

# Skripsi

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**Submission date:** 22-Sep-2022 09:57AM (UTC+0700)

**Submission ID:** 1905898379

**File name:** Luh\_Sutarmi-Artikel.docx (90.16K)

**Word count:** 3726

**Character count:** 19503

# Financial Ratio's Analysis to Assess Finance Performance of Rural Owned Enterprise by Dencarik Village Bina Usaha Mandiri Buleleng Regency

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**Abstract:** Rural Owned Enterprises are legal entities established by the village or built together with the village to manage the business, utilize the assets, develop the investment and productivity, provide services or other types of business for village community's welfare. One of them is Rural Owned Enterprise by Dencarik Village Bina Usaha Mandiri. During the last three years, in 2019, 2020 and 2021, the net profit of Rural Owned Enterprises has decreased significantly. The decrease of the profit certainly has an impact on village's income. The purpose of this study was aimed to determine the financial performance of Rural Owned Enterprises Bina Usaha Mandiri based on financial ratios. This research categorized as descriptive qualitative research to describe the company's financial performance by using analysis of liquidity ratios, profitability, solvency and activity. The results of financial ratios' calculations were assessed with the standard assessment of the Regulation of the Minister of Koperasi and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006 about the Koperasi Award. Rural Owned Enterprises of Dencarik Bina Usaha Mandiri in 2019 received 53.6 for the assessment, in 2020 it received 46.4, and it got 42.9 in assessment in 2022. All of those score were categorized as the poor category. With these findings, it indicated that it was necessary to make many improvements to Rural Owned Enterprises of Dencarik Village, Bina Usaha Mandiri to improve future performance.

**Keywords:** financial performance, Rural Owned Enterprises, financial ratio, financial report

**Article Information:** Submission to Repository on September 2022

## Introduction

Village is the smallest part of a country but plays an important role in achieving the ideals of the nation and state. Village progress can be used as a benchmark to assess the welfare of a country. Since the establishment of Law Number 6 of 2014 concerning Villages, the government has empowered village governments to manage and regulate their regions as an effort to lead autonomous villages in developing their regions, one of which has been through the establishment of Rural Owned Enterprises. Rural Owned Enterprise is an institution formed with the function of strengthening the village economy with the efforts carried out in order to obtain an outcome in the form of profit. Rural Owned Enterprise is a company managed by the village community and its management is separate from the village government. (Suartana, 2017). Rural Owned Enterprise was formed with the aim of advancing the village economy and was built according to the needs and potential of the village. Rural Owned Enterprise is required to submit reports on business development, one of which is with financial reports. According to Munawir (2019), financial reports are the result of an accounting process that is used as a communication tool between financial information or activities of a company and parties with an interest in the company's information or activities. This financial report is needed to find out the financial condition of Rural Owned Enterprise in a certain period. From the financial reports produced, it can be seen how the financial performance is. Financial performance is an analysis carried out to find out the extent to which a company has implemented financial implementation rules (Fahmi, 2014)

After the promulgation of Buleleng Regency Regulation No. 10 2015 concerning the Establishment and Management of Rural Owned Enterprises, villages in Buleleng Regency are active in establishing Rural Owned Enterprises. The Rural Owned Enterprise of Dencarik Bina Usaha Mandiri is one of the rural owned enterprises located in Banjar District, Buleng Regency which was established in 2015. The Rural Owned Enterprise Bina Usaha Mandiri has four business units including a savings and loan business unit, village water management business unit, trading business unit and waste management business unit. The development of Rural Owned Enterprise Bina Usaha Mandiri is an alternative source of Village Income in accordance with the potential of the village. Since its establishment in 2015, Rural Owned Enterprise Bina Usaha Mandiri has not conducted an analysis of its financial statements. Judging from its financial reports, in the last three years, 2019, 2020 and 2021, the net profit of BUM Desa experienced a significant decline. It was observed from the financial statements of Rural Owned Enterprise Bina Usaha Mandiri from 2019 to 2021, there was a significant increase in current debt up to

