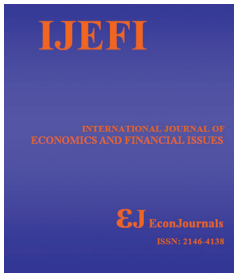

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Determinants of Financial Performance of State-owned Enterprises with Government Subsidy as Moderator

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ABSTRACT

The purpose of this research is intended to study the factors that affect the financial performance of State-owned enterprises (SOE). In this study used purposive sampling method seven SOE with observations during the last 11 years. In the data analysis, this study uses linear regression model and its management using SPSS Software-Amos 23. The results of this study found that the government subsidy variable and significant negative effect on the financial performance of the alpha 0.01, which means that the SOE is difficult to manage the company as a independently if the subsidy program and the additional capital the government continues to do every year. Regression calculation results also found that strategic profitability and significant positive effect on alpha 0.10 to financial performance, which means that the company's management is still likely to perform earnings management practices to affect the company's financial performance. Capital structure variables showed a positive effect and no significant effect on financial performance for the investment decisions SOE financed with debt tend not financially feasible so it does not affect financial performance. Payed on the investment decision is a low economical feasibility of using the size of externalities or social benefit is greater than the social cost. Government subsidy used as independent variables and as a moderator variable, the study found that government subsidy strengthen relationships variable capital structure with financial performance, because the government subsidy strengthen the link between debt with financial performance, because the government encouraged SOE to seek a loan to reduce the burden of government subsidies or additional capital.

Keywords: Financial Performance, Strategic Profitability, Financial Indicators, Capital Structure
JEL Classifications: G1, G3

1. INTRODUCTION

Motivation underlying purpose of this research to study and analyze phenomena that occur in State-owned enterprises (SOE) are still obtain funding assistance from the government in the form of subsidies or in the form of additional capital. Rationally, it should be business enterprises with large-scale SOE to operate efficiently and were able to gain a large market share, so as to meet the funding needs independently both for operation and investment. Financially the company has a cost structure that is more efficient if managed optimally, mainly because it has the human resources quality and sufficient quantity, has the technological capability to produce products or services more in line with expected consumer, may set the price at a reasonable level for return on investment and are able to do business development on a larger scale and more efficient. But the opposite is true, namely SOE face a threat from the financial aspect because of the low financial performance, even threatened with liquidation if not assisted by government funding. This study examines some of the important factors that may affect the financial performance of SOE, as well as analyzing and informing the role of these factors, so it can be used as a reference in the decision to fix the company's financial performance.

One factor that could hamper the financial performance of SOE is the occurrence of negative profitability gap (NPG) is revenue received from the sale of products or services is smaller than the burden of operational costs incurred by the company. This happens mainly because the SOE are faced with pricing policies stiff and through the bureaucratic process less cumbersome, require government approval through the technical ministry or sector-related, such as enterprise energy sector require the approval of the minister of energy and mineral resources, transportation companies require approval by the minister of transportation,

and others. On the other hand, state-owned enterprise in his position as the corporation shall coordinate with the minister of state owned enterprises as shareholders representing the government. Factor this into one of the obstacles for state-owned enterprise dealing in the two ministers, namely in operational affairs minister to coordinate with the relevant sector, while the financial accountability and approval of the budget must go through the ministry of SOE. Pricing decisions must go through the relevant sector Ministers with consideration for the interests of the national economy and society in general, regardless of the level of corporate profitability, even Considered experiencing losses because the government will provide an additional subsidy or equity participation in SOE.

Funding by the government in the form of subsidies or additional capital or referred to as a government subsidy which is positioned as a moderator variable in this study with a rationale and empirical facts that are capable of affecting the relationship between the independent variables of financial performance. The independent variable capital structure was reinforced by government subsidy due to funding constraints derived from the loan will be substituted by government subsidy, even repayment difficulties because of the limitations of the operating cash flow will be assisted by government subsidy that causes this variable capital expenditure further strengthen the relationship with financial performance.

In operation, the SOE are required to seek funding externally through national or international bank loans, but with a level of profitability that is negative, so that the potential occurrence of earnings management practices to show a healthy financial statements and have bankable level of financial performance. Earnings management practices can be done by taking advantage of opportunities accounting system so there is no violation of accounting standards applicable in general. Government subsidy as a moderator variable should restrict earnings management practices conducted by the management company, so this variable weakens the relationship between earnings management with financial performance. Internal policy of SOE tends to be used as the basis for financial reporting by the practice of earnings management. As an example of the practice of earnings management on the recording of government funding to cover the NPG. The accounting treatment is done with alternative recording: (a) Receipt of funding assistance from government subsidies are recorded as revenue to the income statement into a negative earnings or profitability gap does not occur, even gain margin, for such assistance is directed in number despite the relatively small benefit; (b) the help of government funding recorded as additional government capital, causing losses and causing a reduction in the amount of equity.

Listing of equity increased due to government subsidies and reduced admission for any loss, so that the amount of equity does not change or the same as the first method. Both alternative to recording the same end result in terms of equity, but in terms of the income statement of any divergence, the first method does not even make a profit loss occurred although the numbers are relatively small because of subsidies provided by the government exceeds the NPG. The second method there is a loss in a significant amount, but the condition is more realistic and easier for the government or the company to make adjustments for reasons of loss rates, compared to the first method is difficult to adjust rates because of the profits. In terms of earnings management then the first method shows the management successfully manage the company for obtaining profitability, although relatively small, or do not show NPG. While the second method means the company management failed because of a loss or NPG occurs in the income statement, although the empirical method is more rational. In terms of earnings management with a specific purpose, then the first method considered to successfully achieve the target of being able to provide financial statements that are free from NPG, but its weakness is the success of profitability is only apparent, because the source of funds from the government to fill the negative profitability obtained from the owner of the company, The government should be positioned as a separate owners with SOE, so that the financing provided to companies are treated as additional capital. Deteriorating financial condition and profitability gap overcome negative happens to provide some funding assistance through the scheme of additional paid in capital and not as a party to provide additional revenue to the company.

In connection with the earnings management practices by the company, the study also analyzes the influence of strategic profitability by using two proxy variables are real variables and variable earnings management activities accruals earnings management, which can be measured inclination earnings management practices are being made to affect financial performance. Earnings management practice is weakened by the moderator variables government, because the government should be able to restrict the practice of earnings management would happen to need a state-owned entity.

This research was motivated to give an overview of the factors that affect the financial performance of SOE, so as to be useful and provide input to management and shareholders in the decision-making process related to the determination of capital structure, the practice of earnings management in profitability strategic, and the wisdom of government subsidy selected as a moderator variable. Research carried out by the financial performance Haron et al. (2009) and conducted by the Hadlock and Sonti (2010), has been using current measurement methods Althman (2000) on the grounds that the five financial ratios and generate three criteria that underlie the approach, is able to describe the level of achievement of the company's financial performance. Based on the considerations and reasons, then study the financial performance of SOE, is also used measurements of financial performance method Althman 1984, then to the sensitivity analysis used Althman 1983 with the main objective to describe the level of consistency of the results of calculations and compare with empirical facts bodies SOE.

