



---

## **Postal Services Liberalization Policy of the State Owned Enterprise**

Siswanto<sup>1</sup>, Andrey Hasiholan Pulungan<sup>2</sup> STIT Miftahul Midad Lumajang, Jl. Musi No. 17, Sukodono – Lumajang, Jawa Timur - Indonesia

[wsis81470@gmail.com](mailto:wsis81470@gmail.com)

Submission date : 22-05-2022  
Revised date : 20-06-2022  
Accepted date : 25-06-2022

*The aims of this study are to examine the impacts of liberalization policy on the monopoly postal service market in developing countries like Indonesia. Liberalization policy has altered the business and way of State Owned Enterprise (SOE) to run its social welfare functions. Using*

---

### **Informasi Artikel**

**Keywords:**

*Financial Performance;  
Liberalization policy;  
Postal Services.*

**Abstract**

*the case of PT Pos Indonesia through quantitative methods to support qualitative analysis, this study reveals that liberalization is potential to promote the company's financial and efficiency performance, unless the government clearly determines about its socio- economic function on SOE.*

**Kata kunci:**

*Kebijakan Liberalisasi;  
Kinerja Keuangan;  
Layanan Pos.*

**Abstrak**

Tujuan dari penelitian ini adalah menguji dampak kebijakan liberalisasi atas monopoli layanan pos di negara berkembang seperti Indonesia. Diterbitkannya kebijakan liberalisasi layanan pos berdampak pada proses bisnis dan operasi pada Badan Usaha Milik Negara (BUMN) dalam menjalankan fungsi kesejahteraan sosial. Melalui telaah kasus PT Pos Indonesia menggunakan metode kuantitatif untuk mendukung analisis kualitatif, penelitian ini mengindikasikan bahwa kebijakan liberalisasi dapat berpotensi memperbaiki kinerja keuangan dan efisiensi perusahaan, hanya jika pemerintah secara jelas menentukan fungsi sosio-ekonomi yang dijalankan oleh BUMN.



## 1. Introduction

The requirement to provide public services has raised some issues. The public service duties, which are carried through Public Service Obligation (PSO) usually attached to the roles of government, have hindered the private participants to take part in the provision of public utilities. Earlier study shows that the requirement to produce

public goods and services at affordable prices leads to monopoly [1,2]. Limited participants to compete fairly within the market are often driven by government protection through the tariff and distribution policies. This makes the company like State Owned Enterprise (SOE) who carries these duties has to deal with financial issues. The fact that the provision of public goods and services rarely makes the

1

SOEs profitable [3-5] requires the government to provide sufficient funds and facilities for the company [1]. In contrast, the privileges in terms of protection and financial subsidy for SOEs have led to public pressure for fair competition, efficiency, and profit. The requirement to have other institutions besides the SOEs is mainly aimed to encourage the SOEs to be more competitive, efficient, and profitable. For these reasons, the government starts to review the economic policy by opening markets for particular protected sectors like the postal industry.

The introduction of postal liberalization is driven by the company's performance. Poor performance of PT Pos Indonesia (Indonesia Postal SOE) is mainly due to high cost to run the PSO duties. The cost is often claimed as the main barrier for SOEs to be profitable and efficient [1]. For

PT Pos Indonesia, the implementation of Universal Service Obligation (USO) worsens the company financial performance since the provision of cost is standardized

[6] which gives less chances for the company to boost profit. While PT Pos Indonesia has proven to be profitable [7], the high cost has hindered the company to meet the public expectation in terms of performance. Besides the PSO duty, the

government involvement is another public concern for liberalization of public services like postal services. Liberalization is often used to improve the company's financial performance as well as limiting the government involvement.

Earlier study shows that government involvement has negative impacts on the company's efficiency and investment opportunity [8]. Inefficiency is mostly found within the SOEs where the government involvement is related with political matters. This situation is in particular due to lack of monitoring from the owner (government) of the company [1]. For these reasons, liberalization is needed in addition to provide better quality of goods and services. Liberalization of postal company in Indonesia is the

government alternative to improve the SOEs financial performance.

