Maintaining the Sustainability of the Regional Credit Guarantee Institution in Indonesia

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ABSTRACT

This study aimed to analyze the effect of internal and macroeconomic factors on the financial performance of Regional Credit Guarantee Institutions (PT. Jamkrida) in Indonesia. Internal factors included: guarantee risk, gearing ratio, liquidity, and asset management, while macroeconomic includes: gross domestic product and inflation. The population was PT. Jamkrida in Indonesia, which were 18 in total, of which 16 met the requirements as the sample. The type of data was secondary data sourced from the PT. Jamkrida's Annual Financial Report with observations for 2014-2020. The data analysis technique used was multiple regression analysis. This result: internal and external factors affected financial performance PT. Jamkrida in Indonesia. This result also proved the important role of the local government in maintaining PT. Jamkrida's capital to ensure that bank loans to SMEs run well. This study contributes to the RBV theory by providing empirical evidence of the influence of internal resources and external conditions on PT. Jamkrida's financial performance. But, this study has limitations as indicated by the results of an adjusted R square of 13.8%, so it is possible 86.2% of other variables can explain their effect on financial performance. Therefore, it offers opportunities to add other factor specifications, or other methods

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INTRODUCTION

The Small and Medium Enterprises is a sector that contributes significantly to the Indonesian economy. However, since Covid-19 was declared a pandemic, MSMEs have declined very significantly. The government is aware of this; Therefore, various efforts were made so that the decline in the MSME sector did not continue and cause an economic recession.

Data from the Ministry of Cooperatives shows that MSMEs are affected by the continuity of their business as activities have decreased by 90%. The Central Statistics Agency reported that household consumption fell from 5.02 percent in the first quarter of 2019 to 2.84 percent in the first quarter of 2020, even though the entire world was reported to have experienced a weakening economy (https://analisis.kontan.co.id., 2021). Household consumption was corrected between 0.5% to 0.8% by the end of 2020 (Rosita, 2020).

PT. Jamkrida is a non-bank financial services company which according to law plays a role in providing credit guarantees provided by financial institutions (UU No. 1 of 2016), in the form of a Regional Owned Enterprise (BUMD) engaged in the field of credit and non-credit guarantees registered and regulated by the Financial Services Authority (OJK). PT. Jamkrida aims to encourage the development and strengthening of MSME capital that is feasible but not yet bankable, or is constrained by banking risk management in the credit application process. In addition to business activities, namely credit guarantees, PT. Jamkrida is a source that contributes to regional income (Xia & Gan, 2020).

Due to the increase in non-performing loans and the decline in the disbursement of new loans, as well as the number of defaults in financial institutions, PT. Jamkrida, which functions as a risk mitigation in this matter, has been proven to be able to maintain the growth of guarantee volume, fulfill claims obligations, maintain a sound level and a proud business performance. PT. Jamkrida also contributes to Regional Original Income (PAD) in the form of dividends. So far, PT. Jamkrida has been able to maintain sufficient cushion against the regulated solvency requirements, supported by a re- guarantee/reinsurance scheme as risk mitigation, as well as ownership of sufficient liquid assets to meet its short-term obligations

by regulations set by the government. In the midst of the economy and the social restrictions that must be imposed, PT. Jamkrida empowers MSMEs to overcome such challenges by continuing to promote credit guarantee services and management consulting assistance to MSMEs.

Data from the Financial Services Authority show that only around 13.5 million loans have been launched nationally for guarantees by MSMEs. This means that only about 20.6% of MSME loans have received guarantees; there is still 79.4% of the guarantee market potential that has not been touched. This illustrates the opportunity for PT Jamkrida to get a large portion to increase the amount of guarantes, but on the other hand, the guarantee risk to MSMEs will also be high.

