMN perkebunan belum dapat memberikan kinerja keuangan yang baik. Tujuan dari penelitian ini adalah untuk menganalisis pengaruh pembentukan holding company terhadap kinerja perusahaan dan penerapan strategi yang diperlukan terkait struktur modal perusahaan. Penelitian ini menggunakan data primer dan sekunder untuk menganalisis matriks IFE (Matrix Internal Factor Evaluation), EFE (Eksternal Factor Evaluation) dan Internal-External (IE) serta dibandingkan dengan analisis SWOT (strengths, weaknesses, opportunities, and threats). Hasil penilitian menunjukkan bahwa variabel size dan tangibility mengalami peningkatan sedangkan variabel lainnya mengalami penurunan. Disamping itu, berdasarkan hasil penilitian kinerja keuangan yang berpengaruh signifikan terhadap struktur modal adalah profitability, size, growth, activity, lag leverage. Hasil analisis strategi melalui matriks IE, perusahaan berada di kuadaran 5 dengan strategi yang dilakukan adalah strategi penetrasi pasar atau pengembangan produk. Analisis strategi SWOT menghasilkan beberapa alternatif strategi yang dapat dilakukan terkait dengan peningkatan struktur modal perusahaan.*

Kata kunci: *holding perkebunan, perusahaan holding, kinerja perusahaan, kinerja keuangan, struktur modal*

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[1] Corresponding author:
  Email: gemanta070707@gmail.com

INTRODUCTION

As an economic agent, State Owned Enterprise (SOE) has a significant role in almost all economic sectors such as finance, mining, manufacturing, agriculture, etc. The performance of SOE is able to affect the efficiency level of various industrial sectors. Various efforts can be made to improve the performance of SOE, one of which is through profit system, restructuration, and privatization. As for restructuration, there are several method options such as establishing holding companies, mergers, consolidations and acquisitions, initial public offering (IPO), strategic sale, sales to management, management contracts and other strategic alliances (Pranoto and Makaliwe, 2013).

One of restructuring methods for efficiency of policy control and strengthening activity chain is through holding company establishment. Through the establishment, the government believe that SOE is able to play important role in increasing investment in the future (Kim, 2018). Good management of a holding company will create a company that is competitive and has high competitiveness at the global level (Fallah, 2013). According to Sumarna (2018), in line with the joining of SOEs that previously operated in the same market to become one holding, competition will decrease, coordination will become stronger, so it is hoped that the holding can compete in the domestic market and even at the international level. Placing the SOEs, which are currently under the BUMN, in a single holding company will allow the state to focus more intently on its role as a policymaker and regulator instead of being caught up in the operational duties of a shareholder (Agustiawan, 2015). Thus far, Ministry of SOE had established several holding company in various sector including, specifically fertilizer producer under PT Pupuk Indonesia Holding Company, cement producer under PT Semen Indonesia, plantation company under PT Perkebunan Nusantara III (PTPN III), forestry company under Perum Perhutani, oil and gas company under PT Pertamina and mining company under PT Inalum. One of these companies which expected to have performance improvement is plantation holding SOE under PTPN III.

In the course of 5 years after the establishment, the plantation holding SOE still failed to pay dividend to its shareholder (Government). This matter is caused by the company which has not shown financial performance improvement compared to the period before the holding company was established. Thus far, financial difficulties and losses at several subsidiary companies of plantation holding SOE caused by unstandardised and underperformed operational activities across the group persist. Financial condition from eight subsidiaries (PTPN I, II, VII, VIII, IX, XII, XIII dan XIV) are on unsustainable phase as the result of high cost of fund and a decrease in operational performance which causes a burden for the subsidiaries to meet third parties obligation (especially to the bank). On the other hand, increasing loans from past investment activities forbid several subsidiaries from receiving funds to support their operational activities. This condition forces plantation holding SOE to constantly provide financial support through fresh fund injection.

Following the success of the Malaysian plantation holding, Sime Darby Plantation Bhd which has succeeded in creating value added, good synergy between companies and more developed groups so that enabled the group to enter the global market through performance improvement in the same sector. Formation of plantation holding SOE through PTPN III supposedly gives positive effect for its stakeholder. However, every company has its own challenges running its business. Shift in relationship pattern between holding company and subsidiary companies resulting in policies changed. Therefore, research on financial performance of plantation SOE before and after plantation holding establishment is needed to evaluate effectiveness of holding establishment in plantation sector.