This study uses a variable also controls a controlled variable or constant that ties the dependent and independent variables are no longer influenced by external factors not examined. Control variables used in this research is company size as measured by total assets, capital expenditure as measured by changes in fixed asset and profitability growth between time. Phenomena financial

performance are also motivating this study is formally reported that SOE observed obtain an assessment of the accounting firm public and assessment of shareholders as the company has a healthy performance, but the empirical facts show the opposite, namely companies threatened with bankruptcy when not obtain funding support from government subsidies. This condition indicated that the possibility of company earnings management practices for specific purposes so that the financial statements presented annually healthy predicate, although it has increased the amount of debt that exceeds the amount and liquidity of the company's ability to make payments of installments and interest on such loans. For instance empirically, the government subsidy in 2016 amounted to Rp 201 billion to help SOE that are experiencing financial difficulties, so that more convinced that SOE that depend entirely on government funding, and even threatened with difficulties cash flow if they do not obtain funding because there has been a gap or NPG negative profitability is high enough. Profitability is a strategic alternative that can be done by SOE by practicing real-based earnings management activities and accruals-based, so it can affect the numbers in the financial statements and financial ratios produce a healthy indicator although less relevant to the empirical facts. Real earnings management activities are generally carried out by affecting several important elements in the company's operations such as increasing sales, depress discretionary expense and increase production volumes. Increase sales made through credit sales software requirements, providing attractive discounts and provide opportunities repayment with a longer period of time, so as to increase sales turnover at the same time improved its profitability. Pressing discretionary expense related cost of sales, research and development costs as well as operating costs that can be controlled management of the company, thus increasing profitability. Increase the volume of production to take advantage of opportunities decrease in cost of product per unit for increasing the quantity of production the average fixed costs will go down, so the increase in production volume can increase the profitability of the company.

Real practice earnings management activities able to improve short-term financial performance, but in the long term is likely to exacerbate the financial performance for the ratio of increased receivables, inventories increased in numbers, and liquidity levels decline. While accruals earnings management practices carried out by taking advantage of opportunities accruals recording transactions that may affect the financial statements for a particular purpose. This practice is still followed the generally accepted accounting standards, thus accounting were no violations in the process of preparing the financial statements, the impact can cause erroneous perception or interpretation of the financial statements. Phenomena that occur show that the amount of debt the SOE increased significantly exceeds the ability of the company's liquidity to pay off the mortgage debt and interest expense to be paid, so that short-term alternative solution is done by finding a new loan to pay off maturing debt. Conditions inability to pay off the mortgage debt and the interest reflects that the loan is not worth its use because it can produce a return on investment returns. This means that the investment made by the company are less worthy or walk in eligible investment feasibility. Phenomena increasing the amount of debt and less viable investment decisions be interesting and important to study because SOE observed turned out each year acquire a healthy financial performance. This is what motivates this research, and choose a government subsidy variables as moderating variable, due to its role in strengthening the influence of the independent variables strategic capital structure and profitability of the financial performance of SOE. This study chose the sample with purposive method to describe the phenomena under investigation on the grounds that the companies which were observed to have a scale of big business, the asset value is high, assistance of government subsidies, coined the extensive influence in the social life of the local economy, has strong links with growth national economy, and the sample was selected to represent the population of SOE. This study may provide an alternative management decisions that SOE were able to minimize the dependence on funding from government subsidy. Through improving financial performance and manage financial management balanced with the interests of the environment and society, the company was able to convince the government and society in a viable tariff adjustment. This happens because the company programmed has been caring for the environment and society through corporate social responsibility, so as to obtain feedback or support from stakeholders and also increase corporate reputation (Gunawan and Son, 2014) and (Gunawan, 2015), so that in the long term to ensure the achievement of improvements in financial performance of SOE.

Based on the above-mentioned phenomena, the principal issues raised in this study, namely:

a. How does the capital structure of the financial performance of SOE?
b. How has the strategic profitability of the financial performance of SOE?
c. How to influence government subsidy to the financial performance of SOE?
d. Is the government subsidy strengthen the relationship between capital structure with the financial performance of SOE? and
e. Is the capital structure strengthens the strategic relationship between profitability enterprise financial performance state?

Based on these problems, the study aims to study the effect of an independent variable capital structure and profitability strategic to financial performance of SOE, analyses the influence of variables moderating government subsidy to the financial performance of SOE, studied the effect of government subsidy in strengthening the relationship between capital structure the financial performance of SOE, and study the effect of government subsidy in strengthening the strategic relationship between the profitability with the financial performance of SOE. While the contribution of this study are expected to be useful in the development of science, provide feedback to the company management in decision making processes, and provide a reference for practitioners, observers or subsequent studies related to the financial performance of SOE.

2. LITERATURE REVIEW AND HYPOTHESES

To answer these research problems, then used the theoretical approach and attention to the results of previous studies, and

then compare the empirical facts that occurred in SOE. Based on this approach, this research can develop problems related to the financial performance of SOE in the following.

2.1. Agency Theory

Agency theory as presented by Jensen and Meckling (1976), argued that the agency relationship there is a contract assignment from the employer or principal manager or agent to do a job running the company. Principal authorizes the agent to make decisions according to expectations principal. In this experiment, the agency theory approach in the analysis relating to the management company's efforts to improve financial performance. The analysis of the financial performance using some of the main variables that are relevant Integration influence on the financial performance, and assesses its management policies in running the company in improving the performance in accordance with wishes of the principal. Parties principal emphasis on the company to improve service at the same time fostering the company's profits, so management needs to pay attention to the variables that affect the financial performance of SOE, not vice versa is just taking care of the service but does not pay attention to the financial aspects so it cost the government to provide some funding both for subsidies or additional government investment capital. In the agency theory often led to conflicts of interest between the agent and the principal with the case of asymmetric information, so it is necessary to supervise the agent that decision in accordance with the wishes principle. In connection with this study, it is necessary to do the measurement of financial performance and the factors that influence it, so that the results achieved by SOE in accordance with the wishes of the government as a principal, not the other way is to burden the government in meeting the needs of financing operations and investments owned enterprises countries through subsidies or government investment in additional capital.

2.2. Financial Performance

Financial performance as the dependent variable was measured by using Althman as Haron et al. (2009) in Assagaf and Gunawan (2017) argued that there are five financial ratios such an approach might be the elements that make up the financial performance by categories, namely financial performance is strong or not bankrupt, the financial performance was or gray area, and weak financial performance or bankrupt. The financial statements presented by the company each year depict a written information that quantifies the financial condition of the company's performance, so that can know the strength of the company's financial performance in the category of strong, medium and weak. For factors analysis that affect the financial performance, this study used several independent variables of financial statement items that affect financial performance. Variable used to show the impact on financial performance in both the magnitude of these effects as well as the significance level of influence, so as to explain the company's financial performance and alternative policies that can be used are the implications of this research.

