

Factors Affecting Financial Performance of Old Age Protection in BPJS Ketenagakerjaan (Indonesian Social Security) before and during Pandemic

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Abstract- This research aims to determine factors affecting financial performance of old age protection in BPJS Ketenagakerjaan. In this study, there are five independent variables such as: Solvability ratio, effectiveness of membership, effectiveness of fee, efficiency ratio, and varian ratio, while dependent variable is growth assets measured by Return on Net Asset Ratio. The method of multiple linear regression analysis was utilized twice before and during pandemic with using 2019 and 2020 data to determine the factors that influence financial performance. The result of this study shows that solvability and efficiency significantly affects the financial performance of old age security program before and during pandemic while effectiveness of membership, effectiveness of fee, and varian do not have significant impact. At the end, this study is expected to help management in BPJS Ketenagakerjaan improve financial performance of Old age security program.

Keywords- Solvability ratio, efficiency ratio, financial performance, effectivity ratio, Varian, non-profit institution, government institution.

I. INTRODUCTION

Managed fund of Old Age Security (JHT) has the highest number of Net Asset among other programs. Based on BPJS Ketenagakerjaan (Indonesian Social Security) financial report from 2017 until 2020, the Old Age Security' net asset reaches approximately 80% compared to total net asset of BPJS Ketenagakerjaan. In 2019, the amount of net asset of Old Age Security was about Rp. 317,620,390 (in million) (BPJS Ketenagakerjaan Financial Statement, 2019) and in 2020 it increased Rp. 29,134.690 (in million) to become Rp. 346,755,080 (in million) and still became the highest amount of managed fund among the other programs (BPJS Ketenagakerjaan Financial Statement, 2020). Managed fund of Old Age Security also faced the biggest challenge among the other programs.

The eagerness of Indonesian people trying to quickly liquefy the old age fund represents the low knowledge about social security. Besides that, the existence of Covid19 pandemic situation which increases the rate of unemployed worker in Indonesia will stimulate people to claim the old age security fund.

BPJS Ketenagakerjaan is a national institution of Indonesian Government which has a noble objective to cover all of formal and informal workers in Indonesia (Law Number 24, 2011). It indicates that the objective should encourage institution to gather all of workers to be registered in BPJS Ketenagakerjaan membership.

Automatically, the increase in membership should be expected proportional to fee revenue of the programs. However, do the increasing number of membership and fee sign the good financial performance? It is true there might be a possibility to be associated (Peter, 2019; Peter, 2018; Wanglin, et al., 2020; Fan et al., 2017). On the other consideration, BPJS Ketenagakerjaan as the governmental institution has been trusted to be optimal by considering the liquidity aspect (Government Regulation Number 99, 2013). To keep the sustainability program of Old Age Security, of course the number of liabilities should be maintained well.

The Regulation also stated that in order to achieve the financial health, liquidity is needed to increase the net asset of Old Age Security (Government Regulation Number 99, 2013) and supported by theory from previous research (Batsirai et al. 2017; Maleya et al., 2016; Rusli et al., 2019; Yeti, 2020). Therefore, this research is made to understand to what extent liquidity explained by total liabilities can affect the financial performance especially in Old Age Security.

As a governmental and non-profit institution, surely the factors being assessed by government are efficiency and realization of budget (Law Number 17, 2003). For the last four years, this social security institution was quite efficient by achieving higher revenue realization compared to expenses especially in Old Age Security. Besides that, the budget absorption was also good by implementing the internal policy obligating the offices to be high in budget

absorption by reaching more than 95% (Law Number 17, 2003).

Table 1. Revenue compared to Expenses realization of Old Age Security (BPJS Ketenagakerjaan Financial Report).

Year	Total Revenue Realization of Old Age Security (Million Rupiah)	Total Expenses Realization of Old Age Security (Million Rupiah)
2016	32,979,754	17,973,040
2017	37,322,310	32,979,754
2018	42,455,110	37,322,310
2019	47,438,165	42,394,066
2020	49,368,693	36,388,047

However, do efficiency and good budget absorption also affect the financial performance of Old Age Security? Many previous researches supported this theory (Ajeng et al. 2021; Rita 2019; Dimas et al., 2016; Peter, 2018; Oktonius, 2011). Therefore, this problem also is expected eventually to be answered with the result of this study.

The existence of a pandemic that begins in 2020 is likely to have a broad impact on financial conditions, as evidenced by various prior researches. Kenang et al. (2021) found that financial condition of company before and during pandemic was different marked by significant change in financial ratios. This result was also discovered by Maria et al. (2021) explaining that the Covid19 pandemic has made a significant difference to the financial condition of companies in Indonesia. Ferina et al. (2021) and Alifa et al. (2021) elaborating that the pandemic has a significant impact on financial indicators like solvency and liquidity.