PT. Jamkrida's financial performance nationally fluctuates from year to year. Its strategy in responding to the situation and conditions of the COVID-19 pandemic allowed the company to achieve good performance throughout 2020; there was an increase in profit from 2.7% to 3.82%. However, at the same time, there was a decrease in liquidity from 322.4% to 288.5% so the gearing ratio level would be 20 times. Guarantee fee (IJP) obtained was IDR 2.892 billion, a growth of 31.2 percent from the previous IDR 2.205 billion. Meanwhile, claims paid were IDR 7.047 billion, which means an increase of 275 percent. The claim ratio was 76.1% lower than in 2019, which was 81.8%, whereas in 2020, claims expenses were 64.20% higher than operating expenses. The Performance of the guarantee fee (IJP) can offset the increase in claims so that it does not erode capital. Total outstanding guarantees increased 7 percent from IDR 238 billion to IDR 255 billion due to an increase in guaranteed people from 13,460 thousand to 15,434 thousand. Assets recorded at IDR 22.114 billion or grew 12 percent from the previous IDR 19.682 billion. The pandemic affected the comprehensive income of IDR 568 billion, which decreased 17 percent from IDR 687 billion because of the decrease in non-operating income of IDR 514 billion 98 percent to IDR 11 billion (www.ojk.go.id, March 2021).

Batool and Sahi (2019) revealed that financial performance is related to profitability, and it is important for companies because it shows strategic effectiveness and operational efficiency. Mwangi and Murigu (2015) expanded the scope of the performance of the insurance business, including net premium earned, profitability from underwriting activities,

annual turnover, return on investment and return on equity, and explained that company-specific characteristics, industry features, and macroeconomic variables influence financial Performance. Deyganto and Alemu (2019) revealed that internal or company-specific factors and macroeconomics caused the differences in the performance of the insurance business in various countries. Therefore, conducting a re-study in Indonesia will be interesting, especially during the COVID-19 pandemic.

In this study, specific or internal factors that were examined were risk management: guarantee risk and gearing ratio, liquidity and asset management. The macroeconomic variables studied were: gross domestic product (GDP) and inflation. These variables were strongly suspected of influencing the financial Performance of the PT. Jamkrida before and during the Covid-19 pandemic.

LITERATURE REVIEW

Grand Theory

This research was based on the Agency Theory by Jensen and Mackling (1976) about the business contract relationship with the same goal: maximizing wealth and separating ownership and management. The separation occurs because the owners of capital diversify their portfolios by delegating authority and decision-makers to managers in managing their funds (Crutchley & Hansen, 1989). In addition, it also referred to the integration model on the Resources-Based View developed by Barney (1991) as the basis for business processes and strategic resource control and Jamkrida's orientation in competing and harmonizing environmental dynamics and improving financial performance. Barney (1991) revealed that the importance of analyzing the company's internal and external conditions in achieving company performance. On this basis, this study analyzed internal conditions (guarantee risk, gearing ratios, liquidity and asset management) and important external conditions (GDP and inflation) impact on PT. Jamkrida's financial performance. These internal and external variables are important for the credit guarantee industry. In addition, also based on the Theory of Risk Management, the guarantee business is a service provider business related to risk management through its intangible

business activities; that is, it provides risk mitigation and benefits in the event of uncertain conditions (Rustam. 2019).

Formulation of Hypotheses

The effect of guarantee risk on financial performance

Guarantee risk in Financial Services Authority Regulation (OJK) Number 2/POJK.05/2017 is the risk due to guaranteed failure to fulfill financial obligations to the guarantee recipient, namely PT Jamkrida's ability to pay claims from sales proceeds, in other words, is the amount of claims paid. to an increase in premium income or guarantee service fees (Zainudin, Mahdzan, & Leong, 2018). This ratio is the main risk or the biggest expense component of PT. Jamkrida, which shows that the greater the ability to fulfill claims, the smaller the risk.

Recent studies have stated that claim risk is positively correlated with profitability, meaning that high claim risk indicates a large volume of collateral, and the company's commitment to fulfilling claim requests will increase customer trust and increase demand (Zainudin, Mahdzan, & Leong, 2018). Based on the description above, Hypothesis 1 (H1) was formulated: Guarantee risk has a positive effect on financial performance.

