

# Inefficiency of Indonesian Food and Beverage Firms

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**Abstract.** This study examines the technical inefficiency of Indonesian food and beverage firms. It also analyzes the impact of four pivotal determinants on technical inefficiency. The one-step technical efficiency model is applied to calculate the inefficiency scores of a set of unique 1,874 firms. The novelty of this study is on the homogeneity of firms under study and the additional of trade variables in the model. The findings show that the average score of technical inefficiency of Indonesian food and beverage firms is 1.52 percent. The estimation results on the key factors contributing to the inefficiency show that export, import, foreign ownership, and location are important factors in reducing the inefficiency score of firms, respectively.

**Keywords:** technical inefficiency, food and beverage firms, Indonesian manufacturing, export, foreign-ownership.