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ACCOUNTANTS ROLE CREATING COMPETITIVE NEW BRAND TRUCK FINANCE PRODUCTS FOR PT SM FINANCE INDONESIA

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ABSTRACT

This research aims to show the approach used and the active contribution of PT SM Pembayaran Indonesia (SMPI) Accountants in supporting the creation of new financing products in the new SMPI segment, namely Chinese brand Heavy Trucks which are starting to penetrate sales in Indonesia, so that new financing products are produced by the company can compete in the Indonesian market and industry, which of course will provide positive asset growth and increase profitability at SMPI. SMPI's profitability is the main thing, which aims to accelerate the rate of return on investments made by shareholders, which is also fundamental in investing in establishing SMPI. This research method used is a real case study at SMPI after SMPI saw a new opportunity that had not been exploited by similar financing companies, by conducting an in-depth study of the quality and reliability of the selected Chinese Heavy Truck brand as well as the Indonesian market's acceptance of the selected Chinese Heavy Truck brand. has been operating and demonstrated growing market share gains in existing markets in Indonesia. This includes how SMPI Accountants play an active role in leading the creation of new financing products in new segments to support additional positive growth in SMPI assets and contribute to increased SMPI profitability. The research results show that one of the Chinese Heavy Truck brands has good feasibility in terms of readiness to be accepted by the market in Indonesia and from the perspective of profitability projections for SMPI to work together in jointly marketing SMPI financing solutions with financing products intended for Chinese Heavy Truck brands in the commodity industry certain.

Keywords: *Accountant contribution, New financing products, Chinese Heavy Trucks, Competing in the market and industry in Indonesia*

1. INTRODUCTION

Indonesia is a wide and large country with a land area of 1.9 million square kilometres and consisting of more than 17,000 islands. Stretching a distance of 5,500 kilometres from east to west. Indonesia is the largest economy in the Association of Southeast Asian Nations (ASEAN), with a GDP of $1.31 trillion in 2022. Indonesia is the fourth most populous country in the world, with a population of 270 million. Indonesia is one of the largest automotive markets in Southeast Asia and the only country among the ten ASEAN member countries to have a GDP exceeding $1 trillion.

Automotive market in Indonesia is divided into 2 (two) markets, passenger vehicles and commercial vehicles. In line with the COVID-19 recovery period and the government's ability to control all sectors from the impact of the COVID-19 pandemic, automotive market retail sales continue to increase from year to year. Along with market growth, the number of commercial vehicles continues to increase in line with market recovery with a commercial vehicle market share of around 24%. Due to the investment function of commercial vehicles and the ability to generate cash flow, the trend of commercial vehicles is more stable than passenger vehicles judging from annual sales fluctuations.

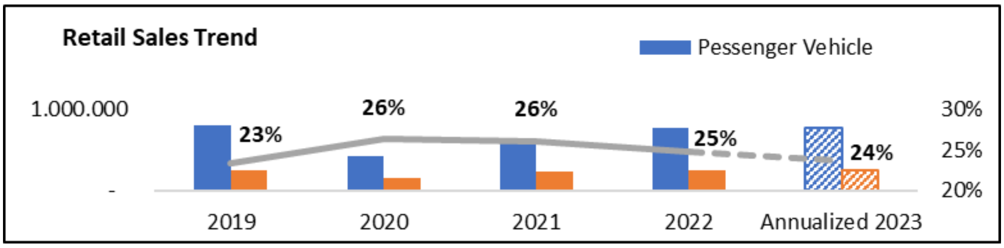

Figure 1. Actual Retail Sales Trend Actual 2019-2022 and Yearly Retail Sales 2023

PT SM Finance Indonesia (SMPI) is a multinational financing company operating in Indonesia, which has the aim of providing financing for certain new automotive brands in Indonesia (captive finance) that sell types of passenger vehicles that are growing in Indonesia. As time goes by, the company's growth requires new products that can be accepted by the Indonesian automotive market to drive healthy growth of company assets, increase company profitability and positive company value to all the company's main stakeholders. In addition to financing certain automotive brand cars (captive finance), SMPI has also developed several financing products to answer the needs of customers who need financing to obtain the dream car that customers need, including:

a) In 2020, used car financing products were introduced to answer the needs of the used car market for certain automotive brands.
b) In 2021, used car financing brand expansion products were introduced from used car financing for certain automotive brands (captive finance) WG and MG, then expanded to Japanese brand used cars.
c) In 2022, new products will be introduced for the new Liugong brand of heavy equipment originating from China.

Based on SMPI's experience in developing its financing business in stages as explained above, each of these different financing products can increase SMPI's business expansion by gaining a wider market share and healthier financing assets, thereby increasing SMPI's profitability both in terms of strength and profitability. SMPI in the financing market and of course provides additional profitability to SMPI from the financing assets obtained.

The emergence of increasingly stringent challenges in new automotive brand financing channels (captive finance) which reduces sales and customer credit quality from the OEM (Original Equipment Manufacture – Original Brand Holder's Manufacturer) side which could have a negative impact on SMPI growth and asset quality in 2023. In line with the challenges of the new automotive brand financing channel (captive finance), it also turns out that the new automotive brand financing channel (captive finance) is SMPI's main business, so that if SMPI only follows current market trends, it will be a threat to SMPI's performance in the future. running which can lead to the company's achievement in terms of good financing assets and profitability not achieving the budget that has been determined for 2023. Of course, SMPI will continue to compete and develop in the new automotive brand financing channel segment (captive finance) which is the goal The main focus of the company, however, it is felt necessary for the company to be able to develop new business segments that can provide additional support for new segmentations that can contribute to achieving the budget in 2023.

Based on SMPI observations at the start of the new product segment for new brands of heavy equipment originating from China in 2022, there are still customer needs for other types of main work equipment, so that complete financing is needed on the customer side which has been accepted by SMPI , where these observations continue to be consistently monitored in terms of work that has been carried out by SMPI heavy equipment customers and companies around the work project, needs when work is carried out at the work project site, fluctuations in commodity prices which tend to have a positive growth trend in Indonesia , as well as the development of new brands from China which have begun to penetrate and dominate the market in Indonesia in recent years. Translation of needs for work on commodity projects in the form of Heavy Trucks, which so far have not been included in SMPI heavy equipment financing.

