

FINANCIAL HEALTH AND FIRM PERFORMANCE: EVIDENCE FROM INDONESIA'S LISTED STATE-OWNED ENTERPRISES

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ABSTRAK

KEP-100 / MBU / 2002 yang diterbitkan oleh kantor Kementerian Badan Usaha Milik Negara (BUMN) pada bulan Juni 2002 (yang selanjutnya akan dituliskan sebagai "KEP-100 / MBU / 2002") disusun untuk mengevaluasi kesehatan keuangan BUMN. Tujuan penelitian ini ada dua, pertama untuk menganalisis skor kesehatan keuangan BUMN yang terdaftar di Bursa Efek Indonesia, dan kedua untuk mengevaluasi hubungan antara skor kesehatan keuangan dan kinerja perusahaan dari semua BUMN yang terdaftar. Hasil penelitian menunjukkan bahwa skor kesehatan keuangan BUMN memiliki hubungan yang signifikan dengan kinerja perusahaan yang diukur dengan skor Tobin's Q masing-masing BUMN. Dari hasil tersebut dapat disimpulkan bahwa SK KEP-100 / MBU / 2002 yang dikeluarkan oleh Kementerian Badan Usaha Milik Negara (BUMN) dapat digunakan untuk mengukur skor kesehatan keuangan perusahaan, dan skor kesehatan keuangan dari BUMN yang terdaftar di Indonesia memiliki pengaruh yang signifikan dan berdampak positif terhadap kinerja perusahaan yang diukur dengan log dari Tobin's Q. Pada aplikasinya, penggunaan perhitungan tingkat kesehatan keuangan BUMN berdasarkan KEP-100 / MBU / 2002 diharapkan akan dapat membantu BUMN untuk memprediksikan nilai market di pasaran menggunakan nilai tingkat kesehatan keuangan tersebut.

Kata Kunci: BUMN, kesehatan keuangan, kinerja perusahaan, Tobin's Q

ABSTRACT

"KEP-100/MBU/2002" of the Indonesia Ministry of State-Owned Enterprises (SOEs) (which later on will be referred as "KEP-100/MBU/2002") are constructed to evaluate the financial health of SOEs. This study purposes is two-folds, firstly to analyze the financial health score of listed SOEs in Indonesian Stock Exchange, and secondly to evaluate the relationship between the financial health score and firm performance of all listed SOEs. The results show that SOE's financial health score has a significant relationship with firm performance, measures by each SOEs' Tobin's Q score. From the results we can conclude that "KEP-100/MBU/2002" is applicable to measure firm's financial health score, and financial health score of Indonesia's listed SOEs have a notable impact to firm performance measured by the log of Tobin's Q. In the real world application, the use of state-owned enterprise financial health score calculations based on KEP-100 / MBU / 2002 is expected to be able to assist SOEs in predicting market value in the market using this financial health score value.

Keywords: state owned enterprises, financial health, firm performance, Tobin's Q

1. INTRODUCTION

Indonesian Law on State-Owned Enterprises (No. 19/2003), stated that SOE is a business entity which all or most of its capital is owned by the state through direct participation from separated state assets. With the capabilities of Indonesia's SOEs, it is expected that SOEs will be able to contribute in advancing the economy and national development. Formerly, the roles of SOEs were still a mix, on the one hand, SOEs were demanded to gain profits, while on the other hand they were required to have a social role as a non-profit organization. However, the social non-

profit role of SOEs would not be able to be fulfilled if SOEs are unable to carry out its business operations efficiently, which results in not being able to gain benefits to shareholders, in this case the government of the Republic of Indonesia (GoI).

In general, SOEs are required to gain profits not only for shareholders but also for the development of the company's business in the future, to be able to fund their business development and at the same time to be able to increase their company value in the future. Thus, it is necessary for the SOEs to be in a healthy condition both in terms of management and in their financial performance.