SOE's restructuration through super holding and sub sector holding establishment has been successfully implemented in Malaysia with Khazanah Nasional Berhad and Singapore with Temasek. Khazanah Nasional Berhad is assigned to manage commercial assets and companies owned by the government and execute strategic investments which contribute to the country's development (Lai, 2021). While Temasek is the economic backbone and has an important role ini Singapore. The companies under Temasek control which are listed in SGX Exchange contribute approximately 30% from total SGX market capitalization (Liu, 2017). Temasek does not conduct trade or business but holds investments. Its income is from dividends, interests, and rents (Samphantharak, 2019).

Organization restructuring through holding establishment by the Government was expected to increase financial performance as the result from synergy which was achieved from the restructuration. However, that was not always the case. Based on Figure 1, until 2019, Plantation Holding SOE formation still failed to achieve the target (SOE's roadmap) as planned, specifically financial performance in the period of 5 years after the establishment, losses and financial difficulties faced by several subsidiaries as the result of low liquidity persist. Furthermore, as a consolidated entity, the performance of Plantation Holding SOE has not shown any improvement.

Proper leverage levels have a positive effect on profitability of the company. The higher debt of the company the lower its profitability. Companies which count on debt on the operation will face higher interest expenses, so that lower its profitability.

Based on Table 1 several leverage ratios of the company had a declining trend in the period of 2015 – 2019. The funding provided by Holding Plantation SOE for the subsidiaries which was originally intended to improve the capital structure failed to improve the company's performance, especially in terms of profitability. Investments made by the company do not have a direct impact on performance, but only burden the company. According to Puspitasari (2013), when a company can utilize leverage correctly and effectively the purpose of its leverage usage will be achieved. However, if the leverage level was too high, the company's risk would be increased. The profitability tends to drop meanwhile required capital and investments increasing, to lower the declining financial growth, companies have several financial strategies that can be applied, one of which is capital structure management. According to Cempakasari et al. (2019), several factors that influence the company's capital structure as well as an overview of internal and external conditions through SWOT analysis will make it easier for company managers to determine the optimal capital structure.
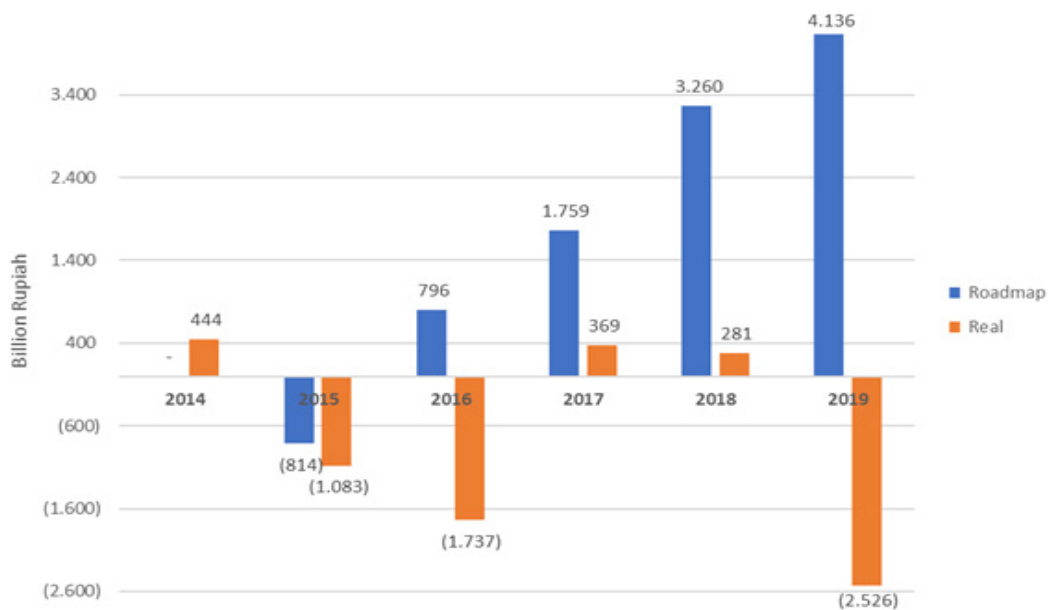