Based on SMPI's observations of the customer base and commodity market conditions (where SMPI concentrates, starting with Heavy Equipment in 2022), new brands from China that have entered and dominated the market in Indonesia are divided into 2 (two) categories, namely:
a) Heavy Equipment is a large-sized machine designed to carry out construction functions such as earth working and moving building materials which are commonly used in commodity industries such as mining and plantations.
b) Heavy Truck is defined by SMPI as a truck that is designed and functions as a logistics or goods transportation tool in commodity work project areas, has a carrying capacity of more than 20 (twenty) tons and is a supporting tool in the commodity industry, such as carrying out the process of moving commodities in large quantities (above 20 tonnes) from one stacking place to another.

From the of observations result, assessments that have been carried out, as well as the review process of Liugong heavy equipment financing which has been implemented since 2022 by SMPI, it can be seen and measured the condition of the commodity industry, customer characteristics, level of asset quality and profitability generated for SMPI is positive, which means SMPI has:
a) well understanding of the commodity and industry conditions that has been financed
b) recognize customer characteristics that suit SMPI's appetite
c) to obtain much better controlled and asset quality
d) obtaining profitability level that meets SMPI's measurements and expectations

Therefore SMPI has strong confidence to enter a new segment that can become complement Liugong's heavy equipment financing by creating a new product, namely the Heavy Truck financing product. In this writing, we will explain the process and role of SMPI accountants in making assessments, measuring risks, calculating the profitability of Heavy Truck financing products, which during the initial observation process, compares 3 (three) Chinese brands that have a good reputation and market share, to be able to work together with SMPI in supporting their sales with financing solutions for existing SMPI customers or new customers who can meet SMPI's criteria.

The Indonesian Association of Accountants (*Ikatan Akuntan Indonesia* ~ IAI) has a definition of accounting, where accounting is the science of recording, analysing and communicating transactions or economic events of a business entity, which aims to produce and report relevant information for various interested parties in making decisions, so that a department is needed. reliable accounting in a company, in this case in a special industry, namely financing, which has specific PSAK rules that regulate the running of accounting in the accounting department.

The definition of accountants in this final work is a group of company employees in the accounting department who work at the SMPI company, where these employees are employees who graduated from the economics faculty majoring in accounting at universities across Indonesia and have gone through a selection process to be able to work in the accounting department at SMPI, who already have experience. in the financing industry in Indonesia or public accounting firms that interact with the financing industry. This group of accountants consists of 2 (two) specialist personnel, 1 (one) supervisory personnel, and 1 (one) head of the accounting department. They have also been equipped with brevet A and B tax certification, so they have knowledge of taxation in Indonesia which is closely related to the financing industry in Indonesia. SMPI accountants involve actively in a role creating new financing products which will be discussed in this final work, by conducting research on financing product needs and translating the resulting profitability calculations.

The financing product in this final work is a financial product that provides financial solutions for customers, both individuals and business entities, to be able to own 4 (four) or more wheeled vehicles in the form of passenger vehicles, commercial vehicles, heavy equipment vehicles, or heavy trucks. which can be used as a means of daily transportation, passenger transportation vehicles, goods logistics transportation vehicles (including services) or vehicles used as intensive work tools at certain project locations to carry out commercial activities in the commodity and/or mining industry.

Return on Equity (RoE) is a profitability measurement of the level of net income's ability to return the capital available to the company, which generally uses the formula as below:

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Total equity}}$$

According to Stephen A. Ross in his book Corporate Finance 11th edition, Return on Equity (ROE) is a measurement of the results that shareholders will receive in a measurement period or year. Where providing benefits in the form of appreciation to shareholders is an important goal, ROE, in the accounting sense, is a measure of actual performance. Apart from that, ROE is often also referred to as return on net assets because what is used as a divider is the net equity recorded in the company. According to Stephen A. Ross in his book Corporate Finance 11th edition (which is also written on Ivestopedia.com), economic capital is a measure of risk in relation to capital. More specifically, this is the amount of capital a company (usually in the financial services sector) requires to ensure that the company remains solvent given its risk profile.

Economic capital is calculated internally by the company, sometimes using an ownership model. The resulting figure is also the amount of capital the company must have to support all the risks it takes. Economic capital is used to measure and report market and operational risks across financial organizations. Economic capital measures risk using economic reality rather than accounting rules and regulations, which can sometimes be misleading. As a result, economic capital is considered to provide a more realistic picture of a company's solvency. The process of measuring economic capital involves converting a particular risk into the amount of capital required to support it. The calculation is based on the institution's financial strength (or credit rating) and expected losses.

Financial strength is the probability that a company will not become insolvent during the measurement period and is known as the level of confidence in statistical calculations. A company's expected loss is the average loss it anticipates over the measurement period. Estimated losses are a cost of doing business and are usually absorbed by operating profits. The relationship between the frequency of losses, the amount of losses, expectations of losses, financial strength or level of confidence, and economic capital can be seen in the following graph:

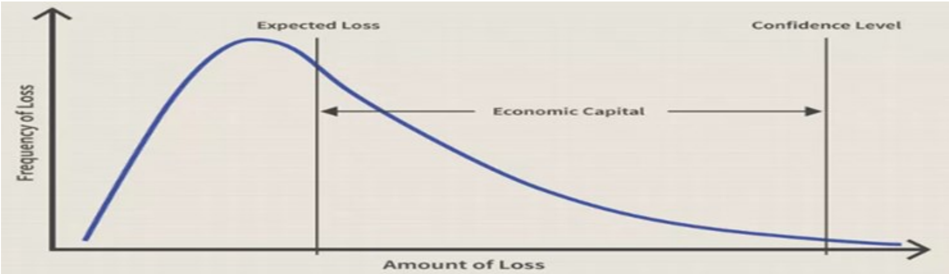

Figure 2. The relationship between the frequency of losses, the amount of losses

The calculation of economic capital and its use in the risk/reward ratio reveals which lines of business a financial services company should pursue that best utilizes the risk/reward trade-off. Performance measures that use economic capital includes return on risk-adjusted capital (RORAC); risk-adjusted return on capital (RAROC); and, economic value added (EVA). Business units that perform better in such measures can receive more corporate capital to optimize risk. Value-at-risk (VaR) and similar measures are also based on economic capital and are used by financial institutions for risk management.