2.3. Capital Structure or Leverage

In research Abor (2005) stated that the capital structure is measured by the ratio of total debt to capital, and found that this variable and significant negative effect on profitability in companies listed in Ghana. The findings indicate that the use of debt can reduce the level of profitability, so the choice of funding is through the use of capital own priority or sell shares in the stock market. Capital structure influence on the profitability of SOE in this study predicted a positive effect for practical reasons, the use of debt cost of capital is lower than the cost of equity using its own capital. It is also supported by the investment return rate more favorable than the interest rate debt so that the use of debt will increase the acquisition of shareholder dividends in an amount that exceeds the cost of capital of the debt, thereby further strengthening the position of company's financial performance. Based on the comparison of the magnitude of the cost of capital equity and cost of debt, then in this study proposed the following hypothesis H_1:

H_1: Capital structure or leverage positive and significant impact on the performance of financial position of SOE.

2.4. Profitability Strategic

According to As Assagaf and Gunawan (2017), suggests that a current strategic management decisions and actions that lead to the achievement of corporate goals. Strategic corporate need to specify an alternative target to be achieved such as profitability, so that managers can take action that is more focused on enterprise resource utilization for achieving that goal. Profitability as a priority target to be achieved within the framework of the prosperity of the company's main stakeholders, namely giving the amount of dividends to owners of the company to the maximum, compensation and bonuses for the company's management contract is appropriate, in order to improve the welfare of employees, and financial support to society in general. One strategy that can be used to achieve a level of profitability that is using earnings management practices that are intended to describe the financial statements of certain profitability performance as targeted. Earnings management can be used for specific purposes, and its implementation is still within the limits of appropriate standards applicable financial reporting. Earnings management is often used in the pattern of income smoothing, preparing an initial public offering, for the sake of larger bonuses for management and employees, in order to meet the target of bank lending covenants, imaging in the face of the election of new management, and others. Strategies in the profitability performance targets using two approaches estate activities accruals earnings management and earnings management. In the tacos and physical defect (2016) as Assagaf and Gunawan (2017), argued that earning managementa practice that is done in selecting an appropriate policy of the existing accounting standards with the objective of maximizing the market value of the company Dinar and Yaron (1992). Profitability strategies using real approach of earnings management activities on research Roychowdhury (2006) in Assagaf and Gunawan (2017) suggests that the practice of earnings management is done through efforts to increase sales turnover, reduce the number of discretionary expense and increase the number of production units. However, earnings management practices apply only to short-term performance improvement and more easily detected through the financial statements, for example there is an increased number of supply beyond reasonable limits, the ratio increased receivables and decreased operating cash flow conditions. While the strategy profitability by using accruals earnings management on research

conducted by Dechow et al. (1995) in Assagaf and Gunawan (2017) stated that the measurement of earnings management is done in the form of non-discretionary accruals and discretionary accruals. Based on the practices of strategic profitability through earnings management, then in this study proposed the following hypothesis H_2:

H_{2a}: Profitability strategic that in proxy with real earnings management activities positive and significant impact on the financial performance of SOE.

H_{2b}: Profitability strategic that in proxy by accruals earnings management positive and significant impact on the financial performance of SOE.

2.5. Government Subsidy

Schreiner (1997) argues that the subsidies are intended to assist in providing support to the development of the company through research and development to create new innovations that ultimately increase the number of sales. Subsidized by the government will encourage the growth of the national economy through SOE as a driving force in the growth of industry, development of business and other sectors that are beneficial to socioeconomic society in general, such as the advancement of education, health services, and improving the welfare of society at generally. The subsidy will be enjoyed by the community and the effect on economic growth because tinhkat relatively cheap price as electricity prices affordable by society, fuel prices are relatively cheap, rail freight rates are affordable by the community. In the subsidy policy, the price of which is treated by SOE is much lower than the cost of sales and cause losses, so the government needs to set up a fund to help SOE in the form of subsidies or additional capital. Research González (2005) in Assagaf and Gunawan (2017) argued that the NPG or NPG is the basis for determining the amount of the subsidy, and if given a subsidy to the company, it will encourage the development of innovation and progress. But when subdidi is not granted, the company will incur a loss because of expenses greater than revenues. Penelitaian implies that the subsidy should be very important to maintain the continuity of operations of the company and have a positive impact on other sectors so that the community's social life will increase prosperity and create a wider impact multiplier. Based on this view, the funding granted to SOE in the form of subsidies or additional capital investment will improve the company's financial performance while providing broad multiplier effect to the general public. Preferably conditions, may occur if the subsidies are limited in number or eliminated gradually, but the management of SOE given broad kewenagan in determining the tariff structure and supported for more optimal resource utilization in order to reduce operating costs, companies can improve the performance of keungannya. Given the role of subsidies in the financial performance of SOE, this study proposed the hypothesis H_3 below:

H_3: Government subsidy and exhibited significantly negative effect on the financial performance of SOE.

2.6. Moderating Variables (Variables Interaction)

Research Baron and Kenny (1986) in Assagaf and Gunawan (2017) suggests that moderating variables selected in accordance with the role based on empirical evidence and theoretical considerations or rational. Moderating variable affecting the relationship between independent variables and the dependent variable in strengthening pattern if significant positive relationship or weaken if negative and significant relationship. In the analysis of moderating variables is known as regression moderation using moderating variable or variables derived from the multiplication of interaction between independent variables moderation. When the regression coefficient significant moderating variable that the variable is then expressed as a moderating variable, otherwise if not exhibited significantly then the variable is not a variable moderation or not strengthen or weaken the relationship between the dependent and independent variables. In the event not as a moderating variable that function only as an independent variable. In theory and rational and appropriate consideration of empirical fact, this study chose the variable government subsidy as a moderating variable or variable interactions, and put forward the hypothesis H4 as shown below:

H_4: Government subsidy strengthen the influence strukcture capital and strategic profitability of the financial performance of SOE.

3. METHODS

3.1. Sample Selection

This study using purposive sampling method to select a sample that is deemed to have been in accordance with the objectives and problems studied were related to the financial performance of SOE or SOEs. The selected sample is made up of seven SOE that have business scale is relatively large and reach out widely on aspects of social life of the local economy, and affect national economic growth, as well as having the ability to represent the SOE more to the study and analysis of financial performance. Seven companies were selected in the sample consists of PT Pertamina, the State Electricity Company, PT Garuda Indonesia, PT Aneka Tambang, PT KeretaApi Indonesia, PT Bukit Asam and PT Perusahaan Gas Negara. This research was conducted in brackets the last 12 years, namely the period 2005-2016, but the data used in the regression analysis, only 77 year company, for the period used in the measurement based on a change between the time, so that the variable is only observed as many as 11 years.