12.8% from 2020 to 2021 which is not matched by a significant increase in current assets so that it is feared that Rural Owned Enterprise will not be able to settle its current obligations with available current assets. In 2021, BUM Desa assets have increased up to 8% from the previous period but their income and profits have decreased. Their business capital in 2020 has increased about 3% from the previous period. This was not accompanied by an increase in net profit, which in the 2020 period, their net profit decreased by 43%. This decrease in profit certainly has an impact on Village Income. In 2019, BUM Desa contributed 15% of the total net profit, while in 2020 and 2021 the village contribution was set at 30% of the net profit earned. With the significant decline in profits over the last 3 years, it is feared that the Rural Owned Enterprise Bina Usaha Mandiri will not be able to achieve its initial goal of strengthening the village economy in order to develop village potential.

Previous research that is relevant to this research has been carried out by Putu Diah Herayanti (2021) at BUM Desa Panca Sedana Sari where the research results obtained that the assessment of the financial performance of the Panca Sedana Sari Rural Owned Enterprises for the 2018-2020 period had an average score of 80.6 with the predicate "Good". Govindha Zahra Maharyani, et al (2018) also conducted research on BUM Desa Arum Dalu Ngalar which resulted in the results that BUMDes Arum Dalu had sufficiently met the criteria contained in the Ministry of State of the Republic of Indonesia and the Regulation of Small and Medium Enterprises of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006 but need improvement better financial performance. Eka Pariyanti, et al (2018) conducted a study entitled Financial Performance Analysis in Savings and Loans Cooperatives and Sharia Financing BMT Sepadan, Pasir Sakti District, East Lampung. From the research results, it is known that the liquidity of cooperatives is not sufficiently liquid as indicated by the current ratio and cash ratio which are still below the established standard. The cooperative's profitability ratio for three years can be said to have not been solvabel in fulfilling its long-term obligations. The profitability ratio of cooperatives for three years can be said to have been quite profitable in creating profit (SHU). The activity ratio is measured by revenue turnover, and asset turnover has met the standards set. Lidwina Fanny E.P, et al (2021) conducted a study with the title Analysis of Rural Owned Enterprise Financial Performance Against Community Welfare During a Pandemic. From the research results, it is known that in 2019 before the pandemic ROA showed very good results and in 2020 during the pandemic ROA remained very good and even experienced a high increase. Afrijal and Ramadhani (2016) conducted a study with the title of Comparative Analysis of the Financial Performance of Village Owned Enterprises (BUMDES) in Rokan Hulu Regency which showed that from the results of the study it was known that the BUMDes's turnover ratio in Rokan Hulu Regency had an average 277% (very good). The average Debt to Asset Ratio (DAR) is 42% (good). The average Return On Asset (ROA) ratio is 8% (good). The average ratio of Total Asset Turn Over (TATO) is 0.23 (not good). The difference between this study and previous research lies in the place of research, the year of the financial statements and the number of financial ratios. Based on this description, it is considered important to carry out this research with the aim of knowing the financial performance of the Rural Owned Enterprises of Dencairik Bina Usaha Mandiri entitled "Financial Ratio's Analysis to Assess Finance Performance of Rural Owned Enterprise by Dencairik Village Bina Usaha Mandiri Buleleng Regency"

## Method

This research was conducted at the Rural Owned Enterprises of Dencairik Bina Usaha Mandiri located in Dencairik Village, Banjar District, Buleleng Regency with the research time starting from February 2022 to August 2022. Data collection methods used in this study include interviews by conducting interviews with the BUM Desa Dencairik Bina Usaha Mandiri, documentation by collecting data from the financial statements of The Rural Owned Enterprises of Dencairik Bina Usaha Mandiri for the period 2019 to 2021 as well as with a library study by reading the literature related to research. The data analysis technique used in this study is to analyze financial ratios and then carry out an assessment in accordance with the assessment standards of the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006 and then perform a classification of financial performance in accordance with the results of the assessment of financial ratios.