ROE appears so prominently in determining sustainable growth rates, it is clear that the important factors in determining ROE are also important determining factors in company growth.
Furthermore, ROE can be formulated as a product of three factors:

$$ROE = \text{Profit margin} \times \text{Total asset turnover} \times \text{Equity multiplier}$$

Thus, increasing ROE will also increase the level of sustainable growth.

2. RESEARCH METHOD

This research was written using the actual case study method of the SMPI company, by studying in a focused and in-depth manner the types of SMPI business activities and analysing SMPI's financial performance. The data used as the basis for research was obtained from internal SMPI, which came from internal SMPI approval, including data in the Financial Report that had been audited by one of the 4 (four) largest KAPs in Indonesia and which had also been reported to the Financial Services Authority (OJK), where OJK is the official supervisory institution that supervises official and registered Financial Services Companies in Indonesia, as of 31 December 2022, as well as interim Financial Report data up to the second quarter of 2023 (in the month ending 30 June 2023).

In conducting research and analysis on the profitability of existing products and new products from SMPI, along with projections regarding the presence of new heavy truck products that will be implemented by SMPI, all of these portfolios are combined into one single company profitability, but can still be described for each. SMPI products. The author also uses market research methods related to various types of similar heavy trucks that are sold and operating in the Indonesian market, operational support (such as availability of spare parts, technical staff support in maintenance, etc.) for heavy trucks related to supporting the performance of heavy trucks in carrying out their work.

The profitability calculation method is calculated on brands that are felt to meet SMPI criteria and ends with a comparison of ROE as a basis for decision making and management accountability towards SMPI shareholders. The method used is a calculation method that is widely used in the Financing Institution industry with a specific formula that can separate profitability based on each product as a valid and accountable measurement basis.

SMPI is a financing company that has 4 (four) shareholders, where one of the controlling shareholders is a well-known company holding an automotive brand from China which started operating in 2017. As four-wheeled automotive sales grow, the importance of having a focused financing company is felt. supports brand holders, so SMPI was founded in 2018, and started operating in the second quarter of 2019, initially focusing on supporting financing for automotive brands from China with the initials WG. Which was continued by supporting the next brand MG in the second quarter of 2020 which also comes from China with the same shareholder ownership.

By having a company that holds automotive brands, the main goal of SMPI as a company is to support Indonesian customers to be able to own WG and MG brand vehicles through financing products that suit the tastes and target market in Indonesia for the WG and MG market segments. SMPI operates without any existing branches (branchless) in all WG and MG brand branches in more than 150 locations throughout Indonesia. Operating without branches is an SMPI Vision that the company believes can:

a) establish close business relationships with dealers
b) evolve quickly according to business needs
c) incur costs that tend to be more efficient by following the direction of the business strategy flexibly

SMPI's financial performance, which originates from the publication of Audit reports in cash newspapers each subsequent year in accordance with OJK regulations, can be seen in Table 3.1.

Table 1. Processed from the publication of SMPI's financial report published in the

(Presented in million IDR, unless stated differently)	2022	2021	2020	2019
ASSET				
Cash and Investment	557,256	551,589	554,384	597,798
Financing Receivables - Nett	2,093,968	1,423,573	539,695	292,895
Other Assets	81,986	93,373	92,369	50,895
TOTAL ASSET	**2,733,210**	**2,068,535**	**1,186,448**	**941,588**
LIABILITIES				
Bank Loan	2,162,375	1,552,757	653,553	325,597
Other Loans	133,182	79,603	57,995	28,808
TOTAL LIABILITIES	**2,295,557**	**1,632,360**	**711,548**	**354,405**
TOTAL EQUITY	**437,653**	**436,175**	**474,900**	**587,183**
TOTAL LIABILITIES AND EQUITY	**2,733,210**	**2,068,535**	**1,186,448**	**941,588**
INCOME				
Total Income	317,765	178,297	114,517	49,712
EXPENSES				
Total Expenses	(312,370)	(226,055)	(228,690)	(69,026)
Taxation	(3,918)	9,033	18,280	6,497
TOTAL PROFIT (LOSS) COMPREHENSIVE CURRENT YEAR	**1,477**	**(38,725)**	**(95,893)**	**(12,817)**
Profitability Ratio				
Return on asset (RoA)	0.07%	-2.72%	-17.77%	-4.38%
Return on equity (RoE)	0.34%	-8.88%	-20.19%	-2.18%

From Table 3.1, it can be seen that there have been positive changes in SMPI's financial reports from the year of its founding until the 2022 financial year, which has started to record its first year's profit. There are changes to the financial statements for the 2020 financial year compared to the 2019 financial year, due to the first implementation of PSAK 71 which has become effective.

3. RESULTS AND DISCUSSIONS

In line with SMPI's main task of supporting the 2 (two) shareholder brands, namely WG and MG, to develop in the Indonesian automotive market, to be able to support SMPI's faster and healthier growth in assets and profitability, it is felt that there is a need for other financing products that are still available. focused on the 4 or more wheeled automotive industry which is also within SMPI's operational scope, so that large preparation costs are not required and can be implemented more quickly.

There are 2 (two) products that have been introduced previously:

a) In 2021, used car financing brand expansion products were introduced from used car financing for certain automotive brands (captive finance) WG and MG, then expanded to popular Japanese brand used cars.
b) In 2022, new products will be introduced for the new Liugong brand of heavy equipment originating from China

SMPI continues to monitor the development of these products and the resulting implications for SMPI's financial condition, where SMPI's portfolio growth from June 2022 to June 2023 can be seen in table 4.1 below:

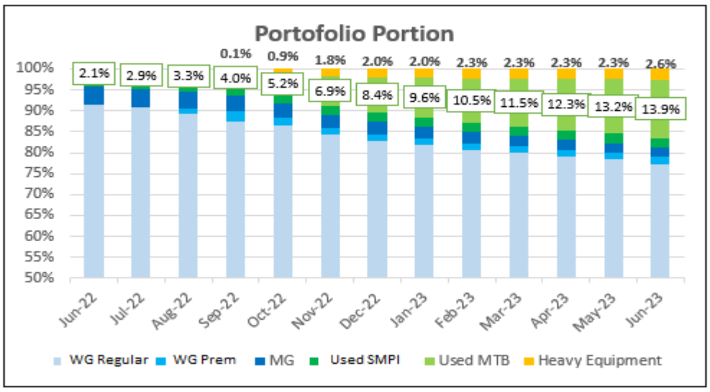

Figure 3. SMPI Product Portfolio Growth Portion for the period June 2022 – June 2023

From Table 4.1 we can see consistent growth in 2 (two) SMPI products, namely Japanese brand Used Car (MTB) Financing Products and Heavy Equipment Financing over a 1 year period in the observation period from June 2022 to June 2023. In the June 2023 period, it was recorded that 16.5% of the total portfolio was used MTB car financing assets and heavy equipment financing assets which had a lower level of delinquency compared to WG financing assets. This is a result shown by better quality in the used MTB car and heavy equipment financing segment, so that the quality of SMPI's total portfolio can be better maintained.

