

Articles

GOVERNMENT, STATE-OWNED ENTERPRISE, and LIBERALIZATION of UNIVERSAL POSTAL OBLIGATION SERVICES

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This study aimed to examine the extent to which the relationship between the government and state-owned enterprise (SOE) hinders the achievement of the liberalization of universal postal obligation (UPO) services. This study motivated the failure of postal industry reforms and the performance improvement of PT Pos Indonesia (the Indonesian postal SOE). A case study method is selected to expand the existing path dependency theory. The development of postal services was reconstructed using path dependence, which also revealed the nature of relationships between the government and SOEs, and the barriers to the success of liberalization and performance improvement. Through this method, the theoretical approach is expanded. This study demonstrates how the historical need to perform socio-political functions has produced high dependence, reciprocal dependence, and mutual advantages between the government and SOE, which have hindered the company's ability to be lucrative and effective. The cause of SOE's poor performance and inefficiency occurs when the company is required to execute UPO services. This study added to the body of knowledge and improved government policy. These study implications are anticipated to offer border knowledge and comprehension of the vital responsibilities that USOs and subsidies play in the community.

INTRODUCTION

This study aims to assess how much the relationship between the government and state-owned enterprise (SOE) affects the achievement of the liberalization of universal postal obligation (UPO) services. Numerous nations have defined UPO liberalization, which now encompasses everything from monopoly limits, private involvement, and to consistency of services (Ambrosini et al., 2006; Beschorner, 2008; Crew & Kleindorfer, 2000). For this study, UPO liberalization is defined as the removal of monopolies and enabling private entry into the provision of postal services. The fundamental goal of UPO liberalization is to increase efficiency by minimizing the role of government in SOE's commercial operations as well as to encourage private participants to take part in the industry to improve competition. Government engagement is cited as the primary cause of inefficiency; however, many different institutional, statutory, and legal factors might influence improvements. In practice, these economic changes through the liberalization of UPO are also aimed to reduce uncertainty particularly since private institutions enable to carry this duty. Uncertainty about cost, quality, and SOE performance is increased by private entrants and limited monopolies. Increased competition affects the quality and perhaps the cost of service offered by service providers in this case the private sector. This effect perhaps marking it impossible for the community to access these services. Meanwhile, this uncertainty also finds as the government controls some services. Government regulation, for instance, determines

postal service tariffs. The state postal service, which can only be provided by SOE, is in a similar scenario. This raises doubt about how they might be impacted by liberalization policy. Private participants and SOE are in rivalry to provide the services which have an impact on SOE's operations and performance. In contrast, it is difficult to end the government's support and privileges for SOE, since the SOE is still needed to carry out the government's socioeconomic duties. This study will look at whether the relationships between the government and SOEs have an impact on the failure of this liberalization because government intervention in this business is still stronger even after the liberalization. Path dependency places a strong emphasis on choosing the change's direction (North et al., 1993) which primarily seeks to increase efficiency and decrease uncertainty. The relationship between the government and SOE has been developed over a long period and may end up being a reason for failure, therefore the reforms may not be simple.

Focusing exclusively on the liberalization of UPO service, this liberalization is driven by various factors. The Universal Postal Union (UPU) members have been encouraged to reform their services as a result of the change of postal services following the Seoul and then Beijing Postal Strategy (Kujacic, 2011). The reform strongly emphasizes commercialization and a corporation model for postal services. Following the establishment of an anti-trust strategy for the postal industry, postal reform was a priority for the government (Plum et al., 2000 cited in Parcu & Visco Comandini, 2018). Since privatization does not work with this

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industry, the change chosen is the liberalization of postal services (Fitrieningrum & Pulungan, 2021). This model is selected to reach efficiency. This liberalization is also expected to bring competition for both public and private businesses that provide goods and services to the general population (Lapsley & Miller, 2019). In practice, it is less probable that the postal services sector will undergo a successful transformation (Bell & Calzada, 2009). According to Lindsay and Cotton (1976), the government enterprise theory underlines the distinctions between government entities like SOE and private entities in terms of demand-and-supply-based factors (Lindsay & Cotton, 1976). The demand and supply for government enterprises like SOE are more likely to be influenced by government criteria linked to social welfare needs. By attempting to commercialize and corporatize, liberalization has led to demand and supply-based adjustment. Despite the reform being regarded as a failure, the relations between the government and the SOE that runs the postal service have both been significantly impacted. The company's operation and government support have been impacted by the changes in services, as well as its financial performance and obligation (Moon, 2008). When the monopoly, subsidy, and protection are removed, the consequence of this approach becomes apparent. An earlier study shows that the introduction of digitalization has brought forth new problems (Hileman & Rauchs, 2017). Conflict, for example, arose when the market was opened up to competition and the requirement to carry out this service obligation demanded substantial government support in the form of funds and protection (Moon, 2008). Since the postal service is part of the government's responsibility for providing the universal service obligation (USO), competing goals also surfaced (Salamon, 1989). Carrying USO requires government support and privileges since the service may not be profitable. These government benefits and privileges could impede the free competition that liberalization is meant to promote. Some issues remain unsolved as a result of the postal sector's liberalization in emerging nations like Indonesia. Liberalization encourages private participants to join the market. Indonesia's postal reform has had an impact on the operation and business of PT Pos Indonesia (Indonesia post SOE/PT Posindo). Following this liberalization, the function of the postal service which had previously been part of the company's core business was altered. The company and the government have been prompted to modify their operation and policies as a result of the market changes. The USO provision is unaffected, despite the company having to compete fairly in the postal market. Since the SOEs theory highlights SOE defect as a way to lessen the excessive transaction costs that market failure causes (Peng et al., 2016), SOE continues to be the sole organization that can carry USO provision. This USO duty might make it impossible for the business to be profitable. Because the expenditure is not entirely covered the government subsidies, PT Posindo must continue to provide state postal services and cover rural areas, which is unattractive to private companies (Fitrieningrum & Pulungan, 2021). Meanwhile, Earlier studies demonstrate that the primary causes of this liberal-

ization failure are cost, nature of services, and government intervention (Crew & Kleindorfer, 2000; De Donder et al., 2017; Edwards, 2019; Falch & Henten, 2018; Fitrieningrum & Pulungan, 2021; Gautier & Paolini, 2011; Morten & Henten, 2018). Early study suggests a cause for the failure is that the government continued to impose some restrictions even after the liberalization (Edwards, 2019; Matúšková & Madleňáková, 2017). It is seen that uncertainty and inefficiency may not be achieved even through liberalization. There is, however, a limited study of research that pinpoints the characteristics of the postal services and the company's interaction with the government which may become the reason why liberalization failed. The reality is that connection between government and SOE takes time to form, with most of their historical function concentrating on the impact of monopolistic power set up by the government (Lawson, 1994). The government's relationship with SOE must evolve as a result of the liberalization policy to maintain this monopolistic power. Understanding the historical functions and relationships can be the main factor in this change of monopoly power. With the historical focus, this study emphasizes assessing the postal industry's character and its relationship with the government which is a point of comparison to analyze the reason postal reforms fail. Path dependency from institutional change theory is used as the tool to assess the development of Indonesia's postal services and the nature of the relationship between the government and SOE, which also serves as a reference to examine the effects of liberalization policy on the current company's business. Path dependency emphasizes the sequence of events, where the latter events are influenced by what occurred in the past (Ebbinghaus, 2005). History matters since the small chance events in the early period of sequences will have long-term effects which can determine or predict the future. Meanwhile, PT Pos Indonesia (PT Posindo) was chosen because the business has transitioned from being a sole monopoly to being subject to market forces. This study contributes to the field of public-sector accounting, corporate governance, institutional change, and corporate performance areas.