The effect of gearing ratio on financial performance

The gearing ratio is regulated in the Financial Services Authority Regulation (OJK) Number 6/POJK.05/2014 Chapter VIII article 22 in the context of conducting a guaranteed business, it is obligatory to maintain a gearing ratio which is calculated by the total value of the guarantee or re- guarantee, which is borne by itself against the equity of the guarantee institution at a certain time and the maximum is 40 times. The gearing ratio in underwriting is the number of times the leverage power of the equity owned by the guarantee company to guarantee several credits to financial institutions. This means that the ability to guarantee the total national credit, or what is known as the gearing ratio provision, must be able to meet the full rule of 40 times. The higher the gearing ratio, the higher the level of risk borne. Measurement of the gearing ratio is important for Jamkrida to show the level of health and performance achieved in addition to being a means of promotion to form a brand image of public trust.

Determining the gearing ratio is usually associated with bank credit NPL or Non-Performance Guarantee (NPG) level in guarantees (Yoshino & Taghizadeh-Hesary, 2019). This is the first time anyone has researched the gearing ratio. However, in insurance companies, this measurement is equivalent to Risk Based Capital (RBC), as the research by Wahyuddin and Mauliyana (2021) and Putra (2017) showed that risk-based capital has a positive effect on profitability. Based on the description above, Hypothesis 2 (H2) is formulated: Gearing ratio positively affects financial performance.

The effect of liquidity on financial performance

Liquidity is the company's ability to convert assets into cash to pay liabilities, including operating costs, payment of losses/benefits or claims, and maturing policies (Derbali & Jamel., 2018). Liquidity is a liquid asset useful for financing operating activities and paying claims other than investments when external finance is unavailable (Mazviona et al., 2017).

The liquidity ratio of the guarantee company has been stipulated in the Financial Services Authority Regulation (OJK) Number 2/POJK.05/2017 concerning the Implementation of the Guarantee Business at least 120% calculated using current assets, namely the ratio between current assets and current liabilities. Holding a lot of current assets, especially during the Covid- 19 pandemic, will make it easier to pay short-term claims and operational activities, the availability of liquid assets in dealing with the increase in bad loans and a large number of claims for death and default, greatly affect the level of Liquidity. However, it is also important to avoid idle funds by increasing investment carefully so that the management of liquid assets contributes greatly to profitability. For this reason, companies must be selective in assessing and mitigating risks.

Liquidity shows the availability of current assets that can be invested in profitable assets (Derbali & Jamel, 2018). In a study (Batool & Sahi, 2019) of 24 UK insurance companies during the 2007-2016 global financial crisis, Liquidity has a positive effect on financial Performance. Based on the description above, Hypothesis 3 (H3) was formulated: Liquidity positively affects financial performance.

The effect of asset management on financial performance

One measurement of asset management is the activity ratio, which is how effectively a company manages its asset turnover by measuring its ability to use assets as reflected in its capital turnover (Brigham & Houston, 2014). The greater the percentage, the more effective the income obtained based on the use of assets. Assets with a high cost of capital, suppress profits. On the other hand, if the assets are higher, the profitable selling opportunity will be recovered. This study used Total Assets Turn Over, dividing sales by total assets (Utami et al., 2016). In carrying out its business activities in the insurance sector, the source of income and cash inflows is from the guarantee fee, apart from short-term investments originating from the company's equity in the form of capital, profit reserves, profit for the year, and subrogation. If these funds are not managed and invested properly, it will impact the company's ability to meet liquidity claims obligations (Mazviona et al., 2017). In other words, the same number of assets can increase sales volume if the asset turnover is increased or enlarged. Research conducted by Sriwiyanti et al. (2021) stated that there was a significant effect between proxy asset management and total asset turnover on financial Performance. Based on the description above, Hypothesis 4 (H4) was formulated: Asset management positively affects financial performance.

The effect of a gross domestic product on financial performance

Gross domestic product (GDP) is the market value of all final goods and services produced in a country in a period (Mankiw, 2009). The gross domestic product includes macroeconomic variables (Burca & Batrinca, 2014), which show a country's total output or product and reflects material resources that can be further processed by the production sector and consumed by the household sector. This is a potential market for the insurance business, which can increase turnover and financial performance.

