



FINANCIAL PERFORMANCE OF LUMP AUCTION (Case Study of KUD Berkat in Muaraenim Regency, South Sumatra Province)

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ABSTRACT

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This study aims to analyze financial performance of at KUD Berkat in 2011 to 2016 and to analyze the contribution of profit share auction business unit to total profit share KUD Berkat. The study was conducted from April to May 2017. The respondents were 15 KUD officials. The financial performance KUD Berkat was analyzed with time series data for the 6 last years with liquidity, solvability, activity, and profitability ratios based on Regulation of State Minister of Cooperative and Small-Micro Business Republic of Indonesia Number.06/Per/M.KUKM/V/2006. The conclusion of this research is that financial analysis based on liquidity, solvability, and profitability ratios at KUD Berkat during 6 last years in healthy condition. While the activity ratio is very unhealthy. It means the turnover of receivables into cash is slow. The contribution of Auction and marketing of lump rubber to total business profit KUD Berkat at the last six years constant..

INTRODUCTION

The largest smallholder rubber plantation center in South Sumatra Province is in Muaraenim Regency. In this area most of the people in this livelihood is a rubber farmer. Currently, the sale of smallholder rubber is in the form of Lump through an auction system managed by the Koperasi Unit Desa (KUD) Berkat (Lisnawati, 2015). This system is considered to be more profitable for business actors, including farmers, cooperatives and factories. The Berkat was established in Lubuk Raman Village,

Rambang Dangku District, Muaraenim Regency. It was established by the local village community with reference to the applicable laws and regulations where business units carry out activities in the fields of agriculture, industry, crafts, fisheries, animal husbandry, trade and so on (Muis, 2009; Sudarsono, 2010).

There are four business units in KUD Berkat, namely marketing and auction businesses, savings and loans, chair rental and hall buildings. The marketing and lump auction business at KUD Berkat has become a leading business. The lump auction system owned by member farmers that is run by the KUD is open and closed auction. KUD revenue from this business unit is relatively dominant, especially for the 2011-2016 financial reporting period. As the dominant source of revenue, this business unit will determine the good or bad financial performance of KUD Berkat. There are two approaches in measuring the financial performance of cooperatives, accounting approaches in the form of financial ratios and econometric techniques. This study uses a simpler financial ratio method, relatively smaller data requirements and is widely used to assess the financial performance of financial institutions such as banks (Ncube, 2009). Therefore, it is very necessary to analyze the financial performance of KUD Berkat in this period, to assess how well its performance is based on the standard of measuring financial ratios based on the Regulation of the Minister of State for Cooperatives and SMEs of the Republic of Indonesia Number. 06/Per/M.KUKM/V/2006. The results of this study help identify the strengths and weaknesses of cooperatives indicated by the value of the ratio of profitability, liquidity and solvability as well as the contribution of the business profit.

RESEARCH METHODS

Determination Method of Location and Respondents

The research was conducted from April to May 2017. The research location was chosen purposively (Arikunto, 2006) namely KUD Berkat in Lubuk Raman Village, Rambang Dangku District, Muaraenim Regency, South Sumatra Province. The total research respondents who are cooperative management are 15 people. KUD Berkat's financial performance assessment uses KUD's financial report data for the period 2011 – 2016.

Data Analysis Method

The research data consists of secondary data in the form of financial reports and transaction records, and primary data in the form of operational mechanisms of the KUD Berkat business unit. KUD Berkat's financial performance during the period 2011-2016 was analyzed using liquidity ratios, solvability ratios, activity ratios, and profitability ratios. The standard for measuring this ratio is guided by the Regulation of the State Minister for Cooperatives and SMEs of the Republic of Indonesia Number. 06/Per/M.KUKM/V/2006 as well as the contribution of the business profit to members.

Table 1. Standards for measuring the financial performance of the Village Unit Cooperative

Ratios	Standard	Criteria
1 Liquidity		
Current Ratio	200 % - 250 %	Very Good
	175 % - < 200 % or > 250% - 275 %	Good
	150 % - <175 % or> 270% - 300 %	Average
	125 % -150 % or > 300 % - 325 %	Deficient
	< 125% or > 325 %	Very Deficient
2 Solvability		
a. Debt on Assets	≤40%	Very Good
	>40% to 50%	Good
	>50% to 60%	Average
	>60% to 80%	Deficient
	>80%	Very Deficient
b. Debt on Capital	≤70%	Very Good
	>70% - 100%	Good
	>100% - 150%	Average
	>150% - 200%	Deficient
	>200%	Very Deficient
3 Profitability		
a. Net Profit Margin	≥15%	Very Good
	10% - <15%	Good
	5% - <10%	Average
	1% - <5%	Deficient
	≤1%	Very Deficient
b. Return On Asset	≥10%	Very Good
	7% - <10%	Good
	3% - <7%	Average
	1% - <3%	Deficient
	≤1%	Very Deficient
c. Own Capital Profitability	≥21%	Very Good
	15% - <21%	Good
	9% - <15%	Average
	3% - <9%	Deficient
	<3%	Very Deficient
4 Activity		
Debt Turnover	≥3,5 times	Very Good
	2,5 kali - <3,5 times	Good
	1,5 kali - <2,5 times	Average
	1 kali - <1,5 times	Deficient
	<1 times	Very Deficient

Source: Regulation of the Minister of State for Cooperatives and SMEs of the Republic of Indonesia No. 06/Per/M.KUKM/V/2006.

