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ANALYSIS OF THE EFFECT OF FUNDING STRATEGY ON THE COMPANY'S FINANCIAL PERFORMANCE AT PT JASAMARGA RELATED BUSINESS

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Abstract

Business development is the key to ensure the sustainability of a company. The need for funding to support this development makes the company try to obtain a funding strategy that is in accordance with financial performance. Each investment and risk scheme selected will have an impact on the selection of a funding strategy, this is a case study in research to show the effect of the selected funding strategy on financial performance so that companies obtain appropriate alternative funding strategies. This case study uses an in-depth analysis of financial aspects, sensitivity and simulations conducted at PT Jasamarga Related Business. Based on studies conducted, the funding strategy is a priority requirement for the company in developing the company's business strategy. Financial performance is a reflection of the company's sustainability so that all strategy makers, especially the selection of funding strategies, need to be studied more deeply.

Keywords: Funding Strategy, Financial Performance, Business Strategy.

Introduction

Company performance will achieve good results by optimizing the combination of functions from financial management. Decisions or policies on strategy in a financial function will affect financial policies in other functions, so that the company's value will be affected (Al Ahbabi & Nobanee, 2019). The value of the company begins with maintaining the company's performance can be seen from various factors, and management must choose the strength of each of these factors that is most reliable to increase the value of the company to increase the trust of shareholders or other investors (Sun et al., 2019).

Company capabilities must continue to provide good results can be done by continuing to develop its business and take advantage of existing opportunities, so that the financial ability to finance makes the company choose the appropriate funding alternative (Niresh & Thirunavukkarasu, 2014). The company's long-term plans as well as future business developments that will be large have forced the company to start

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considering changes in its capital structure with a funding strategy obtained from external sources. Some of studies give different results on how the effect of leverage toward the firm size and profitability (Ispriyahadi & Abdulah, 2021). Firm's size has a significant positive on profitability.

In Indonesia, large companies including state-owned enterprises (SOEs) are expected to continue contributing to and improving the economy. In line with business developments, one of the SOE subsidiaries, PT Jasamarga Related Business (JMRB), has a vast business opportunity with four main businesses including rest area management, advertising & utilities, building management, and other properties. Rest area management is carried out in 27 locations spread throughout Indonesia, and this number is expected to grow given JMRB's development business model, which is present in every toll road that is majority-owned by PT Jasa Marga (Persero) Tbk. In addition, Advertising & utilities continues to add management points due to the size of the toll road. JMRB will also carry out building management in 2022, managing buildings and supporting facilities in various operational areas within the scope of PT Jasa Marga (Persero) Tbk. In its other main business, Property, JMRB has made significant developments in the last three years.

The entire business progress until 2022 is financed by the company's internal cash which is owned from full capital injection from the majority shareholder. However, the company's long-term plans as well as future business developments that will be large have forced the company to start considering changes to its capital structure with a funding strategy obtained from external sources. This funding strategy will later be adjusted to every investment decision made by JMRB.

Calculating and planning a funding strategy is an important first step by taking into account the size of the business capital, the period of need and financial obligations that must be made such as interest payments, and of course this indirectly forms a mitigation method in managing cash flow so that there is no cash deficiency (Dewi & Suryani, 2020). In addition to internal cash flow, another thing that needs to be a determining factor in funding is the volume of funding requirements which are affected by interest rates on loans (external), working capital turnover, profit margins, payables and receivables turnover. Financial leverage is the practice of funding as the firm's assets with securities that bear the burden of a fixed return with the expectation in increasing the return end of for the shareholders (Petty et al., 2015).

The funding strategy in JMRB that has been carried out is sufficient internal funding to fund various projects from early 2016. In the 2021-2030 long-term plan it is found that cash needs exceed the progress of income from the expected property because land banking is carried out simultaneously with various stages of property development and other business development.

According to Grimaldi (2005), fulfilling the company's funding needs requires capital, this capital can come from own capital and funds from outside the company. The element of obtaining external funding can be an alternative for companies, especially those whose business is a growing business in a certain period (Ratih, 2021). Like the development of the property business, the company also has a plan that is mature enough to be carried out in the future, so that company expansion can also be carried out. External funding strategies that are possible by looking at historical data and needs, as well as future funding requirements, namely issuing debt to the Bank, both syndicated and standalone, IPO and Crowdfunding (Listyawati & Wicaksana, 2023). The purpose of this study is to analyze the effect of funding strategy which is measured by financial ratio can be effect to financial performance.

