

THE CHALLENGES OF PT PLN (PERSERO) IN EARNING OPERATIONAL PROFIT

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Abstract

This research aims to explain the challenges PT PLN (Persero) faced in managing accounts receivable and improving profitability. The research method used is qualitative, with data collection techniques through library research. The data used are secondary data obtained from books, journals, documents, official websites, or reports on the issues under investigation. The data analysis technique employed is a qualitative analysis using quantitative data as support. The research findings indicate that PLN encounters various challenges in managing accounts receivable and enhancing business profits, such as regulatory issues, competition, and technological changes. Therefore, PLN must develop appropriate strategies to address these challenges and attain a stable and continuously increasing business profit.

Keywords: Operating Revenues, Operating Expenses, Operating Profit.

1. INTRODUCTION

Perusahaan Listrik Negara (Persero), or PLN, is the sole State-Owned Enterprise (SOE) operating in the electricity sector. PLN is vital in Indonesia by providing electricity to the public and industries nationwide. However, as a state-owned corporation, PLN can also engage in other business activities to generate profits, supporting the country's electricity supply.

PLN is a major player in Indonesia's electricity industry, which positions it with significant potential to achieve stable and even increasing business revenues. As the sole national electricity company, PLN operates in Indonesia's electricity market monopoly. This situation empowers PLN to determine electricity prices and control the supply, providing a competitive advantage.

This monopoly enables PLN to create substantial profit opportunities from the revenue acquired from its broad and continuously growing customer base. With a large customer base spanning various sectors, PLN's primary revenue source is serving households to industrial sectors. Successfully reaching a wide range of society, from households to industries, PLN enhances the company's profit potential. The escalating demand for electricity in line with Indonesia's economic growth and urbanization presents opportunities for PLN to expand its market and leverage existing profit potential continuously. Below is PLN's business revenue data:

THE CHALLENGES OF PT PLN (PERSERO) IN EARNING OPERATIONAL PROFIT*Hildayani Rusdy, Abdul Rakhman Laba, Muhammad Sobarsyah***Table 1** Business Revenues of PT PLN (Presented in millions of Indonesian Rupiah)

Business Revenues	2018	2019	2020	2021	2022
Sales of Electricity	263.477.551	276.061.925	274.898.464	288.862.726	311.057.224
Customer Connections	7.309.172	6.934.597	312.725	493.437	857.468
Others	2.111.019	2.644.067	4.311.826	4.426.733	6.735.470
Total	272.897.742	285.640.589	279.523.015	293.782.896	319.650.162

Source: Financial Annual Report of PT PLN

Based on the data above, PLN has had relatively stable and even increasing business revenues from 2018 to 2022, except for 2020. In 2018, the company generated business revenue of IDR 272,897,742,000,000,[1] which increased in 2019 to IDR 285,640,589,000,000.[2] However, in 2020, there was a decrease in business revenue compared to the previous year, amounting to IDR 279,523,015,000,000,[3] due to the implementation of Large-Scale Social Restrictions (PSBB) by the Indonesian government to contain the spread of Coronavirus Disease 2019 (COVID-19).[4] In 2021 and 2022, PLN's business revenue continued to rise, reaching IDR 293,782,896,000,000[5] and IDR 319,650,162,000,000,[6] respectively, as various policies regulating societal activities were implemented.

The increase in business revenue obtained by PLN is also accompanied by an increase in operating expenses borne by the company. As the sole company authorized by the government to monopolize the electricity industry, PLN should be able to produce goods and services at a low cost. In PLN's financial report, there is data on the operating expenses incurred, as follows:

Table 2 Operating Expenses of PT PLN (Presented in millions of Indonesian Rupiah)

Operating Expenses	2018	2019	2020	2021	2022
Fuel and Lubricants	137.266.678	136.084.482	106.014.285	118.419.490	151.376.726
Purchase of electricity	84.267.611	83.563.991	98.651.604	103.553.472	130.230.383
Rental	4.272.082	3.617.376	3.101.334	4.772.014	2.793.187
Maintenance	20.737.601	22.328.178	21.940.509	22.600.774	23.948.698
Personnel (employee)	22.950.087	25.908.771	24.965.707	25.092.756	24.884.860
Depreciation	30.744.712	35.318.071	39.142.580	41.441.271	44.056.635
Others	7.950.118	8.620.069	7.192.146	7.239.348	8.903.313
TOTAL	308.188.889	315.440.938	301.008.165	323.119.125	386.193.802

