**Various Policies of PT Garuda Indonesia (Persero) Tbk. in Increasing Its Productivity, Efficiency and Income**

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**ABSTRACT**

At the micro-economic level, companies, both small and large, often make policies to deal with economic challenges. This policy aims to create a company that can achieve a sustainable level and increase its productivity and efficiency. PT Garuda Indonesia has issued a microeconomic policy to support its business continuity, but there are still some policies that are not in line with the company's ultimate goal. This essay will explain the problems faced by PT Garuda Indonesia (Persero) Tbk. and analyze the effectiveness of the policies that have been made. The aim is to provide an overview of the business continuity of PT Garuda Indonesia (Persero) Tbk. and its ability to face the current global challenge, namely the COVID-19 pandemic.

*Keywords*: Microeconomics, Microeconomic policy, Garuda Indonesia, Aviation industry.

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**INTRODUCTION**

The domestic aviation industry in Indonesia has received attention from the general public due to anomalies in the continuity of business processes. This condition was declared to be getting worse when the emergence of social distancing policies during the pandemic since last 2020 (Azzahra, 2021). However, it is undeniable that the existence of airlines in Indonesia has experienced fragility and is in an unstable condition since 2010. Not a few medium to low airline companies have experienced miscarriages even though they have reached their peak, for example, Mandala Airlines which closed its business in 2012. This proves that the airline's financial slump in Indonesia previously was getting worse during this pandemic.

PT Garuda Indonesia (Persero) Tbk. is an airline company engaged in the air industry sector and is one of the State-Owned Enterprises that runs the oldest international routes in Indonesia. This makes the company a state flag carrier airline and is known as one of Indonesia's advantages (YULIANTO, 2021). But behind the success story, PT Garuda Indonesia (Persero) Tbk. apparently has saved its debt swelling which reached approximately Rp. 70 trillion and posted a thin profit the last time in 2017 (Yunus, 2021). Especially during this pandemic, the proud fleet company has increased the company's burden by 15%-20%.
The complete closure of Garuda Indonesia's operations has been planned by state officials and is a hotly debated issue. The government is expected to assist in the rebirth of Garuda Indonesia in the form of state capital participation because of Garuda Indonesia's role as a state enterprise. However, this is less efficient for the government because of the current bottleneck in flight demand both domestically and internationally (Kristanti, 2021). In addition, the state budget is allocated to focus on economic recovery due to the pandemic which ultimately makes Garuda Indonesia have to depend on an injection of funds from investors. However, the aviation industry in this recovery period is included in investments with high risk so that it is less attractive to investors (Octarina, 2020). Therefore, the last resort for PT Garuda Indonesia's finances is only through negotiations with creditors and leasing service companies.

Based on the explanation above, the purpose of this study is to determine the business processes of PT Garuda Indonesia (Persero) Tbk. and the problems faced, how to respond to them by implementing business policies, and what policies are issued to increase productivity, efficiency, and income.

Microeconomic Theory
Microeconomic theory explains why and how each individual or entity makes a decision. This decision is carried out on the basis of the interaction of every economic actor in a market, both in the field of goods and services. This decision is also influenced by factors of production and consumer tendencies or behavior. In a market, buyers and sellers will recognize the concept of demand and supply for an item or service (Mankiw, 2011).

Request or Demand on PT Garuda Indonesia (Persero) Tbk.
Demand is a term for goods and services that consumers want to buy at a certain price and time in a market. This is then closely related to the law of demand which states that the higher the price of the goods demanded, the consumer's demand will decrease if other factors do not change and vice versa (Mankiw, 2011).

PT Garuda Indonesia (Persero) Tbk. itself has flight quality that is recognized by the aviation industry throughout the world. This gives an overview of Garuda Indonesia's prospects to have stability in demand from consumers. In addition to commercial flights, Garuda Indonesia also accepts requests for cargo delivery or other logistics and operational flights (Hidayat, 2021). In the graph below, it can be seen that the demand index for flights using the Garuda Indonesia fleet has consistently increased and experienced a continuous decline in 2019 to 2020.

Based on the number of passengers, demand for flights using Garuda Indonesia airlines increased by 6.18%, 3.17%, and 6.08% in 2016, 2017, and 2018 respectively. This is supported by a number of awards and recognitions received by this airline company, namely "The World's Best Cabin Crew" and "Top Ten Airlines by Skytrax" (SYAIFUDDIN, 2021). This series of achievements brings Garuda Indonesia one step closer to being a high-tech based company and providing superior service to its passengers and logistics service users. This 5-star airline apparently experienced a decline in passengers in 2019 by -17.03% due to high air ticket prices so that people's desire to buy airline tickets decreased (Wahyuni & Praninta, 2021). In the end, the number of passengers on Garuda Indonesia planes
experienced a drastic decline, reaching only 10,808,279 passengers with a percentage decrease of -66.11% as a result of the COVID-19 pandemic.