## Result and Discussion

### 1. Financial Ratio Analysis

#### a. Liquidity Ratio

According to Harahap (2015), the liquidity ratio is a ratio that represents the company's ability to pay its short-term debt. In this study, the liquidity ratio is measured by the current ratio, the following results are obtained:

Table 1. Current Ratio

Year	Current Asset	Current Liability	Current Ratio	Desription
2019	1.405.361.194	381.949.563	368%	Very High
2020	1.190.466.987	212.187.491	561%	Very High
2021	1.373.274.164	483.441.889	284%	Very High

Source: Data processed, year 2022

In 2019, the percentage of the current ratio is 368%, which means that Rp. 1.00 of current liability can be financed by Rp 3,68 of assets. Meanwhile, in 2020 the current ratio percentage 561% shows an increase compared to 2019. This shows that Rp. 1,00 of current liability can be financed by Rp. 5,61 of current assets. In 2021, the percentage of current ratio is 284%. This percentage has decreased significantly from the previous period. This means that every IDR 1.00 of current debt can be financed by IDR 2.84 of available current assets.

b. Profitability Ratio

Profitability is a measure of the company's ability to generate profit by using all functions and sources such as operating activities, cash, capital, number of employees and number of branches (Harahap, 2015)

1) Net Profit Margin

Net profit margin is the ratio between profit after tax to sales.

Table 2. Net Profit Margin

Year	Net Profit After Tax	Income	Net Profit Margin	Description
2019	96.288.347	1.428.068.305	7%	Moderate
2020	54.517.087	1.673.450.402	3%	Low
2021	40.432.180	1.232.883.842	3%	Low

Source: Data processed, year 2022

Based on the calculation results, the average percentage of net profit margin Rural Owned Enterprise Denarik Bina Usaha Mandiri is in the low range. In 2019, the percentage of net profit margin value was 7%, which indicates that it is in a moderate position. In 2020 and 2021, the percentage of net profit margin has decreased by getting a percentage of 3% which indicates it is in the low range. This percentage decrease was due to a decrease in net income.

2) Return On Asset

Return on Assets (ROA) measures the reliability of a company in utilizing assets to create profits

Table 3. Return on Asset (ROA)

Year	Net Profit After Tax	Total Assets	ROA	Description
2019	96.288.347	2.337.408.707	4%	Moderate
2020	54.517.087	2.185.072.905	2%	Low
2021	40.432.180	2.368.169.082	2%	Low

Source: Data processed, year 2022

Based on the calculation results, the average Return on Assets (ROA) of Rural Owned Enterprise Denarik Bina Usaha Mandiri for the last three years is in the medium range with a percentage gain of 3%. The percentage of ROA from Rural Owned Enterprise Denarik Bina Usaha Mandiri changes every year. The highest percentage of ROA was in the 2019 period, this is because the highest profit was obtained that year.

3) Return On Equity

The Return on Equity (ROE) ratio describes the percentage of net profit obtained when measured from the owner's capital.

Table 4. Return on Equity (ROE)

Year	Net Profit After Tax	Total Equity	ROA	Description
2019	96.288.347	1.859.170.797	5%	Low
2020	54.517.087	1.918.368.327	3%	Low
2021	40.432.180	1.827.936.925	2%	Very Low

Source: Data processed, year 2022

Based on the calculation results, the average percentage of Return on Equity (ROE) of Rural Owned Enterprise Bina Usaha Mandiri is in the low range with a percentage gain of 3%. In 2019, the ROE ratio percentage was obtained at 5%. Meanwhile, in the 2020 period, the percentage ratio obtained was 4% and continued to decline until 2021, the ROE ratio percentage was 2%. This shows that the ability of Rural Owned Enterprise Denarik Bina Usaha Mandiri in achieving maximum profit is not yet. This is due to a decrease in net profit for 3 consecutive years.

c. Solvability Ratio

Solvency ratio is a ratio that shows the company's ability to pay the long-term debts or obligations if the company be liquidated at some point in time.