Source: Financial Annual Report of PT PLN

Based on the data above, it is evident that the total operating expenses incurred in 2018 amounted to IDR 308,188,889,000,000,[1] and increased to IDR 315,440,938,000,000 in 2019.[2] In 2020, there was a decrease in operating expenses to IDR 301,008,165,000,000,[3] attributed to reduced electricity consumption during that year. However, in 2021, operating expenses increased

even beyond the 2019 level, reaching IDR 323,119,125,000,000,[5] and a significant increase in 2022, amounting to IDR 386,193,802,000,000.[6]

In an ideal situation, a company granted special authority by the government to manage the public's electricity needs should be able to achieve increasing business profits in line with production sales. However, based on the two data sets presented above, it is evident that PLN has to bear higher operating expenses than its generated business revenue. Consequently, the researcher is interested in discussing the challenges faced by PLN in improving its business profits.

2. RESEARCH METHOD

2.1 Research Type

The research method to be employed is qualitative research. This research aims to elucidate the challenges faced by PLN in achieving business profits. The general goal of qualitative research is to provide an in-depth understanding of the phenomena under investigation. In this case, the research will provide in-depth information about PLN's challenges.

Qualitative research encompasses the phenomena explored, the research participants, and the research location. In more detail, this study will use a descriptive approach to depict empirical facts using relevant argumentation. After describing these facts, the research will be analyzed to formulate analytical conclusions.

2.2 Type and Source of Data

The data used in this research will be secondary. Secondary data refers to information that has been collected and recorded by others previously. Secondary data sources include books, scientific journals, official documents, official websites, or reports relevant to the researched issue.

2.3. Data Collection Technique

The author employs the library research method to collect the required data in this research. Library research involves gathering data from various literary sources such as books, scientific journals, documents, official websites or reports relevant to the researched issue. In this method, the author analyses and synthesizes the information present in the literature to gain a deeper understanding of the challenges PLN faces in achieving business profits.

2.4 Data Analysis Technique

The author employs qualitative analysis techniques in this research. This technique involves an in-depth analysis of the research issue by depicting existing facts, which are then connected to the collected data. The results of this analysis will form relevant arguments related to the challenges faced by PLN in achieving business profits. In this context, quantitative data will be used as supporting evidence to strengthen the results of qualitative analysis.

3. RESULTS AND DISCUSSION

Electricity is a vital necessity for all societal activities. PT PLN (Persero) is the company that manages a significant portion of Indonesia's electricity supply. PLN holds an almost monopolistic position in electricity provision in Indonesia due to the complex and capital-intensive nature of the energy industry, which creates barriers for new competitors to enter the market. This gives PLN substantial market power and the ability to influence electricity prices and services. It includes producing goods and services at a low cost and setting appropriate prices to boost high

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business revenues. With such conditions, PLN should theoretically achieve maximum business profits.

However, in reality, PLN's business profits consistently remain negative. This indicates that the company's operating expenses surpass its generated business revenue. This data can be observed in the company's financial statements as follows:

Table 3 Net Operating Income of PT PLN (Presented in millions of Indonesian Rupiah)

Description	2018	2019	2020	2021	2022
Business revenues	272.897.742	285.640.589	279.523.015	293.782.896	319.650.162
Operating expenses	308.188.889	315.440.938	301.008.165	323.119.125	386.193.802
Net Operating Income	(35.291.147)	(29.800.349)	(21.485.150)	(29.336.229)	(66.543.640)

Source: Financial Annual Report of PT PLN

Based on the data provided, in 2018, the company experienced an operating loss of IDR 35,291,147,000,000,[1] which decreased in 2019 and 2020 consecutively to IDR 29,800,349,000,000[2] and IDR 21,485,150,000,[3] respectively. However, in 2021, there was a rise in operating losses compared to the previous year, amounting to IDR 29,336,229,000,[5] and even in 2022, with the highest business revenue in the last five years, there was also the most significant operating loss within the same period, reaching IDR 66,543,640,000[6].

Operating expenses refer to all costs PLN must bear in its operational activities. Based on the description of operating expense data provided earlier, it is evident that the most significant expenditures are related to fuel, lubricants, and the purchase of electricity. These two categories are essential production materials. Therefore, the increase in operating expenses follows the company's electricity production.