THEORETICAL BACKGROUND

Path Dependence Theory

Path dependency offers the advantage to show the differences in the economic performance of the organization as a component of the institutional change theory. The benefits back up the assertion that precise timing and sequence patterns are important for social and political life (Pierson, 1997). In many emerging nations, achieving sustainable economic growth becomes problematic. The early phase may result in a drastically reduced range of potential outcomes, making it less likely that the institution will veer from a predetermined path (Pierson, 1997). The development of institutions, organizations, and policies as a result of the expansion of knowledge and technology has resulted in a level of economic prosperity that is unmatched (North & Hooks, 2005). As a result of these reforms, the economy has continued to perform poorly necessitating an under-

standing of how institutions can contribute to poor performance.

The goal of path dependence theory is to identify the driving forces behind change. The organization is encouraged to raise the return by the obligation to be effective (Pierson, 1997). Path dependence was chosen in part because it can examine economic performance and provide revolutionary reformulations (Liebowitz & Margolis, 1995). Path dependency is frequently used to evaluate dynamic processes in which a certain event is delicately dependent on the preceding circumstances. As a result, the actual performance could differ from the original design, in the meantime, changes could happen as a result of incomplete knowledge that influences a decision made at a certain point along the journey. This causes an alternative path to emerge, which brought in more wealth (Liebowitz & Margolis, 1995). This is the reason; path dependency theory is frequently used to examine how an organization or person evolves to improve efficiency and lower uncertainty. According to Ebbinghaus (2005) and North (1994), path dependency dictates the changes that shape an individual or an organization's current state (Ebbinghaus, 2005; North, 1994). Apart from institutional change theory, path dependence is frequently utilized to comprehend how history affects an individual or organization's current situation. Historical institutionalism is where current or future events are determined by past events (Thelen, 1999). The dependence focuses on the sequence of events that pertain to an individual or organization. The premise that the current sequence of events is not independent of what happened in the past is crucial in path dependence (Ebbinghaus, 2005 cited in Layton & Duffy, 2018). To assess social and economic circumstances that have a substantial impact on an organization or event, it is essential to consider previous events (Allen & Donaldson, 2020). The socio-economic environment determines the event and serves as a guide for subsequent events. The self-reinforcing process is interrupted when the crucial condition arises, delaying the intended outcomes. The predicted outcomes that were set as the organization's starting point may change as a result of this self-reinforcing. They will alter the outcomes. The primary determinant for path dependency is those events and outcomes. The evaluation concern with this path-dependency model is when and how the institutions evolve and why they change (Ebbinghaus, 2005 cited in Layton & Duffy, 2018). The organization is urged to adjust when the change happens. Although in some circumstances the adjustment may result in inefficiency, the goal of this adjustment is to be more efficient (Liebowitz & Margolis, 1995). The need for efficiency compels both the government and corporations to adopt new practices especially when those practices have an impact on the economy and the business does not want to be left behind (Bebchuk & Roe, 1999 cited in Al Sartawi & Sanad, 2019). For the government, though failing to adapt to the change may make it more difficult to protect its economy.

The main analysis of path dependence is the relationship between the past and future as well as how the past influences the future. The performance in the present and the

future is shaped by the sequence of events in the past. It is less probable that the organization will deviate from a predetermined course during the early phase because the range of possible outcomes may be severely restricted (Pierson, 1997). Meanwhile, an unplanned event could arise and alter the sequence of events. A previous study identified two categories of unplanned events: a trodden trail repeatedly occurs and is spontaneously selected, and a road juncture, which appears as a branching point chosen to continue the journey (Ebbinghaus, 2005 cited in Layton & Duffy, 2018). Both have the potential to restrict the possible event outcome. These changes alter the character and potency of the organization. Institutional norms or practices are the main focus of change. Organizations are under pressure to change their norms and/or practices due to performance. The interest of the current organization may be impacted by the changes in economic scope, externalities, or complementary factors (North, 1994). As a result, the organization may alter its standards and procedures to defend and reinforce its position. When an interest benefits an actor, that actor is motivated to alter their behaviors and standards. Functional, political, and social sources were found to be the three main forces behind changes in institutional norms or practices (Dacin et al., 2002 cited in Boxenbaum & Jonsson, 2018).

Three events have a significant impact on how path dependency sequence analysis is done. The earliest event, the change, and the current performance are three main factors. To determine when, how, and why changes occur, it is very important to understand these three events. The most important time of an event is the beginning. This is thus because earlier stages of an event are unaffected by later ones. This event shapes what happens thereafter. In the meantime, path dependency is divided into three categories based on its form: first, second, and third degrees of path dependence (Liebowitz & Margolis, 1995 cited in Layton & Duffy, 2018). These types of path dependence emphasized the adjustment the actor makes as they deal with the changes. The actor's decision to alter or not is influenced by the information they received. Later, the choice produces results that determine the degree of change. Therefore, at every level of change, process, meaning, and behavior are the main focus of the analysis (Dacin et al., 2002 cited in Boxenbaum & Jonsson, 2018). However, stability is essential for controlling interaction and minimizing uncertainty, making it the main requirement for an organization to operate (Ebbinghaus, 2005 cited in Layton & Duffy, 2018). These tools are used to examine how an organization or institution has changed over time and to comprehend how the past affects the present and future outcomes as well as the current economic performance.

Liberalization of Postal Services

Liberalization is frequently utilized to reduce privileges and enhance an SOE's performance. Given that providing public goods and services may not be profitable, the SOEs need privileges and protection (Hanschen & Erspamer, 2004). It is challenging for the SOE to be efficient and/or profitable. Instead of market activities, political interests

control public service pricing (Lee, 1996). This is particularly when the cost does not match the prices. For example, the government sets the postal tariff, which reflects social welfare obligations more than actual costs. The requirement for social welfare and affordable services necessitates adequate government support (Im & Park, 2015). These services ought to provide adequate coverage for the entire community (Crew & Kleindorfer, 2000). As a result, when the market is competitive, services may not follow the real market price. Even if they have to follow the real market prices, the service provided is likely to be unable to compete or be profitable (Allemen et al., 2010). These statements emphasize how important the price is to both the public and the government. Therefore, a subsidy is required to address these discrepancies between the company's service cost and prices. The subsidy is given to cover the deficiencies or differences between cost and income from providing goods or services to the public. While the government focuses on ensuring equitable access for all communities, the public is more concerned with the quantity and quality of services. Through the monopoly mechanism, the government subsidy can maintain the service's affordability (Allemen et al., 2010), where private participants may find it challenging to compete with the government-set price. This monopoly is needed to keep the goods and services affordable for the community. This subsidy mechanism may take the form of a government-set price and/or tariff, or protection for a particular company including controlling the distribution. This subsidy mechanism, which primarily tries to restrict private players from participating in business or industry operations, may take the form of government-set pricing, tariff, protection for a certain enterprise, or distribution control. The aim is specifically to maintain the goods and services available and affordable for the community. As a result, everyone in the community has access to goods and services.