1) Debt to Asset Ratio

Debt to assets ratio, this ratio shows the extent to which debt can be covered by assets.



**Table 5. Debt to Asset Ratio**

Year	Total Liquidity	Total Assets	DAR	Description
2019	381.949.563	2.337.408.707	16%	Very Low
2020	212.187.491	2.185.072.905	10%	Very Low
2021	483.441.889	2.368.169.082	20%	Very Low

Source: Data processed, year 2022

Based on the calculation results, the average DAR of Rural Owned Enterprise Dencaarik Bina Usaha Mandiri is in the very low range with an average percentage of 15%. In 2019, the percentage of DAR was 16% and decreased to 10% in 2020. Meanwhile, in 2021, the percentage of DAR has increased with a percentage gain of 20%. This indicates that Rural Owned Enterprise Desa Dencaarik Bina Usaha Mandiri is able to guarantee the repayment of the total debt with the available assets because it has a number of assets whose nominal value is higher than the amount of debt.

2) Debt to Equity Ratio

The debt-to-asset ratio shows the ability of the owner's capital to cover debts to other parties.

**Table 6. Debt to Equity Ratio**

Year	Total Liquidity	Total Equidity	DER	Description
2019	381.949.563	1.859.170.797	21%	Very Low
2020	212.187.491	1.918.368.327	11%	Very Low
2021	483.441.889	1.827.936.925	26%	Very Low

Source: Data processed, year 2022

Based on calculations, the average percentage of DER is in the very low range with a percentage gain of 19%. In 2019, the DER percentage was 21% and have a significant decline in the following year to a percentage of 11%. Meanwhile, in 2021, the percentage will increase significantly to 26%. This shows that Rural Owned Enterprise Dencaarik Bina Usaha Mandiri is able to cover all debts with the total capital owned. This BUM Desa has a total capital that is much higher than its total debt.

d. Activity Ratio

The activity ratio is a ratio used to assess the effectiveness of the company in utilizing available assets (Kasmir, 2008). In this study, the activity ratio is measured by the asset turnover ratio. The asset turnover ratio describes the ability of all assets to create income

**Table 7. Asset Turn Over**

Year	Income	Total Assets	ATO	Description
2019	1.428.068.305	2.337.408.707	0,6	Very Low
2020	1.673.450.402	2.185.072.905	0,6	Very Low
2021	1.232.883.842	2.368.169.082	0,5	Very Low

Source: Data processed, year 2022

Based on the calculation results, the average asset turnover is in the very low range with the calculation results of asset turnover <1 times which is 0.6 times. In 2019, the calculation result of asset turnover was 0.6 times and increased in the following year with 0.8 times. This increase was due to an increase in income which was accompanied by a decrease in the number of assets. Meanwhile in 2021, asset turnover decline with a turnover of 0.5 times. This was due to a decrease in income which was accompanied by an increase in assets.

2. Financial Performance Assessment of Rural Owned Enterprises Dencaarik Bina Usaha Mandiri

The financial ratios that have been measured are then assessed and scored based on the assessment indicators from the Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006. The results of the assessment of the ratios that have been calculated are as follows:

**Table 8. Performance Result Assessment**

Year	Ratio	Result	Value	Quality	Score
2019	Current Ratio	368%	50	3	150
	Net Profit Margin	7%	50	3	150
	Return on Asset	4%	50	3	150
	Return on Equity	5%	25	3	75
	Debt to Asset Ratio	16%	100	3	300
	Debt to Equity Ratio	21%	100	3	300
	Asset Turn Over	0,6	0	3	0
Total				21	1125
2020	Current Ratio	561%	50	3	150
	Net Profit Margin	3%	25	3	75
	Return on Asset	2%	25	3	75

