

The Effect of Financing Distribution, Restructuring and Portfolio at Risk (PAR) on PNM Surabaya Branch Office Revenue During the Covid-19 Pandemic

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ARTICLE INFO

Keyword: Financing, PAR, Restructuring, Revenue

Received : 1 August

Revised : 17 August

Accepted: 19 September

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ABSTRACT

This research was conducted at PT PNM Surabaya Branch for the period 2019-2021 aims to examine the influence of the Effect of Financing Distribution, Restructuring, and Portfolio at Risk (PAR) on PNM Surabaya Branch Office Revenue during the Covid-19 Pandemic. Independent variables are Financing Distribution, Restructuring and Portfolio at Risk (PAR). The dependent variable is PNM Surabaya Branch office Revenue. This research design is quantitative research with use of SPSS version 22, secondary data type. The regression analysis testing, anova test and Residuals test. The results show, based on the anova test (T-test), that partially the distribution of financing, restructuring and portfolio at risk (PAR) has a simultaneous effect on revenue. While based on the Multicollinearity Test, Financing Distribution and Portfolio at Risk (PAR) have no significant effect on revenue of PNM Surabaya Branch office. while restructuring has a very significant effect on the revenue of PNM Surabaya branch office

INTRODUCTION

The Covid-19 pandemic is an unprecedented situation and condition where global human movement is restricted to control its spread. The government through the National Economic Recovery Program (PEN) provides a lot of assistance and stimulus to accelerate recovery, one of which is through a restructuring program for businesses affected by Covid-19.

Until 2019 the outstanding financing restructuring of PNM Surabaya Branch is around 9,234 M. Restructuring is one of the efforts to rescue potentially problematic financing. The outstanding restructuring increased more than 10 times during the 2020 pandemic to 95,728 M as a result of slowing national economic growth which experienced negative growth of minus 5.32% in the second quarter of 2020 based on data from the Central Statistics Agency (CSA).

PNM Surabaya Branch office implements a restructuring programme for customers affected by Covid-19 based on the Regulation of the Financial Services Authority of the Republic of Indonesia Number 11/POJK.03/2020 and Number 14/POJK.05/2020 concerning Counter-cyclical policies on the impact of the spread of Corona Virus Disease 2019 for Non-Bank Financial Services Institutions. This of course greatly affects the company's revenue. Therefore, the implementation of Covid-19 restructuring must be selective according to the real condition of the customer's business.

At the end of the first quarter of 2020, economic conditions began to slow down. The rate of return began to decline which had an impact on the increase in the percentage of PAR PNM Surabaya Branch. Portfolio at risk (PAR) is a ratio to measure overdue loans as measured by the sum of the overdue loan balance and the realisation of the loan balance. The higher the percentage of Outstanding PAR, the greater the potential for non-performing financing, which of course will affect revenue. This is due to the potential interest revenue from uncollected instalment payments.

Table 1. PNM Surabaya Branch Portfolio Data Period 2019-2021

	2019	2020	2021
O/S	193.537	202.761	203.383
O/S Restruktur	9.234	95.728	86.567
PAR	17.142	21.546	20.277
PAR (%)	8,86%	10,63%	9,97%
Lending	115.282	62.545	106.669
Revenue	41.976	35.477	40.004

The data in Table 1, it can be seen that in normal conditions (non-pandemic) in 2019 the distribution of financing reached 115,282 Billion with a Portfolio at Risk (PAR) of 8.86% which was able to generate revenue of 41,976 Billion; In pandemic conditions in 2020 the distribution of financing fell to 62,545 Billion along with an increase in Portfolio at Risk (PAR) of 10.63% due to a decrease in the ability to pay customers, resulting in a decrease in revenue to 35,477 Billion; In the transitional conditions of 2021 the national economy gradually recovered, slowly the distribution increased to 106,669 B where the Portfolio at Risk (PAR) fell to around 9.97% resulting in revenue of 40,004 B.

Revenue in 2021 has not been able to match 2019 revenue even though Outstanding Financing is 9,846 B higher, but the percentage of Portfolio at Risk (PAR) is still 1.11% higher than 2019.

Based on the description above and the research gap in previous studies, the researcher seeks to conduct research using the title "The Effect of Financing Distribution, Restructuring, and Portfolio at Risk (PAR) on PNM Surabaya Branch Office Revenue during the Covid-19 Pandemic".

