Analysis of Financial Performance Decreasing Factors in Business Unit of Koperasi Pengerajin Perak Celuk Period 2019-2021

Made Nandita Widyasari [1*], I Ketut Sudiartha [2], Ni Nyoman Aryaningsih [3]

[1] *Managerial Accounting Undergraduate Study Program, Accounting Department, Bali State Polytechnic*
[2] *Managerial Accounting Undergraduate Study Program, Accounting Department, Bali State Polytechnic*
[3] *Managerial Accounting Undergraduate Study Program, Accounting Department, Bali State Polytechnic*

widyasarinandita@gmail.com [1*], sudiartha.bagus@gmail.com [2], arya68ningsih@gmail.com [3]

Abstract: This research is motivated by the problem of low financial performance seen from profitability which tends to decline over the last two years. The data analysis method used in this study is financial ratio analysis consisting of liquidity, solvency, profitability, and activity ratios. The purpose of this study is to analyze the factors causing the decline in financial performance and analyze what efforts can be made to improve the financial performance of Koperasi Pengerajin Perak Celuk business unit. The results showed that the financial performance in terms of liquidity in the criteria was not good because it was overliquid. This is caused by the inability of cooperatives in managing current assets. Meanwhile, the level of solvency of cooperatives is included in very good criteria. Based on the development of profitability ratios in a bad condition caused by capital that is not managed effectively, a significant decrease in sales, lack of cost efficiency, loss of cash due to negligence of financial managers, as well as a lot of inventory in the warehouse in the form of basic needs which expire after stock taking. The development of the cooperative activity ratio has decreased due to the low collection of receivables and old inventory piling up in the warehouse. Efforts that must be made by cooperatives to improve their performance are by managing assets and capital well, recruiting new financial managers, implementing stricter accounts receivable policies, and controlling inventory purchases to avoid stockpiling.

Keywords: financial performance, financial ratio analysis, liquidity, solvency, profitability, activity

Article Information: Submission to Repository on September 2022

Introduction

The existence and role of cooperatives is very important in realizing the goals of national economic development. Cooperatives are business entities consisting of individuals or cooperative legal entities whose activities are based on the cooperative principle and as a people's economic movement based on the principle of kinship (Law Number 25 of 1992). The business results obtained by the cooperative, which are called the remaining operating results, are usually determined based on the share of the members in the cooperative (Priliandani et al., 2018). According to Febrianka (2016) cooperatives engaged in savings and loans and sales or marketing cooperatives are types of cooperatives that are the favorite choice for people in Indonesia. It is the same with Koperasi Pengerajin Perak Celuk, which initially was only a shop unit that provided silver, pure silver, and basic necessities for equipment and supplies, then grew by adding a savings and loan business unit. This research was conducted in a cooperative store business unit.

Good performance will be able to assist management in achieving cooperative goals. Performance is a description of the achievements achieved by the company in its operational activities and reflects the company's ability to manage and allocate its resources (Hariadi et al., 2013). According to Jumingan (2014:239) performance is a description of the achievements achieved by the company in its operations, both regarding financial and non-financial aspects.

Table 1. Calculation Report on Business Results of Koperasi Pengerajin Perak Celuk Store Business Unit

Description	2019	2020	2021
SHU	9.487.102	(13.822.744)	(126.322.319)
Decrease in SHU		(23.309.846)	(112.499.575)
Percentage Decrease in SHU		246%	814%

Source: Secondary data processed, in 2022

The remaining operating results of Koperasi Pengerajin Perak Celuk store business units from 2020 to 2021 continue to decline. Even in 2020 and 2021 the remaining operating results are in a minus state. The decline that occurred from 2019 to 2020 was 246% and from 2020 to 2021 it was 814%. This decrease in the amount of remaining operating results reflects the existence of problems in the financial performance of the cooperative. One of the causes of this significant loss is the large number of out-of-date/expired inventories. This indicates that inventory turnover is very low, so that inventory accumulates in the long term. According to Kasmir (2016:180) this inventory turnover is included in the activity ratio used to find out the average days inventory is stored in the warehouse. The smaller this ratio indicates the lower the inventory turnover, which means the company is working inefficiently or unproductively. This will have an impact on the company's financial performance because it means the company has not optimized the use of its assets. On the other hand, the faster the activity ratio, the profit generated will increase, because the company can already utilize these resources to increase sales which have an impact on revenue (Esthirahayu et al., 2014).

Financial ratio analysis is a company performance analysis tool that can explain various financial relationships and indicators that can show changes in financial conditions and help describe the trend of these changes (Fahmi, 2017:45). Financial ratio analysis is comprehensive because it includes the company's level of efficiency in the use of its assets and can measure the level of profit generated by the company (Turang, 2012). The main objective of financial performance analysis is to obtain a better view of the operational and financial problems faced by cooperatives (Sudarno et al., 2018). Thus, the purpose of this study is to analyze the factors causing the decline in financial performance and to analyze what efforts can be made to improve the financial performance of Koperasi Pengerajin Perak Celuk business unit.