The health level of SOEs can be measured in accordance with "KEP-100/MBU/2002" known as the ordinance to assess the health level of State-Owned Enterprises. "KEP-100/MBU/2002" is considered to be a benchmark for company management and the GoI in making decisions and planning for the future. Three aspects of the assessment are used to measure the health level of a company; including financial aspects, administrative aspects, and operational aspects. However, the measurement of the administrative and operational aspects is considered more subjective than the financial aspect. In the financial aspect, the measurement uses several ratios, that is (1) Return on Equity (ROE) Ratio, (2) Return on Investment (ROI) Ratio, (3) Cash Ratio, (4) Current Ratio, (5) Collections Periods, (6) Inventory Turnover, (7) Total Asset Turnover (TATO) Ratio and (8) Total Equity to Total Asset (TETA) Ratio.

The financial health score analysis based on the above decree were previously studied (Masri (2010), Malik and Handono (2019), Priyadi et. al (2019), Daryanto (2020), Nureny (2020)) for specific industry or company, but not for all non-bank companies listed in the Indonesian Stock Exchange. Furthermore, previous studies have been limited on calculating the financial health score of each company, without any further implication on their overall firm performance. Thus, this study purposes is two-folds, firstly to analyze the financial health score of listed SOEs in Indonesian Stock Exchange, and secondly to evaluate the relationship between the financial health score and firm performance of all listed SOEs, represented by their Tobin's Q score.

2. METHODOLOGY

Data collection

This study collects financial data in the period of 2013 to 2019 of 16 non-bank SOEs listed in the Indonesian Stock Exchange: Telkom Indonesia Persero Tbk PT (TLKM), Timah Tbk PT (TINS), Kimia Farma Tbk PT (KAEF), Indofarma Persero Tbk PT (INAF), Aneka Tambang Tbk (ANTM), Bukit Asam Tbk PT (PTBA), Semen Indonesia Persero Tbk PT (SMGR), Wijaya Karya Persero Tbk PT (WIKA), Jasa Marga Persero Tbk PT (JSMR), Perusahaan Gas Negara Tbk PT (PGAS), Adhi Karya Persero Tbk PT (ADHI), PP Persero Tbk PT (PTPP), Garuda Indonesia Persero Tbk PT (GIAA), Krakatau Steel Persero Tbk PT (KRAS), Waskita Karya Persero Tbk PT (WSKT), and Semen Baturaja Persero TBK PT (SMBR). In the assessment, we used all eight financial indicator data in the period 2013 to 2019. First, we employed the assessment of each SOEs' financial health score based on KEP-100/MBU/2002, then of the outcome, we executed data panel regression using some financial indicators to see whether the financial health score has a significant relationship to the firm performance.

Assesment of financial health score based on the decree

Three aspects of the assessment are used to measure the health level of a company; that is financial and administrative aspects, and also operational aspects. In the financial aspect, the assesment uses eight ratios, that is 1.Return on Equity (ROE) Ratio, 2.Return on Investment (ROI) Ratio, 3.Cash Ratio, 4.Current Ratio, 5.Collections Periods, 6.Inventory Turnover, 7.Total Asset Turnover (TATO) Ratio, 8. Total Equity to Total Asset (TETA) Ratio. Table 1 shows definition and weighted score for each financial ratios. Table 2 to Table 6 presents the score assessment for each financial ratios based on their category (profitability performance, liquidity performance, activity performance, and solvability performance).