3.2. Variable and Measurement

This study uses several variables to problem analyze faced by SOE, namely the dependent variable is financial performance, three independent variables, one moderating variable and the following three control variables.

3.3. Financial Performance

The dependent variable of financial performance, illustrating the company's financial strength or weakness observed. Variable measurement is performed using the Altman Z-score approach in 1984 as in the publications Altman (2000).

$$Z_i=0.717\ X_1+0.847\ X_2+3.107\ X_3+0.420\ X_4+0.998\ X_5 \quad (1)$$

Where, X_1=(Total assets smoothly−total current liabilities)/total assets, X_2=Total retained earnings/total assets, X_3=Total earnings before interest and taxes/total assets, X_4=Market price of ordinary

shares and preference shares/total debt, X_5=Total sales/total assets, and Z_i=A Z-score. Z_i assessment results show: The cut-off is Z < 1.81, the company went bankrupt in the category; 1.81 < Z-score < 2.99 the company was entered in the gray areas or areas prone; and Z > 2.99 the company in a safe area and not go broke. Previous research related to the measurement of this variable, conducted by Haron et al. (2009), using a measurement indicator of financial performance by using the Z-score Althman, and the reason that of the five financial ratios on the approach as the elements that make up the financial performance of three categories, namely strong (not bankrupt), medium (gray area), and weak (bankruptcy).

3.4. Capital Structure or Leverage

Indicator of capital structure illustrates the use of debt to fund their own capital than in fund operations and investment activities of the company. Funding through loans provide benefits to shareholders, for the same amount of equity that can deliver greater profitability to increase the dividend per share. The use of capital own offer benefits that can strengthen the financial position for the reprieve from having to pay off debt and without interest charges, so that the risks of using their own capital is lower than the use of debt. Measurement of these variables using the formulation as Pratheepkanth (2011) in Assagaf (2015), Assagaf et al. (2016), Assagaf and Gunawan (2017), the following:

$$\text{Leverage} = \frac{\text{Total debt}}{\text{Total equity}} \quad (2)$$

3.4.1. Profitability strategic with proxy as real earnings management activities

Strategies to increase the profit made through routine activities that occur in real on the company in the form of increasing the number of sales, increase production volume, and reduce the amount of discretionary expense burden. This variable measurement approach Roychowdhury (2006) in Assagaf (2015), Assagaf et al. (2016), Assagaf and Gunawan (2017), the real activities of earnings management is an adder residual of the function of cash flow operation or ACFO, the function of the cost of production or APROD and cost functions discretionary expense or ADEXP formulated as AREAS following:

$$AREA=ACFO+APROD+ADEXP \quad (3)$$

Where, AREA=Summation of abnormal cash flow from operations, production costs and expenses discretionary expense; ACFO=Residual cash flow from operations or functions of CFO; APROD=Residual of production costs or PROD function; ADEXP=Residual of discretionary expense load function (DEXP).

The regression equation or the function of CFO, PROD and DEXP used to calculate the residual or ACFO, APROD and ADEXP, namely:

$$CFOT/A_{t-1}=\alpha_0+\alpha_1 (1/A_{t-1})+\beta_1 (S_t/A_{t-1})+\beta_2 (\Delta S_t/A_{t-1})+e_t \quad (4)$$

$$PROD_t/A_{t-1}=\alpha_0+\alpha_1 (1/A_{t-1})+\beta_1 (S_t/A_{t-1})+\beta_2 (\Delta S_t/A_{t-1})+\beta_3 (\Delta S_{t-1}/A_{t-1})+e_t \quad (5)$$

$$DEXP_t/A_{t-1}=\alpha_0+\alpha_1 (1/A_{t-1})+\beta (S_{t-1}/A_{t-1})+e_t \quad (6)$$

Where, A=Total assets; S=Total sales; e=Error

3.5. Profitability Strategic with Proxy as Accruals Earnings Management

Strategies to increase profits through transactions relating to the treatment of costs and revenue accruals recording. This variable measurement approach Dechow et al. (1995) in Assagaf (2015), Assagaf et al. (2016), Assagaf and Gunawan (2017), which is calculated accrual earnings management of residual or abnormal accruals obtained from the equation or the total accruals accruals (ACC) as the following equation:

$$ACC_{it}/TA_{t-1}=\alpha_0+\alpha_1 (\Delta REV_t-\Delta REC_{it})/TA_{t-1}+\alpha_2 PPE_{it}/TA_{t-1}+\alpha_3 CFO_{it}/TA_{t-1}+e_{it} \quad (7)$$

Where, ACC=Total accruals, TA=Total assets, REV=Revenue, REC=Receivable, PPE=Property, plant, and equipment, e=Error.

3.6. Government Subsidy

Government subsidy, is funding from the government through the budget revenue and expenditure or the state budget as a consequence of lower total revenues compared to operating costs. Variables measured by the number of admissions subsidy given by the government to state companies in the form of subsidies or additional government investment capital. Additional funding from government subsidies on lack of income against expense is recorded as income so as to avoid making losses. Without the help of the subsidy then the accounting losses and become a burden or reduce equity. Extra in the form of government participation in equity then the end result is the same as subsidizing the treatment of the above because reports directly add to equity, but the losses will lead to a deduction of equity so that the same amount of equity or no addition and subtraction. Therefore, either the subsidy or as additional capital does not affect the amount of equity or return to normal, but cause harm. Variable measurement is based on the government subsidy price-gap as stated Koplow (2009) in Assagaf et al. (2016), Assagaf and Gunawan (2017) following:

$$\text{GvSub} = \frac{\text{Biaya penyediaan} - \text{Nillai penjualan}}{\text{Biaya penyediaan}} \quad (8)$$

As a comparison the results of previous research, the subsidy variable measurement performed by the Dinar and Yaron (1992), Schreiner (1997) in Assagaf and Gunawan (2017) using the SDI standard known as the subsidy dependence index with the following formulated:

$$\text{Standar SDI} = \frac{\text{Subsidy}}{\text{Revenue}} \quad (9)$$

Subsidy is calculated by the formula:

$$S=rE+D\ (m-c)+K-AP \quad (10)$$

Where, SDI=Subsidy dependence index, S=Subsidy received, r=Opportunity cost, E=Average equity, D=Average soft debt,

m=Opportunity cost of soft debt for the market, c=Rate paid for soft EBT, K=Sum of revenue and discounts, AP=Accounting profit.

