

## **PUBLIC FIRM'S BACKGROUND ON THE PERFORMANCE-GOVERNANCE RELATION: EVIDENCE FROM INDONESIA**

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### ***ABSTRACT***

*This study purports to test two governance issues in Indonesian listed firms. To explore corporate governance mechanisms in Indonesia, we ought to understand that listed firms on the Indonesian capital market came from two initial business backgrounds: (1) private firms, which had been private businesses before going public; and (2) Badan Usaha Milik Negara (state-owned enterprises), which were owned by the Indonesian government and managed by government-appointed management. Although both types of the firms have gone public, their differences might remain intact, such as differences in size, lines of business, market share, and the efficiency of corporate governance. Using 442 raw sample from all firms listed on the Indonesian Stock Exchange during 2003-2012, we find that governance characteristics and performance relation does differ between previously SOE firms and previously private firms. However, we do not find evidence of distinct financial performance between previously SOE firms and previously private firms.*

**Keywords:** *SOE firms, private firms, corporate governance, firm performance, firm background*

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