The growing electricity consumption of the Indonesian population drives the increase in electricity production. Every year, the electricity consumption per capita continues to rise. Here is the data on Indonesia's electricity consumption per capita / kWh per capita:

Table 4 Electricity Consumption per Capita in Indonesia

Years	Electricity Consumption per Capita in Indonesia / kWh per capita
2018	1.064
2019	1.084
2020	1.089
2021	1.123
2022	1.173

Source: Databoks

Electricity consumption per capita refers to the total electrical energy used in a specific area divided by the population of that area over one year. It is an indicator that provides an overview of

how intensively a population consumes electricity within a specific timeframe. In other words, it measures the average electricity consumption per person in a region or country in one year. From 2018 to 2022, the electricity consumption per capita increased each year consecutively, going from 1,064 to 1,084, 1,089, 1,123, and finally, 1,173 kWh per capita.[7]

PLN is obliged to meet the electricity needs of society. However, it is essential to note that PLN has limitations in generating electricity to meet those needs. This leads to the company having to increase its electricity production by purchasing from various sources, which adds to its operational burdens.

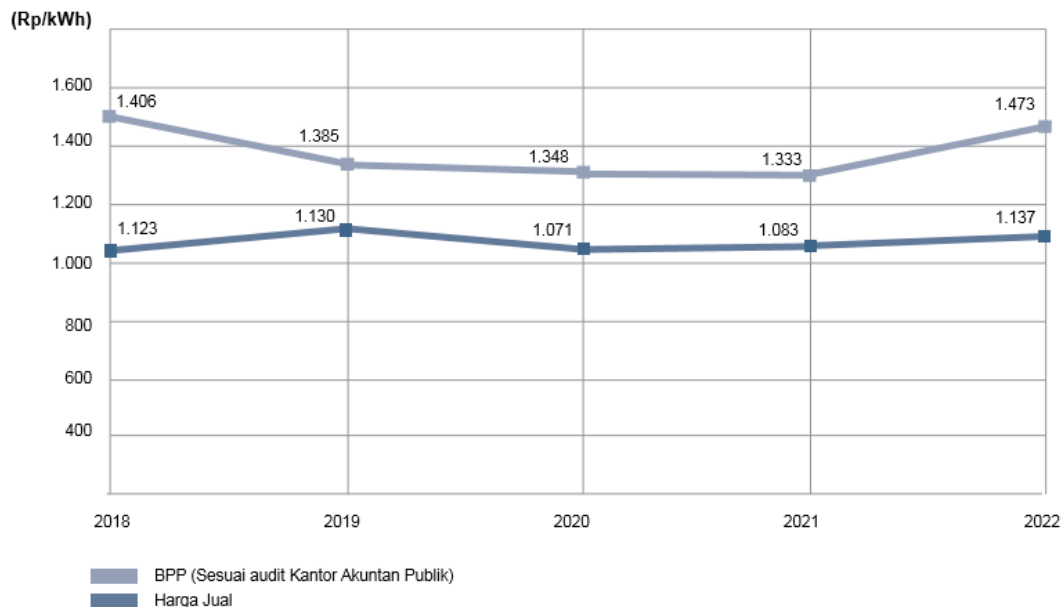
Net operating income comprises two components: operating revenue and operating expenses. To achieve net operating income, operating expenses should not exceed operating revenue. The comparison between these two values determines a company's ability to profit from its core activities.

The magnitude of the expenses incurred by PLN exceeds the operating revenue received. Considering the details of these expenses, the company should be able to set an electricity selling price that covers the expenditure. However, as a state-owned enterprise, PLN's performance and efficiency are affected by government intervention.[8] The government must ensure that economic and social objectives underpin the company's activities. This impacts operational efficiency and the company's long-term performance. The government encourages the company to increase profits while ensuring it can provide the public's electricity needs. This situation presents a significant challenge for PLN in improving its business profits.

The challenge PLN faces in achieving profits lies in its low operating revenue. Government regulatory challenges related to setting Electricity Tariffs (TTL) and subsidy policies influence operating revenue, particularly from electricity sales. These regulations and government policies limit the company's decision-making regarding its core business activities, especially in determining TTL.

Establishing TTL and providing subsidies are the primary challenges for PLN in increasing operating revenue. TTL is the cost charged by the holders of Electricity Supply Business Licenses (IUPTL) to consumers or customers. The Government or Regional Government determines the tariff amount, specifically the Ministry of Energy and Mineral Resources (ESDM) or local governments, with the approval of the People's Representative Council (DPR) or Regional People's Representative Council (DPRD).[9] This tariff encompasses the costs of procurement, production, distribution, and services related to providing electricity to consumers. The TTL tariff can vary based on consumer type, electricity usage, and other relevant factors.