To examine what kind of things that influence the financial performance of institution or organization, it urgently needs the financial analysis. Peter (2019) conducting two researches that financial effectiveness and financial efficiency variables are the financial performance indicator on USA Hockey Inc., and in USA Table Tennis association which are nonprofit institution in Louisiana, USA. Batsirai et al. (2017) stated that leverage and liquidity affect financial performance of Insurance companies positively. Dorina et al. (2016) in their research explore that liabilities and liquidity are the factors that have positive relationship to financial performance of insurance companies in Albania.

After examining the influencing factors of financial performance itself, it is important to determine the strategy of improving in order to ease the decision making for big management in the future. Based on the factors affecting the performance, suitable strategies can be formulated. Rahmah (2020) explained that strategies for improving financial performance using SWOT analysis is increasing productivity of private sector while Timbul (2017) also with SWOT analysis determined that financial policy

should be the main strategies to improve financial performance. Based on the research background, the objective of this research are describing financial condition before and during pandemic and analyzing factors and strategies affecting and improving the Old Age Protection financial performance in BPJS Ketenagakerjaan.

II. METHOD

This type of research is descriptive quantitative. The data used in this research is secondary data. The secondary data are Old Age Protection Financial Reports, budget absorption realization, net asset report, change in net asset report, and surplus deficit reports of 123 branches of BPJS Ketenagakerjaan from 2019 and 2020. Population in this research is all of the BPJS Ketenagakerjaan branches. There are 123 branches in Indonesia and all the population are used in this study. Therefore the data of this research is 123 secondary data before pandemic (2019) and 123 data during pandemic (2020) of financial report of BPJS Ketenagakerjaan branches.

Variables in this research are divided by two, independent and dependent Variables. Independent variables are: solvability ratio, often known as the Leverage Ratio, is a ratio that compares total liabilities to total assets, effectiveness ratio of fee revenue which compares fee revenue realization to fee revenue targeted, efficiency ratio, is a ratio that compares the realization of expense with realization of income, effectiveness ratio of membership coverage which compares membership coverage realization to membership targeted, and varian ratio, a ratio that compare realization of budget absorption to targeted budget. Dependent variable is the financial performance, which can be measured by comparing change in Net asset with Total Net Asset.

For this research, multiple linear regression analysis method is used to determine factors affecting old age security financial performance in BPJS Ketenagakerjaan. The multiple linear regressions will be held two times, the first, multiple regressions in finding data analysis from data of 2019 or ordinary data before pandemic struck. Then, the second is multiple regressions of 2020 data to find whether any differentiation in result before and when pandemic hit.

$$Y_{i2019} = \beta_0 + \beta_1x_{i1} + \beta_2x_{i2} + \beta_3x_{i3} + \beta_4x_{i4} + \beta_5x_{i5} \dots + e_i, i=1, 2 \dots n \quad (1)$$

$$Y_{i2020} = \beta_0 + \beta_1x_{i1} + \beta_2x_{i2} + \beta_3x_{i3} + \beta_4x_{i4} + \beta_5x_{i5} \dots + e_i, i=1, 2 \dots n \quad (2)$$

Note: $Y_{i2019/2020}$ (Financial performance 2019 or 2020), β_1x_{i1} (Solvability Ratio), β_2x_{i2} (Effectiveness of Fee Revenue), β_3x_{i3} (Effectiveness of membership coverage), β_4x_{i4} (Efficiency Ratio), β_5x_{i5} (Varian Ratio), e_i (error).

Before proceeding to the multiple regression analysis, the classic assumption tests should be fulfilled. Normality, Multicollinearity, Autocorrelation, and Heteroscedasticity are the four tests that are used. The model regression meets the assumption of normality if the data spreads around the diagonal line and follows the diagonal line's orientation, or if the histogram graph displays a normal distribution pattern. The multicollinearity test is used to see if there is a correlation between the independent variables (independent) in a regression model. The model is deemed to be free of multicollinearity if the Variance Inflation Factor (VIF) < 10 and the tolerance value > 0.1. The model is deemed to get multicollinearity if the VIF > 10 and the tolerance value < 0.1.

The autocorrelation is used to determine whether observations are always correlated with each other. If the value of Durbin Watson </> dL value, then the autocorrelation is detected. If the value of Durbin Watson located between dU and 4-dU, then there is no autocorrelation. The heteroscedasticity test was used to see if there was a variance inequality from one observation residual to another in a model regression. There is no heteroscedasticity if there is no evident pattern and the dots are evenly spaced above and below the number 0 on the Y axis (Ghozali, 2018).