More research is measurement subsidy proposed by González (2005) in Assagaf and Gunawan (2017), which is based on the following NPG:

$$NPG=Revenue-Cost \quad (11)$$

The subsidy is based on the number of NPG or NFG, in relation to the subsidies granted by the government to SOE is likely to exceed the amount of loss due consideration to give pelunag investment funds, payment of long-term debt maturities and provide margins to describe the condition of financial performance profitable. Therefore, some SOE are given not only be used to cover the gap of negative profitability but also provided as additional funding additional capital in the form of government.

3.6.1. Size

Size variable indicates the capacity of companies that can be seen through the number of assets owned enterprise value corresponding year-end financial statements. Measurement of variables used by logarithm of the total assets recorded in the financial statements at the end of the observation period as the study Capon et al. (1990) formulated the following:

$$Size=Log\ (total\ assets) \quad (12)$$

3.6.2. Capital expenditure

Variable capital expenditure indicates the value of the investments made by the company, so it is likely in the short term affect liquidity or increase the amount of long-term debt to finance such expenditure remedy. Variable measurement is based on the difference between the fixed asset fixed asset observation period with the previous period, and then divided by fixed asset prior period as the study Platt (2002) with the following formulation:

$$\text{Capital expenditure} = \frac{\text{Fix asset (t)} - \text{Fixed assets (t-1)}}{\text{Fixed assets (t-1)}} \quad (13)$$

3.6.3. Profitability growth

Variable profitability growth could affect the financial condition is getting better performance because it is through the growth rate would be likely for the company improved its cash flow for operations, and facilitating the acquisition of funding bank loans, bond sales and sales of new emission shares in the capital market. Profitability growth illustrates that the ratio of sales revenue growth was higher than the growth of operating expenses incurred by the company, thus increasing the margin earned. Increased sales revenue can occur due to the ability of marketing or products produced according to consumer tastes, while operating expenses were lower due to the better operating efficiency. When this happens the better financial performance and increase the value of companies in the capital market. Measurement of profitability variable strength based on the difference between the net income net income minus the observation period the previous period, and then divided by net income of the previous period as the study Bercovitz and Mitchell (2007) formulated the following:

$$\text{Profitability growth} = \frac{\text{Net income (t)} - \text{Net income (t-1)}}{\text{Net income (t-1)}} \quad (14)$$

3.7. Research Models

In accordance with the hypothesis and selecting variables used in this study, the next test is statistically using analytical models and also do analysis using a model of sensitivity that differentiates approaches to measurement of the dependent variable, with a view to studying the level of consistency of the results of these calculations, and then compare the results more relevant to the facts or reality yng occurred at SOE.

3.7.1. Model for H1, H2 and H3

$$Y_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+e_{it} \quad (15)$$

3.7.2. Model for H4

$$Y_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+\beta_8 (X1.X4_{it})+\beta_9 (X2.X4_{it})+\beta_{10} (X3.X4_{it})+e_{it} \quad (16)$$

3.7.3. Sensitivity analysis of the model for the H1, H2 and H3

$$Ys_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+e_{it} \quad (17)$$

3.7.4. Sensitivity analysis models for H4

$$Ys_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+\beta_8 (X1.X4_{it})+\beta_9 (X2.X4_{it})+\beta_{10} (X3.X4_{it})+e_{it} \quad (18)$$

Where, Y_{it}=Financial performance (Althman 1984), Ys_{it}=Financial performance (Althman 1983) for sinsitivity analysis, $X1_{it}$=Leverage or capital structure of debt to equity, $X2_{it}$=Profitability strategic with proxy estate activity earnings management, $X3_{it}$=Profitability strategic with proxy accruals earnings management, $X4_{it}$=Government subsidy, $X5_{it}$=Company size, $PrGwt_{it}$=Profitability growth, $X6_{it}$=Capital expenditure, ($X1.X4_{it}$)=Interaction between $X1_{it}$ and $X4_{it}$, ($X2.X4_{it}$)=Interaction between $X2_{it}$ and $X4_{it}$, (X3.X4it)=Interaction between $X3_{it}$ and $X4_{it}$), β_0=Constant, $\beta_1...\beta_{10}$=Coefficient, e_{it}=Error.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics and Correlation Matrix

4.1.1. Descriptive statistics

The result data as the Table 1 descriptive statistics indicate several things: The dependent variable of financial performance or Y showed a high range between a minimum of 0.40 to a maximum value of 2.76, and the average value approaching 1,527 maximum, which means that the distribution of research data is concentrated the value is closer to the maximum than the minimum, while fluctuations in the numbers in the range between the minimum and maximum as standard deviation lies in the range of 0.722 from the mean value, which means that the data is concentrated in the range of the average number. This happens because the level of financial performance of SOE related to the lives of many people and the

Table 1: Descriptive statistics

Variables	N	Minimum	Maximum	Mean±SD
Y	28	0.40	2.76	1.527±0.722
X1	28	0.40	41.26	2.648±7.599
X2	28	−0.19	0.52	0.000±0.172
X3	28	−0.69	0.11	−0.117±0.175
X4	28	0.00	0.51	0.108±0.158
X5	28	3.53	6.09	4.445±0.656
X6	28	−0.88	1.53	0.293±0.414
X7	28	−5.01	32.21	0.909±6.263
Valid N (listwise)	28			

Y: Financial performance (Althman 1984), X1: Leverage or capital structure of debt to equity, X2: Profitability strategic with proxy estate activity earnings management, X3: Profitability strategic with proxy accruals earnings management, X4: Government subsidy, X5: Company size, X6: Capital expenditure, X7: Profitability growth, SD: Standard deviation

associated economic conditions in general, so it is still controlled by the government in making pricing decisions observed level of corporate profitability is still at a relatively low level.

The independent variable capital structure or X1 has a high number of standard deviations of 7.599 and a mean value of 2.648, which means that fluctuations in the variable data is high in a range between a minimum value of 0.40 to a maximum of 41.26. This means that the level of debt to equity amount is likely to vary, depending on the scale of business, the use of assets from one company to another company. The higher the technology used, the cost of investment needed for the increasingly large and the composition of the amount of debt used higher. The independent variable of strategic profitability with earnings management proxy estate activities or X2 has a mean value of 0.000 or <1 because the data varied between −0.19 minimum number up to a maximum rate of 0.52, and has a standard deviation value of 0.172, which means that the variable data it has a fairly high level of storage of the mean, while the mean value close to the minimum, so that it can be stated that the concentration distribution of this variable data lies in the range close to the minimum value. This occurs due to the residual value of a function or abnormal production costs, operating cash flow functions and discretionary expenses resulted in a summation function of abnormal estate activities relatively small at each observation. Variable strategic profitability by proxy accruals earnings management or X3 has a variety of data with a minimum value of −0.69 up to a maximum rate of 0.11 and a mean value of −0.117, which means the value of this variable is concentrated on the distribution approaching the maximum value but the value that tends to be negative. While the number of standard deviations indicate a fairly high level of deviation of 0.175 which means the variations fluctuate variable data is greater than the mean value. This is mainly due to the residual of the function of data accruals tend to vary quite high among the observations of one another, in order to obtain the residual value or abnormally high accruals.