RESULTS AND DISCUSSION

The Village Unit Cooperative (KUD) Berkat is one of the economic forums for the community that is able to encourage the rural economy, by improving the welfare of its members. One indicator of a good level of member welfare can be seen from the financial condition and Business profit (SHU) of KUD Berkat. KUD Berkat financial performance information can be used to predict the level of profits and losses achieved each year. There are many measures used for financial performance, which are known through the ratio of liquidity ratios, solvability, and profitability, while the contribution of the SHU of the lump auction business unit is used to analyze the percentage contribution of the SHU. Details of the results of the analysis of KUD Berkat's financial performance for the period 2011-2016 are presented in full in Table 2.

a. Liquidity and Solvability

KUD Berkat's ability to pay off short-term financial obligations is very good. This is indicated by the current ratio value in the 2011-2016 period. This means that KUD Berkat's ability to fulfill its short-term obligations can be guaranteed by the amount of assets owned. The current ratio obtained is greater than 325% according to the Regulation of the Minister of State for Cooperatives and SMEs of the Republic of Indonesia Number. 06/Per/M.KUKM/V/2006 shows that the total current assets owned are not fully realized for their business units but only become assets. However, KUD Berkat's ability to fulfill its obligations was relatively better in the 2014-2015 period than in the 2011-2013 and 2016 periods. For this reason, the fulfillment of KUD Berkat's short-term obligations must increase the liquidity ratio every year. If the percentage is too large to exceed the guidelines used, it can be interpreted that the liquidity is also very low because the assets are not moving. According to Budiadi (2011) cash management is effective if the cash ratio continues to increase even though the liquidity ratio is still below the standard. Maith (2013) notes that a company is declared healthy and good when it is able to pay off its short-term obligations. The higher or higher the value of this liquidity ratio indicates that the company is in good liquidity condition.

The solvability ratio is the ability to meet all financial obligations to third parties, both short-term debt and long-term debt. The solvability ratio of KUB Berkat consists of the ratio of debt to assets and debt to capital is classified as very good, meaning that KUD Berkat's ability to pay off its debts in the last six years is in good and current condition.

b. Activity

The activity ratio aims to measure the time of collection of receivables for one period or the number of times the funds invested in receivables rotate in one period. Debt turnover for the period 2011-2016 shows a slowing trend. The receivables turnover ratio in the activity ratio of KUD Berkat is classified in the very poor category, which means that the very slow turnover of receivables becomes KUD cash so that the average turnover is only 1 time per year. This is due to the many details of receivables so that the turnover of KUD Berkat's receivables into cash is very slow. According to Aprilia et al (2014) that the slow ability of cooperative receivables to turn into cash is caused by the calculation of the smaller receivables turnover ratio and other reasons such as low motivation to repay loans (Hendarto, et al 2012).

c. Profitability and Business profit

Profitability ratio is a ratio that measures the company's ability to generate profits, either by using external funds or internal funds. In general, in the 2011-2016 period, KUD Berkat's profitability ratio was in a very good condition. Net Profit Margin is interpreted as very good except in 2015 it is categorized as good. In the 2014-2016 period, the value was higher than the return on assets and the profitability of own capital, on the contrary, the 2011-2013 period had a lower value. This is due to general and operational expenses which are quite large compared to before while revenues and sales are low (Setiawan, et al 2014). Rubber production has fallen due to the long dry season and the world rubber price has fallen in recent years.

In general, Return on Assets is categorized as very good with a declining trend. The lowest values occurred in 2015 and 2016 only classified as quite healthy. This is due to the low price of lump in recent years. Earnings of low net profit and high total assets. Meanwhile, the average Equity Profitability for the last six years is very good, except for 2013 – 2016 which is interpreted as good, this is because the business profit obtained in the last four years is lower than the previous two years. This decrease shows that the ability of KUD Berkat to produce business profit in the last 6 years has decreased. The contribution of business profit is constant, this is very influential on the financial performance of KUD Berkat. Almost 99% of business profit sources are obtained by KUD Berkat from the auction and marketing business unit of lump, while 1% comes from the savings and loan business unit and chair/hall rental. According to Wahyuning (2013) a business unit owned by a cooperative is strongly influenced by the increase in the resulting business profit, where the business profit shows the ability of KUD Berkat to meet its own capital.

CONCLUSION AND SUGGESTION

The conclusion of this research is that the financial performance of KUD Berkat for the 2011 – 2016 financial year based on the value of the liquidity ratio and activity is categorized as very poor and lacking. Based on the value of the solvability ratio and profitability ratio, it is categorized as very good. The contribution of business profit of the lump auction business unit to the total business profit of KUD Berkat is categorized as constant. Suggestions can be generated from the research, it is necessary to find a working mechanism for accelerating the turnover of receivables into cash in the ratio of activities in the following years so that it is smoother

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