Graph 2.1 Consumer Demand for PT Garuda Indonesia (Persero) Tbk. by Number of Passengers (Own Graph)

**Offer or Supply at PT Garuda Indonesia (Persero) Tbk.**

Supply is a term for goods and services offered for sale by sellers at a certain price and time in a market. This is then closely related to the law of supply which states that if the price of goods is high, then the quantity of goods offered will be greater if other factors do not change and vice versa (Mankiw, 2011).

Offers by Garuda Indonesia can be reviewed using the frequency of flights in the corresponding year. There is a similar trend between demand and supply for Garuda Indonesia flights. The successful flight schedule is increasing from year to year. This increase in flight traffic is supported by the condition of commuting people and more efficient public accessibility, such as the renewal of airfields in several metropolitan cities (Diana Santy, 2021). However, this increase in supply decreased in 2019 and was followed by a drastic decline in 2020.

The graph below shows the consistent increase in supply from 2015 to 2018. The increase for 3 years reached 16.05%, which was followed by a decline in supply of -19.58%. This was due to an adjustment in market demand that year. This statement then proves the interdependence between supply and demand for airline tickets (Nuri & Andriani, 2021). The decline in offers in 2019 was followed by a decrease of -44.12% with a frequency of 130,362 flights, a direct impact of the implementation of the 2020 Large-Scale Social Restrictions (PSBB).
Various Policies Of PT Garuda Indonesia (Persero) Tbk. In Increasing Its Productivity, Efficiency And Income

Graph 2.2 Flight offers of PT Garuda Indonesia (Persero) Tbk. by Flight Frequency (Own Graph)

PT Garuda Indonesia (Persero) Tbk Market.

The market structure of the domestic airline industry is oligopoly. In another sense, the airline industry is only controlled by a few large companies (YULIANTO, 2021). This aims to strengthen domestic airlines in facing foreign competition. With the nickname of the airline market which is oligopoly, only a few significant companies are found in Indonesia, namely the Garuda Group and the Lion Group. This imperfect competition condition provides space for each company to influence each other. The impact of the implementation of this oligopoly action can also be described through high barriers to market entry both in terms of capital and regulation. In the end, price competition remains closely related to government regulations through limiting the highest and lowest prices for setting tariffs to avoid the consolidation of the two companies as well as for consumer protection (Yunus, 2021).

The condition of aviation oligopoly is the main reason why PT Garuda Indonesia (Persero) Tbk. which also acts as a state asset to maintain its position. If Garuda Indonesia collapses or suffers cessation of business activities due to losses, there will be an industrial monopoly by the Lion Group which has become a potential competitor and if this happens then the market will be able to push the price of aircraft very high, suppressing consumer demand to become more inelastic. Despite experiencing losses and decreasing demand and supply, Garuda Indonesia's BUMN is expected to maintain its position in the domestic aviation industry, which is characterized by a tight oligopoly.

Business Mechanisms of PT Garuda Indonesia (Persero) Tbk.

There is a classification of the main business processes in a company, including operational processes, support/secondary processes, and strategic management processes.
Graph 2.3 Business Processes of PT Garuda Indonesia (Persero) Tbk. (Annual Report GIA 2020, 2021)

Operational Process

The corporate legal entity Garuda Indonesia is a public-listed company or public company since 2011 with approximately 60% ownership held by the Indonesian government (Tindige, Rogahang, & Mangindaan, 2020). This company is engaged in the business of commercial air transportation services with a fleet of 210 units with the number of employees is 5,946 people as of December 31, 2020 (Octarina, 2020).

The main operational process of Garuda Indonesia is in flight operations. The segmentation of flight operations includes commercial air transportation for domestic and foreign passengers, goods and post. This flight service has Full Service Carrier and Low Cost Carrier services run by Citilink's subsidiary (GIA Annual Report 2020, 2021). In addition, other services include excess baggage and document delivery. Both the number of passengers and flights experienced a significant decline, resulting in a high loss rate of USD1.46 billion. Cargo delivery was also hampered due to lower production levels in the domestic industry.