LITERATURE REVIEW

Financing Distribution

Basically, financing distribution is an activity of providing loans (credit) to the public (in this case often called customers) through financing for working capital and investment. According to Kasmir (2002: 32), channeling financing is an activity of selling funds raised from the public. This activity is known as lending. Funds channeled with the concept of financing are based on the trust of fund owners in fund managers. The recipient of the financing has gained the trust of the owner of the funds, so that the recipient of the financing is obliged to provide the financing that has been received within the agreed time limit on the financing contract.

H1: Financing distribution has a positive effect on PNM Surabaya Branch Office revenue during the Covid-19 Pandemic.

Restructuring

Corporate restructuring is basically an effort made by the company to improve and maximise the company's performance. With this effort, the company can continue to develop towards achieving its goals. Improvement efforts are certainly made with the aim that the company's performance can become healthier and more optimal. Therefore, there are many things or parts that need to be considered in making improvement efforts and making the company's performance more optimal. (AufaAtila 2020. <https://www.jojonomic.com/blog/restrukturisasi-perusahaan/>).

Restructuring of financing, as explained in Article 1 point 7 of Bank Indonesia Regulation (PBI) No. 18 / PBI / 2008 concerning Restructuring of financing for Sharia Banks and Sharia Business Units, is an effort made by banks in order to assist customers to resolve their obligations.

From the explanation above, it can be understood that, restructuring can only be done to customers whose business or business is still running, in the sense that it is still operating and generating revenue, and is considered to still have good business prospects, for the foreseeable future.

H2: Restructuring has a negative effect on PNM Surabaya Branch Office revenue during the Covid-19 Pandemic.

Portfolio at Risk

Portfolio at risk (PAR) is a ratio to measure overdue loans as measured by the total balance of loans in arrears with the realisation of the loan balance. To be more easily understood PAR is the outstanding principal amount of all client loans that have one or more principal instalments that are due more than a certain number of days (<https://www.lawinsider.com/dictionary/portfolio-at-risk>).

H3: Portfolio at risk (PAR) has a negative effect on PNM Surabaya Branch Office revenue during the Covid-19 Pandemic.

Revenue

Revenue is revenue arising from company activities commonly known by different designations such as sales, services (fees), interest, dividends, royalties, and rent. The definition of revenue varies, depending on where we see the source of revenue (Novia Widya Utami, 2019. <https://www.jurnal.id/id/blog/2017-mengenal-lebih-dekat-tentang-pendapatan-perusahaan/>).

According to (Riawan & Kusnawan 2018) Revenue is an increase in assets or a decrease in liabilities or a combination of both (which can be measured in monetary value) as a result of the transfer of products or services to other parties in a certain period, but not due to the purchase of assets, owner investment, loans or corrections to the profit/loss of the previous period.

Framework

The research framework is an explanation of the research concept which explains the relationship between one concept and another based on the problem to be studied. Therefore, in this study the framework explains the relationship between variables involved in the study.

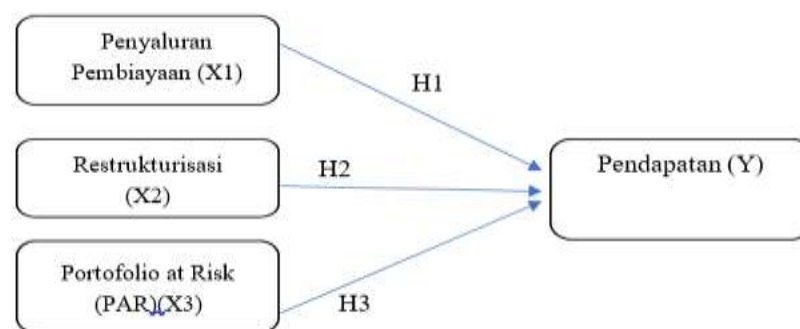


Figure 1. Framework

METHODOLOGY

A. Research Design

The quantitative method used in this research design aims to examine a specific population or sample in testing the hypothesis in the study (Sugiyono, 2013). In this study, researchers used non-participant observation as a data collection method. Non-participant observation is an observation carried out without the researcher being directly involved in the activities of the subject or object under study, but only as an independent observer (Sugiyono, 2019). In this study using secondary data. According to Sugiyono (2019: 193) secondary data is a source that does not directly provide data to data collection. This research was prepared by recording, collecting and reviewing secondary data in the form of a recap report of PNM Surabaya Branch office financial data.