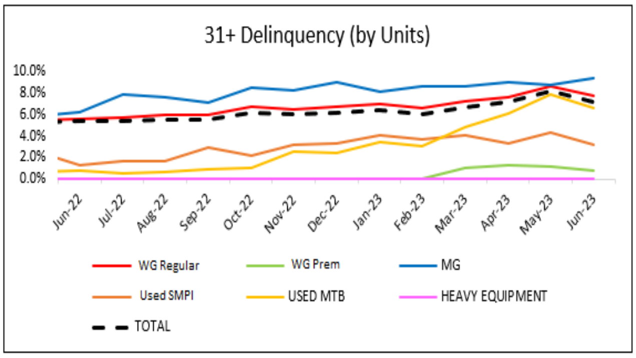

Figure 4. Trend Deliquency 31+ days (Unit based)

Compared to used MTB car financing, the trend of arrears in Heavy Equipment financing shows a better trend, namely still maintained at 0% (zero percent) until the period June 2023. Liugong Heavy Equipment financing begins in 2022. Until the end of June 2023, SMPI has distributed financing to 11 (eleven) Company Customers with the amount financed reaching IDR 84.4 billion.

Most of Liugong Heavy Equipment's customers are companies engaged in coal mining and nickel mining.

The Liugong Heavy Equipment brand was chosen by SMPI as a potential brand for SMPI financing in the Heavy Equipment segment due to strong support from the parent company holding the Liugong brand which has a very good relationship with the majority shareholder of SMPI in China, Liugong shows a high level of seriousness in penetrating in the Indonesian market so that SMPI can capture more customer choices, where there is also a profitable buy back guarantee = BBG in the event of a loss.

In terms of implementing financing approvals, SMPI applies more conservative approval criteria for Liugong heavy equipment debtors. The financing contracts financed by SMPI come from high quality corporate customers. Where in the process of approving Liugong heavy equipment financing through an SMPI credit committee which has been carried out by analysing prospective companies in depth and visiting company projects that result in the ability to pay customers to SMPI. This is consistently seen from the absence of arrears in the Liugong portfolio (1%). With a larger scale of financing assets, Liugong's good quality customers now own 2.6% of SMPI's portfolio. The scale of financing assets referred to is 1 (one) unit of heavy equipment financing which is equivalent to 10 – 15 units of financing for new cars from the WG and MG brands. Where this financing asset also has greater interest income because the financing interest rate is higher compared to new car products in SMPI's capacity as a captive.

Table 2. Example of price comparison based on Segment, Tenor and Down Payment

Segment	DP	12	24	36
WG	20	9.9%	11.1%	12.1%
Heavy Equipment	20	15.5%	16.6%	17.8%
Used Car	20	12.0%	14.3%	15.0%

These factors can show that there is an opportunity and need for SMPI to complete the portfolio with additional segments that have better asset quality to balance the portfolio quality with SMPI's asset achievements and to be able to achieve the 2023 and beyond targets of all shareholders. Following the successful implementation of Liugong brand heavy equipment financing at SMPI previously, the heavy truck business can be recommended as the next segment due to the similarity of customer profiles and analytical approach methods. On the other hand, because SMPI only supports financing for the Liugong brand of heavy trucks and heavy equipment from China, there will be no disruption in the automotive market competition for the WG and MG brands which market passenger vehicles.There are 3 (three) heavy truck brands from China that are considered to have the potential to collaborate with SMPI, based on market data at the time of initial business exploration carried out with heavy truck brands with the initials: Sino Truck (ST), Shacman (SC) and Foton (FT).

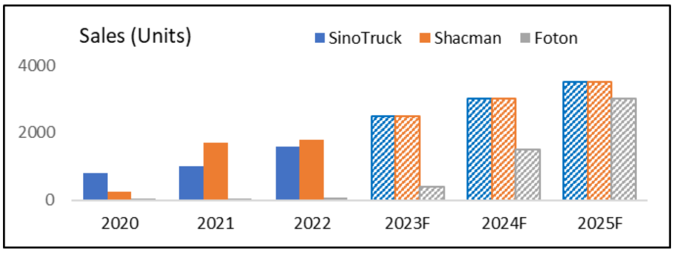

Figure 5. Yearly Total Sales Trend of Heavy Truck in Unit

From 2018 to 2022, cumulative declarations from customs, Chinese heavy truck exports to the Indonesian market reached 17,579 units. Among them, SC heavy trucks accounted for 4,796 units, ST accounted for 3,378 units, Sany accounted for 2,787 units, XCMG accounted for 2,579 units, while other truck manufacturers had lower customs declaration volumes. In 2022, sales of heavy trucks (above 24 tons) in Indonesia will reach 28,302 units. Japanese brands total 21,611 units, while Chinese brands total 6,691 units. Among Chinese brands, SC heavy trucks sold 1,689 units, ST sold 1,293 units, Sany sold 1,453 units, XCMG sold 1,062 units, and other Chinese brands sold 1,194 units. The trend of increasing actual sales continues to increase and in a few years is projected to increase more significantly. The sales achievement of 49% in the May 2023 period is the realization of sales for ST, SC and FT in achieving their sales targets.