Table 1. List of assessment indicator, definition, and score based on the SOE decree

Assessment indicator	Definition	Score
'Return on Equity (ROE)'	'(Net Income / Shareholder's Equity) x 100%'	20
'Return on Investment (ROI)'	'((EBIT + Depreciation) / Capital Employed) x 100%'	15
'Cash Ratio'	'((Cash + Cash Equivalent) / Current Liabilities) x 100%'	5
'Current Ratio'	'Current Ratio = (Current Asset / Current Liabilities) x 100%'	5
'Collection Period'	'(Ave Account Receivables / Sales Rev) x 365 days'	5
'Inventory Turnover'	'(Cost of Goods Sold / Ave Inventory) x 365 days'	5
'Total Asset turnover (TATO)'	'(Revenue / Capital Employed) x 100%'	5
'Total Equity to Total Asset (TETA)'	'(Total Equity / Total Asset) x 100%.'	10
'Total Score (TS)'		70

Table 2. Assessment score for ROE and ROI

'ROE' (%)	Score	'ROI' (%)	Score
'ROE < 0%'	0	ROI' < 0%	1
0% < 'ROE' <=1%	2	0% < 'ROI' <=1%	2
1% < 'ROE' <=3%	4	1% < 'ROI' <=3%	3
3% < 'ROE' <=4%	5.5	3% < 'ROI' <=5%	4
4% < 'ROE' <=5%	7	5% < 'ROI' <=7%	5
5% < 'ROE' <=7%	8.5	7% < 'ROI' <=9%	6
7% < 'ROE' <=8%	10	9% < 'ROI' <=11%	7.5
8% < 'ROE' <=9%	12	11% < 'ROI' <=12%	9
9% < 'ROE' <=11%	14	12% < 'ROI' <=14%	10.5
11% < 'ROE' <=13%	16	4% < 'ROI' <=15%	12
13% < 'ROE' <=15%	18	15% < 'ROI' <=18%	13.5
15% < 'ROE'	20	18% < 'ROI'	15

Based on the Decree, the profitability performance was measured using ROE and ROI ratios. Kasmir (2008) states that this ratio is used to evaluate the company's aptnes to solicit profits. This ratio also enable us to calculate the state of management effectiveness and efficiency. ROE score is clearly important to both present or imminent investors, and is additionally on of the concern of the shareholder value creation. Return on Investment (ROI) is used to measure the company's ability to generate profits with the total assets available in the company (Syamsuddin, 2011: 63). The assessment score for financial health based on their ROE and ROI is shown in Table 2.

Table 3. Assessment score for cash ratio and current ratio

'Cash Ratio' (%)	Score	'Current Ratio' (%)	Score
0% <= 'Cash Ratio' <5%	0	'Current Ratio' < 90%	0
5% <= 'Cash Ratio' <10%	1	90% <= 'Current Ratio' <95%	1
10% <= 'Cash Ratio' <15%	2	95% <= 'Current Ratio' <100%	2
15% <= 'Cash Ratio' <25%	3	100% <= 'Current Ratio' <110%	3
25% <= 'Cash Ratio' <35%	4	110% <= 'Current Ratio' <125%	4
'Cash Ratio' >= 35%	5	125% <= 'Current Ratio'	5

Liquidity ratio focus on measuring the ability to achieve all financial or short-term debt that needs t be paid immediately. To be able to fulfill all obligations of the company, they must have greater assets than the liability that must be paid immediately against current debts. According to the Decree, Cash Ratio and Current Ratio were used to measure the liquidity performance. Cash ratio focus on measuring the proportions to which the company is able to meet its short-term obligations using available cash in the company (Wibisono, 2011: 90). Current Ratio indicate the company capacity to fulfill its current obligation. On the off chance that current assets do not surpass current liabilities by an agreeable margin, the SOE company might be not able to pay its present obligations., with the understanding that most current assets are expected to be converted into cash in less than one year. A high current ratio is not necessarily better than a low current ratio. When the Current Ratio is too high, it indicates that SOE construction company has a problem in managing its current asset. An SOE will have a problem with their short-term debt, as soon as its Current Ratio value reach less than one. The assessment score for financial health based on their current ratio is shown in Table 3.