Operational processes other than flight are called additional operational processes. These additional operational processes include aircraft maintenance services, travel agencies, catering services, travel services such as hotels and transportation. Both main and additional operational levels have been carried out through safe operating standards because they have obtained IOSA certification and joined the SkyTeam alliance to improve internal efficiency for sustainable operations (Wahyuni & Praninta, 2021). The company also strives to maintain the quality of flight operations by maintaining the On-Time Performance level or the level of punctuality in flights that are directly related to consumer satisfaction.

The operational aspect of marketing is also involved in promoting Garuda Indonesia in building consumer trust. Garuda Indonesia's marketing strategy focuses on using big data to build personalized customer analysis services in order to increase the added value of the experience in traveling using Garuda Indonesia (GIA Annual Report 2020, 2021). However, this strategy still suffers from cost efficiency. There are still many social media media that have not been realized.

The quality of customer service is no less important in the sustainability of the company. Garuda Indonesia itself has succeeded in providing satisfactory service to its customers. This is because of the customer service innovations carried out by Garuda Indonesia without ignoring the standards of international airlines. During the pandemic,
Garuda Indonesia was able to adapt and meet flight requirements in accordance with health protocols in order to prevent the spread of COVID-19. However, Garuda Indonesia's Customer Satisfaction Index (CSI) level decreased compared to the previous year due to service adjustments that had to be made by Garuda Indonesia to implement health and safety standards during the pandemic (Baskoro, Muthiah, Handayani, & Setiawan, 2020).

Secondary Process
Secondary processes, also known as support processes, are a term for activities that ensure that operational processes continue. Secondary processes ensure that all internal bodies of a company are served. Although working behind the scenes and not providing value to the services or products provided, secondary process mechanisms contribute to the daily operations of the business. This secondary process is usually carried out by the finance division and other additional divisions.

Financial management of PT Garuda Indonesia (Persero) Tbk. prepare consolidated group financial statements annually to review the company's financial performance. Garuda Indonesia suffered a loss of USD 2.5 billion followed by short-term liabilities of USD 3.8 billion (Nuri & Andriani, 2021). The deteriorating financial conditions in 2020 occurred due to the COVID-19 pandemic which was met with travel restriction policies thus closing the possibility for significant air travel. This has a direct impact on Garuda Indonesia's liquidity.

Garuda Indonesia's liquidity that has decreased drastically reflects Garuda Indonesia's inability to meet its financial obligations to its lenders and vendors. Garuda Indonesia vendors include but are not limited to aircraft fuel providers, airport operators, and aircraft lessors. This can affect the cessation of fuel supply and airport services. In addition, the inability to fulfill obligations to the lessor will also result in a ban on the use or grounding of chartered Garuda Indonesia aircraft (Annual Report GIA 2020, 2021). This condition shows the material uncertainty of Garuda Indonesia and the company's pessimism in maintaining its business.

Strategic Management Process
The strategic management process involves a number of company processes or activities in making decisions that are fundamental or comprehensive, usually made by organizational leaders and implemented by all elements of the company to achieve a goal. The strategic management process can involve both enterprise risk management and human resource management.

The aviation industry itself is a capital-intensive industry and is highly dependent on the country's economic factors, fluctuations in fuel, foreign currency, and very high competition from foreign industries. Garuda Indonesia in particular continues to develop appropriate management to maintain operational security and safety along with other management. Therefore, risk management is very important for Garuda Indonesia to systematically manage risk itself. This risk management process involves effectively managing uncertainty as well as identifying and assessing all risks that exist within Garuda Indonesia. The risks that exist in 2020 include political, social, disaster, macroeconomic, and business risks.
Changes in leadership at the legislative level as well as regional heads affect the political and social stability of the community through the policies that are made. The employment law of the Job Creation Law No. 11 of 2020 regarding freedom of contract upon the agreement of both parties has several controversial conditions because it still cannot be implemented perfectly (Kustini et al., 2021). In addition, the high unemployment rate is detrimental to Garuda Indonesia due to a decline in public consumption, both secondary and tertiary. Risk management implements comprehensive monitoring of the effects of social and political instability in the hope of minimizing the impact of these conditions.

The outbreak of the COVID-19 disease then came to be a health disaster because the whole world was expected to limit the mobilization of the population to cope with the spread of the virus. Risk management significantly reduces the capacity to reduce operating costs as well as close the movement of its fleet. Garuda Indonesia also enforces termination of employment relations with employees. In terms of the global economy, the Indonesian economy contracted by -2.07%, experienced deflation, and the rupiah exchange rate weakened (GIA Annual Report 2020, 2021). In the end, Garuda Indonesia had to implement a Cost Efficiency Program to prevent a bigger impact.