Based on GAIKINDO data, truck sales volume experiences an increasing trend from year to year. Meanwhile, sales volume in 2019 compared to 2020 experienced a significant decline due to the COVID-19 pandemic. However, throughout the year, thanks to better control from the government in handling the COVID-19 pandemic, truck sales volume increased gradually during the recovery period with the following sales trend:

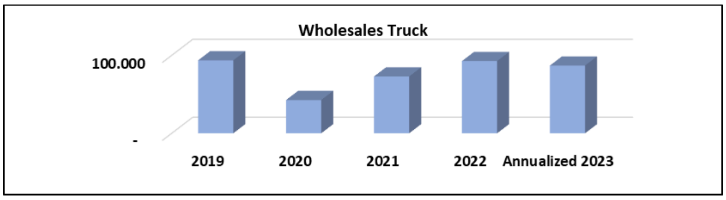

Figure 6. Wholesale Truck Sales Year 2019-2022 and Estimates for 2023

Indonesia has the potential for growth in the heavy truck sales market because:

a) Indonesia is the largest producer of several mining commodities, such as nickel (23% of world reserves), coal (7% of world reserves), gold (10% of world reserves), and others. constant growth reflected in GDP growth. The mining industry contributes 12.22% to the national economy, growing compared to 2021 (8.98%) and 2020 (6.44%). The growth of the mining industry has had a positive impact on the truck sales industry.
b) Indonesia is the largest palm oil producer which contributes 55% of world reserves. Based on estimates by the US Department of Agriculture (USDA), there is a potential for a 3% increase in production and a 5% increase in palm oil consumption for the Indonesian market in 2023. Therefore, this potential growth in the plantation sector has a positive impact on truck sales. industry.
c) The need for mining and plantation company businesses that require large cash flows for investment in the early stages of their operations causes companies to look for sources of funding or other ways to help their cash flow. Therefore, demand for financing for mining and plantation equipment has the potential to increase.

Based on 2022 data, there are several brands that lead the Indonesian truck market. The biggest brand in the market today is Hino followed by Mitsubishi. Among the brand leaders, Hino has established its own financing company, which based on their audited financial reports, effective interest rates range from 6.41% to 24.74%.

Figure 7. Heavy Truck Market Share by Brand Year 2022

The Indonesian truck market is largely dominated by Japanese brands, especially Hino and Mitsubishi which control around 70% of the market share. The main reason for the dominance of these two brands is that they have been deeply involved in the Indonesian market for decades and have built R&D, manufacturing, sales and after-sales systems as well as financial service networks, and manufacturers participate in various relationships through various cooperation models. An example is Hino which has a joint venture manufacturing company in Indonesia. There are 179 dealers, 5 central spare parts warehouses and 575 service outlets throughout the country. The sales company - Hino holds 40% shares, and its distributor INDOMOBIL holds 40% shares, financing company Sumitomo holds 20% shares. Meanwhile, for manufacturing companies, Hino holds 90% of the shares and INDOMOBIL holds 10% of the shares.

In terms of sales volume, Mitsubishi Fuso, Nissan UD, Isuzu, and Mercedes-Benz are followed by Mitsubishi Fuso, Nissan UD, Isuzu, and Mercedes-Benz. And these companies have set up assembly plants and sales companies in Indonesia, whereas so far the brands from China are all complete vehicles that are imported intact and control 16% of the market share or less than 20% of the total market in Indonesia. And its sales customer group is mostly companies funded from China to invest in Indonesia. Currently, SANY and

The Chinese brand heavy truck business is still growing in Indonesia and is ranked second in market share after Japanese brands. Meanwhile, a crucial part of encouraging stable and significant growth in the heavy truck business is after-sales service and financing. Meanwhile, after-sales service is being developed by OEM. On the other hand, in terms of financing, no Chinese-based financing company has been established to support heavy equipment in Indonesia, because OJK permits for financing companies are quite difficult to obtain for foreign companies. Meanwhile OEMs need a source of cash to cover production, assembly and shipping costs. Due to the need for better cash flow, SMPI can have more advantages in bargaining terms and conditions to secure assets and capture the highest quality OEM customers.
There are several potential OEM brands that SMPI can fund based on sales trends and potential financing credit amounts as follows:

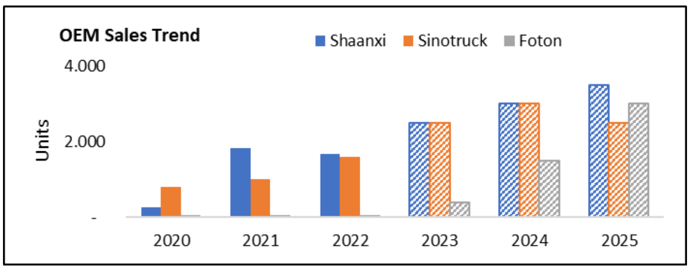

Figure 8. OEM Actual Sales Trends 2020-2022 and Projected Sales 2023-2025 in Units

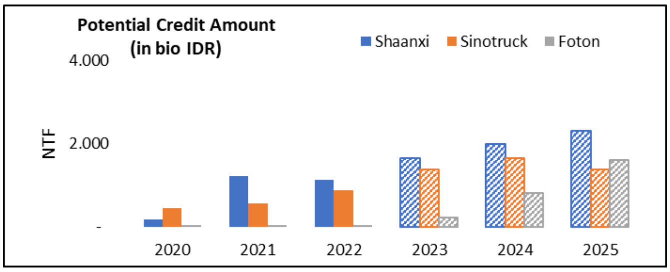

Figure 9. Financing Trends on OEM Sales 2020-2022 and Projections 2023-2025 in IDR Billion

The potential amount of financing for heavy trucks has very large potential with the following assumptions:

a) With the customer profile of mining and plantation companies that require large cash flows in the early stages of business,
b) The financing credit portion is assumed to be 70% of total OEM sales,
c) Financing Down Payment is assumed to be 30% of OTR

The total amount of financing credit continues to increase from year to year and is expected to grow rapidly due to business expansion covering all regions in Indonesia. In May 2023, the total achievement of the 2023 OEM budget unit has reached 49%, which if calculated simply, all OEMs have almost achieved half of their target in just 5 months. This trend indicates positive product acceptance in the heavy truck market, and it is likely that OEMs will exceed their budget expectation in 2023.

Table 3. Assumption and Estimation of Potential Credit Amount

Descriptions	***Measure***	**Amount in IDR**
Actual Achievement of Jan-May 23	*Unit*	2,600
Annualized Achievement 2023	*Unit*	6,240
Assumed FinCo start financing from Aug-Dec 23 (5 months)	*Unit*	2,600
%Credit Portion in the Market	*%*	70%
Average On The Road Price (OTR)	*IDR*	1,187,222,222
Down Payments	*%*	30%
Total Potential Credit Amount	***Rp***	**1,512,521,111,253**
%FinCo's Financing Portion for Premium Customer	*%*	20%
Total Potential Credit Amount for FinCo	***Rp***	**302,504,222,251**

As can be seen in the table above, there is potential financing of IDR 300 billion that can be financed by SMPI and with this potential amount of credit it can contribute around 8% additional total assets to SMPI's balance sheet in achieving the 2023 budget. This potential financing will not only assist SMPI in achieving asset growth, as an improved customer profile, which is expected to be similar to Liugong, may also additionally contribute to SMPI's better asset quality.