Figure 1. Net profit performance of plantation SOEs holding

Table 1. Leverage ratio of holding for plantation SOEs 2015-2019

Description	Unit	Year					
		2015	2016	2017	2018	2019	CAGR
Debt to Asset Ratio	%	53.46	56.86	58.63	55.58	60.93	2.65
Debt to Equity Ratio	%	114.87	131.80	141.72	125.11	155.93	6.30
Debt to EBITDA Ratio	%	1.449.70	1.494.52	1.080.02	969.85	1.338.86	-1.58

Financial restructuring policy and management reorganization in the subsidiaries are intended to accelerate company's performance improvement program. In Indonesia, research on financial performance of SOE holding has not been performed a lot. According to Andriani (2018), there were disproportion between company's revenue and expenditure in the period of 2021–2016. Revenue tend to be fluctuate meanwhile expenditure consistently increased as the result of increasing operational expenses and annual interest expense. This unfavorable subsidiaries' performance is caused by but not limited to plantation holding SOE's focus on subsidiaries restructuring since plantation holding SOE was not established yet (Utoyo, 2019). The restructuring policy for the plantation BUMN holding is expected to improve the company's overall performance. This research is expected to provide benefits in the form of: For companies it can be used as input and consideration in preparing strategic policies in company management. In addition, for academics it can be used as material for preparing similar and more in depth research. Basen on above explanation the objectives of this research are: To analyze PTPN's restructuring effect on company's financial performance; To analyze financial performance on plantation holding before and after organization restructuring; To formulate required strategies related to company's capital structure

METHODS

Data collection was carried out at the Plantation Holding Office, located at the Agro Plaza Building, 15th and 11th Floors, Jalan HR Rasuna Said Kav X2 Number 1, Kuningan, Jakarta. Meanwhile, the object of research is the performance of plantation SOEs before the establishment of the holding company for the 2010-2013 period and after the establishment of the holding company for the 2014-2019 period. The data collection time takes place from February to May 2020. The data used in this research are primary data and secondary data. Secondary data in the form of data derived from the financial statements of the holding of plantation SOEs and subsidiaries for the 2010-2019 period. Data on consolidated financial statements of state-owned plantation holdings for the period 2010-2013 were obtained through a recapitulation process without an accounting system elimination process (non audited). Meanwhile, the consolidated financial statements of state-owned plantation holdings for the

2014-2019 period are audited reports that have been published by the company. Meanwhile, to confirm the results of the analysis to obtain a strategy using primary data obtained through the results of a questionnaire to the Board of Management (Directors or SEVP) of state-owned plantation holding companies and subsidiaries who know management's considerations in the company's capital structure decisions.

This research was conducted by taking data from the financial statements for the 2010-2019 period. The following are the steps for processing and analyzing the data based on Figure 2 required:

Analyze the effect of organizational restructuring on financial performance. The study was conducted using a quantitative approach with secondary data on financial statements for the 2010-2019 period with the average difference test or nonparametric statistical analysis using the Mann-Whiteney test. The variables to be studied include variables for financial performance, namely profitability (PRO), company's size (SZE), company's growth (GRO), asset structure (TAN), liquidity (LIQ) and activity (ACT).

Analyze the financial performance of the capital structure before and after the establishment of a plantation holding through the following steps: Performing panel data regression analysis is part of collecting two types of data, namely time series data and cross section data (Baltagi 2009). The models used in analyzing the effect of financial performance on capital structure are:

$$Lev_{hit} = \alpha + \beta1\ PRO_{it} + \beta2\ SZE_{it} + \beta3\ GRO_{it} + \beta4\ TAN_{it} + \beta5\ LIQ_{it} + \beta6\ ACT_{it} + \beta7\ Lag\_Lev_{it} + D\_Var + e_{it}$$