Despite the issues with subsidies as the fund to cover the gaps, the SOE has experienced certain transparency concerns due to the subsidy and privileges. Government support and privileges resulted in inefficient government intervention (Chen et al., 2011). Liberalization has been made to enhance the operational and financial performance of SOE. The market may force the corporation to be more profitable and efficient through liberalization. Focusing on postal services, by allowing private participants on the market, the postal sector is liberalized. Liberalization was chosen because privatization has not worked in this sector. Privatization of the postal sector does not address the business's financial issues with fulfilling its service obligation duties (Bell & Calzada, 2009). The company's time and coverage area are insufficient to deliver the mail for the set price. Postal services are more specific and less appealing to investors or other private businesses than other public service obligations, like telecommunication (Bell & Calzada, 2009). The postal business is less attractive to investors due to its high expenses as well as its unsuitability for innovation. Innovations may not be appropriate given the critical functions that postal services play in the state, economy, and community (Ralević et al., 2020). While the digital-

ization of post-tracking systems may lead to innovation, certain services may be difficult to innovate due to legal, political, or social reasons. Examples include the inability of technology or electronic communication to replace mail letters, the transportation of goods or documents, and warehousing. In the meantime, covering their services in some places, such as reserved areas, cost a lot of money. Therefore, the choice of liberalization would lessen public pressure rather than increase competition.

The government has been prompted to change this service obligation, which is also a provision of mandatory reform to resolve public pressure. Conflicting issues arise when service obligations are managed in an open market. The company must compete fairly in an environment of limited government intervention. On the other hand, since the public might not be able to afford the services, the price of the service cannot correspond to the market real price. Meanwhile, a substitute for some public goods or services is challenging. For instance, it might be difficult to replace postal services with other services even with innovation and technology. Demand and substitutes become barriers to a company's effectiveness (Plum et al., 2000). Therefore, when cost and efficiency are still the main considerations, liberalizing public services can be successfully implemented in other sectors, but there are still issues with postal service that the government and the company need to work out.

METHODS

The study applies a case study method to explain the impact of government and SOE relations on the UPO service liberalization in PT Posindo. The case study method is selected because it expands the existing theories, including path dependency from institutional change theory in this research, and is useful for comprehending complex issues in their real-world contexts (Neumann, 2006). To give a more comprehensive understanding of the connection between the government and SOE within the scope of industrial liberalization. PT Posindo is selected as the case because the company is the oldest logistic SOE in Indonesia, and it has unique restructuring and reformation experiences. By evaluating PT Posindo, this study therefore would like to seek the application of the path dependency model from institutional change theory in the successfulness of the liberalization process of PT Posindo. The quantitative technique is utilized in mixed methods to support the qualitative approach (Dunn & Neumann, 2016; Neumann, 2006; Zikmund et al., 2010). A qualitative approach is used to analyze the occurrences and phenomena; where rich, complete, and detailed data are needed (Bennett, 2004). Rich data and events are an in-depth examination of the phenomena surrounding the case. For this study, the government and the company's documentation and archives were examined in depth using a qualitative approach. Analyzing government documents and policies with a focus on the development of postal service in Indonesia served as another method of qualitative study. Meanwhile, interviews with several PT Posindo managers are selected to reveal more information regarding the reforms. This study focused on

historical events that had an impact on the current performance of the organization. To explore the nature of the postal service and its relation with the government which serves as a reference point for analyzing the elements that contribute to the failure of liberalization, this historical study intended to reconstruct the evolution of the postal service. This qualitative approach was chosen to evaluate how the company's business activities were impacted by liberalization and the nature of government SOE relations. To present the impacts and changes of the performance before and after the reform, a quantitative technique is chosen. Additionally, this quantitative approach is chosen to demonstrate any variation in SOE business activities and performance after liberalization. The financial reports are used to analyze how liberalization has affected SOE's present performance and business operations. The quantitative analysis focuses on data from 2004 to 2018, a period during which numerous significant changes have place. It also shows the company's current status post-liberalization. Meanwhile, two sample T-test is chosen as the statistical instrument to examine if the company's performance is impacted by reform such as liberalization.

DATA AND FINDING

This part consists of two sections; the finding and the discussion. The finding is a reconstruction of the relationship between the government and SOE as well as a historical approach to institutional development. The discussion examines reconstruction from the result section is examined using the path dependency analysis.

The Evolution of the Indonesia Postal Services (1661 – 2021)

Beginning in the sixteen century, Indonesia's postal industry was followed by the evolution of the government and interethnic communication system. *Pos teriak* (calling post) was first introduced, the oldest phase of Indonesia's postal system, when people used different tools to transmit messages (Mahpudi, 2017). Mail post was extremely rare during this time and exclusively used by the nobles and the intellectual classes as a form of communication and writing habits. As the messengers were paid by the government, mail post was mainly to serve the government, diplomats, nobles, and intellectual people (Informatika, 2013; Mahpudi, 2017). When Cornelis de Houtman arrived in Banten Harbour in 1596 with a letter from the king of the Netherlands to the king of Banten and Batavia, it served as a symbol of Dutch authority in the East Indies (Mahpudi, 2017; Posindo, 2009). This letter served as the first tangible evidence of a postal connection between the Netherlands and Batavia. Although letter service had started earlier, the establishment of postal institutions in Indonesia began in 1602. Due to the involvement of the *Verenigde Oost-Indische Compagnie* (VOC) on Jawa Island, the development of the postal system was also marked as the start of colonialism in the East Indies. Conflicts between VOC and local kingdoms emerged in the areas of politics and the economy. The Mataram kingdom, which promoted the development of lo-

gistic services in Indonesia, was the source of the worst battles. The establishment of logistic posts in major parts of Jawa Island was prompted by the requirement to equip the Mataram army with enough supplies and logistics (Mahpudi, 2017).

The Dutch Government through VOC established the modern post in the East Indies. To secure the protection of correspondence, Governor General GW Baron Van Imhoff opened the first post office in Batavia in 1764 (Informatika, 2013; Posindo, 2009, 2013). Meanwhile, tradesmen and those who traveled abroad were served by the post office. The development of writing skills and abilities that occurred after the post office opened, made letter mail posts essential for the neighborhood. This marked the start of the post office as a public service (Ahmad et al., 2011). Another post office in Semarang opened soon, which the intention of using mail services as a component of trading activities (Posindo, 2013). Following the development of *Jalan Pos* (*De Grate Postweg*/post road) from Anyer to Panarukan under Governor General Daendels, several post offices were built. The crucial responsibilities that the postal service played in the community and government were symbolized by a building that was always near a government office or commercial district and served as an indication of the post office's status as a hub of logistics and information activities (Informatika, 2013; Mahpudi, 2017). The military and local business operations benefited greatly from *Jalan Pos* expansion. When VOC declared bankruptcy in 1795, these crucial roles of post offices were mostly observed during the consolidation of colonialism in the East Indies.