Batool and Sahi (2019) revealed that GDP is an important macroeconomic factor in improving the insurance business's financial performance. The results of his research showed that GDP had a significant positive effect on financial Performance. These results were consistent with Deyganto and Alemu (2019) and Burca and Batrinca (2014), which revealed that GDP positively affected financial performance. Based on the description above, Hypothesis 5 (H5) was formulated: Gross domestic product positively affects financial performance.

The effect of inflation on financial performance

Inflation is a general and continuous trend of rising prices (Samuelson, 1992). High inflation indicates the uncertainty of a country's macroeconomic conditions, which causes people to prefer to use their funds for consumption. The high prices and steady income make people not have excess funds stored in savings, investment, and insurance portfolios. In this connection, the potential source of insurance premium receipts will decrease, so the financial performance of the insurance business will also decline.

Batool and Sahi (2019) revealed that inflation is one of the important macroeconomic factors in the decline in the financial performance of the insurance business. The results of his research showed that inflation has a significant negative effect on financial Performance. These results are also from the research conducted by Lestari and Pratama (2021) and Pervan et al. (2014), which revealed that inflation tends to have a negative relationship with ROA. Based on the description above, Hypothesis 6 (H6) was formulated: Inflation has a negative effect on financial performance.

Based on the literature review and the preparation of hypotheses, the research framework was structured as follows.
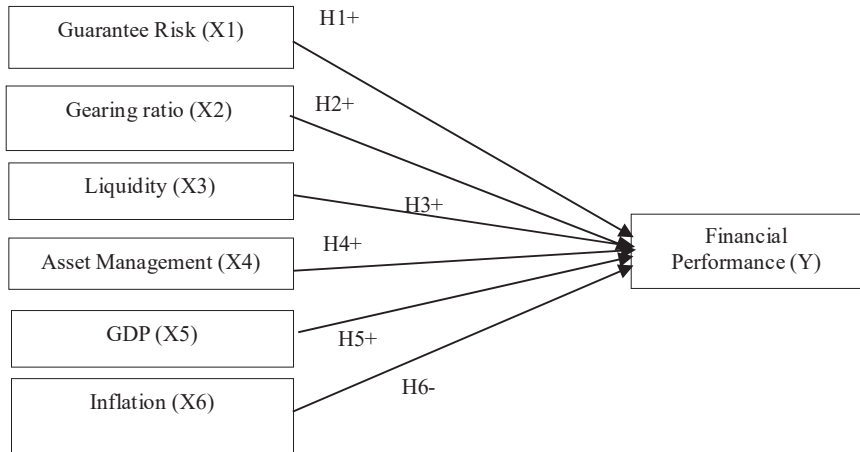

Figure 1: Research Framework
Source: developed in this study (2022)

METHODOLOGY

The population of this study was 18 Jamkridas in Indonesia which published financial reports for 7 years, from 2014-2020. Of these, there were 16 Jamkrida with complete financial data; the details were 15 Jamkrida that published annual financial reports for 7 years (105 observations) and 1 company that issued financial reports for 5 years (5 observations). After processing, there were 20 abnormal observations, so the final data amounted to 90 observations.

The definition of research variables and their measurements are described as follows:

1. Financial performance describes a company's ability to earn profits to total assets or return on assets and was measured by percentage (Mazviona, 2017).

2. Liquidity: The comparison between current assets and current debt was measured by a percentage (Batool & Sahi, 2019).

3. Guarantee Risk: comparison between net claims and net guarantee services and was measured as a percentage (OJK, 2017).

4. Gearing Ratio: the total value of underwriting or re-insurance that is self- borne to equity and was measured by a decimal (OJK, 2014).

5. Asset Management: asset turnover capability or total asset turnover = sales divided by total assets and was measured by the number of turns (Utami & Pardanawati, 2016).

6. Gross Domestic Product: the market value of all final goods and services produced in a country in a period and was measured by GDP in billions of Rupiah (Mankiw, 2009). The GDP data here is the data for each region in accordance with the Financial Statements published by the Central Bureau of Statistics.

7. Inflation: the tendency for prices to increase in general and continuously and is measured by percentage (Samuelson, 1992). The inflation data

here is inflation data for each region provided by the Central Bureau of Statistics. The period of inflation corresponds to the period of PT. Jamkrida's Financial Statements.