Based on the problem and previous research, the hypotheses of this research are elaborated as following: H1: Solvability ratio has a negative and significant impact to financial performance before and during pandemic. H2: Effectiveness of Fee Revenue has positive and significant impact to financial performance before and during pandemic. H3: Effectiveness of Membership Coverage has positive and significant impact to financial performance before and during pandemic. H4: Efficiency has a negative and significant impact to financial performance before and during pandemic, and H5: Varian Ratio has positive and significant impact to financial performance before and during pandemic.

III. RESULT

1. Factors Affecting the Old Age Protection Financial performance before and during Pandemic:

To determine the factor affecting the old Age Protection financial performance in BPJS Ketenagakerjaan, the method used is multiple regression analysis. Before continuing to multiple regression method, there are some tests that should be fulfilled before multiple regressions which commonly mentioned as Classic Assumption Test. normality test was conducted by graphic analysis resulted from SPSS. At the first test of Normality, it was found that the data were not normally distributed; therefore the writer discarded 26 outlier data from 2019 regression, and 49 data from 2020. Removing outlier is one of the methods to normalize data while there is transformation and many more (Jason, 2002). However, the writer chose outlier

removing since it would be complicated to interpret the result if using transformation. After discarding the outlier, the data fulfilled the normality and the number of population became 97 for the first regression and 74 for the second regression. In multicollinearity test, all variables have a Variance Inflation Factor (VIF) < 10 and a tolerance value > 0.1 in 2019 and 2020 so the model is stated to be free of the problem of multicollinearity. 1.899 of Durbin Watson score in 2019 which is between dU (1.778) and 4-dU (2.222) and 1.907 in 2020 which is between dU (1.482) and 4-dU (2.231) indicating that there is no autocorrelation problem in the model. Then, the dots of scatterplot spread over and below the number 0 on the Y axis for both regressions explaining that there is no heteroskedasticity found. Therefore, the multiple regression analysis is served in table 2 and table 3.

Table 2 and 3 show F-statistic 0.000 for both 2019 and 2020 regression. This indicates that variables solvability ratio (X1), effectiveness fee (X2), effectiveness member (X3), efficiency (X4), and varian (X5) have a significant effect on the financial performance of Old Age Security BPJS Ketenagakerjaan in both regressions. From the result it can be viewed that there is no difference before and during Covid-19 Pandemic. The adjusted R square for 2019 and 2020 are 0.904 and 0.941 as can be seen in Table 2 and 3 consecutively. This shows that the independent variables solvability (X1), effectiveness fee (X2), effectiveness member (X3), efficiency (X4), and varian (X5) have the ability to explain 90.4 percent and 94.1 percent of the financial performance of old age security BPJS Ketenagakerjaan (Y), with the remaining 9.6 percent and 5.9 percent due to the influence of variables not included in this analysis.

Table 2. Factors Affecting Financial Performance of Old Age before Pandemic (2019).

Variable	Coefficient	Std. Error	t-statistic	Sig.
Solvability2020	-8.674	2.946	-2.945	0.004
Ef.Fee2020	0.041	0.011	3.595	0.001
Ef.Member2020	0.001	0.004	0.178	0.859
Efficiency2020	-0.197	0.009	-20.778	0.000
Varian2020	0.012	0.016	0.745	0.458
F-Table	0.000			
Adj. R-Squared	0.904			

On table 2, the solvability ratio (X1) has a negative regression coefficient of -8.674 and 0.004 for significance values. This means that, the ratio Solvability (X1) has a partially negative and significant effect on the financial performance of BPJS Ketenagakerjaan's Old Age Security (Y) in 2019. Then on table 3, the regression coefficient of solvability ratio is -6.658 and 0.005 for significance values indicating the significant and negative effect on financial performance in 2020. Therefore, it can be concluded that H1: Solvability ratio has a negative and significant impact to financial performance before and during pandemic is

accepted. This finding supports the result of previous research by Gleason et al., Simerly and Zeitun (in Maleya and Willy 2016) that stated solvability has a negative and significant effect of financial performance and the research by Rusli et al. (2019) and Yeti (2020) explaining that solvability had a significant effect on financial performance and contrary with research by Desmon et al. (2022) explaining that solvability does not significantly affect financial performance.

In terms of solvability, which is closely linked to old-age security, it will, of course, have a significant impact on financial performance because the higher the guarantee debt, the greater the burden to be paid for old-age security, which has a direct impact on changes in net assets and as an indicator of financial performance. High debt is unavoidable, especially during a pandemic, due to the public's desire to claim old-age insurance given the high rates of layoffs.

