



FINANCIAL PERFORMANCE ANALYSIS AT MICROFINANCE INSTITUTIONS: CASE STUDY AT REGIONAL BUSINESS ENTITIES BOGOR REGENCY

Yan Noviar^{1*}, Hasrul², Herman³

^{1,2,3}Faculty of Economics and Business, Pakuan University, Bogor, Indonesia

Corresponden Email: yannoviar@unpak.ac.id¹

Abstract

Regional Business Entities (BUMD) are business entities whose capital is wholly or largely owned by the regional government. They consist of regional public companies and regional limited liability companies. Bogor Regency has several regional business entities (BUMD) operating in various sectors, including strategic sectors requiring government regulation and commercial sectors not explicitly regulated. Microfinance Institutions (LKM) are financial institutions that provide business development and community empowerment services through loans or financing micro-scale businesses to members and the community. PT Microfinance Institution (PT LKM) Bogor is a company originating from the Bogor District Credit Union (PD. PK), by applicable regulations, and its legal form has become PT LKM Bogor. PT LKM Bogor is at Jalan KSR Dadi Kusmayadi No. 6B Ruko Citra Nusa, Cibinong, Bogor Regency. This research aims to know the development of PT LKM's performance and its problems. The method for evaluating the performance of BUMD PT LKM Bogor was carried out based on assessing the health aspects of the DIR Decree Number 30/SK/KEP/DIR dated 30 April 1997 concerning Procedures for Assessing the Health Level of Rural Banks. It was guided by the Decree of the Minister of Finance of the Republic of Indonesia No. 826/KMK.013/1992. The aspects assessed in determining the level of company health include capital, productive asset quality, management, profitability, and liquidity. Based on the results and discussion above, the conclusions of this research are as follows: PT LKM's performance from 2018-2022 shows UNHEALTHY conditions. One of the reasons why PT LKM's health value is so small is that the quality of its productive assets, which have the most significant weight in determining the company's health level, has very little value.

Keywords: Financial, Performance, Regionally, Business, Entities, LKM

INTRODUCTION

Bogor Regency has several regional business entities (BUMD) operating in various sectors, including strategic sectors requiring government regulation and commercial sectors not explicitly regulated. For strategic sectors, Bogor Regency has the Regional Drinking Water Company (PDAM) Tirta Kahuripan, which functions to manage and serve the drinking water needs of the community in the Bogor regency area, PT Bank Pembayaran Rakyat Syariah Bogor Tegar Beriman (PT BPRS BTB), which operates in the field of community financing services using the Sharia system, and the Tohaga Market Regional Company (PD Pasar Tohaga), which operates in the field of market management in the Bogor Regency area.

For the commercial sector, Bogor Regency has PT Prayoga Percepatan dan Energi (PPE), which operates in the mining and energy sector, PT Sayaga Wisata, which functions to develop tourism business potential in the Bogor Regency area, and the Ciampea District Credit Institution (LPK Ciampea). Bogor Regency has complete control of all BUMDs. Apart from that, Bogor Regency also has partial ownership in several business entities, both in the form of a majority, namely in PT Bogor Microfinance Institution (LKM Bogor), PD BPR LPK Parung Panjang, PD BPR LPK Leuwiliang, PD BPR LPK Sawangan, as well as those in the form of minority, namely PT West Java and Banten Regional Development Bank (PT BJB).

To determine the development of BUMDs, the Bogor Regency Government evaluated how to facilitate problem-solving efforts for each BUMD. This BUMD Evaluation activity was carried out based on Government Regulation of the Republic of Indonesia Number 54 of 2017 and Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 118 of 2018 concerning Business Plans, Work Plans and Budgets, Cooperation, Reporting and Evaluation of Regional Owned Enterprises. BUMD evaluation is carried out by comparing targets and realization. BUMD evaluations carried out at least include: performance assessment, health level assessment, and service assessment. PT Microfinance Institution (PT LKM) Bogor is a company originating from the Bogor District Credit Union (PD. PK). It has become PT LKM Bogor in its legal form by applicable regulations. PT LKM Bogor is at Jalan KSR Dadi Kusmayadi No. 6B Ruko Citra Nusa, Kel. Tengah, Kec. Cibinong, Bogor Regency. PT LKM Bogor is the result of the consolidation or merger of several District Credit Companies (PD.PK) in the Bogor Regency area. Evaluating BUMD PT LKM will be a means of knowing the development of PT LKM's performance and its problems. Thus, it is hoped that the results of this performance evaluation can be used as material for leadership decision making to improve the quality of the company, so that PT LKM can achieve the main objective of its establishment, namely as one of the contributors to Bogor Regency's PAD, to encourage the economic growth rate of Bogor Regency, and to increase welfare of the surrounding community. Thus, the general objective of this evaluation activity is to analyze the performance of BUMD PT LKM and provide considerations and recommendations to the Bogor Regency Government to improve the performance of PT LKM.

