

Paper-SH- 013: The Firm Performance within The Special Economic Zone: Case Study at Batam Free Trade Zone Indonesia

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ABSTRACT

The research objective is to investigate the impact of government policy establishment for Special Economic Zone Model (Free Trade Zone model- FTZ) toward firm performance within the zone. The sampling method of this research used purposive sampling. Profitability ratio is a proxy for firm performance when 118 selected samples were taken from various type and scale of manufacturing firm that has been operated before FTZ implemented. The methods used for analysis were descriptive analysis and paired comparison analysis uses Paired Samples T-test and processed by SPSS Software Tools. The result of this research indicates that firm profitability ratio before and after FTZ implemented has statistically significant, where firm probability level before FTZ implemented relatively tend to higher than profitability after FTZ implemented. Beside the factor of global demand from primary customer tend to decrease, the increasing of firm operating cost also contribute to this finding. Nevertheless, the firm shows optimism toward business turnover growth during the next 3 years compare than the last 3 years since Batam-FTZ implemented. The finding that figure out the negative performance and positive prospect perception, implies the needs of policy review and over viewing toward all related supporting regulation implementation, so therefore it could minimize negative effect for firm performance in the future and assure sustainability of business within the zone

Keyword: special economic zone, free trade zone, firm performance, profitability ratio