Table 3. Factors Affecting Financial Performance of Old Age during Pandemic (2020).

Variable	Coefficient	Std. Error	t-statistic	Sig.
Solvability2020	-6.658	2.269	-2.935	0.005
Ef.Fee2020	0.017	0.011	1.468	0.147
Ef.Member2020	-0.002	0.004	-0.409	0.684
Efficiency2020	-0.191	0.007	-27.866	0.000
Varian2020	0.015	0.083	0.178	0.860
F-Table	0.000			
Adj. R-Squared	0.941			

The significance value of t for the variable effectiveness fee (X2) in 2019 is 0.001 and coefficient 0.041, which is lower than $\alpha = 0.05$ and has positive t value as shown in Table 2 and 0.147 with coefficient 0.017 in 2020 which is higher than $\alpha = 0.05$ and has positive t value in Table 3. These numbers indicate that H2 is rejected, and it can be stated that the ratio effectiveness fee (X2) has a partially positive and significant effect on the financial performance of BPJS Ketenagakerjaan's Old Age Security (Y) before pandemic and positive but non-significant effect during pandemic.

The finding before pandemic supports the research conducted by Peter (2018) stated that effectiveness of revenue affected the financial performance of United States Hockey non-profit institution and Oktonius (2011) who held research in Indonesian Tax Office explaining that effectiveness of tax revenue significantly affected the financial performance of Indonesian tax office. The effectiveness fee that had a significant effect before the pandemic and a different effect during the pandemic that did not have a significant effect must be examined and this occurred since the amount of fee revenue reduced during the pandemic where many businesses (employers) have seen a fall in their ability to pay contributions, particularly micro, small, and medium-sized businesses, therefore, fee

revenue in old age protection has no impact on financial performance.

Variable effectiveness member (X3) has positive regression coefficient of 0.001 and 0.859 for significance value in 2019 from table 2, and negative regression coefficient of -0.002 with 0.684 significance value in 2020 from table 3. These numbers indicate that H3 is rejected, and it can be stated that the ratio effectiveness member (X3) has a partially positive but non-significant effect on the financial performance of BPJS Ketenagakerjaan's Old Age Security (Y) before pandemic, and negative and non-significant effect on the financial performance during pandemic.

The finding before pandemic supports the research from wanglin et al. (2021) elaborating that membership of non-profit organization could affect financial performance in China. Due to the disproportionate amount of contributions collected from registered participants and the high number of claims from old-age insurance during the epidemic, effectiveness of membership has a negative effect. In line with the reality of the situation, the number of claims has dramatically increased in 2020 as a result of the number of employer layoffs. As a result, many workers claim the old-age insurance, and the payout is not equal to those of registered workers in the old-age security sector. Another problem is that many workers who are registered with the old-age insurance do not record their earnings according to actual field conditions or corporations that list only a portion of their wages. Workers' actual earnings, for example, were Rp. 2,000,000.00, but those who were told they were registered in the old-age insurance received just Rp. 1,000,000.00.

This will render the effectiveness of the labor registered with BPJS Employment ineffective, as even if the workforce target is met, it will not be accompanied by a considerable rise in contributions, which would have a negative influence on the old-age insurance's financial performance. This also becomes the reason why during the pandemic, the effectiveness of worker achievement, particularly old age protection, has no substantial impact on financial performance.

The significance value of t for the variable efficiency (X4) is 0.000 in 2019 and 2020, which are lower than $\alpha = 0.05$ and have negative t value as shown in Table 2 and 3. This number indicates that H4 is accepted, and it can be stated that the ratio efficiency (X4) has a partially negative and significant effect on the financial performance of BPJS Ketenagakerjaan's Old Age Security (Y) before and during pandemic. Due to the strong relationship between costs and revenues, which are the cause of changes in old-age insurance net assets, efficiency is also a significant element both before and during the pandemic. This means that the more efficient the institution is, the more positive and larger the change in net asset value will be. This

finding before and during pandemic supports research from Fan L. et al. (2017) stated that efficiency significantly affect the financial performance in China, and finding from Oktonius (2011) and Peter (2019) explaining that efficiency was the one factor that significantly affect the financial performance in Tax office and non-profit organization.