In the implementation of risk management, Garuda Indonesia's human resource management function continues to take into account the interests of the company, shareholders, and employee welfare. Internal control is a process that involves personnel within the company including the board of commissioners, directors, management, and employees. This control aims to provide fundamental assurance for the company to achieve its objectives including operating effectiveness and efficiency, financial reporting, and legal compliance.

Seeing the importance of the role of human resource management for the sustainability of the company, PT Garuda Indonesia (Persero) Tbk. has been through leadership challenges since 2019. In early 2019, Garuda Indonesia management was arrested for engineering financial statements for personal gain. In addition, the issue with Sriwijaya Air has also become a public concern due to disagreements regarding the distribution of profits, which is then responded to by terminating the cooperation relationship. In addition, the smuggling of luxury goods on Garuda Indonesia planes caused a state loss of Rp 1.5 billion (Primagara & Septiani, 2021). This proves the company's need to mobilize its board of directors and commissioners.

**METHOD**

In this study, the data collection method was used by conducting a study of the data available in the library and accessing the annual report on the official website of PT Garuda Indonesia (Persero) Tbk. By conducting a descriptive research method, namely explaining and understanding the research object that has been determined previously. The research variables applied were independent and dependent variables. The independent variable that has affected the dependent variable, applies the other way around, namely the independent variable that is affected by one or more independent variables. FMEA or Failure Mode and Effect data is an analysis of the operations of PT Garuda Indonesia (Persero) Tbk and the related variables in this study, namely the company's business turnover process.
RESULTS AND DISCUSSION

Company productivity PT Garuda Indonesia (Persero) Tbk. considered hampered because of the interdependence relationship between the aviation industry and the community's economy. Productivity itself refers to the company's ability to produce output using a limited number of inputs. Meanwhile, the definition of productivity does not describe the current condition of Garuda Indonesia. Operations and irregularities in fulfilling Garuda Indonesia's demands are still considered to have not recovered and are ineffective. On the other hand, the efficiency of the company still cannot be achieved because the company is still involved in high debt conditions.

There are several obstacles that befell PT Garuda Indonesia (Persero) Tbk in trying to increase its productivity, efficiency, and revenue, so PT Garuda Indonesia has implemented several policies to solve the problem.

As one of the SOEs, the sustainability of Garuda Indonesia's operations ultimately returns to the hands of the government. In 2020, many adverse issues occurred to this airline, which prompted the government's intention to completely close the company's operational activities in 2021. This has not been realized because there are still several parties who are trying to maintain the company's good name and maintain its role as the pride of Indonesia.

The policy that is being implemented to maintain Garuda Indonesia's position is the Cost Efficiency Program. Garuda Indonesia limits non-operational expenses because these expenses are not the main focus of Garuda Indonesia when its position is threatened (Wahyuni & Praninta, 2021). This has an impact on cash flows for the current year being more supervised than in previous years. In addition, Garuda Indonesia has restructured the number of aircraft and their costs so that their operations are efficient and in line with current market conditions.

The fleet utilized during the pandemic is indeed very low for regular flights. So Garuda Indonesia maximizes the potential of charter flights as one of the company's revenues. Charter Flight is a program to bring passengers of foreign nationals to return to their home countries and to evacuate Indonesian citizens who are abroad to return (GIA Annual Report 2020, 2021). This flight also contains medical equipment related to COVID-19. This policy is very effective so that the company continues to run some parts of its operations. Although it does not increase productivity completely, the income received in this program is expected to minimize the company's losses for a while.

Special cargo flights during the pandemic are aimed at compensating for the decline in passenger revenue. In fact, Garuda Indonesia has also opened a new route specifically for cargo to strengthen the competitiveness of export commodities, showing the potential for efficiency in international trade. This policy can provide an overview of the optimum revenue in the cargo business. The number of special cargo flights has reached 3,659 flights, of which 721 are international flights. This strategy is then said to be successful in realizing a contraction in the company's revenue at the level of 20% (GIA Annual Report 2020, 2021).

With the adjustment of flight routes according to the wishes of consumers, Garuda Indonesia flights will become more efficient because it will avoid too large a cost on flight routes with low demand. There is also a search for new Garuda Indonesia innovative revenue sources through a digital-based platform.
Although the decline is not very significant, the decline in customer satisfaction can be attributed to the inefficiency of Garuda Indonesia's business processes. Through certain analysis, this decrease in satisfaction rate is closely related to changes in flight procedures that are more complex. Therefore, Garuda Indonesia stated that the implementation of the COVID-19 protocol on all Garuda Indonesia services is very important. This service is in the form of cleanliness, security or safety, and also health or health (Baskoro et al., 2020). This health protocol campaign is also carried out through social media with the aim of increasing a sense of security for consumers. With the implementation of health protocols, Garuda Indonesia is still able to provide stable services and in accordance with company standards. This policy is then considered to bring prosperity and comfort to the passengers and employees, which in the end is able to increase the motivation and productivity of employees, especially the cabin crew. Garuda Indonesia can also receive customer loyalty through good service and indirectly increase the company's revenue.