Method

This research is included in the type of qualitative descriptive research conducted at Koperasi pengerajin Perak Celuk store business unit located in Celuk Village, Gianyar Regency, Bali. This research was carried out for a period of 6 months, from February to July 2022. The data sources in this study used primary and secondary data sources. Primary data in the form of interviews with accounting staff and secondary data in the form of annual financial reports consisting of reports on the calculation of operating results and reports on the financial position of store business units for the period 2019 to 2021. Data collection techniques and instruments used in this study were interviews and documentation. Testing the validity of the data is done by using triangulation techniques and sources.

Analysis of the data used in this study is the analysis of financial ratios. The financial ratios used consist of liquidity ratios, solvency ratios, profitability ratios, and activity ratios. The calculation results are then categorized based on the Regulation of the State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006. Then, interpret the results of the calculations obtained and make conclusions from the results of calculations and the results of interviews conducted to determine the factors causing the decline in financial performance. After that, look for efforts that can be made to improve the financial performance of cooperatives.

Result and Discussion

- **Description of Research Results**
  1. Liquidity Ratio
     a. Current Ratio

Table 2. Current Ratio Calculation Results

Year	Current Ratio (%)	Criteria
2019	450	Not Good
2020	451	Not Good
2021	604	Not Good

Source: Secondary data processed, in 2022

Based on the results of the calculation of the current ratio above, it shows that the value of the current ratio obtained by the cooperative is included in not good criteria because the ratio is more than 325%.

b. Cash Ratio

Table 3. Cash Ratio Calculation Results

Year	Cash Ratio (%)
2019	273
2020	269
2021	487

Source: Secondary data processed, in 2022

Based on the Regulation of the State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006, there are no guidelines regarding the cash ratio. Kasmir stated that the cash ratio is in a healthy criteria if it is not below 50%, but a cash ratio that is too high is also not good. Therefore, the value of the cash ratio obtained in 2019 to 2021 cannot be classified in good condition because the cash ratio is too high.

2. Solvency Ratio (Leverage)

a. Debt Ratio

Table 4. Debt Ratio Calculation Results

Year	Debt Ratio (%)	Criteria
2019	20	Very Good
2020	17	Very Good
2021	12	Very Good

Source: Secondary data processed, in 2022

Based on the results of the above calculations indicate that the debt ratio is included in the very good criteria because it is below 40%.

b. Debt to Equity Ratio

Table 5. Debt to Equity Ratio Calculation Results

Year	Debt to Equity Ratio (%)	Criteria
2019	25	Very Good
2020	20	Very Good
2021	13	Very Good

Source: Secondary data processed, in 2022

Based on the calculation results above, it shows that the debt to equity ratio obtained by the cooperative is included in the very good criteria because the value is below 70%.

3. Profitability Ratio

a. Net Profit Margin

Table 6. Net Profit Margin Calculation Results

Year	Net Profit Margin (%)	Criteria
2019	0,07	Not Good
2020	-0,77	Not Good
2021	-16,31	Not Good

Source: Secondary data processed, in 2022

Based on the calculation results above, it shows that the NPM is included in not good criteria because the value is less than 1%.

b. Return on Assets (ROA)

Table 7. Return on Assets (ROA) Calculation Results

Year	ROA (%)	Criteria
2019	0,58	Not Good
2020	-0,89	Not Good
2021	-9,67	Not Good

Source: Secondary data processed, in 2022

Based on the results of the calculations above, it shows that ROA is included in not good criteria because the value is less than 1%.

c. Return on Equity (ROE)

Table 8. Return on Equity (ROE) Calculation Results

Year	ROE (%)	Criteria
2019	0,73	Not Good
2020	-1,06	Not Good
2021	-9,78	Not Good

Source: Secondary data processed, in 2022

Based on the results of the calculations in the table above, it shows that the ROE value is included in not good criteria because it is smaller than 3%.

