



Indonesian financial companies' preparedness for the covid-19 pandemic

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ABSTRACT

In order to better understand how debt is used to finance investments and assets in banks and financial institutions' operations prior to, during, and following the Covid-19 pandemic, this research will examine this relationship. All businesses that are registered with the BEI make up the research population. The study's sample consists of 57 financial organizations that are listed on the Indonesia Stock Exchange (IDX) and have complete financial data for the years 2019 through 2021. Purposive sampling was used as the sampling strategy in this study, and the requirements were a financial company's registration on IDX and possession of all 2019–2021 financial data. Using SPSS 26 software, Multiple Linear Regression was used for data analysis. Companies should look into other capital sources, such as utilizing retained earnings, building up depreciation, controlling inventories, controlling cash flow, and other options, in order to boost profitability. Information can be utilized as a decision-making tool for investors. Financial ratio variables and other predictor variables, including management team and majority share ownership, might be added for additional investigation.

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INTRODUCTION

Innovation is a crucial component that, if ignored, can cause a business to fail, particularly in the case of technology-related businesses (Bai & Tian, 2020). In the 2000s, a number of well-known corporations, such as Kodak and Blackberry, rose to prominence. However, these companies were eventually overtaken by the Android generation, which was created by a number of Chinese and Korean telecommunications companies and offered full features at affordable costs.

While much attention has been paid to corporate R&D operations, other types of intangible capital exist as well. Using expenditures, Eisfeldt and Papanikolaou (2013) provided a direct measure of organizational capital. Metrics based on these costs are correlated with productivity metrics, business need for IT, and management quality. By calculating organizational capital and knowledge capital, Peters and Taylor (2017) created a measure of intangible capital (Falato et al.,

2013). The measure encompasses the intangible assets that a business purchases externally and records on its balance sheet.

No country has a definite reference as a policy guide to face this "unique" crisis. The most similar situation is probably the Spanish Flu, which occurred 100 years ago. Today the situation is much more complex. The combination of a pandemic that is spreading rapidly and dynamically in an increasingly borderless world, the need to save human lives, as well as efforts to maintain the economic sustainability of society and maintain social stability are wrapped up into one big problem that demands immediate policy decisions.

The Covid-19 pandemic has created a snowball effect from a health crisis to a huge economic crisis. Quarantine and social restrictions as an effort to save health and lives have inevitably put pressure on various economic engines, such as consumption which has decreased drastically, investment has been delayed, and foreign trade activities have been hampered. Armed with experience and sensitivity in the midst of a crisis, the Government decided on policy priorities very quickly, focusing on the main pillars of the nation. In these conditions, fiscal policy and the APBN are the only support for compensating for the economic costs arising from the pandemic and for financing health care as a non-negotiable priority.

During the pandemic, the APBN has proven its hard work and adaptive nature in responding to dynamics that are not easy and can change quickly. When it was prepared, the 2020 APBN certainly did not allocate a budget for the pandemic and its impact because no one expected such an incident to occur. But the APBN has been very flexible, adaptive and responsive amidst the pressure of the pandemic. Various responsive policies are implemented and supported by continuous monitoring of Covid-19 and economic conditions in various regions in Indonesia, so that policy adjustments are made taking into account the most current conditions. Policies such as refocusing the budget, providing several volumes of stimulus, issuing Perppu, launching the PEN program, and implementing the burden sharing scheme show that there is a process that is taken quickly, responsively, but remains accountable and oriented towards protecting community welfare.

The economic and fiscal policies carried out during the pandemic are also a journey and learning which of course has not found an end point because the pandemic is still threatening today. Along the way, various adjustments and flexibility were made to respond to very dynamic and often unpredictable situations. Improvements are continuously sought based on the results of policy evaluations, in order to ensure not only the achievement of output but also the widest possible benefits for the sustainability of the nation and its citizens. This is supported by synergy by all elements of the nation, including institutions in the Central and Regional Governments, legislative institutions, supervisory and audit institutions, as well as the community. Very high uncertainty has never dampened fiscal policy measures to provide support for health aspects and control of the pandemic, protect people's purchasing power, and ensure that the business world recovers and revives.