The evolution of PT Posindo also reveals that the company underwent several administrative changes. Under three separate governments - the French, the British, and later the Netherlands Indies- management of postal services was created. To deliver the mail, the French government first used horses. In contrast, the British government first used prepaid stamps and lottery to pay for the post roads (Posindo, 2009). Sir Thomas Stanford adapted the post-paid method from the British postal system in 1814. When the payment is made, the mail was delivered (Mahpudi, 2017). Following the opening of more post offices in the Jawa island region, the Dutch government issued the post-regulation. While the letter and postal transportation regulations were first enacted in 1822, the postal service regulation for tariffs started in 1821 (Mahpudi, 2017). The introduction of a stamped "*franco*", which served as proof that the post transportation fee has been paid, marked the beginning of the new regulation for paid transportation. The East Indies government was driven to enact additional laws, such as privileges and a monopoly, to ensure security and save for particular kinds of postal services. A new regulation introduced by the government in 1862, marked the start of the East Indies postal service monopoly.

The development of postal services has mostly depended on infrastructure. When the government partnered with the *Cores de Vires* and *Nederlandsch Indische Stoomvaart Maatschappij* to support government operations and transport mail, the postal infrastructure expanded (Mahpudi, 2017). When express postal services were created, advances

in post transportation were sparked by the railroad's opening in 1871 (Posindo, 2009). This led to the elimination of the need for horses in the carriage of mail posts. *Pos Ambulance* was first launched in 1892 to deliver postal services through a moving train (Mahpudi, 2017). When the train passed or stopped at the station, the post officer was tasked with providing postal service to the general public, including selling stamps and sorting letters. Money transfers through *Wesel Pos* was made possible by the postal services in 1864, and the post officer was given authority to bill customers based on receipt delivery through the mail (Mahpudi, 2017). The postal services merged with the telegraph agent in 1875, under the new name of *Posten Telegrafdi-dents* (Posindo, 2013). A district system was implemented as part of the post system by the government in 1883, following the development of *Jalan Pos* and the railway. The district post's purpose was to distribute official military mail to a certain location (Mahpudi, 2017). To support these services, the government provided *bestehuis* or a post-unit. In 1877, the Indonesian post joined the *Union Postale Universelle* (UPU). The post agent and certain overseas shipping and mailing were involved in this activity. Under the post office services umbrella, logistic services were created in 1893 and marked the beginning of modern logistic services (Mahpudi, 2017). In 1897, postal banks were established, which provided money transfer services. Later, the bank and post office split apart after the government founded the *Bank Tabungan Negara* in 1950. Following the inauguration of a Fokker-7 from Batavia to Schiphol in 1924, international airmail services were established (Posindo, 2009). *Posduif* or *Merpati Pos* was subsequently introduced after airmail services. By offering logistical services between islands and abroad in 1928, airmail was improved. By carrying mail and assisting with government functions, the post office has played a crucial role in bringing individuals and communities together.

The development of the postal structure under several departments is also visible in the post office evolution. The *Direktur Hasil Bumi dan Magasin Sipil* formed the first recognized organization in 1864. Later, the Department of Public Works received the post and telegraph agent. A transfer of the post and telegraph, to the Department of Public Companies occurred in 1907. Telegraph addition of the telephone services division's structure came after this move. Post and telegraph agents were renamed *Pos*, *Telegraph dan Telepon* (post, telegraph, and telephone/PTT) agents under the Department of Public Companies. This structure was altered under Japanese colonialism in Indonesia based on the region that adopted the new structure

of the Japanese government's military authority (Mahpudi, 2017). In addition to helping the community, the PTT's primary responsibilities were to support the Japanese military operation. The decentralization of postal services was started by the Japanese government. The PTT offices were founded and given to the Indonesian government after the country proclaimed independence in 1945. Following the PTT officers' takeover of the Bandung office from the Japanese authorities, postal services have expanded. The distribution of the *Oeang Republik Indonesia* (also known as Indonesia money/ORI) which was intended to take the place of the Japanese yen, was the PTT office's most significant task in the early days of Indonesia (Posindo, 2009).

The post office was beginning a golden era in the 1950s. Four divisions of the post office were formed over time; banking, logistics, money transfers, and mail services (Mahpudi, 2017). The post office was expanded during this time to include communication, logistics, and financial services for the community and the government. The PTT agent was transferred to *Perusahaan Negara Pos dan Telekomunikasi* (Post and Telecommunication State Company/PN POSTEL) in 1961. This new structure marked the start of the post office engaging in commercial activity. When the government issued *Peraturan Pemerintah* (Government Regulation) no. 240/1961, postal service agents were transferred into a commercial entity (Mahpudi, 2017). The company was divided in 1965 into *Perusahaan Negara Telekomunikasi* (Telecommunication State Company/PN Telekomunikasi), and *Perusahaan Negara Pos and Giro* (Post and Giro State Company/PN Pos dan Giro) through *Peraturan Pemerintah* (Government Regulation) no. 29/1965 and *Peraturan Pemerintah* (Government Regulation) no. 30/1965. Through these regulations, the SOE services are focused on providing postal and giro services. When the *Perusahaan Negara* structure was introduced in 1966, the structure of PN Pos and Giro was altered from *Perusahaan Negara Pos dan Giro* to *Perusahaan Umum Pos dan Giro* (Perum Pos dan Giro).¹ The new structure of the Perum Pos dan Giro was part of the introduction of the corporatization of public companies in Indonesia. Corporatization was also part of the nationalization of the Dutch companies under the control of the Indonesian government. This new structure affected the Perum Pos dan Giro roles to include financial services and government administration duties such as taxes, pensions, and salary payments. The government was urged to provide facilities and infrastructure for post agents in Indonesia because of these vital functions.

The new *Perusahaan Negara* structures divided the Indonesian SOEs into three different structures based on

¹ *Perusahaan Umum* or Perum is an incorporated entity operating in public utilities spheres and fully owned by the government. This type of entity mostly received government subsidies to run their business (Fitrieningrum, 2015).

their functions² in 1966. The sole firm in charge of offering postal and giro services in Indonesia is Perum Pos, dan Giro. This new arrangement enhanced the Perum Pos dan Giro monopoly. Perum Pos dan Giro's primary responsibilities at this time were to serve the government by offering postal and giro services as well as community services. The Indonesian government changed the structure of *Badan Usaha Milik Negara* (state-owned enterprises/SOEs/BUMN) in 1983, to improve *Perusahaan Negara's* performance. Perum Pos dan Giro's business was significantly impacted by the new structure. Through the *Undang-undang Pos* no. 6/1984 (Post Act no. 6/1984) and *Peraturan Pemerintah* (Government Regulation) no. 37/1985, the company had the authority to provide public postal services. In 1995, through *Peraturan Pemerintah* (Government Regulation) no. 5/1995, the company structure was transferred to limited liability under PT Pos Indonesia (Persero). This new structure emphasized the requirement for the company to focus not only on the provision of public services but also to be profit-oriented. The corporation was obliged to expand its business beyond its primary industry, postal services, and logistics, to financial transaction services and electronic mail services to satisfy these profit-oriented objectives.