Moderator variables government subsidy or X4 has a value of 0.158 standard deviations from the mean value of 0.108 which means indicate that these variables vary quite high above the mean value in the range of 0.00 minimum number up to a maximum rate of 0.51. This happens because of government subsidies to SOE are varied and awarded based on a consideration of the ability of government funding, the amount of liquidity needed by the company, the availability of cash flow available on the company's operations, and profitability has been achieved by SOE.

Control variables used in this study consisted of company size or X5, capital expenditure or X6 and profitability growth or X7 showed a mean value which is closer to the minimum than the maximum value, so it can be stated that the variable data tends to be concentrated on the distribution closer to the minimum, but the extent of the deviation or standard deviation of these variables differed between the same as the other, the highest on the profitability and the lowest growth variable in the variable capital expenditure. This occurs because the value of assets of financial conditions differ according to the type of business the company of one another, and the mobilization of resources used varies according to the company's core business and scale.

4.1.2. Correlation matrix

Correlation analysis is a statistical analysis technique known as product moment correlation person or PPM, is found by Pearson, KFRS (1904) which states that a degree of correlation is a linear relationship between two or more variables. This correlation technique is generally used in the study to analyze the phenomena that occurred and connect between one variable with other variables related. Research the financial performance of SOE using Pearson correlation technique as the Table 2 shows the correlation matrix for the phenomena associated with the financial performance of independent variables X1, X2 and X3, X4 moderating variables and control variables X5, X6, X7. In this correlation analysis resulting correlation coefficient between the variables and a significant degree of relationship between these variables. The correlation coefficient means a relationship that is called the coefficient with the value 0 to the value of one, while the direction of the relationship between variables is described by the absolute value of negative or positive. Correlation −1 or 1 means a perfect correlation, while the correlation with a value of 0 means there is no relationship between these variables. The correlation coefficient r is then compared with the correlation table r, which describes the level of significance of the relationship, namely: Correlation coefficient r > r table, otherwise the relationship is significant or Ha received the degree of culpability such as 1% or 5%. Conversely if the correlation coefficient r < r table then declared the relationship is not significant or H0. Results SPSS provides information coefficient calculation at the same level of significance of the relationship so do not need to use tables r, by providing code ** to the significant level of 0.01 or 1% error and a code * on the level of significant at the level of 0.05 or 5%.

On the financial performance dependent variable column or Y shows the correlation of these variables with other variables with the results, which is a variable capital structure or X1 0.157 and is not significant, which means the variable Y and the variable X1 has a relatively small degree of relationship and the relationship is not significant. Strategic profitability with a proxy variable of real earnings management activities or X2 correlation coefficient −0.294 and is not significant, which means the variable Y and X2 has a relatively small degree of relationship and the relationship is not significant. Variable strategic profitability by proxy accruals

Table 2: Correlations

Variables	Y	X1	X2	X3	X4	X5	X6	X7
Y	1							
X1	0.157	1						
X2	−0.294	−0.075	1					
X3	0.469*	0.123	−0.653**	1				
X4	−0.829**	−0.073	0.417*	−0.440*	1			
X5	−0.792**	−0.027	0.360	−0.306	0.798**	1		
X6	0.073	−0.036	−0.284	0.220	−0.201	0.114	1	
X7	−0.031	−0.001	0.022	−0.047	−0.215	−0.076	−0.040	1

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

earnings management or X3 with a 0.469 correlation coefficient and significant relationship at the level of 0.05, which means that the variable Y and X3 has a relatively high degree of correlation and significant relationship. Variable government subsidy or X4 has a high correlation coefficient of −0.829 and significant at the 0.01 level, which means that the variable Y and the variable X4 has a relatively high degree of correlation and significant relationship. Correlation variable Y with variable control the size of the company or X5 showed a correlation coefficient −0.792 and significant at 0.01 level while the correlation variable Y with variable capital expenditure amounted to 0.073 or X6 is not significant, and the correlation variable Y with growth of profitability or X7 of −0.031 not significant. Column independent variable capital structure or X1 indicates that the correlation coefficient is relatively small whole or <0.05, which means that there is no correlation or free of any indication of multicollinearity among other independent variables with the variable X1. Independent variable column strategic profitability with real proxy or X2 earnings management activities in general have relatively small correlation coefficient of 0.50 or less than the correlation with the X3 with a correlation coefficient of −0.653 but variance inflation factor (VIF) < 10 so as not indicated the existence of multicollinearity. The magnitude of the correlation coefficient between these variables is mainly caused by the use of data times series with growth rates tend to be parallel, but in theory and empirical facts do not occur independent relationship between the two variables. Independent variable column strategic profitability by proxy or X3 accruals earnings management in general shows the correlation coefficient with other variables relatively small or <0.50, so that there is no indication otherwise occur a significant relationship between the independent variables or not there is any multicollinearity.

Column moderator variables government subsidy or X4 in general showed a correlation coefficient with other variables relatively small or <0.50, but the correlation between X4 with X5 with a correlation coefficient of 0.798 but VIF < 10 that otherwise is not indicated any symptoms of multicollinearity. While the control variable column size company or X5, or X6 variable capital expenditure and profitability or growth variables X7, as a whole shows the correlation coefficients were relatively small or <0.50 and not significant.

4.2. The Result of Hypothesis 1

Data processing software SPSS Amos 23-regression calculation result as the Table 3, beginning with capital structure with a regression coefficient of 0.009 positive effect sig level. 0.333 which means that the variable is not significant influence on financial performance. In this connection means that the variation in the ratio between the various combinations of loan and equity capital, but the result is the same no effect on the financial performance. Decision of SOE to finance investment through loans or by additional government capital had no impact exhibited significantly to the improvement of financial performance, especially since the funds are used for investments that do not take into account the financial feasibility but based on economic feasibility involving factor externalities that social benefit is greater than the social cost, or not based on the present value of cash inflow is greater than the present value of cash outflow, so it does not affect the financial performance of SOE. In the SOE. In terms of financing the investment with long-term debt carried by the SOE is hardly found significant obstacles because of financial institutions and the capital market trust SOE due to be fully guaranteed by the government through the approval of the minister SOE as shareholders. The liquidity risk of debt repayment and interest payments are also not be a problem though less liquid financial performance, but the company easily obtain new short-term loan to repay long-term debt maturities. Thus changes in the composition of debt to own capital no significant effect on financial performance.