Development in both business and society depends on innovation—the invention and marketing of new goods. The Covid-19 epidemic has, among other things, increased plant consumption in the agricultural sector. As a result, demand for plants is rising, necessitating research and development efforts for new plant kinds involving technology (Henry, 2020). The need for nutritious food is also met by the agricultural sector because of the shift in dietary habits brought on by the Covid-19 pandemic. Food that is safer, healthier, and more nutrient-dense must be tailored to individual needs and substitute protein sources (Rowan & Galanakis, 2020). To address the long-term effects of COVID-19, research and development (R&D) is necessary in a number of industry areas, including pharmaceuticals, food, and drinks (Machmuddah et al., 2020).

Different nations have responded to the Covid-19 outbreak in novel ways. Vietnam never succumbed to the virus, unlike many other countries in the world, and instead reinvented both its healthcare system and society at large. Vietnam is a crucial case to examine for both wealthy and

developing nations, in order to comprehend how accessible innovation might help prevent a pandemic's devastating effects (Klingler-Vidra et al., 2021). In order to offset this potential socioeconomic disaster, Europe is offering significant financial stimulation at the national and international levels. To assist lessen the impact of the COVID-19 pandemic and clear the path for a sustainable future, the European Commission unveiled a €750 billion economic stimulus plan (Rowan & Galanakis, 2020). China's internet economy is now accelerating due to the Covid-19 pandemic. The secret to a quick recovery is inclusive finance and supply chain financing enabled by digital technologies. Financial advances have made it possible for businesses to quickly start up again. In China, the Covid-19 pandemic has accelerated financial innovation and economic change (Ba & Bai, 2020).

In the Covid-affected industries of pharmaceuticals and medications, food, textiles, leather, footwear, electronics and telematics, capital goods, components and auxiliary materials, basic metals, and minerals, the government has established programs to encourage more corporate innovation. patent registrations have declined in 2020 and 2021 in the following areas: non-metals, military and security, energy, agro-industry, pharmaceuticals, cosmetics, and medical devices, transportation equipment, oil and gas, and coal-based basic chemicals. (see Figure 2). According to Article 1 number 1 of the Patent Law, a patent is an exclusive right given by the state to an inventor for a technological invention that he discovers. During the Covid pandemic, brand registrations have surged in contrast to the drop in patents. Beverage and food, apparel, pharmaceutical, and medical device industries are the ones whose brand registrations have increased (Figure 3). As stated in MIG Law Article 1 Point 1, a brand is a sign that has the ability to stand out from the competition and is used to identify similar products or services. Research and development (R&D) procedures that foster innovation provide intellectual property rights such as patents and brands (Sánchez et al., 2015).

Innovation fueled by R&D has long been seen as a key factor in productivity and economic expansion (Solow, 1957). Estimates of R&D spending (Conte & Vivarelli, 2014; Szopik-Depczynska et al., 2020), resource allocation (Ojanen & Vuola, 2006), personnel (Ruubel, 2021), and patents (Hottenrott et al., 2016) can all be used to gauge the amount of research and development. Research and development initiatives are fraught with danger and uncertainty, which can have a detrimental effect on loan and equity financing. Three factors are necessary for organizational innovation: identified needs, skilled personnel, and funding (Engelberger, 1982; Smedley, 2017). Accordingly, as Smedley (2017) states, in order to foster innovation within the organization, management must also be aware of the state of the business from both external (Souza et al., 2019) and internal (Menna & Walsh, 2021) perspectives. Because industrial research and development allows for failure in the process, financial conditions play a significant role when evaluating the existence of financial risks (DiMasi et al., 2016).

Company operations can be funded by both internal and external sources. Cash on hand and undistributed profits are the sources of internal funding (Kwak, 2021; Nguyen et al., 2020). In the interim, debt and share sales are two sources of external funding (Kwak, 2021; Salimi & Rezaei, 2018). (Bhama et al., 2018). The pecking order hypothesis outlines a priority scale for financing a firm's innovation efforts, with internal company finance being given precedence over external financing (Prędkiewicz & Prędkiewicz, 2017). He and Wintoki's (2016) research, which argues that the increasing cash accumulation of R&D corporations explains why overall R&D spending is so constant despite the instability of the primary funding source, lends credence to these research findings. In order to better understand how debt is used to finance investments and assets in banks and financial institutions' operations prior to, during, and following the Covid-19 pandemic, this research will examine this relationship.