Literature Review

Having funds is crucial for a company’s existence (Ariwibowo et al., 2022). The company recognizes that these funds can be utilized to finance both operational and non-operational activities. Even for companies with high capital requirements, they can undertake new project activites if there is availability of funds specifically allocated for the project (Anna et al., 2020). Based on studies by Komara (2018) that in facing competition, every company must grow and develop in a sustainable manner in order to gain the trust of stakeholders. The authors point out that the capital structure of a company can affect its financial performance in several ways, including the cost of capital, the level of financial risk, and the ability to attract investors.

Financial strategy generally includes asset management, debt management, and equity management. Asset management aims to maximize the benefits generated from asset management and minimize the risks that arise (Vuorikari, 2012). Meanwhile, debt management is carried out to minimize debt costs that must be borne by the company and maximize the benefits derived from the use of these funds. Finally, management of own capital (equity) aims to maximize share value for shareholders by maintaining a balance between the use of own capital (equity) and debt (Kristianti, 2018).

In relation to financial performance, a good funding strategy can improve a company's ability to achieve long-term financial goals and increase company value for shareholders (Bender, 2013). Therefore, an analysis of the effect of the funding strategy on the company's financial performance can provide a deeper understanding of the importance of the right funding strategy for the company's success.

The literature review provided by the authors cites several studies that have examined the relationship between capital structure and financial performance. For example, Rajan and Zingales (1995) found that companies with high debt ratios tend to have lower profits and lower stock returns. Similarly, Jensen and Meckling (1976) argued that the optimal capital structure is one that balances the tax advantages of debt with the costs of financial distress.

Other studies have explored the impact of specific types of financing on financial performance. For example, Huang and Song (2006) found that companies that use more long-term debt have higher profitability, while short-term debt has a negative impact on profitability. Additionally, Frank and Goyal (2003) found that companies that issue equity tend to have higher returns on assets compared to those that do not issue equity.

Based on Bagu, Karamoy, Gamaliel (2021), the factors that influence companies in choosing alternative funding strategies are in sales stability where the higher the sales growth rate, especially in manufacturing companies, will make companies more trusted to obtain external funding because of the trust to be able to provide a good profit commitment and rate of return. In addition, factors that influence the funding strategy to be chosen by the company Ramdhonah (2019) are Asset Structure, Growth Rate, Industry and Market Conditions, Financial Performance, Risk Tolerance, Capital Structure.

The amount of funds that must be prepared is the main reason for companies to choose external sources of funds that are in accordance with the financing expected by the company (Budiarti & Hidayati, 2015). External funding decisions in the form of debt issuance to banks through Standalone or syndicated procedures are decisions that require a lot of consideration. The theory that can be used in discussing a good capital structure based on the source of funding is the Pecking order theory which is the most (A & Wibowo) frequently used and sufficient capital structure theory influential. The theory developed by Sen (2008) explains the priority order of managers in determining the source of funding. The manager's preference is expressed in the order of funding sources starting from internal funding as the main source. Funding through bank credit needs to ensure the financial performance and business risks owned by the company.

Crowdfunding is one of the innovative funding strategies. Initially, crowdfunding aimed to fill the shortcomings in alternative funding for small companies that had minimal or no achievements in their fields (Valančienė & Jegelevičiūtė, 2014). The role of intermediaries is crucial because they determine these and other aspects of how the crowdfunding process is run.

In a different study, an Initial Public Offering (IPO) is also carried out by companies to develop their business and in the implementation of certain projects (Izfs & Supriatna, 2019)a. Various reasons and whatever the motive, the IPO implementation will have an impact on the company in terms of finance, accounting and operational (Pastusiak et al., 2016). Most studies in literature generally focus on the reasons for abnormal returns and company performance after an IPO. Problems that often arise after a company goes public through an initial public offering are the phenomenon of information asymmetry and decreased performance (Santoso & Pudjolaksono, 2014).

Funding strategy has an impact on financial performance, according to a study conducted by Van Duuren (2016)reporting financial position becomes an analysis used to state the implementation and management of finances the company with good and company assessment when compared to the company's risk in running its business.