Liberalization is selected since the privatization does not work with this industry. Privatization as part of globalization has often affected the protected market such as postal, telecommunication and other public utilities. In practice, numbers of success stories regarding privatization does not seem to apply with postal services. Postal industry is less likely to be successfully privatized [9].

A unique service provided and the characteristic of products and services [6] become the major reason for the difficulty to privatize it. Cost is the main issue for the company to provide postal services at the particular period of time [9]. The cost of products and services provided by the

company is often very low which means that support from the government is needed. The implementation of USO contributes to the difficulty for postal service SOE to be privatized. The requirement to comply with the 1999 Beijing Postal Strategy Universal makes liberalization of the postal service market for developing countries like Indonesia is a mandatory. The introduction of new postal policy in 2009 emphasizes PT Pos Indonesia to fairly compete with other private entities.

The institutional changes and external pressure have encouraged the developing countries governments to reform their market policy [10]. Liberalization is also used for the government to insist the company to provide better quality of goods and services for the community. In this situation, liberalization is considered to have some benefits for the SOE and community. Liberalization and/or privatization becomes the main focus for the government to meet these requirements, as well as the efficiency purposes.

At the same time, opening the postal market causes the emergence of conflict between the obligation to provide public services which are less likely to be profitable, and the inevitable rise of pressure from the public to compete fairly and efficiently. Despite the benefits for the community, liberalization of postal services still leaves some unsolved problems.

The opening of the postal market for private interest has enforced PT Pos Indonesia to fairly compete in the provision of postal services. Market competition also requires the company to sustain and profit. This situation may not be easy for PT Pos Indonesia. The fact that private entities are likely to carry this service within commercial or profitable areas only leads to another problem that needs to be resolved.

The problem appears when the private may not be able to carry the services in remote areas. When privates fail to deliver this duty, this means

SOEs have a duty to fulfil this requirement, particularly when the goods and services are highly demanded or crucial. In this situation, PT

Pos Indonesia is insisted to carry this duty.

This obligation to the provision of public service carried by PT Pos Indonesia makes the company difficult to retain the profit. The fact that most of this duty is not included within the government subsidy, to carry out this duty potentially hinders the company to be profitable. This situation leaves a gap of knowledge, whether liberalization will change the way SOE runs its business, and to the extent to which liberalization of protected market like postal service affects the SOEs business activities and their performance. This becomes the motivation of this paper to examine the extent to which the introduction of the Indonesia government new policy to liberalize the postal service market where private companies are allowed to participate in postal service business affects the SOE's business and performance. Using the case of PT Pos Indonesia (Indonesia Post SOE), this study purposes to examine the impact of liberalization of post services in Indonesia on the PT Pos Indonesia business and performance. The study focuses on examining the new government policies using a single case study through mixed methods of quantitative facilitates qualitative.

This study is expected to make contribution to public sector accounting and governance areas as well as the public sector reforms.

## 2. Method

The method for this study is a mixed method focusing on the quantitative method, which facilitates the qualitative analysis. Mixed methods are selected since the study is a single case study which is rich in data and phenomena [11]. Quantitative analysis was used mainly to support the qualitative investigation [12]. Meanwhile, a qualitative approach was selected to

explore deep and detail information and phenomena regarding the PSO fund and duty carried by PT Pos Indonesia. Therefore, using these mixed methods will help investigate the phenomena of policy and business phenomena following the implementation of liberalization. The study is a single case study of PT Pos Indonesia as the main object of analysis. The period of study is from 2004 to 2018 as to examine whether there is significant change before and after the liberalization is implemented. Case study was employed because the implementation of liberalization policy is a complex phenomenon, in particular since PT Pos Indonesia runs the postal services with a unique system of subsidy or PSO fund. The case study is also selected in order to explore in deep and detail information related to the study [13]. While other companies received the fund based on the cost, subsidy for PT Pos Indonesia is given only for branches which serve in rural areas. This fund is also limited only for two employees. For this reason, qualitative analysis is used to reveal detailed data and phenomena related to the impacts of liberalization and subsidy. The qualitative data are collected from PT Pos Indonesia through interviews with several senior officers of PT Pos Indonesia who are in charge in PSO, and some government documents regarding the liberalization of postal services and subsidies. The names of the informants in the interviews were referred to as aliases as part of publication ethics.