B. Data Analysis

The data analysis method is an activity after data from all respondents or other data sources are collected (Sugiono, 2018). Data analysis techniques are carried out to answer problem formulations and test hypotheses. The data analysis used includes descriptive statistics, using simple regression analysis, anova test, determination coefficient test and residual test. All tests in this study used SPSS 22.

RESULTS AND DISCUSSION

A. Multiple Linear Regression Analysis

Linear regression analysis is used to determine the magnitude of the independent variables, namely the effect of Financing Distribution, Restructuring, and Portfolio at Risk (PAR) on the dependent variable PNM Surabaya Branch Office Revenue. Data processing with the SPSS 25 programme provides the following results:

Table 2. Multiple Linear Regression Analysis

		Collinearity Statistics	
Model	(Constant)	Tolerance	VIF
1	Penyaluran Pembiayaan	.447	2.239
	Restrukturisasi	.687	1.456
	Portofolio at Risk (PAR)	.409	2.446

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

B. Test the Coefficient of Determination (R²)

The coefficient of determination (R²) test is used to test how much influence the independent variable has on the dependent variable. Data processing with the SPSS 22 programme, provides the following results:

Table 3. Test the Coefficient of Determination (R²)

Koefisien determinasi					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.998 ^a	.996	.994	759.70029	2.635

Description:

1. Predictors: (Constant), Portfolio at Risk (PAR), Restructuring, Financing Distribution
2. Dependent Variable: PNM Revenue

From the table above, it can be concluded that the contribution of the influence of Portfolio At Risk (PAR), Restructuring, Financing Distribution to PNM's revenue is 99% and 1% is influenced by other variables.

C. F test

This F statistical test is used to determine whether all the independent variables included in the model have a joint influence (simultaneously) on the variables of Portfolio at Risk (PAR), Restructuring, Financing Distribution to PNM Revenue. The results of the F statistical test from SPSS can be seen in the following table:

Table 4. F test

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1236262240.30	3	412087413.436	714.011	.000 ^b
Residual	5194300.770	9	577144.530		
Total	1241456541.07	12			

Description

- a) Dependent Variable: PNM Revenue
- b) Predictors: (Constant), Portfolio at Risk (PAR), Restructuring, Financing Disbursement

From the table above, it can be seen that Portfolio at Risk (PAR), Restructuring, Financing Distribution simultaneously affect PNM Revenue as evidenced by a sig value greater than α 5%.

D. T test

The t test is used to test the significance of the relationship between variable X and variable Y partially or it can be said that the t test basically shows how far one independent variable individually explains the dependent variations. The output results from SPSS are as follows:

Table 5. T test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-7382.668	34921.044		-.211	.837
Penyaluran Pembiayaan	.034	.162	.007	.211	.837
Restrukturisasi	.375	.010	1.001	38.462	.000
Portofolio at Risk (PAR)	.017	.102	-.006	.169	.869

The explanation of the table above is that Financing Distribution has no effect on PNM Revenue as evidenced by a sig value smaller than α 5%, Restructuring has an effect on PNM Revenue as evidenced by a sig value greater than α 5% and Portfolio at Risk (PAR) has no effect on PNM Revenue as evidenced by a sig value smaller than α 5%.

DISCUSSION

A. Effect of Restructuring on PNM's Revenue

Through regression analysis, it can be seen that when compared to the coefficient of financing distribution and portfolio at risk (PAR), restructuring has the largest coefficient of 1.001. Thus, the regression analysis shows that restructuring has a greater influence on PNM's revenue than the other independent variables.

Hypothesis testing results show that the t value of 38.642 with a significance of 0.000 is accepted, indicating that hypothesis 1 proposed in this study is accepted, which suggests that an increase in restructuring leads to an increase in PNM's revenue.

B. Effect of Financing Disbursement on PNM Revenue

Through regression analysis, it can be seen that financing disbursement has no effect on PNM revenue with a coefficient of 0.007. The coefficient of financing disbursement is lower than the coefficient of restructuring, so financing disbursement does not have a significant effect on PNM's revenue.

The hypothesis testing results in a t value of 0.211 with a significance of 0.837. This indicates that the results of hypothesis 2 testing proposed in this study are rejected, which means that the financing distribution system has no effect on the size of PNM's revenue.