4.3. The Result of Hypothesis 2

The independent variables are in a proxy strategic profitability with real earnings management activities or X2 positive and significant impact on the financial performance of the regression coefficient 1,062 and significant 0,072* which means that changes and improvements to X2 This will lead to improved financial performance. This study found that the management of SOE who practice real earnings management activities has the potential to improve financial performance. The results of this study indicate that the company management practice earnings management activity based should be controlled so that financial performance presented by the company relevant and realistic or appropriate to empirical facts, and not the reverse, namely the practice of earnings management that provide figures profitability of short-term viable but contain the long-term risk that may worsen the company's financial performance period to come.

Strategic profitability variables that proxy with accruals earnings management or X3 showed a positive influence with regression coefficient 1,054 and significant 0.068* which means that changes or improvements to this variable will improve financial performance. Conversely when done X3 decline is due to the tightening action against accruals earnings management practices, will have an impact

Table 3: Determinant of financial performance with government subsidy as moderator

Model 1: $Y_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+e_{it}$
Model 2: $Y_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+\beta_8 (X1.X4_{it})+\beta_9 (X2.X4_{it})+\beta_{10} (X3.X4_{it})+e_{it}$
Model 3: $Ys_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+e_{it}$
Model 4: $Ys_{it}=\beta_0+\beta_1 X1_{it}+\beta_2 X2_{it}+\beta_3 X3_{it}+\beta_4 X4_{it}+\beta_5 X5_{it}+\beta_6 X6_{it}+\beta_7 X7_{it}+\beta_8 (X1.X4_{it})+\beta_9 (X2.X4_{it})+\beta_{10} (X3.X4_{it})+e_{it}$

Variables	Predict.	Model 1: Y		Model 2: Y		Model 3: Ys		Model 4: Ys	
		Coefficient	Significant	Coefficient	Significant	Coefficient	Significant	Coefficient	Significant
(Constant)		3.809	0.000***	3.422	0.002***	4.828	0.000***	4.278	0.001***
X1	+	0.009	0.333	0.008	0.405	0.017	0.144	0.015	0.194
X2	+	1.062	0.072*	1.942	0.101	1.123	0.108*	2.333	0.096*
X3	+	1.054	0.068*	1.886	0.095*	1.434	0.040**	2.657	0.051**
X4	-	−2.444	0.015***	−4.666	0.101	−2.340	0.045**	−5.397	0.108
X5	+	−0.431	0.051**	−0.321	0.196	−0.575	0.031**	−0.422	0.154
X6	+	0.039	0.851	0.131	0.631	0.043	0.860	0.210	0.516
X7	+	−0.019	0.114	−0.020	0.129	−0.029	0.052**	−0.029	0.063*
X1.X4				0.702	0.395			0.754	0.439
X2.X4				−4.535	0.364			−5.233	0.376
X3.X4				−4.945	0.437			−8.255	0.278
Adjusted R^2		0.757		0.736		0.751		0.734	
F-statistic		13.010		8.514		12.638		8.456	
P		0.000		0.000		0.000		0.000	
F-statistic									
Durbin-Watson		0.849		0.954		0.916		1.136	
Total obs		28		28		28		28	

***Significant of 1%, **Significant of 5%, *Significant of 10%. Y_{it}: Financial performance (Althman 1984), Ys_{it}: Financial performance (Althman 1983) for sinsitivity analysis, $X1_{it}$: Leverage or capital structure of debt to equity, $X2_{it}$: Profitability strategic with proxy estate activity earnings management, $X3_{it}$: Profitability strategic with proxy accruals earnings management, $X4_{it}$: Government subsidy, $X5_{it}$: Company size, $X6_{it}$: Capital expenditure, $X7_{it}$: Profitability growth, $(X1.X4_{it})$: Interaction between $X1_{it}$ and $X4_{it}$, $(X2.X4_{it})$: Interaction between $X2_{it}$ and $X4_{it}$, and $(X3.X4_{it})$: Interaction between $X3_{it}$ and $X4_{it}$

on the declining financial performance significantly. The results of this study can be explained empirically i.e., accruals earnings management practices can improve financial performance and can be used by management to achieve the target set by the stakeholders of the company. It should be anticipated in order to avoid erroneous interpretation of the company's financial performance, and financial performance improvement which occurred not because of the results of business process engineering fair but only financial statements creative figures. If it is not anticipated that it was likely to happen that massive earnings management practices that degrade the quality of financial information. Strategy profitability strategic that in proxy by accruals earnings management is often practiced in the presentation of financial statements because it does not violate the applicable accounting standards, and is able to produce financial information as desired by the management company or used for specific purposes such as meeting the requirements of the covenant of debt banking or global bond, obtaining the maximum bonus for directors and employees, face the process of an initial public offering, the image shows the management in maintaining its position at the time of the election of directors of the company, and others. The practice of earnings management is also done by utilizing various transaction opportunities accruals that are not incompatible with accounting standards, so the practice of earnings management is still considered reasonable, but an effect that is less healthy, especially the information presented is likely to be less relevant to realistic conditions SOE.

4.4. The Result of Hypothesis 3

Moderator variable X4 government subsidy or a significant effect on the financial performance and the regression coefficient −2.444 significant 0.015 or <0.05 or 5%, so a change or increment of this variable will strongly influence a change or a decrease in the level of financial performance of the company. Negatively affect the financial performance means that the added help of government subsidy to companies will lead to a decrease in financial performance since the company no longer pay attention to the necessary steps to improve the financial performance as regards government aid is quite capable of the operation, and the important thing is to meet the target set by the government even though experience losses or less appropriate for companies. Conversely, if the government limit or reduce the amount of government subsidies but give some authority to run the company independently, then the company's financial performance will increase significantly, as is true for SOE listed on the stock market or go public, such as PT. Telkom, PT. Bank Mandiri, PT Bnak BNI 46, and others. Regression coefficients −2.44 means that the increase of one unit in the variable X4 will lead to a reduction in financial performance amounted to 2.444, whereas a deduction of one unit of the variable X4 will lead to the increase of financial performance of 2,444. The findings of this study imply that government policy should limit subsidies to SOE and provide the authority and operational assistance in the form of opportunities to use resources optimally, so that the financial performance of SOE can be improved and gradually to abolish the subsidy for this financial burden on the state. This means that restrictions on the amount of subsidy pua needs to be done, so that in the long term and the government gradually able to free himself from the burden of subsidies and the funding shift on other sectors that need to finance the improvement of socio-economic life and prosperity.

4.5. The Result of Hypothesis 4

Hypothesis government subsidy or X4 strengthen the relationship of independent variables with the financial performance results

obtained as Model 2 in Table 3, the interaction variables government subsidy or X4 by the capital structure or X1 (X1, X4) with a positive influence 0,702 and there were significant 0.395 which means that the variable government subsidy or X4 not as a moderator variable in the relationship between X1 with Y. the same thing happened on the interaction between X2.X4 with a coefficient of −4.535 and significant 0.364 which means that the government subsidy is not variable as a moderator variable in the relationship between X2 and Y.

