Indonesian Journal of Economics and Management
Vol. 4, No. 1, November 2023, pp. 1 – 9
https://doi.org/10.35313/ijem.v4i1.4892

Analysis of Factors Affecting the Financial Performance in Cooperatives (Study at KPRI Universitas Brawijaya)

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Research article

Received 24 May 2023; Accepted 20 June 2023

How to cite: Lestari, E., Hidayat, I., Askiyanto, M., Setyawati, Y., & Ikis, L. (2023). Analysis of Factors Affecting the Financial Performance in Cooperatives (Study at KPRI Universitas Brawijaya). *Indonesian Journal of Economics and Management*, *4*(1), 1-9.

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Abstract: Financial performance is a crucial variable for the assessment of the income and productivitof the company. Furthermore, the company can make the best decision for the business development. This study aims to identify the factors that influence income on financial performance at KPRI Universitas Brawijaya. A quantitative approach was applied in this study, namely to examine secondary data in the form of financial reports from KPRI Universitas Brawijaya for the period 2018 to 2021 through the method of financial ratio analysis. The results of the study prove that the factors that affect financial performance income at KPRI Universitas Brawijaya are liquidity ratios and leverage ratios which are declared healthy because cooperatives have high asset and capital values to pay business obligations as well as activity ratios and profitability ratios which are stated to be quite healthy because of their activities. medium business and have moderate operating profit. Based on these findings, cooperatives are advised to calculate financial ratios in making decisions.

Keywords: Financial Performance, Financial Ratios, Cooperatives

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1. Introduction

Cooperatives are important institutions in community development, in relation to economic empowerment programs. Cooperative service quality and member satisfaction greatly affect the competitiveness of cooperatives in today's free market. However, the quality of these services cannot be separated from the identity of the cooperative, so that the principles and values of the cooperative can still be institutionalized in a free market economic structure. As an institution engaged in services and member satisfaction with the business management offered.

The overall performance of a company can be investigated from the the financial statements. Financial reports made by cooperatives are aimed at internal and external parties, and are said to be of high quality if in the process of preparing financial reports all accounts are presented honestly, thoroughly and accurately accompanied by clear and complete evidence, and meet the characteristics of the quality of financial reports in the standard current financial accounting. To produce financial reports, one must understand how the process and implementation of accounting is carried out based on applicable regulations.

The base definition of income is the result of sales activity from output generated in a production process. The definition of income has different interpretations for competent parties due to different disciplinary backgrounds with the preparation of the concept of income for certain parties (Widyatama, 2015). According to economics, income is the maximum value that a person can consume in one period by expecting the same state at the end of the period as the original state. The definition of income according to economics covers the possibility of more changes in the total assets of the business entity at the beginning of the period and emphasizes the amount of static value at the end of the period. In other words, income is the amount of wealth.

In Indonesia, cooperatives have developed over time and are increasingly in demand by the public. Data on the number of cooperatives nationally at the end of December 2015 totaled 212,135 units with 150,223 active cooperatives and 61,912 inactive cooperatives. In a company, it is definitely in dire need of good performance from its employees, so that it can support and help the company to progress and of course give a good effect so that the company's profit or income increases. As part of the evaluation, it is important to always review the financial performance of cooperatives to find out the dynamics of cooperative performance over a period of time. The financial performance of a company is an important factor and assesses the company in the future. Financial performance can be seen from the company's financial statements by analyzing the company's financial statements, namely the statement of financial position and income statement to measure the company's financial performance using an analytical tool in the form of financial ratios. Basically, financial analysis is used to see the viability of a stable company from one business, sub-business or project.

In analyzing the performance of cooperatives or companies in general, the ratio can be used as a reference for indicators of the amount of profit, so that it can be seen whether the company has run its business efficiently or not. The efficiency of a new business can be known after comparing the profit earned with the assets or capital that generates the profit. Effectiveness here is seen from the profit generated on the company's sales and investment. The policies taken by the company in determining profit can be seen from the level of profitability. The profitability ratios used in this study are Net Profit Margin (NPM), Gross Profit Margin (GPM), Return On Assets (ROA) and Return On Equity (ROE).