	Return on Equity	3%	25	3	75
	Debt to Asset Ratio	10%	100	3	300
	Debt to Equity Ratio	11%	100	3	300
	Asset Turn Over	0,8	0	3	0
	Total			21	975
2021	Current Ratio	284%	50	3	150
	Net Profit Margin	3%	25	3	75
	Return on Asset	2%	25	3	75
	Return on Equity	2%	0	3	0
	Debt to Asset Ratio	20%	100	3	300
	Debt to Equity Ratio	26%	100	3	300
	Asset Turn Over	0,5	0	3	0
	Total			21	900

Source: Data processed, year 2022

3. Classification of Financial Performance of Rural Owned Enterprise Denarik Bina Usaha Mandiri

The implementation of performance assessment of Rural Owned Enterprise Denarik Bina Usaha Mandiri aims to see the value of the business every year. Based on the calculation of the entire ratio, it is known that in the 2019 period, the value obtained was 53.6 and then decline for two consecutive years with the value obtained in 2020 of 46.4 and 42.9 for 2021. This indicates for three last years the Rural Owned Enterprises of Denarik Bina Usaha Mandiri were included in the poor criteria so that they needed to evaluate and improve from management and pay attention to the components of all posts to improve their performance in the future.

Table 9. Performance Assessment Classification

Year	Total Score	Total Quality	Value	Classification	Category
2019	1125	21	53,6	D	Poorly
2020	975	21	46,4	D	Poorly
2021	900	21	42,9	D	Poorly

Source: Data processed, year 2022

4 Conclusion

Based on the analysis of financial ratios and assessment indicators that have been discussed in the previous chapter with reference to the Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 25/Per/M.KUKM/V/2006 on the financial statements of Rural Owned Enterprises Denarik Bina Usaha Mandiri, it is known that the liquidity ratio as measured by the current ratio is very high which indicates that the BUM Desa Denarik Bina Usaha Mandiri is able to repay its current debt with the available current assets. Based on the profitability ratio analysis as measured by net profit margin, return on equity and return on assets, it is known that the ability of Rural Owned Enterprise Denarik Bina Usaha Mandiri is not good enough in terms of profit. In addition, it is known that the performance of Rural Owned Enterprise Denarik Bina Usaha Mandiri in generating profits from the assets it owns is quite good, while the performance of Rural Owned Enterprise Denarik Bina Usaha Mandiri in generating profits from the owned capital is known to be not good enough. Based on the analysis of the profitability ratio as measured using the debt to asset ratio and debt to equity ratio, it is known that the results of both are classified as very low. This shows that Rural Owned Enterprise Denarik Bina Usaha Mandiri is able to pay off its obligations both with assets and capital owned. Based on the activity ratio analysis measured using asset turnover, it was obtained that the asset turnover of Rural Owned Enterprise Denarik Bina Usaha Mandiri was classified as very low. This indicates that Rural Owned Enterprise Denarik Bina Usaha Mandiri not been efficient in utilizing its assets to generate income. Referring to the standard in the assessment indicators of the Regulation of the Minister of State of the Republic of Indonesia and Small and Medium Enterprises of the Republic of Indonesia Number 06/Per/M.KUKM/V/2006, in 2019 the Rural Owned Enterprise Denarik Bina Usaha Mandiri received an assessment of 53.6, in 2020 it received an assessment of 46.4, and an assessment in 2021 of 42.9, all three of which were in the poor category. With these findings, it indicates that there is a need for many improvements to Rural Owned Enterprise Denarik Bina Usaha Mandiri to improve future performance.

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## Acknowledgment

The author would like to thank to Rural Owned Enterprise Dencarik Bina Usaha Mandiri who have been willing to provide the necessary data. Thank to my family and all those who have provided support so this research can be completed on time.

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