ST is a Top 3 brand in China with a history of more than 60 years and produced the first heavy duty truck in China. In 2021 and 2022, SINOTRUK's medium and heavy duty truck sales continue to rank No. 1 in China while continuing to rank No. 1 in heavy duty truck exports for 17 years with more than 50% share. SINOTRUK always concentrates on providing the best products to end users.

Since ST entered the Indonesian market in 2006, its total sales have reached around 8,000 vehicles. Has 6 official dealers headquartered in Jakarta and has branches in other areas. Its sales and service network can cover Indonesia's main cities, while ST continues to strengthen its service and spare parts support to customers. Spare parts regional warehouses are located in key sales regions with 10 dedicated service staff to support customers in technical support and training. In terms of outlets, sales volume in 2022 is around 1,600 vehicles, and customers are mostly in Sulawesi, Halmahera, Kalimantan, most of which are Chinese companies, which account for around 90% of annual sales.

ST has dedicated and professional after-sales service teams stationed at several of their key customers in Indonesia to handle customers' after-sales maintenance issues quickly and efficiently. ST understands the importance of providing timely support and ensuring its key customers' vehicles are serviced with proper care. In recent years, ST has begun initiatives for its products by increasing after-sales service capabilities and expanding its spare parts support in the Indonesian market. They have also started to set up spare parts centre’s in their main customers' distribution areas, so they can guarantee the availability of spare parts for their main customers' needs. Currently, ST has the second highest inventory of industrial spare parts in the Indonesian market. Shaanxi Automobile Group Co., Ltd. (referred to as "SHACMAN") is headquartered in Xi'an, Shaanxi Province, China. It was originally founded in 1968 as the Shaanxi Automobile Manufacturing Factory. It is a large-scale Chinese commercial vehicle manufacturer that produces a wide range of vehicles. SC is one of the first companies in China to export complete vehicles and components.

SC Heavy Trucks began entering the Indonesian market in 2009 and has introduced and developed it for more than 14 years. Currently SC Trucks has a fleet of 10,000 Heavy Truck units in the Indonesian market. The company has consistently held the top position among Chinese brands in Indonesia for four consecutive years, with sales reaching 1,832 vehicles in 2021 and 1,689 vehicles in 2022, controlling 5.97% of the market share. With the continued development of the Indonesian economy, SC Trucks has become firmly entrenched in the Indonesian market. Currently, SC Heavy Truck's customer base is spread across the islands of Sumatra, Java, Kalimantan, Sulawesi, Maluku, Papua and surrounding islands. The company has built a strong reputation for Chinese products among its local customer base in Indonesia.

SC Trucks has a dedicated and professional after-sales service team stationed in Indonesia to handle customer after-sales maintenance issues quickly and efficiently. SC understands the importance of providing timely support and ensuring his customers' vehicles are well maintained. In recent years, SC has continued to improve its product adaptability and after-sales service capabilities and spare parts support in the Indonesian market. They have established spare parts centre’s in their customers' distribution areas, so they can guarantee the availability of spare parts for customer needs. Currently, SC has the highest inventory of industrial spare parts in the Indonesian market.

FT Motor Group was founded in 1996 and listed on the Shanghai Stock Exchange, China in 1998, growing into a leading Chinese state-owned Heavy Truck vehicle manufacturer operating internationally. FT ranked first in the heavy truck vehicle industry in China for 18 consecutive years. FT has established 22 KD factories overseas with a production capacity of 80,000 vehicles and has realized a global industrial layout.

FT Heavy Trucks again entered the Indonesian market for the second time in 2019 and began marketing in 2020 by starting to re-introduce and develop together with the Daimler brand from the United States. Currently Foton Trucks only has 200 units of Heavy Trucks in the Indonesian market. With the continued development of the Indonesian economy, FT will begin to strengthen its market share penetration in the Indonesian market. Currently FT Heavy Truck's customer base is spread across the islands of Sumatra, Java, Kalimantan, Sulawesi and the surrounding islands. This company continues to strive to build its reputation so that it is known to customers in Indonesia.

FT Trucks is starting to have a dedicated and professional after-sales service team which is starting to be placed in several of its customers who have quite a large number of units. Foton understands the importance of providing timely support and ensuring its customers' vehicles are well maintained, so they will soon strengthen their team in Indonesia.

FT strives to improve its product adaptability and after-sales service capabilities and spare parts support in the Indonesian market. They work with large logistics companies to deliver spare parts to their customer base areas, so that they can find out the spare parts needed for new customer needs to be delivered. Currently, SC has a growing inventory of industrial spare parts in the Indonesian market.

With more in-depth information about each brand holder, namely: ST, SC, and FT, SMPI took a more intensive approach and negotiated more deeply with the SC brand to start heavy truck financing cooperation with SC first, with several considerations as follows:

a) Has a well-known name that can be trusted with high commitment from brand holders in its home country of China with more than 55 years since its founding, and acceptable reliability and quality of heavy trucks that are recognized in China.
b) Has entered the Indonesian market for more than 14 years and has sold more than 10,000 units of heavy trucks in Indonesia, this proves that SC heavy trucks have proven their quality for quite a long time and operate well in markets with diverse industries in Indonesia, as well as has a high level of brand trust and quality by customers in Indonesia.
c) SC also has several distribution centre's for spare parts so that it can guarantee the complete availability of its spare parts and is available to the Indonesian market at large in the SC heavy truck operating areas used by its customers.
d) SC also has an after-sales service team and quality technicians in providing after-sales services that can support customer trust in Indonesia, where this side is also continuously developed by SC who also has the vision that this is also an important thing to strengthen its business in the Indonesian market.
e) SC is also willing to provide an exclusive buyback guarantee to SMPI in its heavy truck financing collaboration with the same conditions that SMPI has received from the Liugong Heavy Equipment brand, this is provided because SC has great trust in SMPI to be able to expand its business in Indonesia.