Table 4. Assessment score for collection period and inventory turnover

Collection Period (days)	Score	Inventory turnover (days)	Score
CP < 60 days	5.0	ITO < 60 days	5
60 days < CP <=90 days	4.5	60 days < ITO <=90 days	4.5
90 days < CP <=120 days	4.0	90 days < ITO <=120 days	4
120 days < CP <=150 days	3.5	120 days < ITO <=150 days	3.5
150 days < CP <=180 days	3.0	150 days < ITO <=180 days	3
180 days < CP <=210 days	2.4	180 days < ITO <=210 days	2.4
210 days < CP <=240 days	1.8	210 days < ITO <=240 days	1.8
240 days < CP <=270 days	1.2	240 days < ITO <=270 days	1.2
270 days < CP <=300 days	0.6	270 days < ITO <=300 days	0.6
300 days < CP	0.0	300 days < ITO	0

The ratio that measures how effective the company uses its resources is called “Activity ratio” . According to the decree, activity performance can be measured by using the Collection Periods, Inventory Turnover and Total Asset Turn Over. Collection Periods are mainly used by the SOE’s to monitor its cash flow and the capability to pay its obligation over time. The lower the Collection Periods value is the better. Inventory Turnover is used to measure how frequently the inventory were being sold more than one period. The lower the Inventory Turnover value, the better it is for the activity ratio. Total Asset Turn Over (TATO) is utilized to measures the effectiveness of the SOE’s ability in using their assets to generate sales. The higher the TATO value, the better it is for the SOE’s activity ratio. The assessment score for financial health based on their activity ratio is shown in Table 4 and Table 5.

Table 5. Assessment score for TATO

TATO-FY (%)	Score	TATO-YoY (%)	Score
TATO-FY < 20%	1.5	TATO-YoY < 0%	2.5
20% < TATO-FY <=40%	2.0	0% < TATO-YoY <=5%	3.0
40% < TATO-FY <=60%	2.5	5% < TATO-YoY <=10%	3.5
60% < TATO-FY <=75%	3.0	10% < TATO-YoY <=15%	4.0
75% < TATO-FY <=90%	3.5	15% < TATO-YoY <=20%	4.5
90% < TATO-FY <=105%	4.0	20% < TATO-YoY	5.0
105% < TATO-FY <=120%	4.5		
120% < TATO-FY	5.0		

According to the Decree, the solvability performance of a company is measured using the ratio of Total Equity over Total Asset (TETA). Total equity to asset ratio is calculated by using company's total assets and total equity to indicate how utilized the organization is: how effectively they fund asset requirements without using their debt. When SOE has low TETA value, it indicates that they utilized their assets inefficiently. In the other words, the SOE will have an extremely low net value for the investor. The assessment score for financial health based on their TETA is shown in Table 6.

Table 6. Assessment score for TETA

ETA (%)	Score
ETA < 0%	0.00
0% <= ETA <10%	4.00
10% <= ETA <20%	6.00
20% <= ETA <30%	7.25
30% <= ETA <40%	10.00
40% <= ETA <50%	9.00
50% <= ETA <60%	8.50
60% <= ETA <70%	8.00
70% <= ETA <80%	7.50
80% <= ETA <90%	7.00
90% <= ETA <100%	6.50

Empirical model for regression analysis

One of the purpose of this study is to examine whether the financial health score has a significant relationship to the firm performance. Using the previously calculated financial health score as one of predictor variable, we executed a data panel regression analysis using other five predictor variables namely: GoI ownership, management ownership, debt to equity ratio, dividend payout ratio, and log of total assets. As for the predicted variable, firm performance is represented by firm's Tobin's Q score. The Q ratio, also known as Tobin's Q, Tobin's q defines firm value as the combined value of tangible assets and intangible assets. A low Tobin's Q value between 0 and 1 indicates that the company's asset replacement costs are greater than the company's market value. This indicates that the market values the company less. Meanwhile, when the value of Tobin's Q of a company is higher than 1, it means that the company value is greater than the listed company asset value. The value of Tobins Q describes an investment opportunity that the company has (Lang, et al 1989) or the company's growth trend (Tobin & Brainard, 1968; Tobin, 1969).