This paper presents the results of evaluating financial performance in a cooperative unit, which in this case is KPRI Universitas Brawijaya. Ratio analysis and its interpretation are used as an analytical method, in accordance with standard assessment standards. To evaluate the financial performance of the supervisory cooperative of the Republic of Indonesia, Brawijaya University, this research will compare the consolidated financial reports of cooperatives from 2018 to 2021. After the results of the research were found in the form of financial ratios, these financial ratios were then categorized based on the regulations of the minister of cooperatives and business small and medium enterprises Number: 06/Per/M.KUMKM/V/2006 concerning guidelines for clarification of outstanding cooperatives which aims to determine the performance of cooperatives in a certain period as an illustration of the success of cooperative development programs (https://jdih.kemenkopukm.go.id, 14 June 2023).

2. Literature Review

2.1. Financial Performance

The analysis of financial performance is an approach for investigating whether a company has carried out using the rules of financial implementation properly and correctly. Company performance is a description of the financial condition of a company which is analyzed with financial analysis tools, so that it can be known about the good and bad financial condition of a company that reflects work performance in a certain period. This is very important so that resources are used optimally in dealing with environmental changes. To see the performance of a company can not only be assessed from its physical condition, for example seen from the building, development or expansion. The most important factor in being able to see the performance of a company lies in its financial elements, because from these elements one can also evaluate whether the policies pursued by a company are appropriate or not, given the complexity of the problems that can lead to bankruptcy due to the large number of companies that eventually go out of business due to several financial factors.

The evaluation of financial performance can be carried out using financial statement analysis, where the main data as input in this analysis are the balance sheet and income statement. Analysis of financial statements can be done using financial ratios. The presentation of financial ratios will show whether a company is healthy or not. Ratio analysis connects the elements of the plan and profit and loss calculation so that it can assess the effectiveness and efficiency of the company (Orniati, 2009).

2.2. Liquidity Ratio on Financial Performance

Tolong *et al.* (2020) explains that the results of the study used liquidity ratios, solvency and profitability ratios at the Sukadamai Savings and Loans Cooperative in Girlfriend Village, Macang Pacar District, West Manggarai Regency from 2013 to 2017, generally good, meaning that they met the criteria which is great. The results of the study (Pakpahan, 2020) state that the quality of financial reports has a significant effect on the performance of MSME businesses. The quality of financial reports can produce information on the performance of micro, small and medium enterprises. The results of this study indicate that the quality of financial reports has a significant effect on the business performance of MSME.

2.3. Leverage Ratio on Financial Performance

Asia *et al.* (2023) explained that the analysis of the liquidity ratio of the Mamuju Branch of the GIMA Savings and Loans Cooperative during the period 2019 - 2021 cash ratio and the ratio of financing to funds received were quite liquid. This shows that the percentage value from 2019-2021, the cooperative's ability to pay off short-term debt is very good, which means that the cooperative's performance is very good. The results of the solvency analysis with two ratios, namely debt to assets and debt to equity, it was found that during the period 2019 - 2021 the criteria were bad. This shows that the percentage value from 2019-2021 is that the cooperative's ability to pay off long-term debt is not good, which means that the performance of the cooperative can be said to be poor. The results of the profitability ratio analysis with two ratios, namely the ratio of net return on assets, the criteria are not good, while the return on equity ratio has good criteria. This shows that the performance of the cooperative in producing the remaining business results is good. Research results (Oktaviani & Putri, 2021) state that capital and credit loans have a significant effect on business performance. On the other hand, business age has no significant effect on business performance. These findings suggest that regardless of how long a business has been in existence, the main determinants of its performance are capital adequacy and access to credit services. Both are significant factors that must be prioritized in the small business empowerment program by the Medan City government or related agencies. This research concludes that length of business has no significant effect on business performance. This indicates that businesses that have been established for a long time or those that are newly established do not affect business performance. On the other hand, capital and lending have a significant effect on business performance. This is because the injection of funds obtained can be used to prosper the business. Thus, it is recommended for the Medan City Office of Cooperatives and Micro, Small and Medium Enterprises (MSME) to provide appropriate capital and credit for business actors in order to improve business performance.