Business plan data will be the main data to find out the optimal funding strategy and its impact on financial performance, which is calculated through financial ratios, including liquidity ratios, profitability ratios, activity ratios, solvency ratios.

Research Method

The data used in this study are all data on the company's long-term plans, investment requirements for ongoing projects, financial historical data including interest rates, inflation data used by companies including inflation data that affects the project area implemented. The author limits this research by using funding options that are usually used by similar companies in Indonesia and in accordance with the historical description of the company used as a case study.

This type of research is a mix-method, the method uses as a guide in collecting and analyzing data by combining qualitative and quantitative (Suprianto et al., 2020). Analysis is carried out of the company's ability to carry out investments and cash flow projections. The need for cash becomes important in the certainty of carrying out the planned investment in company documents in the form of the Company's Long-Term Plan. In the financial aspect, the overall current and future ratios will be considered using several variables. Analysis of the financial aspects related to the comparison of funding strategies can be done in various ways, namely financial ratio analysis, cash flow analysis, risk analysis, company value analysis.

Management decisions can influence the company's funding choices, especially in determining the sources of funds to be used. Management decisions about the company's long-term goals and business strategy will determine the type and amount of funds needed to achieve these goals. For example, if a company plans to expand its business by acquiring or expanding into new markets, then the company will need a sizable additional source of funds. In this case, management decisions about long-term goals and business strategy will influence the company's funding choices, including whether the company will use internal or external funding.

Management decisions can also affect the company's capital structure. For example, if management decides to minimize interest costs and maximize profits, then the company will tend to use more equity financing than debt. Conversely, if management wants to maximize leverage and use debt, then the company will prefer to use debt financing. However, management decisions are not the only factors that influence the company's funding choices. Other factors such as market conditions, regulations, and risks can also affect a company's funding choices.

In order to enhance validity, this study has drawn upon multiple sources, including structural position interviews. Face to face interviews were applied as a secondary method in this study. Interviews were conducted with employees from the senior management level and top level of this company to develop holistic and comprehensive cases for analysis.

In the case study JMRB, interview conducted with Director of Finance JMRB, Departement head of Corporate Planning PT Jasa Marga (Persero) Tbk, Director of Finance PT Jasa Marga (Persero) Tbk. The interviews lasted from 30 min to 90 min. Table 1 summarizes the data collection process of this research. The interviewees were briefed on the topic and the purpose of the research prior to the interview. An interview was provided to explore the strategy business of JMRB and the expectation of holding on the business strategy of JMRB. Specifically, the protocol covers a series of open-ended questions, including major opportunities and challenges for the company to implement the funding strategy, difficulties during the implementation, positive/negative business outcomes, and shareholders feedback upon implementation. According to Turner (2010), open-ended questions provide the interviewees with freedom to share their experiences and opinions, allowing the interviewer to follow up on the topics in greater depth. Some questions were given more attention during certain interviews, depending on the interviewees' positions and their roles.

Furthermore, quantitative analysis approaches financial ratio using historical financial data on 2016 until 2022. The considerable cash needs come from business development in the property area and rest area, so the funding needs will focus more on business development in TCD and land optimization for rest area commercialization.

Table 1
Resume Interview

Business Strategy JMRB	"Making this subsidiary a company that can develop and optimize existing assets around toll roads" (GH Corplan) "Business diversification in JMRB can be done in various ways such as acquisitions, business cooperation through collaboration so as to maximize existing competencies both in human resources and financially" (Director of JMRB Area development) "Refocusing business lines is the main thing, especially when the development to be carried out requires considerable investment, so the priority scale is needed" (Finance Director of JMRB)
Funding strategy	"Utilizing existing liquidity without a capital deposit from the parent company can use credit applications to banks." "The priority scale in developing a business needs to be rearranged so that cash needs can be clarified in its use." "The potential to open funding opportunities from investors needs to be supported by JMRB's equity story, and ensure that every line of business run has a good influence on profitability"

Data Analysis

JMRB has always used internal cash in its business development. The business that has been carried out so far has started from housing construction, rest area development, to area development such as the Toll Corridor Development development using optimization of internal cash. JMRB's business development in the future needs more regarding the majority shareholder of JMRB, PT Jasa Marga (Persero) Tbk also does not continue to provide cash with a focus on the construction of toll roads as the main business core.