The study of D'souza et al. (2000) show that the only variable that has a positive post-privatization relationship is management ownership or insider ownership; one percent increase in employee ownership, leading to a 7.49 percent increase in real capital spending post privatization. Based on research by Itturalde et al. (2011) proved that there is an influence of insider ownership on company performance. Likewise with Ahmed and Hadi (2017) who examined companies in the MENA region. Ahmed and Hadi (2017) found that government share ownership has a positive effect on company performance as measured by ROE, ROA, and Tobin's Q value.

Kesuma (2009) explains that an increase or decrease in the debt ratio can affect the company's financial structure. Widjajanti (2005) found that after privatization, the company's debt ratio generally decreased. This shows that the management and financial structure is getting better. This is also supported by previous studies conducted in Indonesia (Prastyo, 2012, Widyastuti et al., 2017). Giovanis and Ozdamar (2014) found that company size and debt have a positive influence on profitability at a certain point, but can also decrease to be negative. The debt ratio also has a negative effect on company performance, this is consistent in several studies (Hossain et al., 2001; Jackling and Johl, 2009; Li and Wong, 2003; Panasian et al., 2008).

Table 7. Variables used in the data panel regression analysis

Variable	Measurement
Log of Tobin's Q (LOGTQ)	Log of Tobin's Q (the market value of a company divided by its assets' replacement cost)
Management Ownership (IS)	total number of shares owned by managements/the total shares outstanding
Government Ownership (RI)	total number of shares owned by Republic Indonesia/total shares outstanding
Debt to equity Ratio (DE)	total liabilities/shareholder equity
Log of total assets (LOGTA)	log of company total assets
Dividend payout ratio (DPR)	total dividends/net income
Financial health score (HS)	Financial health score of SOEs based on KEP-100/MBU/2002

This study executed a "panel data regression analysis" to investigate the dependencies between financial health score and SOE's performance. The panel data take in repeated measures of more than one variables on more than one firms. The panel data analysis techniques are used since they work better in studying the dynamics of change (Gujarati, 2013). Three different models (common effects model, fixed effects model, and random effects model) will be used in the panel data analysis depending on the nature of the data. Hausman test is used in this study to know which model is more appropriate for the data panel. The regression equation used in this study is shown in Equation 1.

$$Perf_{it} = \beta_0 + \beta_1 DE_{it} + \beta_2 DPR_{it} + \beta_3 LOGTA_{it} + \beta_4 IS_{it} + \beta_5 RI_{it} + \beta_6 HS_{it} + \alpha_i + \gamma_t + \varepsilon_{it} \quad (1)$$

In Equation 1, $Perf_{it}$ is the 'dependent variables' to calculate SOE's performance for firm i at time t , which in this research is represented by log of Tobin's Q (LOGTQ). This study uses the five predictor variables that commonly used in the previous literatures. Each vector of variables shown in Equation 1 represents firm characteristics such as debt to equity ratio (DE), dividend payout ratio (DPR), LOGTA (log of total assets), management ownership (IS), and government ownership (RI). β is the coefficients to be estimated in the model, ε_{it} is the total error of the model, α_i is the firm of fixed effect of the model, and γ_t is the time (year) fixed effect.

3. RESULTS AND DISCUSSION

Financial health score according to KEP-100/MBU/2002

Financial health score are calculated based on the weighted score listed in previous subchapter. We calculated all sixteen SOEs financial health score per year as shown in Table 8.