2.4. Ratio of Activity to Financial Performance

Kunriawan & Arianti (2018) reported that in the capital aspect of the Wira Karya Lahat Savings and Loans Cooperative in 2015-2017 it obtained a score of 47 with the title under special supervision or unhealthy, aspects of the quality of productive assets obtained a score of 16.25 with the title under supervision or unhealthy. Aspects of management get a score of 13.75 with a very good or very healthy predicate. The efficiency aspect gets a score of 2.00 in the predicate under special supervision or not good and the liquidity aspect gets a score of 3.75 in the bad or unhealthy predicate. So it can be concluded that the acquisition of a score to assess the financial performance of the Wira Karya Lahat Savings and Loans Cooperative in 2015-2017 is not good or unhealthy. The results of the study (Ayem & Wahidah, 2021) state that the results of the first test show that the variable quality of financial reports has no effect on the performance of MSME. The reliability of MSME financial statements is still relatively low so that irrelevant information has a great potential to mislead information users in making decisions. The reliability of financial reports is classified as low, so it is doubtful that the information presented can reflect the financial transactions that occur, so that it is not yet able to describe the performance of MSME. The results of the second test show that the credit granting variable has a positive and significant effect on MSME performance. The ease of access to MSME credit/funding is able to encourage MSME actors in the aspect of capital to develop their business and improve MSME performance.

2.5. Profitability Ratio on Financial Performance

Agustin *et al.* (2021) reported that there is a significant influence between banking performance and changes in MSME lending. This means that changes in banking performance will affect banks in providing credit to MSMEs. The results of this study indicate that the selected model is the Fixed Effect Model (FEM) with Seemingly Unrelated Regression (SUR) estimation and partially there is a significant influence between banking performance and changes in MSME lending. An addition of 1% in bank profitability can result in a 21% change in lending. However, there is not enough evidence to show that there is a significant effect between changes in lending and the ability of banks in existing capital to cover possible losses in credit or trading of securities and the capacity of funds ready to lend. This study shows that there is a significant influence between banking performance and changes in MSME lending. Research results (Nuriyah, Endri, & Yasid, 2018) state that in the short and long term the Capital Adequacy Ratio (CAR) has a negative and significant effect on MSME Financing. Third Party Funds (TPF), Non-Performing Financing (NPF), Operational Cost of Operating Income (BOPO) and Financing to Deposit Ratio (FDR) have a positive significant effect on MSME financing in the long term. TPF, CAR, NPF have a positive significant effect on the profitability of Islamic banks in the long term. BOPO and NPF have positive significance in the short term. The shock to CAR was responded negatively by MSME financing. The shock to MSME financing is negatively responded to by the profitability of Islamic Banks (ROA) and will be stable in the long term.

3. Research Methods

The object and location in this study is a college cooperatives; KPRI Universitas Brawijaya, located at Jl. MT Haryono No. 169, Dinoyo, Lowokwaru, Ketawanggede, Malang City, East

Java. The data sources used are Primary Data and Secondary Data. The data analysis method uses financial ratio analysis and multiple linear regression analysis.