This study used secondary data from the publication of financial statements on each PT. Jamkrida's website, while the method of collecting it was documentation. The data obtained from the target population were then analyzed using multiple regression analysis with the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e$$

Where:

Y   : Financial Performance
X_1 : Guarantee Risk
X_2 : Gearing Ratio
X_3 : Liquidity
X_4 : Asset Management
X_5 : GDP: Gross domestic product
X_6 : Inflation
α : Constanta
β : Regression coefficient
e   : error term

The steps of multiple linear regression analysis included descriptive statistics, classical assumption test of multiple linear regression, model fit test and t-test. All of these steps were processed with the help of the SPSS application.

RESULTS AND DISCUSSION

Descriptive Statistical Results

Table 1: Descriptive Statistics Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity	90	117.51	991.80	552.2573	240.35131
Guarantee Risk	90	5.77	65.73	38.2547	15.80853
Gearing Ratio	90	1.06	25.53	10.8887	5.93003
Asset Management	90	1.00	1.42	1.1383	.09332
Gross Domestic Product	90	56374.00	2816750.00	702385.6000	794850.94950
Inflation	90	1.05	11.58	3.7057	2.10561
Financial Performance	90	4.72	9.86	7.1640	1.06354
Valid N (listwise)	90				

Source: Processed secondary data, 2022

Table 1 shows the minimum liquidity value of 117.51 and maximum of 991.80 on average 552.25 classified as liquid, greater than the standard deviation of 240.35, showing that the difference in data on the liquidity variable was low. The minimum value of guarantee risk was 5.77, and the maximum value was 65.73, with an average of 38.25, which was greater than the standard deviation of 15.80. The gearing ratio minimum value was 1.06, and the maximum value was 25.53, with an average of 10.88 greater than the standard deviation of 5.93. The average value of asset management was 1.13; the lowest value was 1.00, and the highest value was 1.42, with a standard deviation of 0.09, which was greater than the average, indicating the difference in data on the asset management variable was low. The average value of Gross Domestic Product (GDP) was 702385.60, the lowest value was 56374, and the maximum was 2816750 with a standard deviation of 794850.94, which was higher than the average, which indicated that the difference in data on the GDP variable was high. The average value regional of inflation obtained from BPS data was 3,70, and the standard deviation value of 2.10 was smaller than the average, which indicated that the difference in data on the inflation variable was low. Financial performance with a minimum score of 4.72 and a maximum value of 9.86 with an average of 7.16 was greater than the standard deviation of 1.06. Overall, the mean value was greater than the standard deviation value, which meant that the data was increasingly spread out and was homogeneous.

Multiple Linear Regression Classical Assumption Test Results

The results of the normality test in Figure 2 showed that the points spread around the diagonal line and followed the direction of the diagonal line, so it can be concluded that the data was normally distributed.
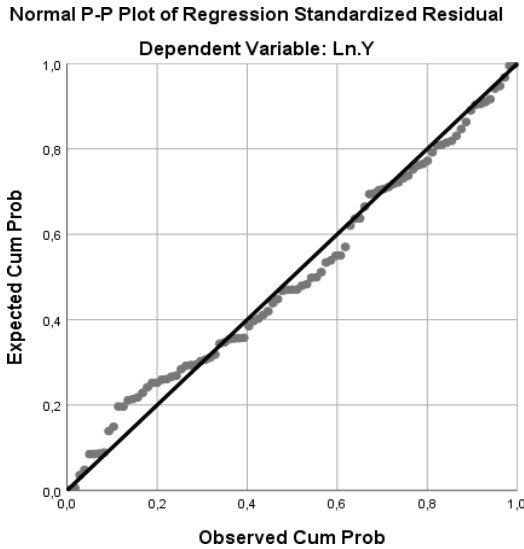

Figure 2: Normal P-Plot Source: Processed Secondary Data, 2022

The results of the heteroscedasticity test using the Glejser test showed that the sig-value on liquidity was 0.930, guarantee risk 0.929, gear ratio 0.838, Asset Management was 0.957, GDP 0.918 and Inflation 0.875 where p was greater than = 5%. It was concluded that there was no heteroscedasticity disorder in the regression model, in other words, all independent variables in this model had the same/homogeneous distribution of variance.