Meanwhile, to support the analysis, quantitative analysis was also applied. Quantitative analysis was used to support the argument and analysis related to the qualitative analysis and finding.

The quantitative data were collected from the company's financial report from 2004 to 2018. The issuance of liberalization policy in 2009 was used as the cut-off date to examine the impacts of the policy on the performance. The financial indicators

used to examine the impacts of the policy are revenue, operating income, net income, and operating expenses. The financial performance such as ROA, ROE, EBIT Margin, operating return margin, asset turnover, operating profit margin and collection period were also employed to analyze the impacts of liberalization policy on the company's financial performance.

Since PT Pos Indonesia is SOE with social welfare duty, several social welfare performance indicators were selected to examine the impacts of liberalization policy. The social welfare performance indicators are subsidy, labour cost, and taxes paid. For this study, statistical analyses which comprise correlation and t- test, were employed to test whether liberalization affects the performance of the company. The STATA tools were used to examine the impacts of liberalization policy on PT Pos Indonesia's performance.

### 3. Results and Discussion

The only SOE runs for postal services in Indonesia, PT Pos Indonesia was established in 1746 by the Dutch Governor General for Batavia (old Jakarta). The core business of the company is postal services, logistic, financial transaction services, and electronic mail services. During this period of study, PT Pos Indonesia has presented weak financial performance. The earlier period of study, the company presents declines in their operating income and net income. Up to 2009, the company monopolized some postal services as stated on the Law no 6/1984. This poor performance is mainly due to high operating expenses where cost of services contributes the most of this expense. This situation becomes the main concern for the government and public particularly since the company monopolizes the business. PT Pos Indonesia has more than 4,800 online post offices with more than 50,000 post offices and postal agents around Indonesia [14,15].

As a state company, PT Pos Indonesia has an obligation to carry social welfare duty. The

crucial roles of the postal service part of the national and strategic communication system have determined the role of PT Pos Indonesia as the government agent to run its duty. The wide area of duty requires the government to support the company to run this duty. PT Pos Indonesia is assigned to carry government duty in postal services through the PSO duty. For this duty, the company receives PSO fund. Focusing exclusively on PSO fund, the government provides PSO fund in the form of subsidies. As mentioned previously, the subsidy fund is given to run the services only for the branch in rural areas, and limited to cover two employees only. For the other branches and employees, the costs are fully under the company's expenses. This situation has significant impacts on the PT Pos Indonesia financial performance.

The weak performance of PT Pos Indonesia is the factor that encourages the government to review the postal industry policy. The first period of study, from 2004 to 2009, shows that the growth of the company revenue was relatively steady and small from Rp1,208 million to Rp2,346 million with an average increase of 14 percent. Meanwhile, the operating expenses steadily increased from Rp1,363 million in 2004 to Rp2,291 million in 2009 with an average increase of 13 percent annually. While the company was able to show its improvement on operating income from Rp155 million in 2004 to Rp54 million in 2009, the average of this operating income growth is still minus 9.2 percent. This situation leads to the decline of the company's net income. As from 2004 to 2009, the company was experiencing a decline of 18 percent of its net income. In terms of financial performance, prior to the issuance of liberalization policy, the company deals with declining performance such as ROA, ROE, operating return margin, and operating profit margin. The ROA and ROE declined steadily from 2004 to 2009 with average declines around 61 and 35 percent respectively. The company's poor performance was also seen through the operating return

margin and operating profit margin from 2004 to 2009 where the average growth of the performances is -134 and -139 percent. The finding reveals that the high cost of labour contributes to small to negative net income. As a result, the company is unable to make profit.

Following the introduction of liberalization in 2009, postal services were no longer fully under the PT Pos Indonesia services. This situation has a significant impact on the business and performance of the company. The financial performance of PT Pos Indonesia has significantly changed particularly on the revenue section. The diversity of services provided by PT Pos Indonesia gave a chance for the company to earn sufficient revenues. From 2010, the company showed a significant increase in revenue Rp2,562 million to Rp4,876 million with average growth of 10 percent annually. The increase of revenues was also followed by the increase of operating expenses for around 32 percent on average. This high cost causes the operating income fluctuated with the average of growth around 7.9 percent. In terms of net income, the company was able to earn significant profit in the last three years of the study period [14–16]. This situation reveals that the cost of services is still the main issue for efficiency which considerably affects the company's operating income.