C. Effect of Portfolio at Risk (PAR) on PNM Revenue

Through regression analysis, it can be seen that Portfolio at Risk (PAR) does not have a positive influence on PNM's revenue with a coefficient of 0.006. The magnitude of the coefficient of Portfolio at Risk (PAR) is lower when compared to the coefficient of Restructuring and financing distribution, so that with a good Portfolio at Risk (PAR) it does not affect PNM's revenue.

The results of hypothesis testing produced a t value of 0.169 with a significance of 0.869. This indicates that the results of hypothesis 3 testing proposed in this study are rejected, which means that the high and low Portfolio at Risk (PAR) will not have a significant effect on PNM's revenue.

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the results of research and analysis of the Effect of Financing Distribution, Restructuring, and Portfolio at Risk (PAR) on PNM Surabaya Branch Office Revenue during the Covid-19 Pandemic, the authors conclude:

1. Financing Distribution during the Covid-19 Pandemic did not have a significant effect on PNM Surabaya Branch Office revenue during the 2019-2021 period.
2. Financing Restructuring during the Covid-19 Pandemic has a significant effect on PNM Surabaya Branch Office Revenue during the 2019-2021 period.
3. Portfolio at Risk (PAR) during the Covid-19 Pandemic did not have a significant effect on PNM Surabaya Branch Office Revenue during the 2019-2021 period.

Recommendations

1. The Effect of Financing Distribution on PNM Surabaya Branch Office Revenue During the Covid-19 Pandemic
 - o Financing distribution is the main source of revenue from business activities where there is potential for interest revenue, administrative revenue and fees. Financing distribution is one of the company's asset instruments in the form of outstanding financing.
 - o During the Covid19 pandemic, financing distribution must be more careful, where businesses that are less affected can be the focus of financing such as pharmacies, frozen food, and herbal drinking food businesses.
 - o Financing distribution can also have a negative impact on revenue if the quality of the financing is poor, which has the potential to become non-performing financing because it becomes a cost instrument, in the form of Loan Loss Provision (CKPN). Therefore, financing distribution must be prudent in the initial survey initiation stage.
2. The Effect of Restructuring on PNM Surabaya Branch Office Revenue During the Covid-19 Pandemic
 - o Restructuring is an effort of bank or non-bank financing institutions to help customers who are still prospective to continue to run their business, and can complete their obligations.
 - o Restructuring is intended for customers who still have the ability (the business still exists) and have the will (desire) to complete the financing.
 - o Restructuring should not be misused by bank and non-bank financing institutions to hold loans so that the credit quality does not become bad.
 - o Restructuring in general has the potential to reduce revenue due to a decrease in installments.
 - o Learning from the Covid-19 restructuring, it is necessary to carry out good restructuring management by managing the interest portion to be greater than the principal portion in order to minimise the decline in revenue so that company profits can be maintained.
3. The Effect of Portfolio at Risk (PAR) on PNM Surabaya Branch Office Revenue during the Covid-19 Pandemic
 - o Portfolio at Risk (PAR) is one of the most important indicators in a finance company to measure the quality of financing disbursed to customers.
 - o Mitigation of PAR handling can be done through increasing the competence of the financing initiation process and improving the daily collection maintenance process.
 - o The best way to handle PAR is not through restructuring, but through stricter daily collection or through the settlement of non-performing financing through voluntary early repayment or through collateral auction.

FURTHER RESEARCH

Researchers are very aware that the research process has several limitations. Researchers have endeavoured to conduct this research in accordance with procedures and research methods, however, it still has limitations.

Therefore, in further research, it is hoped that research variables can be added and research can be carried out on different subjects, in order to enrich knowledge and many new findings can be found specifically in strategic management science so that it can be used as a useful reference for researchers, students and the community, especially PT PNM.

ACKNOWLEDGEMENTS

Acknowledgement of Gratitude is Offered to;

1. Allah SWT for His grace, guidance and ease so that this research can be completed properly and smoothly.
2. Management and employees at PT PNM, especially PNM Surabaya Branch Office and PNM Malang Branch Office for their assistance and participation so that this research can be carried out well and smoothly.
3. I would like to thank my beloved family, students and colleagues who cannot be mentioned one by one for their prayers, support and attention.

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