4. Activity Ratio

a. Receivable Turn Over

Table 9. Receivable Turn Over Calculation Results

Year	Receivable Turn Over (Times)	Receivable Turn Over (Day)	Criteria
2019	2	183	Not Good
2020	0,81	452	Not Good
2021	0,68	534	Not Good

Source: Secondary data processed, in 2022

Based on the results of the calculations in the table above, it shows that the receivables turnover is included in not good criteria because the turnover is less than 6 times.

b. Inventory Turn Over

Table 10. Inventory Turn Over Calculation Results

Year	Inventory Turn Over (Times)	Inventory Turn Over (Day)
2019	145	3
2020	49	7
2021	9	41

Source: Secondary data processed, in 2022

Based on the Regulation of the State Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006, there are no guidelines regarding inventory turnover. According to Kasmir (2016: 180), the smaller this ratio means the company is working inefficiently or unproductively and a lot of inventory items are piling up. Based on the results of the calculations in the table above, it shows that inventory turnover is decreasing.

c. Total Asset Turn Over

Table 11. Total Asset Turn Over Calculation Results

Year	Total Asset Turn Over (Times)	Criteria
2019	8,25	Very Good
2020	1,15	Not Very Good
2021	0,59	Not Good

Source: Secondary data processed, in 2022

Based on the results of the calculations in the table above, it shows that the total asset turn-over is included in the very good criteria in 2019 because the turnover is more than 3.5 times, in 2020 it is included in not very goog criteria because the turnover is in the interval 1 time to 1.5 times. Furthermore, in 2021 it is included in not good criteria because the turnover is less than 1 time.

- **Discussion**

1. Factors Causing Declining Financial Performance
    a. Liquidity Ratio
        1) Current Ratio
            Cooperatives obtain a high current ratio value or can be said to be overliquid caused by:
            a) Most of the cooperative's capital is allocated to current assets, especially in the form of cash, and the available cash is not used optimally so that cash is idle.
            b) The small amount of receivables collectible.
            c) Short-term debt in 2020 and 2021 decreased.
        2) Cash Ratio
            Cooperatives are in a condition where the cash ratio is too high, which is caused by:
            a) Idle cash or unproductive cash, which means that cash is not used optimally.
            b) Short-term debt in 2020 and 2021 decreased.
    b. Solvency Ratio (Leverage)
        1) Debt Ratio
            The calculation results show that the smaller the company's assets are financed with debt, so the company's ability to meet all of its debts is getting better or can be said to be solvable. The decrease in the debt ratio was caused by a decrease in short-term debt and long-term debt.
        2) Debt to Equity Ratio
            The condition of the cooperative is getting better from 2019 until 2021. Because the amount of own capital used as collateral for debt is decreasing. This was due to an increase in short-term and long-term debt repayments in 2020 and 2021.
    c. Profitability Ratio
        1) Net Profit Margin
            The decrease in this ratio was caused by the following factors:
            a) High costs incurred for employee salaries, building rent, and asset depreciation in 2020 and 2021.
            b) A significant decline in sales in 2020 and 2021 due to the Covid-19 pandemic.
            c) There is a loss of cash due to negligence of financial managers.
            d) In 2021, there were many inventories in the form of expired basic necessities after stock taking was carried out which caused an increase in the cost of damage.
        2) Return on Assets (ROA)
            The decrease in ROA value was caused by the following factors:
            a) The high cost of using cooperative assets such as asset maintenance, asset depreciation costs, and building rental costs in 2020 and 2021.
            b) Assets owned have not been managed effectively.

3) Return on Equity (ROE)

The decline in ROE value was caused by the following factors:

a) The sales volume generated from the management of cooperative capital will decrease in 2020 and 2021.
b) Cooperative capital is decreasing due to accumulated losses experienced by cooperatives in 2020 and 2021.

d. Activity Ratio

1) Receivable Turn Over

The decline in receivables turnover was caused by a small amount of collectible receivables, because there were still many that had not been repaid in a long period of time and cooperative managers who were not able to follow up on those who had not paid their debts.

2) Inventory Turn Over

The decrease in inventory turnover was caused by the following factors:

a) Sales in 2020 decreased so that the average time inventory was stored in the warehouse became longer.
b) In 2021, there will be a lot of inventory in the form of expired or expired basic necessities, because the inventory has been stored in the warehouse for too long.

3) Total Asset Turn Over

The decrease in total asset turnover was caused by the following factors:

a) Sales in 2020 and 2021 experienced a decline due to the Covid-19 pandemic.
b) The existing cash in 2021 is not used to purchase inventory because the cooperative's operational activities are temporarily suspended.

2. Efforts to Improve Financial Performance

a. Liquidity Ratio

1) Optimizing the use of current assets, especially cash and cash equivalents so that they are not idle to overcome overliquid. Cooperatives can take advantage of idle funds to carry out promotions so that the use of current assets is more productive and can generate greater sales.
2) Purchases of inventories that have been made in cash can be circumvented by purchasing on credit, but with a note that the trade payables are paid regularly.

b. Solvency Ratio (Leverage)

The cooperative does not have long-term debt because it has been repaid. This indicates that cooperatives do not depend on debt to finance assets, and their own capital which is used as debt collateral is also small. However, cooperatives should consider having long-term debt because of the benefits that can be felt when having debt, cooperatives can still use assets for operational purposes as collateral.

c. Profitability Ratio

1) Reducing the costs of operational activities.
2) Owned capital is better used to obtain sales.
3) Recruiting new financial manager who are competent, professional, able to work honestly, and willing to work hard so that the cooperative's operational activities can run effectively and provide maximum profit.

d. Activity Ratio

1) Implementing a stricter receivables policy by making terms of payment for credit sales. In addition, managers routinely follow up on parties who have not paid off their debts for a long time.
2) Controlling the purchase of inventory to avoid stockpiled inventory that can cause damage or expiration.