In terms of financial performance, the impacts of liberalization are also seen through some changes on the performance. The company's ROA improves greatly following the introduction of policy in 2009-2010. The growth of ROA increases with average 19 percent after the introduction of the policy.

The same situation is also found within the operating return margin and operating profit margin performance which growth in average around 64 and 32 percent respectively from 2010 to 2018. While the improvement of the financial

situation has a positive impact on the company's ability to make a contribution to the state budget, the company still deals with efficiency issues. PT Pos Indonesia relies massively on manpower to run its services particularly to cover the rural area, salary and wages are considered as another factor that contribute to the high expenses of the company. This makes the company difficult to be efficient.

The introduction of liberalization policy has altered the PSO duty of PT Pos Indonesia. The policy has removed some of the company's business monopolies. Postal and logistic services are no longer monopolized by PT Pos Indonesia. Private participants are allowed to take part within this service. The introduction of liberalization policy in the postal industry presents a positive impact on the

PSO fund. The company received some increase in the amount of PSO funds from 2004 to 2018. Prior to 2009, the subsidy is relatively smaller compared to the subsidy received after the government introduced the new policy. The amount of subsidy has increased since 2010 which reached Rp346,4 billion. The PSO fund received by the company has increased more than four times in the last fifteen years from Rp80 billion in 2004 to Rp346,4 billion in 2018. While the introduction of liberalization policy allows the private participant to take part in the postal industry, it is clearly seen that the government also increases the fund for the company to carry the remaining PSO duty.

The new liberalization policy is considered to have significant impacts on the company business activities. The policy has removed the monopoly right for postal services. As a result, the market is opened for competition. The impact of competition was revealed by Mr. ABC, a senior manager for finance:

*“Based on Law 54/1957 and Law no 6/1984 Pos Indonesia is a monopoly company meaning that we serve*

*safekeeping services such as logistics. However, after the reform era, everything became liberalized by law number 38/2009. So, others (private company) want to request service delivery too.”*

The interview reveals that the law encourages private participants to run the same business. Private participants are allowed to take part in logistic and postal services. In practice, the introduction of new law is not followed with sufficient consideration for PT Pos Indonesia. The roles of the company to serve the state post are not clearly defined following the introduction of the new policy. The duty of state post remains within the company as mentioned on the explanation from Mr. ABC:

*“The law is not clear in describing related to the state post where they want to be. It is because when Pos Indonesia was liberalized, Pos also had the right not to serve remote areas and only serve large areas. This is because the responsible state post is the country. When Pos becomes corporate, the responsibility of the state post should be returned to the state to serve the public interest. Pos also can only serve large areas. However, the government requested Pos Indonesia to continue serving remote areas on condition that compensation was given.”*

The duty to serve the state post has the cost consequence. While the cost to provide this postal services is provided by the government, the fund is insufficient as explained by Mr. ABC:

*“However, compensation provided by the government is not enough. When Pos Indonesia received proper amount of Public Service*

*Obligation (PSO), the costs and expenses in the branch office can be covered, and we can certainly have good performance. But when Pos Indonesia is given insufficient compensation, our cash flow is negative.”*

The duty for PT Pos Indonesia to carry state posts in a competitive market induces some issues. The unclear duty and roles affect the financial situation of the company. The interview with Ms. DEF, the manager of finance, from PT Pos Indonesia reveals that removing monopoly still leaves some obligations that have consequence on their profit:

*“There are already many companies in 2019, the government provides a great opportunity for private enterprises to carry out work which used to be carried out by PT Pos. So, that it is no longer a monopoly for us. The impact is a lot due to business competition, but in the meantime, we are still burdened with the task of managing the post. While others do not. They can choose profitable areas. We also want a business like them. But we are also given an obligation by the government to carry out this task, so our profits are eroded by that obligation.”*

This is seen that liberalization affects the financial situation of the company. This is in particular since the new policy does not clearly determine and provide sufficient information regarding the state post and PT Pos Indonesia's duty.