3.1. Ratio Analysis

In short, financial ratio analysis is obtained from the results of a comparison of one financial report account with another account that has a relevant and significant relationship (Harahap, 2009). Generally ratios can be grouped into:

1. Liquidity Ratio, namely the ratio that measures a company's ability to meet its short-term obligations.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

2. Leverage ratio, namely the ratio that measures how far the company is financed with debt

$$\text{Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}}$$

3. Activity Ratio, namely the ratio that measures how effectively the company uses its funding sources.

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$$

4. Profitability ratio, namely the ratio that measures the final results of a number of policies and decisions.

$$\text{Return On Equity} = \frac{\text{Net Profit After Taxes}}{\text{Equity}}$$

3.2. Multiple Linear Regression Analysis

Sugiyono (2017) explains that linear regression analysis is used to describe the dynamics of the dependent variable, if two or more independent variables as predictors are manipulated (the value is increased or decreased). So multiple regression analysis will be carried out if the number of independent variables is at least 2 (two). This analysis is used to determine the extent to which the magnitude of the independent variable with the dependent variable, either jointly or partially. in general the form of the multiple linear regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4\, e \quad \text{..(3.2)}$$

where,

Y	=	The dependent variable (financial performance income)
a	=	Constant number
b_1, b_2, b_3, b_4	=	Regression coefficient of each variable
X_1	=	Independent variable (liquidity)
X_2	=	Independent variable (leverage)
X_3	=	Independent variable (activity)
X_4	=	Independent variable (profitability)
e	=	Standar eror

SPSS program is used fot the tool for processing the linear regression model.

4. Results and Discussion

4.1. Results

The results of multiple linear regression tests illustrate the significance of the influence of the factors that affect the income of the financial performance of the cooperative unit studied. The results are shown in table 1 as follows:

Table 1. Multiple Linear Regression Test

Variable	Standardized Coefficients (Beta)	t count	t table	Sig.	Information
Constant	52,628			0,000	Positive effect
X1	16,404	7,811	2,776	0,000	Positive effect
X2	14,440	6,278	2,776	0,000	Positive effect
X3	7,330	4,667	2,776	0,000	Positive effect
X4	6,065	4,492	2,776	0,000	Positive effect
R Square = 0,810					

Source: Primary data processed (2022)

Based on these equations, each influencing factor between variables can be explained as follows.

1. The liquidity variable has a significant effect on financial performance income at KPRI Universitas Brawijaya with t count = 7.811 (larger than t table = 2.776), significant value = 0.000 (smaller than 0.05) and regression coefficient value of 16.404. This means that the better the support from liquidity will increase revenue.
2. The leverage variable has a significant effect on financial performance income at KPRI Universitas Brawijaya with t count = 6.278 (larger than t table = 2.776), significant value = 0.000 (smaller than 0.050) and a regression coefficient value of 14.440. This means that the better the support from leverage will increase income.
3. Activity variables have a significant effect on financial performance income at KPRI Universitas Brawijaya with t count = 4.667 (larger than t table = 2.776), significant value = 0.000 (smaller than 0.05) and a regression coefficient value of 7.330. This means that the better the support from the activity will increase revenue.
4. The profitability variable has a significant effect on financial performance income at KPRI Universitas Brawijaya with t count = 4.492 (larger than t table = 2.776), significant value = 0.000 (smaller than 0.05) and a regression coefficient value of 6.065. This means that the better the support from profitability will increase revenue.

In general, the liquidity ratio has a dominant effect on financial performance income at KPRI Universitas Brawijaya with a regression coefficient value of 16.404. The results of the analysis obtained an r square value of 0.810 meaning that liquidity, leverage, activity and profitability have a contribution to the income of financial performance at KPRI Universitas Brawijaya by 81.0% and the remaining 0.190 or 19.0% by other variables not examined such as capital and amount bad credit. The results of the study prove that the factors that influence the income of financial performance at KPRI Universitas Brawijaya are liquidity, leverage, activity and profitability.