Where considerations at this current period can only be provided by SC so that SMPI has more trust in SC compared to the other 2 Chinese Brand: ST and FT.

SMPI also assesses the risks that may occur in running the Heavy Truck financing business by identifying, describing and mitigating the risks involved in the Heavy Truck financing business, which is also based on the experience that SMPI has carried out in the Heavy Equipment financing business, which is described in the analysis table below:

Table 4. Risk Identification Analysis

Risk Identification	Descriptions	Risk Mitigation
Credit Risk — Entering New Customer Base	As heavy truck is more widely used across multiple industries compared to Heavy Equipment, FinCo can expect to receive applications from a bigger array of customers which would require us to get deeper understanding of business model to conduct proper analysis.	SMPI were required to pilot this Heavy Truck business similar to our Liugong business to only serve the mining and plantation industry. This way we can get a step by step understanding of the Heavy Truck financing market. It also opens the possibility for us to tap into the existing Liugong customer base. Also, we are asking all potential Truck OEM to give us the core customer of their business, so can more easy to control the risk.
Credit Risk — Market Performance and Dealer Management	Cyclical fluctuations in the raw material market. The intended business' success is determined by a lot of factors including market situation and weather.	SMPI are developing a monthly 'Industry Evaluation Report', setting up a Dealer monitoring report, and setting up key account managers to build direct relationships with customers.
Credit Risk — Underwriting Process	Specialized skillsets in underwriting heavy trucks are required for coal and plantation industry.	Due to experience in Liugong's business, the underwriting process for analysis and survey of customers can be benchmarked using Liugong's since until now all Liugong's customers are SLIK 1 (Current Status).
Credit Risk — Lack of Infrastructure in Heavy Truck Unit Disposal	In the event of repossession, we will need to conduct disposal to retain salvage value of repossessed units. For Liugong, we did not need any disposal as we were provided with a buyback guarantee for repossessed units. This guarantee also helps us reduce potential loss.	SMPI will negotiate to request a similar buyback guarantee scheme from prospective Heavy Truck brand holders, where SMPI will also carry out an analysis of each brand holder's ability to repay the buyback guarantee which will also have an impact on loss assumptions and can enable SMPI to provide more competitive prices with returns that remain large for SMPI.
Liquidity Risk — Sufficient Liquidity to Support the New Credit Line (Heavy Truck Business)	SMPI needs to ensure adequate funding facilities for this new Heavy Truck business line, so that it does not impact the growth of the main business line (new and used passenger vehicles) and other business lines.	Based on the 2023 funding plan, SMPI still has adequate facilities available to support additional Heavy Truck business.
Operational Risk — System Readiness or the New Business	SMPI must ensure the readiness of its Information Technology (IT) system to support new business development.	Because Heavy Trucks will be run in line with the Liugong Heavy Equipment Approach, the system of which is currently in use, the heavy truck business can use the current system without the need for additional system preparation.
Compliance Risk — Regulation and Policy Support	According to the regulator in Indonesia, namely the Financial Services Authority (OJK), heavy truck financing is included in the investment financing category which is covered by the business scope and permits related to the SMPI financing company.	Meanwhile, internally, SMPI will discuss with shareholders to support this new Heavy Truck financing business.

SMPI calculates the profitability of financing products using the following assumptions:

Table 5. Comparison of Heavy Equipment and Heavy Truck Financing Products

Assumption	Heavy Truck		Heavy Equipment	
	Penetration	%	Penetration	%
Down Payment		20%		20%
Tenor 1 year	5%	15.20%	10%	15.5%
Tenor 2 years	15%	16.30%	10%	16.6%
Tenor 3 years	80%	17.50%	80%	17.8%

In heavy truck financing products, SMPI has several assumptions and choices in the product as follows:

a) This product is valid for purchasing Heavy Trucks from China based on the brand chosen by SMPI to carry out financing collaboration by prioritizing several factors that have been discussed previously.
b) The minimum down payment that can be given is 20% of the price of the heavy truck, this is done by reflecting the same conditions as the minimum down payment from Liugong heavy equipment financing products.
c) There are several financing tenor options starting from 12 months to 36 months instalments in 1 financing contract
d) Simulated penetration assumptions using an actual probability approach that is predicted to occur in heavy equipment financing products using references to the condition of the heavy truck financing market by several financing institutions in Indonesia which also issue financing products for heavy trucks of the same type, but different brands.
e) The proposal for charging financing interest on heavy trucks consists of a combination of interest conditions offered by other financing companies for similar heavy truck products and the level of profitability expected and acceptable to SMPI in accordance with the objectives of issuing heavy truck financing products.

Table 6. Additional internal financial information for SMPI Semester 1-2023

(Presented in million IDR, unless stated differently)	2023 H1	2022	2022 H1
ASSET			
Cash and Investment	563,809	557,256	553,312
Financing Receivables - Nett	2,651,975	2,093,968	1,786,340
Other Assets	174,076	81,986	86,207
TOTAL ASSET	**3,389,860**	**2,733,210**	**2,425,858**
LIABILITIES			
Bank Loan	2,762,397	2,162,375	1,880,836
Other Loans	186,087	133,182	116,805
TOTAL LIABILITIES	**2,948,483**	**2,295,557**	**1,997,642**
TOTAL EQUITY	**441,377**	**437,653**	**428,217**
TOTAL LIABILITIES AND EQUITY	**3,389,860**	**2,733,210**	**2,425,858**
INCOME			
Total Income	245,826	317,765	171,678
EXPENSES			
Total Expenses	(238,939)	(312,370)	(180,819)
Taxation	(3,163)	(3,918)	1,183
TOTAL PROFIT (LOSS) COMPREHENSIVE CURRENT YEAR	**3,724**	**1,477**	**(7,959)**
Profitability Ratio			
Return on asset (RoA)	0.14%	0.07%	-0.45%
Return on equity (RoE)	0.84%	0.34%	-1.86%

From Table 4.11 above, it shows that the development of SMPI's financial profitability has increased with the existence of the Liugong Heavy Equipment financing product so that it can provide acceleration from the RoA side of 0.07% to 0.14% and from the RoE side of 0.34% to 0.84%. In terms of the RoA ratio, it shows that SMPI's productive assets are getting better in terms of productivity and in terms of the RoE ratio, it shows that the capital generated by SMPI is getting stronger so that its equity continues to grow faster with the addition of Liugong Heavy Equipment financing products in a period of less than 12 months since running the product. With the development of profitability in Table 4.11, SMPI has the confidence to take the same approach again to the analysis of Heavy Truck financing products which it is hoped will also be able to increase and accelerate the growth of SMPI's healthy assets and strengthen the resulting capital side which will lead to increased SMPI profitability. For each financing product that is an additional product segmentation of SMPI's captive products, SMPI will consistently carry out profitability projections that are adjusted to the assumptions outlined above, with comparison results that can be seen as follows:

Tabel 7. Comparison of the calculation results of SMPI's internal profitability projections based on product segmentation

Description	Heavy Truck	Heavy Equipment	New Car
Financing Receivables - netto	100	100	100
Equity	16	16	16
Total Profit (Loss) Comprehansive	1.85	1.96	0.64
Profitabilitas Ratio			
Return on asset (RoA)	1.85%	1.96%	0.64%
Return on equity (RoE)	11.57%	12.24%	4.02%

Through calculating profitability projections, SMPI produces comparisons information based on different product segmentations: Captive New Cars, Liugong Heavy Equipment and Heavy Trucks. By using equal assumptions and using instalment payment calculations based on a mixture of different financing tenors that suit the circumstances of each product. SMPI uses the reference of captive New Car financing as its main financing business to carry out additional diversification of new products step by step.

From Liugong Heavy Equipment financing, SMPI has had a track record for approximately 1 (one) year since the implementation of this financing product, which can produce ~3.06 times better RoA and ~3.04 times better RoE compared to financing products New Cars are captive, so SMPI's profitability measurements have helped accelerate growth in terms of RoA and RoE as shown in Table VI.11. Table VI.11 shows the state of RoA and RoE before the existence of the Ligong Heavy Equipment financing product in the June 2022 period and the development can continue to be seen at the end of 2022 and most recently in the June 2023 period, which is the period used as data when applying for Truck financing products. Heavy in a new segment.

From the information contained in Table 4.12, it can be seen that the RoA and RoE profitability of the Heavy Truck financing product is also projected to produce ~2.90 times better RoA and ~2.88 times better RoE compared to captive New Car financing products, so that with SMPI profitability measurements in the future will also be able to support accelerated growth in terms of RoA and RoE when the implementation of Heavy Truck financing in accordance with the assumptions used is realized. It can also be seen that the RoA and RoE are slightly lower compared to the Liugong Heavy Equipment financing product, this is because several market studies show that SMPI can compete well in Heavy Truck financing products using slightly lower interest rates on the product to obtain customers. better and to capture a slightly higher contract volume in the financing market in accordance with each product segmentation.

4. CONCLUSIONS AND SUGGESTIONS

The results of the research conducted by the author show that SMPI as a captive brand financing company which at its inception was intended to provide financial solutions for captive vehicle ownership still has the most dedicated focus on its captive brands, this can be shown from SMPI's commitment supports sales of captive new cars which still have the largest composition of financing assets financed since SMPI has been operating in the financing market in Indonesia.

As the year progressed, SMPI, in providing captive brand financing support, realized that additional new financing segments were needed which aimed to accelerate the growth of company assets and SMPI's financial condition (profitability), where SMPI had launched captive brand Used Car financing products and various other Japanese brands in in 2021 which will provide accelerated asset growth and SMPI profitability. Followed by the Liugong brand Heavy Equipment financing product, which within 1 (one) year of implementation further accelerated the growth of company assets and SMPI's profitability.

Where in carrying out initiation, market research, product design and profitability calculations, the accountants who work at SMPI play an active role in providing input in the form of ideas, research, performance calculations (including profitability) and proposals to SMPI management to support decision making regarding the running of a company. products in different segments. The role of Accountants at SMPI has now evolved following the development of company businesses (especially finance companies) who become business partners to be able to provide ideas for various new products, together with conducting targeted market research to focus more efficiently on business/financing products that can provide speed. which is more about the growth of SMPI's assets and acceleration of profitability which is really needed by every finance company in Indonesia, especially SMPI which is a relatively new company and is felt to require an active role from its company accountants.

In their role, SMPI’s Accountants have also used assumptions that can be applied quite precisely, this can be seen from the implementation of several new financing products that have been implemented which have had positive results in accordance with the initial objectives of launching each financing product which has different segmentation and characteristics. This is inseparable from active learning that started from the beginning of the founding of SMPI, where accountants always accompany and carry out regular supervision of various different segmentations, by taking measurements based on each segmentation. So that information from monitoring of different products can provide useful information for SMPI management to carry out follow-up actions and follow-up decisions more quickly and on target.

SMPI’s Accountants are expected to be able to become partners in the business carried out by the company by continuously improving their quality in supervising the condition of SMPI's increasingly numerous and varied financing products, which have different supervisory approaches for each segment of SMPI's financing products, continuously consider the appropriate use of information technology expertise in terms of supervision as well as the use of costs in its implementation. With this, accountants are also obliged to improve their technical and analytical skills by regularly receiving training on appropriate skills and technology in accordance with changes in the direction of the company's business and the ever-changing market both in the Indonesian market and markets outside Indonesia to be able to create new ideas. of the growth and changes required by the company in the future.

In this paper it can be concluded that the New Heavy Truck Financing Product for the Chinese Brand SMPI is feasible and will start collaborating with the SC brand first, because SC has business development and market share that is more in line with the risk profile that is acceptable to SMPI. Of course, we will continue to monitor the development of these financing products once they are implemented, so that they can continue to be developed and possibly expanded with other new types of business.

Company’s accountants are expected to have continuously developing initiatives to continuously carry out increasingly effective supervision, not only using existing accountant capacity, but also considering using information technology which is currently continuing to develop, so that it can be applied to companies, especially SMPI, by also considering the costs incurred with the benefits obtained, so that accountants can measure the development of growth in the quality of their professionalism at measurable costs without placing an additional burden on the company's performance.

With a balanced increase in the quality of accountants with the help of precise and measurable information technology, accountants can increase the consistency of their contribution to the continuous growth of SMPI's assets and profitability.
Companies must continue to be aware of and committed to developing financing market research or emerging opportunities that can be used as part of company financing products in accordance with applicable permits from OJK supervisors, by carrying out balanced development of human resources (including company accountants) and appropriate information technology. with the growth needs of SMPI, as well as responsibly complying with applicable rules and laws in accordance with the Indonesian financing industry.

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