Focusing exclusively on the relations between liberalization policy and a company's financial situation, the correlation test is used

to examine the effects of liberalization policy on the company's financial performance. The correlation result shows that liberalization policy has correlated with almost all financial indicators at only a confidential level of one percent. At one percent confidence level, liberalization policy indicates its correlation with operating income, net income, revenue, operating expenses, and subsidy received. Most of these correlations are positive strong correlations as shown on Table 1. These strong positive correlations mean that simultaneously relation between one variable with another [17] which in this case is the financial indicators and the liberalization policy. This means the introduction of liberalization policy gives concurrent results on the revenue, operating income, net income and operating expenses. In regard to the financial performance of the company, the correlation results reveal that at one per cent, the liberalization policy significantly correlated with the EBIT margin, ROE, operating return margin, asset turnover, and operating profit margin. This is in particular since the liberalization policy has correlated with the company's revenue. The financial performance indicators are likely to have simultaneous relations with the introduction of liberalization policy. It is likely that the liberalization has a significant relation with the company's efficiency performances as shown on Table 1.

In terms of social welfare function, the liberalization is also found to have significant correlation with the subsidy. Subsidy presents its correlation with the liberalization policy at one percent, and the correlation is positive significant. The policy does not present any correlations with other social welfare performances such as tax and labour cost. Meanwhile, liberalization policy shows its strong negative correlation with the collection period. This situation shows that the liberalization policy is potentially to alter negatively on the collection period. The impacts of liberalization policy are mainly due to the monopoly status of PT Pos Indonesia. Earlier study shows that

removing the monopoly right often affects the financial performance [18].

The impacts of removing monopoly rights of PT Pos Indonesia are also seen on some financial performances as shown on Table 2. The *t*-test results on Table 2 show that liberalization policy causes differences on some financial and social welfare performances. Social welfare performance is included as referring to the information from the management, the company still serves the state post and obligation related to the government duty. For this study, social welfare is measured based on the tax paid by the company, the effective tax rate, subsidy received and labour cost. Limited information regarding the numbers of employees and CSR funds makes it difficult to be part of the test.

Focusing on social welfare function, the statistical result reveals that at the confidential level of five per cent, liberalization policy presents its impacts on subsidy received and labour cost only. The introduction of liberalization policy alters the subsidy received by the company for 7.407 points, while the labour cost is at 2.039 points. Liberalization policy presents its simultaneously positive effects on the subsidy received and labour cost of the company. In contrast, the policy does not demonstrate any effect on the taxes paid by the company. The amount of taxes paid by the company is not affected by the introduction of new policy.

The introduction of liberalization policy may cause some changes on PT Pos Indonesia financial performances. Several financial performances are examined to find the impacts of liberalization policy on the business of PT Pos Indonesia.



**Table 1a. Correlation Result For Liberalization Policy and PT Pos Indonesia Financial Report 2004-2018**

	Operating Income	Net Income	Revenue	Debt	Operating Expenses	Tax Paid	CSR Fund	Subsidy Received	Dividend	Labor Cost	Leverage
Pearson Correlation			.767**			.747**		.876**	-.328	.679**	.410 .991 .860** .514
Sig. (2-tailed)	.001	.001	.000	.214	.004	.115	.087	.000	.238	.205	.205
N	16	16	16	16	16	16	3	16	7	16	16

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
 \* . Correlation is significant at the 0.05 level (2-tailed).

**Table 1b. Correlation Result For Liberalization Policy and PT Pos Indonesia Financial Report 2004-2018 ( cont.)**

	Effective Tax Rate	EBIT Margin	ROE	ROA	Operating Return Margin	Asset Turnover	Operating Profit Margin	Collection Period
Pearson Correlation	.410	.657**	.891**	.336	.651**	.746**	.756**	-.856**
Sig. (2-tailed)	.115	.006	.000	.203	.006	.001	.001	.000
N	16	16	15	16	16	16	16	16

\*\* . Correlation is significant at the 0.01 level (2-tailed).  
 \* . Correlation is significant at the 0.05 level (2-tailed).

operating profit margin. The liberalization policy has simultaneous effects on the efficiency performances such as ROE, asset turnover, and operating return margin.