4.2. Discussion

This study provides confirmation that liquidity, leverage, activity and profitability are factors that affect the income of financial performance at KPRI Universitas Brawijaya. The results of this study are in accordance with the research of Kaunang (2013) which explains that the higher the value of the liquidity ratio, the company is said to be able to meet its short-term needs. Calculation of the current ratio proves that KPRI Universitas Brawijaya is stated to be in good health because it has a high value so that it is able to fulfill all obligations that must be paid. A high liquidity ratio illustrates the company's ability to meet short-term obligations, where the company has a fairly high ability to meet its short-term obligations. The liquidity ratio based on the current ratio is used to measure a company's ability to pay its short-term obligations or debts that are due soon when billed as a whole. The benefits of knowing the effect of the liquidity ratio on financial performance as a process of breaking down financial statement items into smaller units of information with the aim of knowing financial conditions are very important in the process of making the right decisions.

Based on the leverage ratio, the debt to asset ratio (DAR) at KPRI Universitas Brawijaya is stated to be healthy or has a high ability to pay total debt from capital. The results of this study are in accordance with research by Mait (2013) explaining that a high leverage ratio value indicates that a company has the ability to pay all of its debts, thus supporting an increase in capital structure and good financial performance. The leverage ratio is used to determine the ability of the Malang Brawijaya Cooperative to pay long-term debt from venture capital. For companies, the amount of debt should not exceed their own capital so that the fixed burden is not too high. Debt to Asset Ratio (DAR) is a debt ratio that is used to measure the ratio between total debt and total assets, meaning that the amount of processing assets is able to pay business debts.

Based on the study of activity ratios, the value of the ratio of total assets turnover (TATO) at KPRI Universitas Brawijaya is stated to be quite healthy or has sufficient work activities to increase sales, so that the company's activities are declared smooth. This research is supported by Pogoh's research (2013) which proves that the higher the company's activity, the higher the profit. Total asset turnover shows how effectively the company uses all of its assets to create sales and earn profits so that work activities run smoothly. Meanwhile, companies that experience high inventory turnover mean they are more efficient in managing their work activities.

Furthermore, based on the profitability ratio, it can be seen that the Return on Equity (ROE) value of KPRI Universitas Brawijaya is quite healthy or has sufficient ability to earn profits from capital management. Profitability ratios also provide a measure of the effectiveness of a company's management. Financial performance is measured using a profitability ratio which is a calculation to assess a company's ability to seek profit or profit, where the company has high profits every year. Profitability ratios also provide a measure of the effectiveness of a company's management. Return on Equity (ROE) as a measure of company profitability from total capital compared to after-tax income. This ratio serves to measure the rate of return on net profits on net sales.

Financial performance is very important to evaluate the situation and financial position of a company in a certain period, both assets, liabilities, capital and business results that have been achieved for several periods. Financial ratios are also to find out what weaknesses the company lacks and can also be used as a comparison with the company. Analysis of financial statements based on calculations of liquidity ratios, leverage, activity and profitability shows that the company's financial condition is in good condition. Financial statement analysis basically wants to see the company's prospects and risks. Prospects can be seen from profitability and risk can be seen from the possibility that companies experience financial difficulties or experience bankruptcy, the results of this study note that companies experience profits.

Financial ratio analysis provides many benefits, including as information for the management of a company, as a reference for planning and development, as information used as a tool to assess company performance and achievements, as an information medium that is also used as a tool to evaluate the condition of a company which is seen from a financial perspective, as a medium of information which is also useful for creditors as a medium for estimating risks to be faced, and associated with guarantees of continuity of interest payments and repayment of loan principal. Financial ratio analysis can be used as a medium for conducting assessments made by organizational stockholders in making a decision. Analysis of financial performance is very important to assess the extent to which the company has achieved its goals, or how successful the company has been in generating profits. This information will be useful for investors and creditors.

5. Conclusion

The clear conclusion of this study is that the financial performance of KPRI Universitas Brawijaya is influenced by factors of liquidity ratios, leverage ratios, activity ratios, and profitability ratios, as the theory that has been valid so far. The results of this analysis become a recommendation material for cooperative management in managing financial performance and the overall company performance.

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