Conclusion

The results of the study indicate that the cause of the high liquidity ratio is the inability of cooperatives to maximize the use of current assets to be converted into profits. Another factor is due to the small number of receivables collectible and the increase in repayment of current debts. The level of solvency of the cooperative is in very good criteria which indicates that the cooperative is able to fulfill all of its obligations or debts. The decline in profitability was caused by the invested capital not being managed effectively, a significant decrease in sales, a lack of cost efficiency, a loss of cash, and a lot of inventory that expired after a stock opname was carried out. The level of activity of the company is not in good condition caused by uncollected receivables and old inventory piling up in the warehouse. Efforts that should be made by cooperatives to improve their performance are by managing assets and capital well, recruiting new financial managers, implementing stricter accounts receivable policies, and controlling inventory purchases to avoid stockpiled inventories.

The implication of this research is that Koperasi Pengerajin Perak Celuk store business unit, can find out its financial condition after analyzing financial ratios and finding the factors causing the decline in financial performance. Furthermore, cooperatives can evaluate financial performance by considering the efforts given to management decision making in improving financial performance.

Acknowledgment

The authors would like to thank Koperasi Pengerajin Perak Celuk which has allowed it to conduct research and provide data, to the supervisors, and all parties who have assisted and supported the completion of this journal.

Reference

Esthirahayu, D. P., Handayani, S. R., & Hidayat, R. R. (2014). Pengaruh Rasio Likuiditas, Rasio Leverage dan Rasio Aktivitas. *Jurnal Administrasi Bisnis (JAB)*, 8(1).

Fahmi, I. (2017). *Analisis Kinerja Keuangan Panduan bagi Akademisi, Manajer, dan Investor untuk Menilai dan Menganalisis Bisnis dari Aspek Keuangan*. Bandung: Alfabeta.

Febrianka, V. W. (2016). Kinerja Koperasi Studi tentang Faktor-Faktor Penyebab Tidak Aktifnya Koperasi Gotong Royong Kota Blitar. *Jurnal Kebijakan Dan Manajemen Publik*, 4(3), 1–11.

Hariadi, I., Topowijono, & Z.A, Z. (2013). Penilaian Kinerja Keuangan Perusahaan Menggunakan Analisis Rasio Keuangan dan Konsep EVA (Economic Value Added). *Jurnal Administrasi Bisnis*, 5(2), 1–9.

Jumingan. (2014). *Analisis Laporan Keuangan*. Jakarta: PT Bumi Aksara.

Kasmir. (2016). *Analisis Laporan Keuangan*. Jakarta: PT Raja Grafindo Persada.

Peraturan Menteri Negara Koperasi dan Usaha Kecil dan Menengah Republik Indonesia Nomor 06/Per/M.KUKM/V/2006. Pedoman Penilaian Koperasi Berprestasi/Koperasi Award.

Priliandani, N. M. I., Juniariani, N. M. R., & Mariyatni, N. P. S. (2018). Pengaruh Ukuran Koperasi, Jenis Koperasi serta Pengalaman Kepengurusan Manajemen terhadap Kualitas Sistem Pengendalian Intern pada Koperasi di Kabupaten Tabanan. *Jurnal Aplikasi Akuntansi*, 3(1), 141–178. https://doi.org/10.29303/JAA.V3I1.37

Sudarno, Anton, & Suci, P. R. (2018). Analisis Faktor-Faktor yang Mempengaruhi Kinerja Keuangan pada Koperasi Simpan Pinjam Sejahtera Mandiri Kecamatan Sukajadi Pekanbaru Riau Periode 2011-2014. *Bilancia: Jurnal Ilmiah Akuntansi*, 2(2), 235–246.

Turang, I. E. (2012). Analisis Rasio Keuangan Sebagai Alat Penilaian untuk Mengukur Kinerja Keuangan pada PT. Bank Tabungan Pensiunan Nasional TBK Periode Tahun 2010-2012. *Jurnal Acta Diurna.* 1–17.

UU No. 25 Tahun 1992. Perkoperasian. https://peraturan.bpk.go.id/Home/Details/46650/uu-no-25-tahun-1992