Focusing on the financial performance, the *t*-test results, at a confidence level of five per cent, reveal that liberalization policy significantly makes differences on most financial performance indicators except ROA. The liberalization policy indicates simultaneous changes on the EBIT Margin and operating profit margin for 4.057 and 4.062 points respectively. This means the introduction of liberalization policy alters positively on the changes of EBIT margin and

This indicates that liberalization policy alters the efficiency performances, and the changes are positive simultaneously.

Despite the positive impacts on the financial performances, the *t*-test result demonstrates that liberalization policy presents its significant negative difference for collection period at -7.018 points. This means the liberalization policy causes the opposite effects on the collection period at 7.018 points. Based on these analyses, it can be seen that liberalization policy has limited impacts on the social welfare and financial

performance of PT Pos Indonesia as shown Table 2.

**Table 2. *t*-Test Result the Impact of Liberalization Policy on PT Pos Indonesia Financial Performance Before and After the Liberalization**

	Paired Differences			t	df	Sig. (2- tailed)		
	Mean	Std. Deviation	Std. Error Mean				95% Confidence Interval of the Difference	
							Lower	Upper
Tax paid before- tax paid after	52.18014	58.36907	22.06144	-1.80225	106.16253	2.365	6	.056
Subsidy received before – Subsidy received after	149.67843	53.46343	20.20728	100.23300	199.12386	7.407	6	.000
Labor Cost before- Labor Cost after	693.58500	794.84886	300.42463	-41.52759	1428.69759	2.309	6	.060
Leverage before- leverage after	-.09096	.20863	.07886	-.28391	.10199	-1,154	6	.293
Effective Tax before- Effective Tax after	2,998571	5,455399	2,061947	-2,046831	8,043974	1,454	6	.196
EBIT Margin before-EBIT margin after	.458667	.198971	.081230	.249859	.667474	5.647	5	.002
ROE before – ROE after	12.090000	20.534188	7.761194	-6.900957	31.080957	1.558	6	.170
ROA before-ROA after	.458667	.198971	.081230	.249859	.667474	5.647	5	.002
Operating Return Margin before- Operating Return after	.135857	.097472	.036841	.045710	.226004	3.688	6	.010
Asset turnover before-Asset turnover after	.284571	.155482	.058767	.140775	.428368	4.842	6	.003
Operating profit margin before- Operating profit margin after	.082286	.054604	.020638	.031786	.132786	3.987	6	.007
Collection period before-Collection period after	51.79687	19.526121	7.380180	-69.855524	-33.738225	-	6	.000

The introduction of liberalization provides issues for the company to resolve. The company runs three categories of business; PSO product, commercial postal services and financial-based services. Removing monopoly is likely to drive financial issues for the company. Early study shows that liberalization is potential to

decrease the profitability of the PSO provider due to the opportunity for the community to have lower prices and more variety of products [6].

The fact supported by the statistical result shows that the result is different from the theory. The company's revenues have increased significantly following the introduction of policy as mentioned

previously. The liberalization drives the company to improve their business through the introduction of revitalization programs which gives the opportunity for the company to be profitable [19,20]. Through revitalization of business, the company is able to diversify its business which gives the opportunity for the company to enhance its financial and efficiency performance.

Following the introduction of liberalization has positive impacts on the efficiency performance. The statistical results

on Tables 1 and 2 reveal that most efficiency

performances present significant and simultaneous effects following the introduction of the policy. Despite the improvement of the company's revenues, the company still presents its inefficiency in terms of operating expenses. The financial performance shows that the increase of revenues is followed by the increase of operating expenses particularly during the 2015 when the company focuses on the revitalization program [16,21]. The increase of operating expenses is notable following the revitalization program in 2015 as the operating expenses has increased around 33 per cent. The increase of expenses is mainly due to high cost of services [7]. The financial report reveals that postal mail contributes most for this high operating expenses [14–16,19–24]. It is likely that the company is still struggling to reduce the cost of services in order to become more efficient.