Table 8. Financial health score of Indonesia listed SOE from 2013 to 2019

Firm	Financial health score						
	2013	2014	2015	2016	2017	2018	2019
TLKM IJ	55	54	55.5	54.5	53.5	51.5	50.5
TINS IJ	44.5	45	31	38.5	48	30	27.75
KAEF IJ	53	53.5	53.5	51.5	53.5	56	29
INAF IJ	32	36	40.5	30.5	33	33	36
ANTM IJ	42	33.5	32.5	34.5	37	35.5	39
PTBA IJ	55	55.5	55.5	55	54	55	54.5
SMGR IJ	54.5	54.5	54.5	54	44.5	48.5	45
WIKA IJ	49.75	54	49.75	51	49	47.25	48.5
JSMR IJ	47.5	49.5	47.5	48	47.25	43.25	35.75
PGAS IJ	55	55.5	55.5	49	43	49.5	41.5
ADHI IJ	51.5	48.5	52.5	38.25	42.75	42.75	38.5
PTPP IJ	51	50	51.25	51.5	52	48	38.75
GIAA IJ	36	28.25	37.75	29.25	27.25	23	26
KRAS IJ	30	28	24	26.5	26.5	23.25	22.5
WSKT	51.25	50.75	53	50.25	47.75	48.75	34.75
SMBR IJ	51	49	48	46.5	41	38.5	36
Average	47.44	46.59	46.39	44.30	43.75	42.11	37.75

From the results in Table 8, there are ten SOEs that perform better than the yearly average of financial health score: ‘PT.Telkom Indonesia Persero Tbk’ with the bourse code of TLKM IJ, ‘PT Kimia Farma Tbk’ with the bourse code of KAEF IJ, ‘PT Bukit Asam Tbk’ with the bourse code of PTBA IJ, ‘PT Semen Indonesia Persero Tbk’ with a bourse code of SMGR IJ, ‘PT Wijaya Karya Persero Tbk’ with a bourse code of WIKA IJ, ‘PT Jasa Marga Persero Tbk’ with a bourse code of JSMR IJ, ‘PT Perusahaan Gas Negara Tbk’ with a bourse code of PGAS IJ, ‘PT Adhi Karya Persero Tbk’ with a bourse code of ADHI IJ, ‘PT PP Persero Tbk’ with a bourse code of PTPP IJ, and ‘PT Waskita Karya Persero Tbk’ with a bourse code of WSKT IJ. It is apparent that the ten SOEs are mainly engaged in the infrastructure, utilities, and transportation sector or property, real estate, and building construction sector. The remainder out of sixteen SOEs, Timah Tbk PT (TINS IJ), Indofarma Persero Tbk PT (INAF IJ), Aneka Tambang Tbk (ANTM IJ), Garuda Indonesia Persero Tbk PT (GIAA IJ), Krakatau Steel Persero Tbk PT (KRAS IJ), and Semen Baturaja Persero TBK PT (SMBR IJ) has at least three out of seven years nonperforming financial health, with their financial health score lower than the yearly average. After we obtained the financial health score, the next step will be to run data panel regression analysis, explained in the next subchapter.

Regression analysis

Table 9 presents the descriptive statistics of the secondary data collected of each variables. It summarizes the mean, minimum, maximum, median, and standard deviation from the regression's observation.

Table 9. Descriptive statistics

Variable	Mean	Median	Max	Min	Std. Dev.
Debt to equity Ratio (DE)	0.836	0.648	5.783	0.000	0.762
Dividend payout ratio (DPR)	0.262	0.212	0.900	0.000	0.213
Log of total assets (LOGTA)	10.074	10.317	12.306	7.130	1.260
Management ownership (IS)	7.88E-05	0.000	0.002	0.000	0.000
Government ownership (RI)	0.668	0.651	0.944	0.510	0.124
Health score (HS)	44.046	47.870	56.000	22.500	9.718
Log of Tobin's Q (LOGTQ)	0.147	0.111	1.165	-0.215	0.250