The selection of the panel regression model is done through the Chow test to select the panel regression model between the common effect model (CEM) and the fixed effect model (FEM), the Hausman test to select the panel regression model between the FEM and the random effect model, and the Lagrange Multiplier Test to choose between models. REM and CEM panel regression. Next, the classical assumption test will be carried out to ensure that the regression model must be BLUE (Best Linear Ubiased Estimate) (Gujarati, 2006). The classical assumption testing that will be carried out consists of normality test, multicollinearity test, heteroscedasticity test.
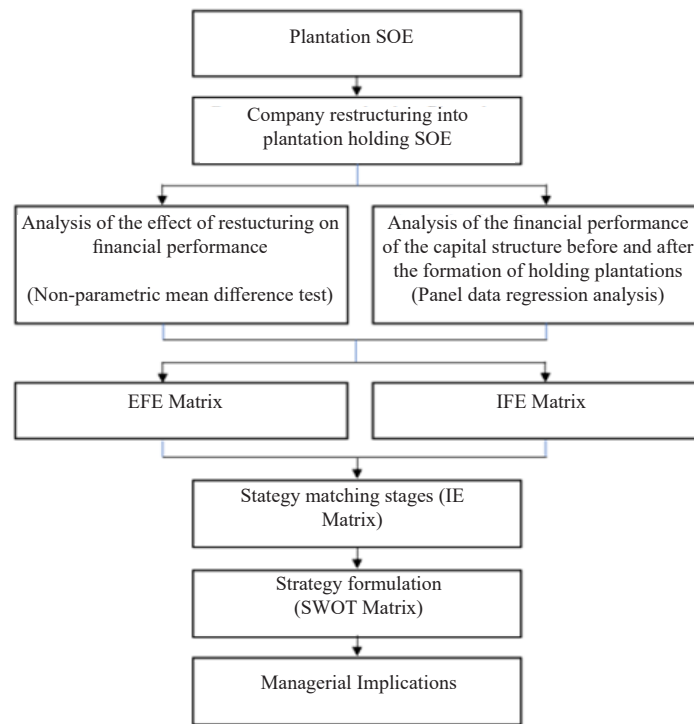
Figure 2. Research Framework

Formulate the required strategy implementation related to the company's capital structure through internal and external factor analysis methods (IFE and EFE) and SWOT analysis (Strength, Weakness, Opportunity, Threat). The internal factor analysis (IFE) focuses on the company's internal governance. Meanwhile, the external factor analysis (EFE) focuses on several external environmental factors that influence company performance.

RESULTS

Statistical Analysis with Difference Test

In this statistical analysis, several financial ratios were tested that affect the company's leverage obtained from the company's financial data during the period 2010-2019. The results of the different test through the Mann-Whitney non-parametric statistical method revealed that size and tangibility experienced significant differences between before and after Holding Plantations at the alpha level of five percent. The results of the Mann-Whitney difference test for financial indicators before and after holding are shown in Table 2.

Based on Table 2, it shows that the performance of the state-owned plantation holdings in profitability, growth, liquidity and activity decreased compared to before the establishment of the plantation holdings.

This is due to the financial performance, especially the company's profitability, which has decreased from year to year. This is as stated by Utoyo (2019) that the profit and loss variable with a significance level of 90% there is a difference in profit and loss before and after the formation of the holding. The subsidiary's financial transformation and restructuring program has not yet had a significant impact on the subsidiaries' financial performance. This is as stated by Andriani (2018) that debt has a more dominant effect than equity in the capital structure so companies need to be careful in issuing policies related to debt. While the ratio of size and tangibility has increased due to the significant growth of company assets every year.

Classical Assumption Test Results

The results of the normality test showed a probability value of $0.239094 > 0.05$ so that the data were normally distributed. The results of the autocorrelation test show the Chi-Square probability value of $0.3207 > 0.05$, so it can be concluded that there is no autocorrelation. The results of the multicollinearity test showed that the VIF test results for all variables had a value less than 10, so there was no multicollinearity. The results of the heteroscedasticity test show the results of the Glejser test with a probability value of $p > 0.05$ on all independent variables, so there is no heteroscedasticity in the regression model.