The business began to deteriorate around the beginning of the 2000s. The key consideration for the business or the government when adopting a rule is communication and transportation. Three factors; telecommunication, transportation, and traveling are important for the continuation of the postal sector and have an impact on the provision of postal services (Informatika, 2013). These three factors have been significantly impacted by the development of technology. As a means of message exchange, the internet has taken the place of the letter. The survival of PT Posindo's business has been put in jeopardy by the creation of new communication technology and subsequent changes in client preferences. Three strategic plans- reorientating corporate culture focused on entrepreneurs' spirit, revitalizing the core business, and restructuring the business- have been spurred by the need to save the company to reform the Indonesia post office (Mahpudi, 2017). However, the 1997 Asian financial crisis greatly impacted how quickly reformation was taking place. As a result, the company underwent a second reformation in 2001 that focused on a corporate change. Through the creation of a strategic business unit (SBU), which sought to develop the Indonesian Network Company and was supported by the existing postal network, the strategic marketing program was implemented, focusing on individual and corporate services (Mahpudi, 2017).

The changes in the communication system encouraged public pressure for PT Posindo's monopoly status. In 2009, the government issued a new postal service regulation, al-

lowing private participants to participate in this industry. *Undang-undang Pos* no. 38/2009 (Post Act no. 38/2009) emphasized private participants' roles in providing postal services except the state mail and postal services. For these services, PT Posindo maintained a monopoly. The company transformed its business following the issuance of this Post Act no 38/2009 by increasing its services through logistics, properties, cargo, e-commerce, and insurance. The property is now an extension of PT Posindo's business, which intend to make use of its assets. By leasing its assets as office spaces or hotels, the SOE expands its business into the property sector (Posindo, 2009). This business is the company's additional non-core business under the retail property business unit. The company also spawned various sub-companies, among which PT Posindo was the holding entity. Despite looking into other commercial opportunities, the corporation is still struggling with the impacts of the liberalization policy. Commercial activities and competition cannot eliminate the necessity for government subsidies. This policy affected the financial performance of PT Posindo as stated in [Table 1](#). As indicated in [Table 1](#), the company has endured numerous years of operating losses, which have had a substantial influence on the company's net income. The table also illustrates how vital government subsidies are in reducing the enormous potential losses. For instance, the SOE's net incomes in 2014 and 2015 were Rp. 159 billion and Rp. 29 billion, respectively. The SOE would have to contend with negative income if there were no new government subsidies. Therefore, government support is still required.

Liberalization shows a beneficial impact by enhancing SOE's efficiency and effectiveness, focusing solely on the effects of liberalization on the company's earnings. [Table 2's](#) focus on operating expenses demonstrates that the SOE has become more efficient after the liberalization in 2009, as evidenced by the decline in operating expenses from 2013 to 2018. The business is required to compete fairly with private participants as a result of liberalization. As a result, the SOE starts to restrict its spending, as seen by the gradually dropping level of operating expenses. The effects of liberalization are also seen in the company's commercial revenue. [Table 2](#) demonstrates how the business gradually increases its commercial revenue since the liberalization policy introduced in 2009. The SOE is encouraged to increase its profitability by the postal market's opening to private operators. From this, it can be observed that the corporation becomes more effective and efficient as a result of liberalization.

² The new structure of *Perusahaan Negara* was classified into three types. *Perseroan Terbatas* (Persero/Limited Incorporation) was a corporation where shares were wholly or partly owned by the government and the organisation ran on a commercial basis. *Perusahaan Umum* (Perum/Public Company) was an incorporated entity which operated in public utilities areas, fully owned by the government which also required making a profit. *Perusahaan Jawatan* (Perjan/Bureau Enterprise) was an enterprise which operated in vital and strategic utilities without any profit-making duty (Fitriningrum, 2015).

Table 1. The Impacts of Subsidy on the Earnings of PT Pos Indonesia From 2004–2018 (in Indonesia Million Rupiah)

	2004	2005	2006	2007	2008	2009 ¹⁾	2010	2011	2012	2013	2014	2015	2016	2017	2018
Commercial revenue (A)	1,231.056	1,237.051	1,482.916	1,579.792	2,122.422	2,171.500	2,562.881	2,749.068	3,063.410	3,965.896	4,038.500	4,230.517	4,454.366	4,328.900	4,876,569
Government Subsidies (B)	80.000	113.000	115.000	125.000	118.000	175.000	175.000	256.944	272.465	209.000	322.000	338.000	341.000	341.598	346.467
Total Revenue (A+B)	1,311.056	1,350.051	1,597.916	1,704.792	2,240.422	2,346.500	2,737.881	3,006.012	3,335.875	4,174.896	4,360.500	4,568.517	4,795.366	4,670.498	5,223.036
Operating Expenses	1,243.451	1,326.215	1,473.964	1,753.087	2,329.475	2,291.780	2,530.411	2,882.470	3,162.082	3,858.607	4,189.709	985.692	991.453	932.393	908.172
Operating Income	(12.394)	(89.163)	8.951	(32.046)	(63.202)	54.000	32.470	151.234	205.644	306.015	194.341	40.882	207.478	450.912	145.757
Net Income	1.090	(107.324)	2.006	4.349	(57.905)	81.000	45.499	144.981	172.985	246.000	159.000	29.000	203.276	355.093	127.453

Note *) The liberalization started.

sources: PT Pos Indonesia Annual and Audited Financial Reports 2004–2018.

Table 2. The Impacts of Liberalization on Earnings and Expenses of PT Pos Indonesia From 2004–2018 (in Indonesia Million Rupiah)

	2004	2005	2006	2007	2008	2009 ¹⁾	2010	2011	2012	2013	2014	2015	2016	2017	2018
revenue	1,231.056	1,237.051	1,482.916	1,721.041	2,266.273	2,346.500	2,562.881	3,006.012	3,335.875	4,174.000	4,360.000	4,230.000	4,454.000	4,328.000	4,877.680
		0.49%	19.88%	16.06%	31.68%	3.54%	9.22%	17.29%	10.97%	25.12%	4.46%	-2.98%	5.30%	-2.83%	12.67%
ops_exps	1,243.451	1,326.215	1,473.964	1,753.087	2,329.475	2,291.780	2,530.411	2,882.470	3,162.082	3,858.607	4,189.709	985.692	991.453	932.393	908.172
		7%	11%	19%	33%	-2%	10%	14%	10%	22%	9%	-76%	1%	-6%	-3%

Note *) The liberalization started.

sources: PT Pos Indonesia Annual and Audited Financial Reports 2004–2018.