The significance value of t for the variable varian (X5) in 2019 is 0.458 and in 2020 is 0.860, which are higher than $\alpha = 0.05$ and have positive t value as shown in Table 2 and 3. These numbers indicate that H5 is rejected, and it can be stated that the ratio varian (X5) has a partially positive but non-significant effect on the financial performance of BPJS Ketenagakerjaan's Old Age Security (Y) before and during pandemic. Due to the usage of an off-target budget, the variance variable (budget absorption) has no influence before and during pandemic. Even though the total absorption reported a respectable value, the possibility of improper absorption must be investigated further. This finding supports research from Rita et al. (2019) stating that varian (budget absorption) positively but not significant influenced financial performance of local governmental institution in Indonesia and meanwhile different with research from Oktonius (2011) explaining that varian positively and significant affected financial performance of tax office in Indonesia.

2. Managerial Implication:

According to the findings, BPJS Ketenagakerjaan should be more worried about the efficiency and solvability since it has a significant impact on financial performance, particularly for the Old Age Security program before and during pandemic. In the old age program, efficiency is intimately linked to the usage of costs and burdens. One of the reasons why efficiency must be maintained is that the bigger the burden of old age, if it is not supported by the receipt of high contributions, will influence the level of efficiency, which can damage the old age program.

Management can raise the efficiency rate by socializing more about financial literacy that can change society's perspective about old age protection so that they will not try to claim as soon as possible. Furthermore, to achieve more efficiency rate, management has to concern about fee revenue related to old age protection. The higher the revenue of old age, the higher the efficiency will be. This can be reached by increasing the obedience of fee payment to BPJS Ketenagakerjaan.

Pandemic might directly affect the fee receivable; however, in the long term the fee effectiveness of old age contributes directly to efficiency and financial performance. Then about solvability, it is true that during pandemic the rate of claim liabilities increased significantly which made high ratio of solvability in BPJS Ketenagakerjaan, however in fact, the management could press the number of solvability low by having the same

reason as raising efficiency, doing socialization to encourage people not to claim the old age protection quickly.

Regarding effectiveness fee which only significantly influences the financial performance before pandemic, the reason behind it was the ability of employer went low during pandemic to fulfill the contribution to BPJS Ketenagakerjaan. That situation was normal since pandemic weakened the economic power of all business entities. Management of BPJS Ketenagakerjaan can concern in fee control through strengthen the responsibility of supervisor and examiner of fee receivable so that the number of fee receivable would be paid off by employer in the future. Hopefully when pandemic goes to the end, the effectiveness fee should be significantly influence the financial performance again.

Effectiveness Member either before or during pandemic did not contribute significantly to financial performance of old age protection. Moreover, during pandemic, that factor even contributed to negative effect on performance which meant the increasing of member even reducing the number of financial performance. For this problem, management should analyze more to membership system. Probably there are many employers registering their employees did not give actual information related to employees' condition for example the number of wages and many more in accordance with explanation in result chapter. Management should socializing more for employers in Indonesia to provide transparency regarding data in objective to give a prosperous future for all workers.

Varian (budget absorption) positively affect the financial performance; however it did not significantly have influence. For this factor, the management should study and observe if the utilization of budget in BPJS Ketenagakerjaan already appropriated related to budget rule. There might be a possibility to have an improper usage in many branches in Indonesia that need to be investigated further. The other reason, pandemic might also change the budget application during 2020 since many budget shifting happened at that time to face pandemic struck and this thing would be recovered at the time when pandemic has come to an end.

IV. CONCLUSION AND RECOMMENDATION

1. Conclusion:

According to the statistic test, before the pandemic, the solvability (X1), Effectiveness fee (X2) and efficiency (X4) had a significant impact on the old age security financial performance in BPJS Ketenagakerjaan, as indicated by the significance value of the t test for the four variables being less than 0.05, while the variables effectiveness member (X2), and Varian (X5) had no significant impact. During the pandemic, solvability (X1)

and efficiency (X4) had a significant effect on financial performance while other variables: effectiveness fee (X2), effectiveness member (X3), and varian (X5) do not have significant effect. Therefore based on the finding, it was true that Covid-19 has an impact on the financial performance of BPJS Ketenagakerjaan's old age security.

2. Recommendation:

Due to a lack of data, the researcher did not include 2021 data in the study; however, it is hoped that the 2021 data will be added in future research to gain more relevant results connected to the influence of covid19. Due to a lack of study time, the studies mainly look at the financial performance of the old-age security scheme. Since BPJS Ketenagakerjaan offers other programs, it would be advisable to conduct additional research using those programs, such as accidental security, death security, and pension security, to determine if there are any changes in study outcomes. Researchers are just concerned with financial success; further research is required to learn about other aspects such as investment performance and so on. There are 9.6% and 5.9% of additional variables that were not included in the study in terms of the coefficient of determination. As a result, more researches are expected to be able to include more elements that may affect BPJS Ketenagakerjaan's financial performance.

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