Formulation Model Results

Based on Table 3 shows that almost all variables have a significant effect on capital structure. The independent variables PRO, SZE, GRO, ACT, Lag_Lev, and D_Var affect the capital structure in the period before and after the formation of the holding. This is evidenced by prob < 0.05. The use of debt will be more profitable when compared to the use of own capital in financing company operations so as to encourage companies to generate greater profits. The condition of the capital structure in several subsidiaries that are not yet bankable causes difficulties for subsidiaries in financing their operational activities, for example funding to fulfill the purchase of raw materials to meet factory capacity.

While the other independent variables TAN and LIQ have a probability greater than the significant level of alpha so that it does not have a significant effect on capital structure. The growth in current assets is not in line with the growth in current liabilities. Fixed assets funded by the company's debt do not have a positive impact on production and sales, so that the company's liquidity has decreased every year. Pahlevi's research (2016) found that the independent variables PRO, TAN, LIQ and ACT have negative coefficients and the independent variables SIZ, GRO, and Lag Lev have positive coefficients. Budiman's research (2018) found that the independent variables GRO have negative coefficients dan the independent variables TAN have positive coefficients.

Table 2. Results of the Mann-Whitney difference test of financial performance before and after plantation holding

	Period	N	Mean Rank	Sum of Rangks	
Profitability	Before holding	5	7.70	38.50	Decrease
	After holding	5	3.30	16.50	
	Total	10			
Size	Before holding	5	3.00	15.00	Increase
	After holding	5	8.00	40.00	
	Total	10			
Growth	Before holding	5	7.00	35.00	Decrease
	After holding	5	4.00	20.00	
	Total	10			
Tangibility	Before holding	5	3.20	16.00	Increase
	After holding	5	7.80	39.00	
	Total	10			
Liquidity	Before holding	5	7.00	35.00	Decrease
	After holding	5	4.00	20.00	
	Total	10			
Activity	Before holding	5	7.00	35.00	Decrease
	After holding	5	4.00	20.00	
	Total	10			

Table 3. Analysis of the influence of financial performance on capital structure

Variable	Coefisien	t-statistik	Probabilitas
Constant	2.3127	3.9508	0.0001
PRO	-0.7016	-3.5562	0.0006
SZE	-0.2894	-4.5261	0.0000
GRO	-0.3422	7.6727	0.0000
TAN	0.0217	0.1578	0.8749
LIQ	-0.0718	-1.7482	0.0834
ACT	-0.4158	-3.7218	0.0003
Lag_Lev	0.6889	6.8932	0.0000
D_Var	-0.1475	-3.3105	0.0013
R-Squared	0.9246		
Prob F-statistik	0.0000		

IFE Matrix

Based on Table 4 shows that the results of the analysis of internal key factors consisting of four strengths and six weaknesses, it is concluded that the main strength possessed by the Holding BUMN Plantation is a large land bank (suitable for plantations and strategic locations) with a score of 0.590, while the main weakness is governance and control of subsidiaries. the company is not yet optimal, including financial management (eg investment realization) with a score of 0.183. The total value of the IFE matrix weighting score on Plantation BUMN Holding is 2.392, this value indicates that Plantation BUMN Holding has an average or moderate internal company condition because internal factors are between 2.000-2.999.

EFE Matrix

Based on Table 5 shows that the analysis of external key factors consisting of four opportunities and six threats, it is concluded that the main opportunity factor is the strong demand for plantation products due to population growth and Government programs (eg biodiesel) with a score of 0.479. Meanwhile, the main threat is commodity price fluctuations with the new normal being lower with a score of 0.149. Cempakasari et al. (2019) states that the external factor that provides opportunities for companies to increase their capital structure is the development of financial markets and the threat is an increase in interest rates. The total value of the EFE matrix weighting score on Plantation BUMN Holding is 2.287, this value indicates that Plantation BUMN Holding has an average or moderate external condition of the company because internal factors are between 2.000-2.999.

IE Matrix

From the IE matrix, the position of the Plantation BUMN Holding is in quadrant V, namely the medium position (Hold and Maintain). This position illustrates that the Plantation BUMN Holding is in a stage where the company must maintain and consider the company's performance. The results of the IE matrix can be seen in Figure 3. The results of the IE matrix are not in line with the results of statistical analysis of historical financial data for other research purposes. This is due to a change in the interaction pattern of holding governance at the time this research was conducted in August 2020 from the original managerial holding type (strategic holding) to the active and operational management holding type (operational holding).

