

ABSTRACT

Along with global economic growth, the need in improving the performance of State-Owned Enterprises is absolute, especially when dealing with agency problems in mining sector in Indonesia. Based on three research problems: 1) whether or not the mining sector SOE holding policy minimizes agency problems; 2) how the contract between principal and agent minimizes agency problems in mining sector holding; 3) whether or not there is an influence of holding on financial performance, the objectives of this study are, therefore, to evaluate the effectiveness of the holding strategy in minimizing agency problems in SOEs in the mining sector by reviewing the contract between the principal and the agent in minimizing agency problems in the mining sector holding and to obtain empirical evidence comparing the performance of mining sector companies inside and outside the holding, and to find out ways to enhance SOE performance in order to recommend policy formulation to improve transparency, accountability, and efficiency in SOE management. By highlighting the complex relationships within principal-agency structures involving governments, parent companies, and SOEs, the study concludes that better governance to handle problems like political interference, conflicting goals, and lack of transparency paves the way for the concept of the parent company as an intermediary agent to balance conflicting goals and improve governance in SOEs.

This research uses a mixed method, which is a method that employs QUALitative and quantitative data collection and analysis techniques in stages. The QUALitative method is used to deeply examine the issues of holding in state-owned enterprises (BUMN), and how holding policies minimize agency problems. The quantitative method is used to empirically prove from another perspective how holding policies affect the effectiveness of the company.