DISCUSSION

Path dependence theory focuses on the series of events that connect past and present events and then meld the organization's future. Path dependency is also frequently viewed as the idea of rising returns where positive feedback or self-reinforcing is processed (Pierson, 1997). Due to this circumstance, the initial event is essential and fundamental to the path-dependence analysis. Analysis of how much the results deviate from expectations was focused on how the initial event explained and influenced the organization's present and future status (Mahoney, 2004). A historical analysis of Indonesia's postal system demonstrates that the government and post agents have had a tight bond and reliance on one another since before the East Indies era. Since the government and nobles relied on the post agents to deliver messages, a relationship developed between them. This was particularly because the messengers were employed by the government. During this time, postal services were intended to serve and connect the government with the aristocracy and intellectuals (Informatika, 2013; Mahpudi, 2017). Later, as a result of Dutch colonialism in East Indie, this connection evolved into a reliance partnership. The government used this instance as a precedent when assigning the posting agent to other duties, such as assisting the community's economic development. The government began using post offices to perform some of its socioeconomic duties.

The post office plays a significant role in these governmental and social tasks. This is another justification for the government's involvement in the postal services sector. Since the beginning of postal service operations, some rights and authorities have been granted. For instance, *Jalan Pos* and *franco* are the rights and privileges that give the post agent the ability to manage and finance its operations. Post agents were able to play significant roles in the impacts of the development of *Jalan Pos*, where the agents served as the government and community hub for logistics, postal services, and information. This was demonstrated by the growth of post offices along *Jalan Pos*. *Franco*, on the other hand, made it possible for post agents to earn fees for their activities. The authorities of the posting agent to distribute *Oeang Republik Indonesia* (ORI) and other services to travelers abroad are other examples of privileges. The government and the company have accepted these advantages and relationships, making them self-reinforcing patterns. These long-term reproduction and formation produce self-reinforcing sequences, which are beneficial (Mahoney, 2000). The connection between the government and post agents has been shaped by these privileges and tasks, and this relationship is strengthened when both parties get something from it. Along with the country's development, a link was also established between the government and the post office. The Republic of Indonesia, a pioneering nation, adopted several postal services. The expansion of the country also had an impact on the expansion of the postal industry, which went beyond mail delivery. For instance, the military and local commerce activities benefited from the expansion of *Jalan Pos*, which spurred the growth of

logistic services (Mahpudi, 2017). When financial services are part of the postal services, the post agent's responsibilities and authority are much more important. Creating a business unit for financial services enables PT Posindo to grow its enterprises. This business unit offers four services; fund/giro distribution, online payment, money transfer, and bank channeling (Posindo, 2009). Since 2009, the SOE has been tasked with distributing government subsidies for community social programs. These expanded postal responsibilities increase the government's oversight of the post agent's commercial activities and place the company at the forefront of information and logistics (Informatika, 2013; Mahpudi, 2017).

The early development in the relationships between the government and the post company in Indonesia was the mutual reliance between the two parties at the outset of the East Indies nation. The early stages initially supported in-line movement over time, which is difficult to reverse, and this resulted in the self-reinforcing sequence (Mahoney, 2004; Pierson, 1997). The path dependency theory emphasizes that the process moves slowly and continuously when socio-economics factors have a crucial influence on it. In the beginning, mutual reliance between the government and the post agents was primarily intended to safeguard the government's interests. The case of Indonesia's postal services illustrates the influence of socio-economics. As the dependency is advantageous to both parties, it develops into a series of events that improve their relationship. Dependency arises as the extension of the government and post agents' mutual reliance, when both sides get the benefits. According to the nation of institutional change, an institution's modifications occur gradually and continuously as a result of environmental factors (Engelstad et al., 2017). Following the growth of the infrastructure and the institutional structure, the postal services in Indonesia saw a transition in their offering and organizational structure. The relationships between the government and the company have gradually improved as a result of this evolution. While it is evident that changes in the government have had an impact on postal services and policies, these changes have not had any impact on the interaction between the government and the post office. The allocation of social and economic welfare functions, as well as the SOE's privileges and monopoly, are still at the center of relations between the SOE and the government. The primary source of income for the company is now these services, which were the component of postal business operations. Some government businesses, such as distributing money (ORI), trading, and administration duties (Posindo, 2009, 2013), provide evidence of the existence of an accountability system and organizational structure. For example, when ORI was announced as the official currency of Indonesia, the SOE was responsible for its distribution. The SOE continues to perform government tasks like allocating social grants to the community, collecting utility fees, and paying the wages of public employees and medical services officers, especially those who operate in rural or distant locations. These serve as examples of how the government and PT Posindo become mutually dependent through the self-reinforcing sequence

process of postal services. The relationship between the government and the post office is secured by this significant reliance and commercial activity. As a result, changing the post office's organizational structure and business operation is difficult.

Focusing on path dependence, two types of sequences are highlighted by path-dependency analysis: self-reinforcing and reactive. When the path evolves as the formation and long-term reproduction turn into an institutional pattern, self-reinforcing sequences occur (Mahoney, 2000). Self-reinforcing sequences emerged through relationships and the organizational structure of economic operations in the history of the government and postal services industries. The trend that shaped the existing organization was the adoption of the growing benefits for both the government and post agents. The introduction of logistics and financial services in business prompted a change that increased benefits for both the government and the company. As a result, the capabilities of postal services were increased from mail delivery to logistics and finally the system of banking/financial services. When the post office obtained monopoly status in managing both the USO and commercial activities, the extension of function was followed by the increase in authority. The setting, content, and extent of activity related to the provision of public postal services are the main focus of the government administration services definition (Ahmad et al., 2011). In some countries, the term "government administration services" may cover things like passport and money transfer services. Government engagement is necessary because of the importance of communication as one of a person's fundamental needs and the need to provide equal services for the community (Trubnikov & Trubnikova, 2018). These have improved PT Posindo's socio-economic functions. As a result, the activities of the company were unaffected by the change like the business from post agent, where social welfare was prioritized to Persero structure which has commercial and profit objectives. It is difficult to modify a pattern that has been formatted over a long period.

Reactive occurs when the chains of temporally ordered and causally connected events arise, and this sequence takes place (Mahoney, 2000). The unusual event catalyzes change. Stability is a factor in the transformation, in addition to efficiency. The path dependency must take into account the change's trajectory because it affects the anticipated theoretical results (ibid). The most frequent causes of change are unexpected events, like inefficiency and market failure; path dependence cannot be separated from the likelihood of anomalous results. When considering the creation of policy as a distinct process rather than an abrupt end, equilibrium stability, and consensus are the guiding principles of political science thought since the policy is a clear component of stability (Peters et al., 2005). Expectations may vary as a trajectory emerges. Path dependence shifts its attention to a trajectory, especially when a deviant results in exceedingly rare or unusual consequences (Mahoney, 2004). The case of Indonesia's postal services demonstrates how the government's introduction of a new structure to the SOE led to the formation of a deviant sit-

uation. PT Posindo's new goals and organizational structure allowed for some fresh thinking within the business. PT Posindo was able to grow its business operations while performing government tasks by adding commercial and profit-oriented aims. However, when social welfare continued to be a responsibility and goal of the enterprise, conflicting objectives and functions formed. This is especially when the company still had a monopoly on postal services, where the government controlled both the price and services. As a result, the obligation to be profitable may be challenging to meet while the government continues to set prices and services.