Multicollinearity test results showed that this research model did not contain bias between independent variables; it was proven that the tolerance value was > 0.1, namely Liquidity 0.930, Guarantee Risk 0.929, Gearing Ratio 0.836, Asset Management 0.957, GDP 0.918 and Inflation 0.875, also VIF value < 5, Liquidity 1.075, Guarantee Risk 1.076, Gearing Ratio 1.193, Asset Management 1.045, GDP 1.089 and Inflation 1.142 then the research

data was classified as having no multicollinearity disorder in the regression model. Also, no autocorrelation bias was detected from the Durbin-Watson test, as indicated by its score of 1.369 (between the range of -2 and 2)

Model Feasibility Test Results

The model feasibility test using the F test showed a sig value of 0.005, less than 0.05, so the model test was significant because the model formulated in the research was declared fit or feasible. Value adjusted R Square of 0.138, meant that the modeled variable can explain the financial Performance of 13.8%, while other factors explain the remaining 86.2%.

Hypothesis Test Results

Table 2: Significance Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig. Tolerance	Collinearity Statistics
	B	Std. Error	Beta			VIF
1 (Constant)	.925	.298		3.104	.003	
Liquidity	.083	.030	.285	2.792	.007	.930 1.075
Guarantee Risk	.046	.029	.163	2.073	.041	.929 1.076
Gearing Ratio	.025	.022	.121	2.349	.021	.838 1.193
Asset Management	.419	.189	.223	2.212	.030	.957 1.045
Gross Domestic Product(GDP)	.021	.013	.165	2.596	.011	.918 1.089
Inflation	-.015	.031	-.053	-2.534	.013	.875 1.143

a. Dependent Variable: LnY

Source: processed secondary data (2022)

Table 2 shows that Guarantee Risk was sig 0.041 with a positive coefficient of 0.046, meaning that Guarantee Risk had a significant positive effect on financial performance, so H1 was accepted. This results strongly support the Resource Based-View and Risk Management Theory in linking guarantee risk with financial performance. The importance of the role and application of risk management principles, companies should consistently give full attention and carry out risk analysis in making decisions to mitigate the risks of other parties, namely loans from financial institutions, business actors and the community directly. These reasons are the basis that

the increase in guarantee risk has no significant effect on PT. Jamkrida's financial performance (Tsvetkova et al., 2021). The results of this study are in line with the research of Zainudin et al. (2018), which stated that claim risk was positively correlated with profitability.

Table 2 also shows Gearing ratio was sig 0.021 with a positive coefficient of 0.025, meaning the Gearing ratio had a significant positive effect on financial performance, indicating that if the gearing ratio increased, then financial performance was getting healthier and better, H2 was accepted. The results of this study explain that the pandemic condition greatly affected the gearing ratio level where the volume of guarantee increased or the outstanding credit guaranteed was increased. At the same time, with the addition of a deposit of capital, the gearing ratio level will certainly decrease. A low gearing ratio means the company has a stable financial condition, especially capital strength in line with the results of research on Risk-Based Capital by Wahyuddin and Mauliyana (2021) and Putra (2017) in insurance company research, where risk-based capital was a measure of financial security or health insurance companies had a positive and significant effect on profits. On the other hand, if the gearing ratio was high, the company is vulnerable to an upturn in the business cycle. Besides, shareholders still want high profitability and profit sharing in the form of good dividends that are not offset by additional capital. The higher the value of the gearing ratio, the higher the risk borne by Jamkrida, which can affect the increase in company profits, and financial performance will increase. If the coefficient is positive, it means that Jamkrida 's ability to manage its assets and liabilities is under the level of risk it faces. This results align with the research of Wahyuddin and Mauliyana (2021) and Putra (2017) that risk-based capital positively affects profitability.