Furthermore, the interaction X3.X4 also the same, namely the coefficient −4.954 with significant 0.437 which means that the variable is not government subsidy as a moderator variable in the relationship between the X3 and Y. Based on the coefficients and variables were significant levels of these interactions can be concluded that the government subsidy is not variable as a moderator variable but only as independent variables that have a significant influence on the financial performance of business entities state as illustrated in Model 1. The results obtained in Model 2 shows the variables government subsidy or X4 insignificant primarily due to variable X4 is happening correlation with the variable of interaction with the variables X1, X2 and X3 so that the result is different from the Model 1. More realistic in looking at the effect of variable X4 is as a Model to Y-1 because it is not affected by the interaction of variables as the Model 2.

4.6. Sensitivity Analysis

Sensitivity analysis is intended to test the consistency of regression calculations, and Compare with empirical facts SOE. The independent variable Ys financial performance is measured by using an approach Althman 1983 and the results as a Model 3 and Model 4.

The results of calculations by comparing the Model 1 with the Model 3 but the result is consistent mainly of independent variables X1, X2, X3, X4 moderator variables and control variables X5, X6. Inconsistent only occurs on the control variables X7, namely on-1 model of the effect is not significant 0.114, but on the Model 2 significantly 0.052. But the differences are relatively minor significance level with a difference of about 0.06 so that it can be stated that the results of the regression calculation within limits consistent.

The result of the calculation as Table 3 shows that there is consistency Model 1 and Model 3 against the direction of positive and negative relationship between the independent variable, the variable moderator and control variables with financial performance. It also occurs in Model 2 and Model 4, so that it can be stated that the results of the sensitivity analysis proved their relevance and consistency between the approaches used by Althman 1983 and 1984 to show the relationship is either negative or positive. Furthermore, using as a model the interaction variable 2nd and 4th models show consistent results, except X3 and X7 there is little difference, but the difference is still within limits consistent at around 0.04 and 0.06. Others, such as adjusted R^2, the F-statistic and Durbin-Watson results are consistent, that is not too much different, so it can be stated that Althman measurement approach in 1984 and 1983, the results are not too much different in this study.

5. DISCUSSION

5.1. Capital Structure

The results signify the calculation that the correlation between the variables X1 capital structure or financial performance or Y, is the correlation coefficient of 0.157 or relatively small and not significant relationship. The same thing was also obtained on the t-statistic calculation results in Model 1 with significant 0.333, which means that the variable capital structure is not strong influence on the financial performance. It does not support the hypothesis of this study, but the study found that the use of debt to finance investments do not increase the financial performance because the company did not assess the investment of financial feasibility aspect based on the present value of cash inflow is greater than the present value of cash outflow. The approach used in the use of funding for investments is economic viability approach that emphasizes the aspects of externalities or social benefit is greater than the social cost.

5.2. Profitability Strategic

Strategies to increase profitability by using earnings management, but the result is less significant when viewed from the correlation coefficient is <0.50, which means the two variables used in the less strong strategic relationship. However, when viewed from the calculation of the t-statistic shows the influence of X2 and X3 on financial performance is significant at the level of error is <0.10. This is consistent with the hypothesis proposed in this research, which means that the strategy of increasing profitability through earnings management tends to be practiced by the management of the company, since it has the ability to affect the financial performance. In connection with the earnings management should be anticipated in order to avoid the massively that can affect the quality of the financial statements and avoid misinterpretation made by users of financial statements. Another effect of the use of earnings management is likely to decrease in the long-term financial performance either caused by the approach of real earnings management activities as well as those carried out by using accruals earnings management.

5.3. Government Subsidy

The correlation coefficient between government subsidies or X4 with financial performance or Y by −0.829 and significant, indicating that these variables have a strong influence on the financial performance of the company. The results of the correlation coefficient calculation of his or strengthened with the calculated t-statistic with significant level (0.015***). This is consistent with the hypothesis proposed in this study, which means that the financial performance of SOE is highly dependent on government subsidies, but with a negative effect means that the more subsidized, then the company lower its performance because management companies tend to only pay attention to the target established by the government to improve services, but less attention to financial aspects. Conversely, if the government reduces subsidies to SOE and authorizes or operational support, then the company can improve its financial performance as was the case against state-owned companies that have gone public.

5.4. Moderating Variables or Interactions

The measurement results as a model of interaction varaiebel-2 shows that government subsidy or X4 variables with independent

variables X2, X3 and X4 did not have a significant effect on the financial performance or Y. variable so that the variable X4 is expressed not as a moderating variable or not strengthen or weaken the relationship between independent variables X1, X2 and X3 variables on the dependent variable Y. government subsidy or X4 only as an independent variable as the Model 1 because a significant influence on Y, but on the Model 2 is expressed not as an independent variable because no significant impact on financial performance.

5.5. Sensitivity Analysis

Comparison between the model that uses the measurement of the dependent variable approach Altman in 1984 and 1983 showed consistent results as the comparison between Model 1 and Model 2 without using a variable interactions, and comparisons between Model 2 with a Model 4 using a variable interaction. Because the results are consistent, it is stated that the approach Althman 1984 and 1983 were used in the study results are relatively similar, especially when viewed in a positive direction or a negative regression coefficient, a significance level of t-statistic, the F-statistic, adjusted R2 and the Durbin-Watson.

6. CONCLUSIONS

Based on the calculation and discussion of this research, it can be summed up as follows: (a) A variable capital structure has a positive effect and are not significant to the financial performance of SOE or do not support the hypothesis for the use of debt to investment not approach financial feasibility but using economic feasibility that tend to harm or degrade financial performance. (b) Variable strategic profitability which in proxy with real earnings management activities and significant positive effect on financial performance, which means that the calculation results support the hypothesis in this study. The findings show that a positive and significant effect shows that this strategic approach is still potentially be treated by the company, so it should be anticipated in order not to affect the quality of the financial statements of SOE. (c) Variable strategic profitability which in accruals earnings management proxy with positive and significant impact on the financial performance of SOE so that it can be stated that the calculation results support the hypothesis. These findings indicate that despite significant effect on the company's financial performance, but need to be anticipated that no negative effect on long-term performance. (d) Variable government subsidy and significant negative effect on the financial performance or in accordance with the hypothesis proposed in this study. This means that more and more to subsidize the financial performance continues to decrease, whereas if the SOE and a limited amount of the subsidy is granted authority to independently, then the company can improve the financial performance of the company as SOE that have gone public. (e) The variable interaction between government subsidies and independent variables showed no effects were significant, so it can be stated that the government subsidy is not variable as a moderator variable but only as independent variables. Variable government subsidy does not strengthen or weaken the effect of variable capital structure and profitability strategic to financial performance. (f) In a sensitivity analysis using the two measures of the dependent variable based approach Althman 1994 and 1993, but the result is consistent and relevant based on the realities of the financial performance of SOE.

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