Despite the shift in company operations, the trajectory had no impact on the results. When profit objectives were incorporated into the Persero structure, the first trajectory started. Since PT Posindo still controlled the entire market for postal services in Indonesia, this initial trajectory had no impact on the results of the company's operations. The government liberalization program, which was the second trajectory, followed the same trend. Significant adjustments were made to PT Posindo's business operations as a result of the liberalization process being put into place through the passage of Post Act no. 38/2009 and the Seoul and Beijing Postal Strategies. Liberalization is a divergent occurrence or trajectory that modifies the anticipated effects of policy. The case of postal services in Indonesia demonstrates that postal services liberalization is a sort of discrete process to lessen external pressures. The protected market, such as postal services, is unaffected by the successful privatization cases (Bell & Calzada, 2009; Fitri-ingrum & Pulungan, 2021). The two main justifications for the privatization of the postal services are the distinctive nature of the goods and services, and the adoption of USO. Therefore, the liberalization of PT Posindo was chosen due to external pressures and the failure of privatization.

The service universality raises the issues of ubiquity. Postal services are a high example of how the government provides public services and the characteristics of such government service obligations, like postal services which are ubiquity and uniformity (Crew & Kleindorfer, 2000). This universality necessitates consistency in both the services and cost. In locations where the services result in high cost, less frequent service is thought to be more effective (ibid). These qualities serve as the foundation and advantages of USO like postal services (Crew & Kleindorfer, 1998). Meanwhile, customer communication preferences have altered as a result of private involvement in postal services, technology advancement, and telecommunication. Conventional mail systems are beginning to be replaced by electronic communication (Falch & Henten, 2018). The future of postal services has been put in jeopardy by these changes. This transition is distinct from the frequent changes that affect the public sector because those changes – including those affecting SOE- have primarily been bought about by evolution rather than external requirements (Christensen & Lægheid, 2007). Efficiency in the public sector is challenging to attain for this reason. Although new entrants may allow them to cut their pricing,

the opening of the postal market leaves a problem with USO unaddressed.

Since postal services serve more social interests than profit goals, government involvement primarily tries to control the industry and services. The intricacy of service and a reasonable price require adequate government support (Im & Park, 2015). The service's costs do not match its revenue. Market expansion has an impact on the USO's bottom line and long-term viability (Rodriguez et al., 2002). Thus, a monopoly is still necessary for the reason listed above. Due to the importance of security and tariffs to the postal services, this monopoly has existed within those services (Mahpudi, 2017). A golden period of service for PT Posindo was made possible by the monopoly. From the East Indies to the present day of Indonesia's history, PT Posindo was the only company that provided postal and logistic services for the government. The monopoly status of postal services under the control of Perum Pos dan Giro was highlighted by Post Act no. 4/1959 (Undang Undang Republik Indonesia No 4 Tahun 1959 Tentang Pos (Post Act No 4/1959 about Post), 1959). This monopoly of mail and package, which included some government tasks, benefited Perum Pos dan Giro, subsequently known as PT Posindo. The government set the price and methods of delivery for each service provided by PT Posindo (Undang Undang Republik Indonesia No 4 Tahun 1959 Tentang Pos /Post Act No 4/1959 about Post, 1959; Undang Undang No 6 Tahun 1984 Tentang Pos/Post Act No 6/1984), 1984). In the meantime, postal services' support for military and civic endeavors, particularly during the Indonesian revolution against Dutch and Japanese colonialism, demonstrates their strategic purpose.

Post Act no. 38/2009 continues to give PT Posindo the power to run Indonesia's national post and universal postal services, and the monopoly function is highlighted (Peraturan Pemerintah No 15 Tahun 2013 Tentang Pelaksanaan Undang Undang No 38 Tahun 2009 Tentang Pos /Government Regulation No 15/2013: The Implementation of Post Act No 38/2009 about Post, 2013; Undang Undang Republik Indonesia No 38 Tahun 2009 Tentang Pos /Post Act No 38/2009). By carrying mail and goods for the government and community, PT Posindo increased its position and function as the hub of information and communication. As can be seen in [Table 2](#), the rising revenue and subsequent decline in operating expenses had a significant impact on PT Posindo's financial performance. The implementation of Post Act no 38/2009, which strengthens PT Posindo's role in providing national post services for both the government and community, has an impact on this increase in revenue as indicated in [Table 1](#).

The entrance of new private players, particularly logistics and courier service providers, is one way to observe the effects of postal liberalization. The passage of regulation no 38/2009 aided private participants' entry into the postal industry. In practice, the private participants only offer courier and logistical services in profitable regions. In the meantime, PT Posindo is still in charge of managing the state post and the post services in outlying districts. The performance of PT Posindo was harmed by this cir-

cumstance since the government's compensation for these services was insufficient (Fitrieningrum & Pulungan, 2021). The interviews with two of PT Posindo's managers, Mr. ABC and Ms. DEF reveal that:

The policy does not clearly outline the tasks of the state post and the provision of services for rural areas. Once the SOE becomes a corporation, the government should assume these responsibilities. It is no longer PT Posindo's monopoly because the policy allows private participants to carry postal services. As a result of the intense competition, private businesses are free to select the lucrative regions. The provision of services for remote and rural locations and these state postal duties, however, continue to be a burden for PT Posindo. These expenses reduced our company's revenue.

As a result, the earning made by PT Posindo from other businesses are used to pay for these obligations

The universal postal union (UPU) and the government have different views on liberalization notwithstanding their vital functions and monopoly status. The disagreements have created a situation where the government and the company conflict with social obligation and fair competition. These competing concerns are more pronounced in some state welfare countries like Indonesia. Two main obstacles to postal services competing in a competitive market are demand and substitutes. Due to time and money constraints, it is difficult and not always possible to substitute certain services. Because private participants' access to rural areas is constrained, PT Posindo is compelled to provide service there (Fitrieningrum & Pulungan, 2021). The consolidation of postal services highlighted the necessity for large corporations to be supported by the government to manage the services; the duties should be for the community, and the company's profit should not be a factor because the services must be affordable and accessible (Informatika, 2013). According to Ahmad et al. (2011), communication is a fundamental human necessity (Ahmad et al., 2011; Informatika, 2013), hence all people should have fair and equitable access to services. The necessity for a monopoly is strengthened by these intricate links and powerful social interests.