Table 2 shows liquidity with a sig value of 0.007 with a positive coefficient of 0.083, which meant that liquidity had a significant positive effect on financial performance, so H3 was accepted. These results are in line with Batool and Sahi, (2019) that increased liquidity can predict improved financial performance. This means that in a declining national economy due to the pandemic, public trust in PT. Jamkrida tended to increase. The faster the company can pay off the number of claims submitted, the higher the liquidity capability and performance. The increase in liquidity must be balanced with the desire and awareness of the public and financial

institutions regarding risk mitigation sharing measures from lending and long-term default risks to credit guarantee institutions. In the Agency Theory, the provincial and local governments and the Board of Directors create strategies, processes, and supervision to increase PT. Jamkrida's profitability. A policy regarding activity restrictions during the pandemic did not hinder sales growth. Operational activities were considered very effective, efficient, and innovative with the right allocation and management of assets, especially investments in systems and technology. The increase in the number of claims due to the increase in bad loans and the successive victims due to the Covid-19 outbreak did not affect the level of liquidity by arranging in an orderly manner the claims reserve to maintain a liquidity level above 120% under the rules of the Financial Services Authority

Number 6/POJK .05/2014. The increase in product sales automatically increased the receipt of guarantee fees (IJP), where IJP was the main factor in increasing current assets. Although on the other hand, the increase in current assets is, of course, followed by an increase in current debt in the form of obligations such as claims payable, premiums payable to reinsurers, accrued expenses, and other debts. In addition, the existence of subrogation income will increase cash inflows. Increasing liquidity, meant that PT. Jamkrida already had sufficient funds to meet obligations, especially the obligation to pay the Guaranteed party's claims at any time (Mazviona, 2017).

Table 2 also shows that Asset Management had a value of sig 0.030 with a positive coefficient of 0.419, meaning that asset management had a significant positive effect on financial performance, so H4 was accepted. Asset management, as measured by the level of asset turnover, indicates that if it increases, income will increase and has the potential to improve financial performance. This can happen; the more turnover increases, the receipt of the premium will also increase, so it has the potential to increase profits. The results of this study support the research of Sriwiyanti, Damanik, & Martina (2021), there is a significant effect between asset management proxied by total asset turnover on financial performance.

Table 2 also shows that GDP was sig 0.011 with a positive coefficient of 0.021, meaning that GDP had a significant positive effect on financial performance, so H5 was accepted. This implied that the higher GDP will lead to an increase in PT. Jamkrida's financial performance. This is similar

to the findings of Batool and Sahi (2019), Deyganto and Alemu (2019), and Burca and Batrinca (2014), which revealed that GDP had a significant positive effect on financial performance. This indicated that with the national economic growth rate due to the support of MSMEs, where PT. Jamkrida played an active role through guarantee product programs in collaboration with various related agencies and this growth simultaneously increased the income and volume of the guarantee.

Table 2 also shows that Inflation was sig 0.013 with a negative coefficient of -0.015, meaning that inflation had a significant negative effect on financial performance, so H6 was accepted. This meant that higher inflation led to a decline in PT. Jamkrida's financial performance due to the inability to purchase power and the declining ability to pay credit due to the pandemic conditions. The results of this study support the research of Batool and Sahi (2019), Lestari and Pratama (2021), and Pervan, Poposki, and Curak (2014) which revealed that inflation had a significant negative effect on performance.

CONCLUSION

This article presented that specific internal factors: guarantee risk, gearing ratios, liquidity, and asset management, have a significant positive effect on financial performance. External factors also affect financial performance PT. Jamkrida; GDP has a significant positive effect, and inflation has a significant negative effect. In this case, internal and external regulations are very important as the basis and benchmark for managing operations, management, and strategies to achieve business profit. Performance of PT. Jamkrida during the Covid-19 pandemic generally had a positive growth, that was always in the corridor of rules and regulations.

The results of this study are expected to enrich the management accounting and risk management literature by providing empirical evidence of the effects of internal and external factors on the financial performance of credit guarantee companies. In addition, it strengthens support for the Agency theory and Resourced-Based View in explaining the strength of internal resources and external conditions.

This research has limitations as indicated by the adjusted R square of 13.8%, so it is possible that 86.2% of other variables can explain their influence on financial performance, therefore opening the opportunity to add specifications for other internal factors, such as size, age, leverage and macroeconomic factors such as interest rates, per capita income and exchange rates.

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