The bias of new policy gives disadvantages for PT Pos Indonesia. The liberalization of the market which is part of the government goal to open the postal market for private entities does not clearly determine the business. The fact that private is allowed to select the area and services, does not apply for PT Pos Indonesia. In this situation, the

company is required to continue the services particularly for state postal services, and rural area service where private is not able to carry this duty. The company has no option to select the area and services like the private entities as revealed in the interview. This requirement is mainly due to the company's duty as the SOE where the company has the widest services area compared to others. Inefficiency cannot be avoided as revealed on the qualitative data where the compensation for this service is not fully covered by the government. Limited government budget causes the

selection of budget provided [25]. The same situation has appeared in the case of PT Pos Indonesia where the government only provides subsidy for certain branches and operational part of the services [26]. This makes the operating expenses remain high.

High numbers of employees contribute to high labor cost and inefficiency. High numbers of employees are claimed as the reason for the government not easily privatizing the company [9]. The case of PT Pos Indonesia reveals that high numbers of employees are due to the geographical situation of Indonesia.

While the existing network and services areas become the company's strength to compete in the open postal market, the wide range of services require sufficient support both network and employees. Meanwhile, the geographical situation and wide range of services areas make it difficult for the government not to provide subsidy. The financial performance of PT Pos Indonesia also presents the increase of PSO funds provided by the government in 2010, after the government introduced the new policy. The subsidy increases nearly 54 per cent from the previous year. The significant increase is also found in 2013 when the government revised the postal tariff through the introduction of new postal tariff regulation. In practice, the contribution of PSO funds or subsidy is relatively small, around seven per cent. Based on this fact, the increase of subsidy does not make a significant contribution of subsidy to revenue.

Finally, the introduction of liberalization has influenced several financial indicators of PT Pos Indonesia. The policy encourages the management to improve its efficiency and financial

situation. Removing the monopoly right reveals the strength of PT Pos Indonesia in terms of services and network. Removing monopoly rights encourages the company to improve the financial performance and to be more efficient. In practice, the introduction of liberalization does not make any difference in terms of the company's social welfare function. The unclear definition of UPS and the social welfare obligation has hindered the possibility for the company to be more efficient in terms of service expenses.

required to carry the state post duty. At the same time, the company is also requested to cover the services in less profitable areas or where privates are unable to deliver their services. These situations affect the financial situation of the company since the services are not covered by the government.

This study presents that liberalization can be an alternative for the government to improve the state company's performance. For The policy also encourages the government to be more considerate in terms

---

While the liberalization policy encourages efficiency, the government social welfare function may be easy to meet. For this reason, it is crucial for the policy makers to clearly determine the social welfare and economic functions of the company.

As the company owned by the government, PT Pos Indonesia runs its business in the areas of postal, finance, and logistic services. The business provided by PT Pos Indonesia are categorized into; commercial postal services PSO product, and financial-based services. For the PSO products, the government provides subsidy. In practice, the PSO duty is considered as the main reason for the company's poor performance. This is in particular since the subsidy only covered two employees within rural or remote branches. The poor performance and monopoly become the main public concern, which encourages the Indonesia government to review the policy. The impact of government new policy is mainly found as the company has to deal with high competition. While PT Pos Indonesia has the advantages in terms of network and service areas, the competition is likely unfair. The company is still

of providing the support for companies to carry PSO duty. This is proven by the increasing amount of PSO funds.

This study is expected to become a reference for the government to review the subsidy and the SOEs social welfare functions in developing countries like Indonesia. The introduction of new liberalization policy for the postal services is driven by the public pressure for the company to be more competitive, profitable and efficient. The monopoly provided by the government has hindered fair competition which affects the company's performance. The new policy is mainly aimed to allow private participants to take part within the business. The opening of the market is expected to encourage the company to be more efficient and profitable. However, the policy does not clearly define the state postal and PSO duty. Restriction of PSO funds for particular brands and certain number of employees makes the company difficult to be efficient in terms of social welfare function. Since liberalization policy may help the SOE to improve its business and financial situation, it is crucial for the government to clearly determine its social and economic functions on SOE as well as the return that is required for the company to carry these functions.

As indicated in this study, liberalization triggers significant impacts on the subsidy. Further study in terms of the impact of the

liberalization on the subsidy and whether liberalization of the market should be pursued. subsidy is still needed following the this reason, the government needs to clearly determine the social and economic function of the SOEs including the financing scheme for these social and economic functions.