Examining the development and policy alternations regarding postal services demonstrates that liberalization has not aided in the achievement of efficiency and stability by the government and business. Understanding the concept of punctuated equilibrium which underpins historical institutionalism's primary method of change, requires a long-term examination of policy. Given that the new policy may apply to different people, the change in public policy is viewed as a discrete process (Peters et al., 2005). Once the policy is in place, it serves as a type of direction for interpersonal relationships. In real life, the issue arises when a change is not always welcomed. Long-standing stability and equilibrium may be difficult to modify unless the change is brought about by a change in the socio-political context, an institution taking on new responsibilities, or an exogenous change that compels the actors to change (Peters et al., 2005). When one of these occurs, stability or equilibrium is disrupted, which causes trajectories to

arise. The goals, regulations, and responsibilities relating to postal services in Indonesia have altered as a result of the need to satisfy UPU requirements. When private participants enter the market the responsibilities of the government and the corporation alter from operator to facilitator. Services now depend more on customer satisfaction and fair competition than on the centralization of power (Informatika, 2013; Peraturan Pemerintah No 15 Tahun 2013 Tentang Pelaksanaan Undang Undang No 38 Tahun 2009 Tentang Pos/Government Regulation No 15/2013: The Implementation of Post Act No 38/2009). The roles and services rendered by PT Posindo have not been precisely specified under the new policy. Rural areas and state posts continue to be PT Posindo's responsibility (Fitrieningrum & Pulungan, 2021), therefore privatizing or liberalization of postal services only benefits them.

Path dependence theory emphasizes the change's effects on performance. This study reveals that the performance of PT Posindo over the past fifteen years, which focuses solely on the effects of liberalization on performance, shows that efficiency and reduction of government privileges through structural transformation and liberalization have not performed as predicted. As a result, government monopolies and subsidies are still required, notably to support postal and logistical operations in remote areas. The fact that some services are still protected after liberalization and that the annual amount of the subsidy is increasing is proof that subsidies and privileges are essential to the business. As indicated in [Table 1](#), it appears that commercial revenues have increased by just ten percent, on average, for the last fifteen years. Meanwhile, It would seem that PT Posindo still requires privileges and subsidies given that subsidies have an average growth rate of 13.48 percent for the last fifteen years. To determine whether the adjustment (liberalization) had an impact on performance, particularly the company's earnings, this study used two-sample t-tests to analyze the extent to which the changes have an impact on the SOE earnings. According to [Table 3](#), liberalization has significantly impacted PT Posindo's earnings. The data findings show that the company's commercial revenues, subsidies, and net income are significantly impacted negatively by liberalization. [Tables 1](#) and [2](#) indicate that liberalization appears to have a beneficial effect on the financial performance of PT Posindo. The statistics, however, show various effects. The fact that the growth of commercial revenue fell from 14.33 percent to 8.8 percent, and the growth of subsidies fell from 19.5 percent to 10.12 percent demonstrates how severely liberalization affects the SOE's financial performance. Liberalization continues to have a detrimental effect on the financial performance particularly the commercial earnings of SOE notwithstanding the annual rise in subsidies. Liberalization, on the other hand, has little effect on the SOE operational expenses. Liberalization, where the company is urged to be more efficient, has no impact on the cost of the company. These unfavorable findings demonstrate that liberalization hurts corporate performance, including subsidies. These statistical results corroborate the managers of PT Posindo's statement that liberalization helps private participants because

it has no impact on the socioeconomic responsibilities of the company, but instead adds a burden. As mentioned previously, the postal sector's liberalization has allowed private participants to participate and pick service regions. Because of this, PT Posindo must continue to provide postal services as part of the government's oversight of rural areas, state postal services, and regions that private participants have not chosen. The firm almost totally foots the bills for these government services. Lastly, the evolution of government and SOE has created a mutual socioeconomic connection that contributes to the failure of liberalization since it makes the government and businesses reluctant to change due to the provision of public services for the community.

CONCLUSION

In conclusion, the evolution of Indonesia's postal system demonstrates that PT Posindo has served as the government's vehicle for implementing and achieving socio-political goals even before the establishment of the East Indies nation. The government's engagement was motivated by the vital role that postal services play in the delivery of socio-political functions. These socio-political responsibilities are carried out by the post agents which are supported by subsidies and monopolies. Mutual reliance tends to reinforce itself, especially when both parties have benefited from it. This reciprocal relationship, in which stability and equilibrium have been established when the reciprocal relationship has benefited both parties, has been modified by the institutional structure selected by both the government and the postal corporation. The first trajectory was when the government changed the company's goals by including a profit aim; nonetheless, the deviant event did not affect the outcome. This is due to the company's continued monopoly and privileges in the postal service industry. The market for postal services was liberalized at the second trajectory of change. The exogenous change that compelled the government and the corporation to change was brought about by the external demand to liberalize the industry and reform it. In practice, liberalization has had no impact on PT Posindo's performance or obligations. Since The government and the company have had a history of working together. This relationship has blocked any potential for change including liberalization. Limited impacts of liberalization on performance are revealed through subsidies, revenues, and efficiency achievement. As indicated in [Table 1](#), there is still a significant reliance on subsidies. Indicating that subsidies are still necessary even after liberalization, the average growth of subsidies over the past fifteen years has been 13.48 percent. While [Table 2](#) shows that liberalization has encouraged the SOE to be more effective and efficient, [Table 3](#) shows that liberalization hurts the company's net income as well as its commercial and subsidy revenue. [Table 3](#) also reveals it has no impact on the SOE operating expenses. This may indicate that the company's profit is reduced by the provision of socio-economic postal services. The primary barriers preventing private participants from using these services are the cost and price of these socio-economic services. This could be the reason why the

Table 3. Two-Sample T-Test Results the Impacts of Liberalization on PT Pos Indonesia Performance from 2004 to 2018

Variable	Mean	Std. Error	t	Pr(T)
Commercial Revenue Before Liberalization 2009-Commercial Revenue After Liberalization 2009	-2689.622	150.203	-17.907	0.000
Government Subsidy Before Liberalization 2009 - Government Subsidy After Liberalization 2009	-190.734	14.386	-13.258	0.000
Operating Expenses before Liberalization 2009- Operating Expenses after Liberalization 2009	-241.342	803.614	-0.300	0.776
Operating Income before Liberalization 2009 - Operating Income after Liberalization 2009	-246.539	70.283	-3.508	0.017
Net income before Liberalization 2009- Net income after Liberalization 2009	-199.434	59.242	-3.366	0.020

SOE is still required to do this duty while government supports and privileges are still needed. These findings suggest that long-term reciprocal dependency is difficult to break since it has formed the equilibrium, stability, and advantages for both parties. Changes that harm SOE performance and community socio-economic may make it difficult for both institutions to reap the rewards. As a result, neither the government nor the business is open to change. Finally, the historical necessity of performing socio-economic functions has molded the high dependence, reciprocal dependence, and mutual benefits for the government and the SOE; reforms may prevent the benefits for both the government and the corporation. As a result, both the government and the business oppose reform. Even though this analysis

shows that it may be difficult to replace or eliminate postal services from the SOE, the government still has to define the postal functions and services that are offered by the SOE. This study is restricted to the postal system in Indonesia, a nation with distinctive characteristics. The outcomes may vary depending on the characteristics of the other nations. Based on this finding, this study leaves a gap in our understanding of whether other developing countries experience a similar problem when they are obliged to meet UPU requirements.

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