Table 4. IFE matrix analysis results

Internal Factor	Weight	Rate	Score
Streghts			
Large land bank (suitable for plantations and strategic locations)	0.153	3.86	0.590
Extensive experience in R&D and plantation operations	0.117	3.86	0.451
Close cooperation with local communities (eg local government and smallholders)	0.087	3.50	0.305
Positioning as SOE/Subsidiary of SOE	0.063	3.71	0.234
Weaknesses			
The portfolio is diverse and lacking in focus	0.095	1.64	0.156
Operations are not fully standardized and inefficient, resulting in low asset utilization and suboptimal land use	0.061	1.57	0.096
Limited operating and commercial capabilities compared to industry leader profitability	0.049	1.50	0.074
Subsidiaries' governance and control are not optimal, including financial management (eg investment realization)	0.142	1.29	0.183
Brand and reputation is still weak	0.098	1.43	0.140
Debt growth suppresses liquidity	0.135	1.21	0.164
Total	1.000		2.392

Table 5. EFE matrix analysis results

| External Factor	Weight	Rate	Score
Opportunities			
Funding from the Government for the implementation of public service obligations or special mandates (eg sugar industry program)	0.108	3.50	0.378
The potential to take advantage of SOE networks and synergies in terms of operations, commercial and financial	0.091	3.86	0.351
Strong demand for plantation products due to population growth and Government programs (eg biodiesel)	0.122	3.93	0.479
Development of downstream industry technology to increase productivity and consumer coverage	0.085	3.86	0.328
Threats			
Commodity price fluctuations with the 'new normal' are lower	0.116	1.29	0.149
Regulations governing the prices of plantation products (eg sugar prices)	0.096	1.50	0.144
Increased labor costs	0.112	1.00	0.112
Global negative sentiment towards Indonesian plantation products	0.087	1.57	0.137
External disturbances such as weather changes and plant diseases	0.086	1.14	0.098
Illegal land cultivation and theft of plantation products	0.097	1.14	0.111
Total	1.000		2.287
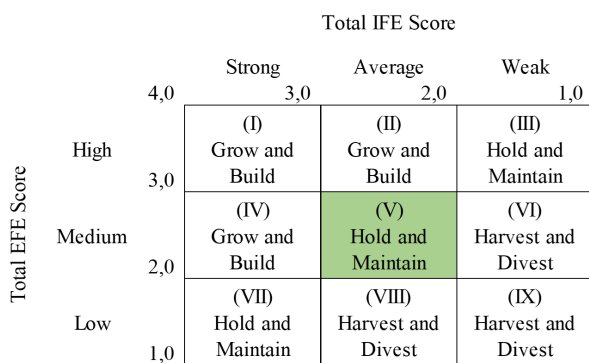
Figure 3. Matrix analysis of IE Holding BUMN Plantation

Alternative Strategy

Based on the results of the analysis that has been carried out in the company environment using the IFE matrix and the EFE matrix, after that the company's position can be known through the IE matrix. The next stage is the matching stage through the Strength, Weakness, Opportunity, and Threat (SWOT) matrix. The SWOT matrix describes various alternative strategies derived from a comprehensive review of internal and external environmental invoices, which then produces four possible strategies (Table 6).

Managerial Implications

Through the analysis that has been carried out, the Plantation SOE Holding needs to implement: PTPN Group is currently facing challenges in various aspects, therefore management needs to focus on leading commodities, standardize plantation practices, centralize commercial activities, optimize investment and funding, and develop culture and human resource capabilities. Overall, during the establishment of the Plantation SOE Holding, financial performance decreased. This is due to poor financial fundamentals due to the company's high liabilities due to past funding and operational performance that has not been maximized. PTPN III as the Holding SOE Plantation must make strategic policies to improve the performance of all subsidiaries. If the parent company is able to manage its subsidiaries better than when it became an independent company, it will create added value and create a competitive advantage in the company (Hosseini, 2014). According to Judhanto (2018) that the parent company must be able to play its role well in order to create the expected synergy and be able to bring development in the Holding of Plantation SOE. The SOEs Plantation Holding has changed the management governance from the original Strategic Holding to Operational Holding. In implementing the operational governance model, Holding must exercise full control over the company's main functions, especially in terms of finance, cash management, and commodity portfolio. Subsidiaries only focus on operational activities where Holding only provides guidance in the form of SOPs and conducts periodic monitoring.