And in the data processing analysis methods and techniques, the assumptions underlying the multiple linear regression analysis used include, among others, normality, multicollinearity, heteroscedasticity, t test and F test. And, if a violation occurs the possibility is relatively small. This

is because quantitative calculations will be more rigid. And, the results of this research will be generalizable to a wider population and relevant to financial companies listed on the IDX

RESEARCH METHOD

The entirety of the study objects that serve as the source of research data is known as the population (Siregar, 2017). All companies listed on the IDX comprise the research population. In order to identify the desired qualities and characteristics of a population, a sample is a data gathering process in which only a subset of the population is taken (Siregar, 2017). The study's sample consists of 57 financial organizations that are listed on the Indonesia Stock Exchange (IDX) and have complete financial data for the years 2019 through 2021. This is because 2019 was the beginning of a pandemic, endemic, leading to a new normal in 2021. The research employs purposive sampling as the sampling technique, and the criteria are that a financial company must be registered on IDX and have complete financial data for the years 2019–2021. Profit is the dependent variable in this study, whereas total debt and total assets are the independent variables. Using SPSS 26 software, Multiple Linear Regression was used for data analysis.

RESULTS AND DISCUSSIONS

Based Possible trigger for a global recession in 2023 are: First, the Covid-19 pandemic. Covid-19 pandemic it has started to subside, and many countries are has freed its citizens to carry out their activities as usual. However, in the period between the Covid19 outbreak in early 2020 to early 2022, activity the global economy fell sharply. Each country more focused on responding to Covid-19 and enforcing restrictions on activities, including economic activities. As a result, global economic growth also experienced contraction. At the same time, a lot countries that protect food from the Covid-19 outbreak prolonged period which has raised prices food due to insufficient supply. Indonesia also experienced a recession at the end of the year 2020 due to the Covid-19 pandemic. Hence the year in 2023, it is predicted that there will still be many countrie have not fully recovered from the impact of Covid-19. Second, the Russian-Ukrainian war. Global economy has not recovered due to the Covid-19 pandemic and war Russia-Ukraine broke up. The Russo-Ukrainian War that begins Last February 2022 had a loss of world GDP of \$2.8 trillion (Bisnis Indonesia, 2008). Russia-Ukraine war disrupted global supply chains, triggering crisis, especially in the food and energy sectors, which on in turn accelerates inflation. Russo-Ukrainian War is the main factor behind the predicted global recession in 2023.

Third, the high inflation rate. In Update World Economic Outlook July 2022, Monetary Fund International (IMF) revised global inflation estimates because of food and energy prices as well supply-demand imbalance. Inflation is expected to reach 6.6% this year in developed countries and 9.5% in developing countries. Estimated inflation figures The latest increases were 0.9 and 0.8 respectively points (in percent) compared to the estimate previously in April 2022 (Bisnis Indonesia, 28 September 2022). Global inflationary pressures are concomitant with the high prices of several food commodities and energy (crude oil, natural gas, and coal) due to supply chain disruptions due to the Russia-Ukraine war. Responding to this, world countries has withdrawn its fiscal and monetary stimulus with the aim of mitigating the impact of inflation. Fourth, increase interest rates. During the year 2022, the Bank of England will raise its benchmark interest rate of 200 basis points. At the same time, the Fed raise the benchmark interest rate by 300 basis points. Responding to this, Bank Indonesia also raise the benchmark interest rate by 50 basis points to 4.25% (Kompas, 28 September 2022).

Ascension reference interest rate simultaneously by the central bank in around the world will have an impact on growth economy and could lead to a global recession. Potential threat of a

recession in 2023. The future must be handled wisely. Step Anticipatory measures must be taken to ensure economic performance stay awake. Even though the nation's economy Indonesia is growing positively, we must not be careless will be a recession. If the realization of a global recession truly appears then this nation's economy will also fall into decline deep ravine. In this article, it will be offered and discussed solution policy steps for counteract the extreme impact of the 2023 global recession. Current stability of the Indonesian economy influenced by global economic conditions. Consequence from dependence on energy and food imports when energy and food prices rise high resulting in an additional burden on the APBN and reduce people's purchasing power. For offset inflation developed countries raise interest rates reference. Capital flows move from developing countries towards a safer developed country. Development Indonesia is projected to be hampered. Therefore, The central bank also increases the benchmark interest rate to reduce inflation and people's purchasing power can be maintained and expected foreigners return to invest in the country.