The total fleet of 210 units is closely related to aircraft leasing with Lessors. Meanwhile, the company's debt to lessors has reached Rp 89.8 trillion rupiah. Negotiations with aircraft lessors are the last way the company can survive to operate. In addition, Garuda Indonesia also hopes to get an airplane rental fee waiver to ease its financial position. However, most aircraft lessors choose to repatriate their chartered aircraft because the lessor companies have also been heavily impacted by the pandemic and can no longer allow the accumulated debt to cost them. This is not the best scheme that Garuda Indonesia hopes for, but of course it remains efficient on the other hand because all demands and legal processes from the lessor have been eased (Nuri & Andriani, 2021).

**Participate in the Government Investment in National Economic Recovery (IPPN) program**

Garuda Indonesia volunteered to participate in the national recovery program due to the pandemic which was then realized through the receipt of loan funds to companies amounting to Rp. 1 trillion through LPEI 2020. This capital receipt was then allocated for export working capital and used for special export assignments to rebuild the economic network. Garuda Indonesia in the global market (GIA Annual Report 2020, 2021). Of course, this additional capital will provide financial support to the company and increase a number of revenues through exports and foreign investment. In addition, government investment is also followed by active support in the form of a mandatory convertible bond facility of Rp. 8.5 trillion which will be used to optimize working capital so that operational activities continue in an optimistic manner (GIA Annual Report 2020, 2021).

**Policies against Marketing Inefficiency**

The issue of cost efficiency in the marketing aspect is one of Garuda Indonesia's concerns, so the company plans to modify its marketing strategy to be more focused on certain market segments. With the desire to travel during a pandemic, consumers are certainly faced with a dilemma regarding their respective safety during flights. Therefore, Garuda Indonesia began to focus its marketing strategy on building the trust of consumers. Its marketing strategies include:
Various Policies Of PT Garuda Indonesia (Persero) Tbk. In Increasing Its Productivity, Efficiency And Income

1. Build trust
2. Aviation education and health services during a pandemic
3. Webminar or travel partner campaign by inspirational figures
4. Cooperation with external parties or influencers to promote health protocols

By actively participating in online social activities, Garuda Indonesia can then efficiently identify community needs and offer appropriate services (Baskoro et al., 2020).

Policies against Deviant Management
Reducing the number of directors and commissioners
PT Garuda Indonesia (Persero) Tbk. undergo a general meeting of shareholders to restructure the company. This effort is carried out to rebuild an organization that is more focused on adapting to pandemic conditions and solving operational and financial problems (Ardana & Dermawan, 2021). The number of directors and commissioners who are decided is two each. This pruning is considered more effective because of the flow of communication within the organization that is smoother and faster. This more agile bureaucracy will then become a strategic management system that is suitable for the company because work performance becomes more transparent and improves.

Labor Efficiency
Garuda Indonesia implements workforce efficiency by introducing an early retirement program. This idea is primarily aimed at reducing unnecessary operational costs. Registration of this program can be done by employees who are willing and this offer is valid for all employees without age limit and minimum period of active work. As a result, 1,100 employees have signed up for the program and that number will continue to increase. Therefore, operational costs that are declared to be very burdensome will gradually be alleviated and of course with a reduction in the number of employees, human resources in the company will be transferred to more productive tasks with the aim of increasing Garuda Indonesia's income itself (Ardana & Dermawan, 2021).

CONCLUSION
This literacy has analyzed the policies that have been taken by PT Garuda Indonesia (Persero) Tbk. to increase productivity, efficiency and revenue. This follow-up was carried out because it was motivated by global economic stability and countries that were threatened by the COVID-19 disease outbreak. Based on the business process analysis, there are several main problems faced by Garuda Indonesia, namely the plan to completely close the company's operations, decrease public demand for the aviation industry, decrease in customer satisfaction, company liability problems, marketing inefficiency, and the existence of deviant management. The policies proposed or implemented in solving the main problems are considered to be in accordance with the company's objectives such as labor efficiency, tips to reduce the number of directors and commissioners, shifting flight operations to the cargo business, and renegotiating aircraft leases. In addition, there are several other micro policies that are considered positive and will contribute to healing the company's economy.
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