Government-set TTL results in the company needing to obtain profits. The following graph illustrates the cost of providing electricity (BPP) and the average electricity tariff from 2018 to 2022:

THE CHALLENGES OF PT PLN (PERSERO) IN EARNING OPERATIONAL PROFIT*Hildayani Rusdy, Abdul Rakhman Laba, Muhammad Sobarsyah***Picture 1** Curve of the Comparison between Selling Price and BPP

Source: Statistik PLN

The data above indicates that PLN has to incur BPP that is higher than the government-set TTL each year. In 2018, the BPP incurred was Rp. 1,406/kWh with a selling price of Rp. 1,123/kWh, resulting in a loss of Rp. 283/kWh.[10] In 2019, the BPP incurred was Rp. 1,385/kWh with a selling price of Rp. 1,130/kWh, resulting in a loss of Rp. 255/kWh.[10] Moving on to 2020, with a BPP of Rp. 1,348/kWh and a selling price of Rp. 1,071/kWh, the loss was Rp. 277/kWh.[10] In 2021, the BPP incurred was Rp. 1,333/kWh with a selling price of Rp. 1,083/kWh, resulting in a loss of Rp. 250/kWh.[10] In the final year, 2022, the company incurred a BPP of 1,473/kWh with a selling price of Rp. 1,137/kWh, leading to a loss of Rp. 336/kWh.[10] The establishment of TTL aims to ensure that the cost of selling electricity remains affordable for all segments of society. However, the process of setting TTL can, at times, be complex and involve political factors alongside technical and economic aspects.

The participation of the People's Representative Council (DPR) in determining TTL can result in the influence of political interests. Political involvement can affect decisions regarding the magnitude of tariffs provided to the electricity sector. This can present a challenge, as economic and political objectives may compete. Therefore, it is essential to balance technical, economic, and political considerations in determining TTL. Transparency, engagement of diverse stakeholders, and in-depth analysis are necessary to formulate balanced policies that support both aspects.

The next challenge involves the implementation of electricity subsidy policies applied to consumers with tariff rates that, on average, are lower than the Basic Cost of Providing Electricity at that voltage category. According to the provisions in Law No. 30 of 2009 on Electricity, the government and local governments are responsible for allocating funds to meet the needs of groups

of society that cannot afford access to electricity supply.[11] The government provides subsidies by reducing electricity tariff payments by up to 60%. The economic tariff for electricity is supposed to be around Rp. 1,400 to Rp. 1,500 per kWh, but with the subsidies channelled through PT PLN, subsidized consumers only need to pay around Rp. 400 to Rp. 600 per kWh.[12] The subsidy policy leads to the company facing increasing challenges in achieving operational profits due to the growing range of funds required to cover the essential cost of electricity production.

These government regulations pose significant challenges for PLN in achieving business profits. This is because the company's ability to determine electricity tariff selling prices is restricted, resulting in low operating revenue. Therefore, PLN needs to develop appropriate strategies to overcome these challenges and achieve stable and increasing business profits. One strategy that can be implemented is to enhance operational efficiency and optimize the use of available resources. Additionally, PLN must strengthen collaborations with relevant parties, such as the government, customers, and business partners, to create better business opportunities. By doing so, PLN can achieve higher business profits and contribute more significantly to national development.

4. CONCLUSION

PLN holds a near-monopoly position in the provision of electricity in Indonesia. However, being a state-owned enterprise (BUMN), PLN's performance and efficiency are influenced by government intervention. The government must ensure that economic and social objectives form the foundation for the company's activities. This has implications for operational efficiency and the long-term performance of the company.

PLN receives less business revenue compared to the operational expenses it must cover. This is because PLN faces various challenges in increasing its business profits. These challenges include issues related to the government-set TTL regulations and the presence of subsidy policies. Government regulations and policies restrict the company's decision-making process, particularly in setting TTL.

Every year, PLN has to cover BPP higher than the TTL set by the government. The TTL set by the government leads to operational losses for the company. Additionally, the electricity subsidy policy, where the government provides up to a 60% reduction in electricity tariff payments – despite the economic tariff for electricity being around Rp. 1,400 to Rp. 1,500 per kWh – causes difficulties in obtaining business profits. For those receiving subsidies, they only need to pay around Rp. 400 to Rp. 600 per kWh. This policy further compounds the challenges for the company, as the range of expenses required to cover the basic cost of electricity production continues to increase.

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