Table 10. Correlation matrix of variables used in the regression analysis

	DE	DPR	LOGTA	IS	RI	HS	LOGTQ
DE	1.000						
DPR	-0.431	1.000					
LOGTA	0.290	0.386	1.000				
IS	-0.031	-0.034	-0.010	1.000			
RI	0.185	-0.499	-0.559	-0.005	1.000		
HS	-0.530	0.618	0.074	0.086	-0.380	1.000	
LOGTQ	-0.272	0.231	-0.348	0.006	0.130	0.316	1.000

Table 11. Panel data regressions

Dependent Variables	log Tobin's Q
Independent variables	FE coef.
Debt to equity ratio	0.025**
Dividend payout ratio	0.229*
Financial health score	0.006***
Log of total assets	-0.083***
Management ownership	-9.354
Government ownership	0.026***
Constant	0.062
F-statistic	0.000
R ²	61.1%
Adjusted R ²	56.4%
N	112

Notes:

- *significant at the 10% level,
- ** significant at the 5% level,
- *** significant at the 1% level.

Table 10 shows that the correlations of each pairwise variable are lower than 80%. The conclusion from the 'Hausman test' shows that a fixed effect model is preferred and so the reported result in Table 4 are using fixed effects model (FEM) for the data panel analysis. The model reveals that debt to equity ratio, dividend payout ratio, financial health score, and

government ownership have a significant positive impact to log of Tobin's Q. On the other side, log of total assets has a significant negative impact to log of Tobin's Q. The statistical value F is meaningful since it is lower the significance level of 0.05, which resulted in rejecting the null hypothesis, meaning that there are relationships between the predictor and predicted variables. The R² score shown in Table 11 describes how independent variables in the model can explain about 61.1% of the variations in the data, showing that the firm characteristics used in the models explain about 61.1% of the SOEs performance. The non-measurable portion of the regression model here is about 38.9% due to the impact of other important factors on the performance of the firms, that are not included in the analysis.

The results of this study are in accordance with previous studies (Masri (2010), Malik and Handono (2019), Priyadi et. al (2019), Daryanto (2020), Nureny (2020)) which show that the value and calculation of BUMN financial score can be used to find out how well the financial condition of a BUMN is. In addition, knowing that there is a significant relationship between the financial health score and company performance, in this case represented by Tobin's Q, we can expect to use this financial health calculation to better predict the company's future performance. Additionally, securities analyst may be able to use the financial health score and Tobin's Q ratio as a proxy for future shares movement in the stock exchange.

4. CONCLUSION AND RECOMMENDATION

This study has examined the financial health score of sixteen listed SOEs in Indonesia based on The Decree No.KEP-100/MBU/2002 issued by Indonesia Ministry of State-Owned Enterprises (SOEs). The results reveals that there are ten SOEs that perform better than the yearly average of financial health score: 'PT Telkom Indonesia Persero Tbk', 'PT Kimia Farma Tbk', 'PT Bukit Asam Tbk', 'PT Semen Indonesia Persero Tbk', 'PT Wijaya Karya Persero Tbk', 'PT Jasa Marga Persero Tbk', 'PT Perusahaan Gas Negara Tbk', 'PT Adhi Karya Persero Tbk', 'PT PP Persero Tbk', and 'PT Waskita Karya Persero Tbk'. It is apparent that the ten SOEs are mainly are engaged in the infrastructure, utilities, and transportation sector or property, real estate, and building construction sector.

This study has also probe the influence of financial health score on the performance of Indonesia's SOEs which is measured by 'log of Tobin's Q' score. The finding results complement the previous works on Indonesia SOE's empirical studies (show that financial healthscore has a positive significant effect on firm performance. The model reveals that debt to equity ratio, dividend payout ratio, financial health score, and government ownership have a significant positive impact to log of Tobin's Q. On the other side, log of total assets has a significant negative impact to log of Tobin's Q. This study exhibit and reveals that a firm financial health score will have a positive impact on firm performance, implying that firms with higher financial performance level will attain higher firm performance.

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