JMRB is a subsidiary of Jasamarga which until now has managed a number of residential properties in Spring Residence - Sidoarjo, Green Residence-Sidoarjo, Royal Pandaan, in addition to housing, JMRB also has property development projects connected to public transportation such as toll corridor development area Taman Mini, ownership of apartment assets in Tamansari Jivva Bali and Lagoon Manado is also a potential income for JMRB. In addition to these various assets, other property assets owned are TCD development plans in the Cikampek area. In addition to property, the rest area business is also one of the company's business focuses, by managing and developing 27 rest areas making the need for cash large enough to run this business process.

Management always optimizes cash in the company. Prioritizing the use of funding sources from internal cash can reduce the financial risks that will be experienced by JMRB. The capex expenditure made by the company was quite large in 2016 since it was given a capital deposit by Jasamarga until 2020, the total expenditure was Rp1.7 T, in 2016, JMRB received a capital deposit of Rp. 646 billion, the cash was used for the development of rest areas in the amount of Rp. 200 billion and the rest for property development in the field of regional development. The company's performance has also improved in terms of financial statements and can be seen in the table below:

Table 2
Performance 2016 to 2020

KETERANGAN	TAHUN 2016	TAHUN 2017	TAHUN 2018	TAHUN 2019	TAHUN 2020
ASET	860.537	902.066	1.032.620	2.048.357	2.113.532
LIABILITAS	22.636	54.297	196.813	271.131	345.052
EKUITAS	837.901	847.769	835.808	1.777.226	1.768.480
PENDAPATAN	151.391	174.103	199.363	284.229	289.918
LABA / (RUGI) BERSIH	5.616	9.868	(11.961)	10.342	7.244

In JMRB's long-term plan, it can be seen that company 5-year cash needs from 2021-2025 focus on property and rest areas, so an appropriate funding strategy needs to be established to be able to support development in these business lines.

Property development in TCD is mainly the biggest effort, cash needs reach 1.2 T while operating cash to date is still experiencing a minus, so the need to use parent capital deposit funds that have been managed in recent years. The property business line, especially TCD, is a new business line in the Jasamarga environment, the optimization of the parent asset carried out by JMRB in TCD Taman Mini is very good because it is directly connected to LRT.

The development of TCD Taman Mini is the main business over the next few years with technical details of the project:

Table 3
TCD project financial information

- Kelayakan on Project :	
IRR	**15.11%**
NPV	205,529,715,148
WACC Nov-22	10.69%
Payback Period (Tahun)	13.0 Tahun
- Kelayakan on Equity	
IRR	**18.09%**
NPV	239,920,511,476
WACC Nov-22	10.69%
Payback Period (Tahun)	12.7 Tahun

In terms of the need for TCD development funds, JMRB has optimized internal cash and made bank loans with DER 60:40. The findings reveal that the financial performance of this TCD project still produces a good IRR. The management also feels that with JMRB's current performance, based on interviews conducted with JMRB's finance director, JMRB's business plan to make loans to banks is the right choice. Jasamarga's Corporate Planning group head emphasized that the source of IPO funding can be done if it has been confirmed that future business strategies, refocusing needs to be done. IPO preparation includes financial studies and legal studies. The source of funding that will be carried out through the IPO process requires various requirements such as equity story in future development and the impact of this project to financial performance in JMRB. Investors who want to place their funds in JMRB need to see how the value of the deposited equity will provide favorable returns.

Through financial ratio analysis, TCD project performance shows good results for the company seen by using a funding strategy through loans, it can be seen in the profitability ratio analysis which is calculated based on project financial data.

Table 4
Financial ratios of TCD projects

	2022	2023	2024	2025
ROA	0.0%	-2.1%	-1.5%	0.3%
ROE	0.0%	-5.1%	-3.7%	0.8%
NPM	0.0%	-83.5%	-12.9%	1.7%
EBITDA	-	118	41,486	79,779

Conclusion

Based on the results and analysis of the study using JMRB's financial ratio data, it can be concluded that management can use a funding strategy by applying for credit to banks considering the company's liquidity and profitability have the potential to increase in the coming year based on the company's long-term plans. Other funding strategies such as IPOs can be carried out by companies by preparing additional business strategies as a form of the company's equity story. The funding strategy chosen can affect the company's performance, especially in financial terms which will later affect the company's value in terms of profitability ratio.

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