By knowing several factors that affect the company's capital structure and internal and external images that appear in the company's operations, it will make it easier for company managers to decide policies that suit the company's needs. For example, product downstream program policies to increase the added value of a commodity. The right policy will provide an increase in the company's performance in the future.

Table 6. SWOT Strategy Matrix

	Strength (S)	Weakness (W)
	1. Extensive land bank (suitable for plantations and strategic locations). 2. Extensive experience in R&D and plantation operations. 3. Close cooperation with local communities (eg. local government and smallholder farmers). 4. Positioning as SOE/ Subsidiary of SOE.	1. Diverse portfolio and lack of focus. 2. Operations are not fully standardized and less efficient, so asset utilization is low and land use is not optimal. 3. Limited operating and commercial capabilities against industry leader profitability. 4. Subsidiary governance and control are not optimal, including financial management (eg. investment realization). 5. Brand and reputation is still weak. 6. Debt growth depressing liquidity
Opportunity (O) 1. Funding from the Government for the implementation of public service obligations or special mandates (eg. sugar industry program). 2. Potential to take advantage of SOE networks and synergies in terms of operations, commercial and financial. 3. Strong demand for plantation products due to population growth and government programs (eg. biodiesel). 4. Development of downstream industrial technology to increase productivity and consumer coverage.	**SO Strategy** 1. Develop and invest in high potential commodities (palm and sugar) to support government programs. (S1, S3, O1, O3) 2. Performing BUMN synergy (with Perhutani and Pertamina). (S4, O2) 3. Increase productivity by converting crops according to priority commodities. (S2, O4)	**WO Strategy** 1. Increasing focus on priority commodity portfolios. (W1, W6, O1) 2. Integrating sales & marketing functions to strengthen branding. (W5, O2) 3. Empower systems and technology. (W2, W4, O4) 4. Strengthen research and development and foster a new plantation culture. (W3, O4)
Threat (T) 1. Commodity price fluctuations with the 'new normal' lower. 2. Regulations that regulate the price of plantation products (eg. sugar prices). 3. Increased labor costs. 4. Global negative sentiment towards Indonesian plantation products. 5. External disturbances such as weather changes and plant diseases. 6. Illegal land cultivation and theft of plantation products.	**ST Strategy** 1. Improve a good operational system to increase the production of quality products. (S1, S2, T3, T4, T5) 2. Strengthen collaboration with smallholder/plasma farmers. (S3, T2, T6)	**WT Strategy** 1. Carry out financial transformation. (W4, W6, T1) 2. Conduct operational excellence in order to optimize production costs. (W1, W3, W5, T1, T4) 3. Perform cost optimization. (W2, T2, T3) 4. Conduct company restructuring. (W2, T3) 5. Dispose of non-core assets for debt repayment needs. (W6, T6).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the performed analysis above, it can be concluded that financial performance which has increased from before and after the establishment of plantation holding SOE are the company's size and tangibility. While the financials which have decreased are profitability, company's growth, liquidity, and activity.

Financial performance which has a significant effect on capital structure (leverage) are profitability, company's size, company's growth, activity, lag leverage and dummy variables. Besides that, asset structure (tangibility) and lag leverage have a positively significant effect on leverage, while profitability, company's size, company's growth, liquidity, activity, and dummy variable have a negatively significant effect on leverage. According to the IFE and EFE matrix, plantation holding SOE is in the V quadrant which means the appropriate to apply is market penetration strategy or product development. This can be done by developing commodity downstream products that aim to increase the added value of commodity products and as a form of anticipation of commodity price fluctuations.

Recommendations

Based on the conclusion, we suggest that the company's management needs to review the most appropriate managing approach. PTPN as a plantation holding SOE should make strategic policy to improve all of the subsidiaries performance. The effect of Plantation holding SOE establishment did not occur as expected due to data limitation in the preparation process, specifically the initial study of plantation holding SOE establishment from the Ministry of SOE. Further study is recommended to use longer observation periods and data that more accurately represents the initial objectives of the study.

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