#### 4. Conclusion

The study reveals that the new policy encourages the company to improve its both business and financial performance.

#### References

- [1] Abramov A, Radygin A, Entov R, Chernova M. State ownership and efficiency characteristics. *Russ J Econ* 2017;3:129–57. doi:[10.1016/j.ruje.2017.06.002](https://doi.org/10.1016/j.ruje.2017.06.002).
- [2] Assagaf A, Ali H. Determinants of Financial Performance of State-Owned Enterprises with Government Subsidy as Moderator. *Int J Econ Financ Issues* 2017;7:330–42.
- [3] Asian Development Bank on the Privatization of Public Sector Enterprises. 2017.
- [4] Abeng T. Professionalisme versus Politik: Tanri Abeng Menjawab. PT. Elex Media Komputindo; 2002.
- [5] Martin J. Corporatisation and community service obligations: Are they incompatible? *Aust J Public Adm* 1996. doi:[10.1111/j.1467-8500.1996.tb01229.x](https://doi.org/10.1111/j.1467-8500.1996.tb01229.x).
- [6] De Donder P, Cremer H, Rodriguez F. Funding the Universal Service Obligation under Liberalisation. *Post. Deliv. Serv.*, Boston, MA: Springer US; 2002, p. 31–52. doi:[10.1007/978-1-4613-0253-7\\_2](https://doi.org/10.1007/978-1-4613-0253-7_2).
- [7] Setiawan H. Membedah Laba BUMN PSO Study Kasus PT Pos Indonesia. *Info Risiko Fiskal* 2012.
- [8] Chen S, Sun Z, Tang S, Wu D. Government intervention and investment efficiency: Evidence from China. *J Corp Financ* 2011. doi:[10.1016/j.jcorpfin.2010.08.004](https://doi.org/10.1016/j.jcorpfin.2010.08.004).
- [9] Bel G, Calzada J. Privatization and Universal Service Obligations. *J Institutional Theor Econ* 2009;165:650. doi:[10.1628/093245609789919685](https://doi.org/10.1628/093245609789919685).
- [10] Aulakh PS, Kotabe M. Institutional changes and organizational transformation in developing economies. *J Int Manag* 2008. doi:[10.1016/j.intman.2008.04.001](https://doi.org/10.1016/j.intman.2008.04.001).
- [11] Neumann W. *Social Research Method*. Boston: Pearson (Ally and Bacon); 2006.
- [12] Punch K. *Mixed Methods and Evaluation. Introd to Soc Res Quant Qual Approaches* 2006:301–26.
- [13] Bennett A. *Case Study Methods: Design, Use and Comparative Advantages. Model. Numbers Cases - Methods Stud. Int. Relations*, 2004.
- [14] PT. Pos Indonesia (Persero): *Financial Report Consolidation*. 2018.
- [15] *Brand rejuvenation: agile, adaptable, properly* (PT Pos Indonesia Annual Report). 2017.
- [16] *No Unlocking the Unknown: People, Network, Technology* (PT Pos Indonesia Annual Report). 2016.
- [17] Bruno L. *Business statistics: A decision-making approach*. 2019.
- [18] Errunza VR, Mazumdar SC. Privatization: A theoretical framework. *J Int Financ Mark Institutions Money* 2001. doi:[10.1016/S1042-4431\(01\)00038-5](https://doi.org/10.1016/S1042-4431(01)00038-5).
- [19] *Empowerment & modernization* (PT Pos Indonesia Annual Report). 2010.
- [20] *PT Pos Indonesia Annual Report*. 2011.
- [21] *Business Revitalization for Creating Value* (PT Pos Indonesia Annual Report). 2015.
- [22] *Building Integrity and Trust* (PT Pos Indonesia Annual Report). 2014.

- [23] Move on to A Brighter Future (PT Pos Indonesia Annual Report). 2013.
- [24] Aiming Higher Achieving More (PT Pos Indonesia Annual Report). 2012.
- [25] Bárcena-Ruiz JC, Garzón MB. Relocation and public ownership of firms. *J Jpn Int Econ* 2009. doi:[10.1016/j.jjie.2009.01.002](https://doi.org/10.1016/j.jjie.2009.01.002).
- [26] Layanan Operasional Universal Post. 2013