Based on this explanation, research results were also obtained in the form of:

Table 1. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-184945070.082	292967654.249		-.631	.529
	Total Asset	1.706E-7	.000	.659	13.169	.000
	Total Debt	1.020E-7	.000	.296	5.913	.000

Source: processed data, 2024

Based on the regression results, a linear equation of total assets and total debt to Profit is created as follows: $Y = -184945070.082 + 1.706E-7X_1 + 1.020E-7X_2$.

The regression equation can be interpreted as follows: The constant (α) is -184945070.082. This result means that if total assets and total debt are constant then profit is negative. (a) The total assets regression coefficient (b_1) is positive at 1.706E-7. These results provide an understanding that every time there are total assets, profits will increase. (b) The total debt regression coefficient (b_2) is positive at 1.020E-7. These results provide an understanding that every time there is an increase in total debt, profits will increase.

Table 2. t test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-184945070.082	292967654.249		-.631	.529
	Total Asset	1.706E-7	.000	.659	13.169	.000
	Total Debt	1.020E-7	.000	.296	5.913	.000

Source: processed data, 2024

Based on the results of the t-test, the following hypothesis can be proven: (a) Effect of total assets on Profit, The results of the t significance test show that the significance of total assets is 0.000, which is smaller than 0.05, so the hypothesis states that total assets have an effect on the profits of registered financial companies. (b) Effect of total debt on Profit The t-test results calculated for work safety on employee performance were $2.860 > t$ table 1.992 ($df = n - k - 1$ or $80 - 3 - 1 = 76$) with sig.0.005 smaller than 0.05, so the hypothesis stated that total debt has a significant effect on the profits of registered financial companies. The F-test is used to test the effect

of total assets and total debt on profit on the acceptance of the sig hypothesis. ≤ 0.05 . The results of the F test can be seen in table 3.

Table 3. F Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	910093320595873 1000000.000	2	455046660297936 5500000.000	357.602	.000 ^b
	Residual	213779117194322 6100000.000	168	127249474520430 12000.000		
	Total	112387243779019 57000000.000	170			

a. Dependent Variable: Profit

b. Predictors: (Constant), Total Debt, Total Asset

Source: processed data, 2024

The F-test result is 357.602 with sig.0.000 smaller than 0.05, so that total assets and total debt have a significant effect on profit together, so it is also concluded that the regression model is fit. The coefficient of determination is used to measure how far the independent variable is able to explain variations in the dependent variable. The results of the coefficient of determination of total assets and total debt on profit can be seen in table 4.

Table 4. F Test Results

Model	R	R Square	Adjusted R Square
1	.900 ^a	.810	.808

Source: processed data, 2024

The coefficient of determination can be seen in the Adjusted R Square of 0.810. This result can be interpreted that the variables total assets and total debt are able to explain 80.8% profit (0.808 x 100.0%). Meanwhile, 19.2% (100% - 80.8%) of profit is explained by variables other than total assets and total debt.

CONCLUSION

Companies can think about looking at non-debt capital sources such as accumulating depreciation, employing retained earnings, controlling inventories, controlling cash flow, and other options in order to boost profitability. Information gathering is a tool that investors can use to make decisions. You can include financial ratio data and other predictor variables, including the management team and majority share ownership, in your future research. The contribution of this research to science is that the digitalization of MSMEs is implemented with Fintech based on Payment Gateway and Digital Marketing. Architectural improvements Global health is realized through programs focus on the distribution of public health needs, financing pandemic preparedness, and governance global health. Focus sustainable energy transition on access, technology, funding, tax implementation carbon, and carbon implementation planning. And for the government organize outreach to the wider community regarding the threat of recession in 2023 and the Green concept Economy. Especially for digitalizing MSMEs, The government is expected to be able to foster participation conducting outreach about the efficiency of business actors Digital-based MSMEs.

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