

# STUDY ON THE PROBABILITY OF STATE-OWNED ENTERPRISES SUSTAINABILITY (A REVIEW FROM PERSPECTIVE OF THE BANKRUPTCY MODEL)

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## ABSTRACT

This study aims to investigate how the external (such as growth, inflation, exchange rate) and internal factors influence the possibility of insolvency, in state owned enterprises (SOEs) and the moderating role of corporate governance. The study examines the SOEs in Indonesia, specifically analyzing financial data from the period between 2010 and 2019. The sample size consists of an average of 112 companies. The analysis comprised of two phases; in the first phase uses the Altman Z score model to evaluate bankruptcy probability followed by regression analysis in the second phase to identify the determinants of this probability. The findings indicate that certain external factors, such as inflation negatively influence SOE profitability during bankruptcy while other factors such as leverage, and profitability are not significant. Meanwhile, corporate governance is found to heighten the impact of factors (such as growth, inflation, exchange rate) on bankruptcy profitability. Nevertheless, it does not diminish the influence of interest rate fluctuations on bankruptcy profits. Furthermore, corporate governance is shown to heighten the impact of factors (e.g. liquidity, leverage, profitability) in reducing SOE profits during bankruptcy scenarios. This study significantly adds to the body of knowledge regarding the dynamics shaping the likelihood of state-owned enterprises facing insolvency by emphasizing the effects of inflation and emphasizes the role of governance. The study also illuminates on how corporate governance affect the factors, such as growth, inflation, and exchange rates as well as internal factors such as liquidity, leverage, and profitability on the profitability of state-owned enterprises facing bankruptcy. These findings highlight the importance of corporate governance in minimizing the negative effects of these factors, offering meaningful practical insights, for policymakers and SOE executives to improve financial stability and resilience.

**Keywords:** State-owned enterprise, sustainability, corporate governance, bankruptcy

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