LITERATURE REVIEW

Regional Business Entities (BUMD)

Regional Business Entities (BUMD) are business entities whose capital is wholly or largely owned by the regional government. They consist of regional public companies and regional limited liability companies.

The aim of establishing BUMD is to carry out regional development through services to the community, providing public benefits, and increasing regional income. Some of the functions and roles of BUMDs in increasing regional income include: implementing regional government policies in the economic and development sectors, generating funds for development financing, encouraging community participation in the business sector, and providing goods and services for the benefit of the community (Wulandari, et.al., 2020).

Microfinance Institutions (LKM)

Microfinance Institutions (LKM) are financial institutions established to provide business development and community empowerment services through loans or financing micro-scale

businesses to members and the community. Apart from that, LKM also manages savings and provides business development consulting services to help increase economic empowerment and community productivity. This effort is made so that LKM can help improve the income and welfare of the community, especially poor or low-income communities. Several LKMs in Indonesia are spread throughout the country. However, only a few LKM have registered and obtained permits from the OJK, namely 277 LKM. The registered LKM shows quite good performance in terms of several indicators: assets, number of customers, number of loans, and number of savings. Judging from the legal entity form, LKM with the legal entity form of PT performs better with average assets, loan amounts, and savings amounts greater than Cooperative LKM (Kusumaningtyas, et.al., 2012; Arisma, N. 2024).

Meanwhile, based on these indicators, Cooperative LKM showed better growth during the 2016-2020 observation period. The existence of LKM is a bridge to reduce the gap in banking and financial services because LKM provides services to low-income communities and micro-entrepreneurs. To provide a legal basis for the existence and activities of LKM, Law Number 1 of 2013 concerning Microfinance Institutions has been promulgated. Law Number 1 of 2013 contains, among other things, the definition, principles, and objectives of LKM, and is equipped with more technical regulations such as establishment, ownership, and licensing, business activities and territorial coverage, merger, consolidation, and dissolution, protection of service users LKM, as well as coaching, regulation, and supervision (Anggriani, et.al., 2019). By having a clear legal basis, it is hoped that MFI players can be calmer and more flexible in developing their business, making it easier to collaborate with other parties such as banks and attract investors. However, in its implementation, LKM is faced with challenges that are not easy, such as licensing, ownership, supervision, financial health assessment, and others. These things are felt to influence the performance of LKM in providing benefits to society.

METHOD

The method for evaluating the performance of BUMD PT LKM Bogor was carried out based on assessing the health aspects of the DIR Decree Number 30/SK/KEP/DIR dated 30 April 1997 concerning Procedures for Assessing the Health Level of Rural Banks. It was guided by the Decree of the Minister of Finance of the Republic of Indonesia No. 826/KMK.013/1992. The aspects assessed in determining the level of company health include capital, productive asset quality, management, profitability, and liquidity.

Table 1. Aspects assessed and their weights

Aspects of Performance Assessment	Performance Indicator	Assessment Weight (%)
Capital	Risk-weighted capital to assets ratio	20
Quality of Productive Assets	a. The ratio of classified productive assets to productive assets	30

	b. The ratio of the provision for possible losses on productive assets to the provision/write-off on productive assets that must be established	
Management	a. General Management b. Risk Management	30
Rentability	a. Ratio of profit to total assets b. The ratio of operating costs to operating income	10
Liquidity	a. The ratio of liquid assets to current debt b. Ratio of credit to funds received	10

Sources: Data processed by author (2023)

All these aspects are added up to get PT LKM Bogor's performance value. The sum of the performance scores obtained is then compared with the assessment standards set by Bank Indonesia. From these assessment standards, the predicate of the company's performance condition will be known.

Table 2. Classification of Performance Levels

No.	Predicate	Score
1	Healthy	81-100
2	Quite Healthy	66 < 81
3	Unwell Healthy	51 < 66
4	Unhealthy	0-51

Sources: SK DIR. BI Nomor 30/12/KEP/DIR tanggal 30 April 1997

RESULTS AND DISCUSSION

To evaluate the performance and describe the financial condition of PT LKM Bogor, an economic report consisting of a Balance Sheet and Profit and Loss Report for the last five years (from 2018 to 2022) is required. Charts 1 and 2 present the Balance Sheet and Profit and Loss Report of PT LKM Bogor from 2018 to 2022. In general, the development of assets and liabilities fluctuates. Total assets and liabilities decreased in 2020 due to the impact of the COVID-19 pandemic, but then increased again in 2021. In contrast to total assets and liabilities, PT LKM's total equity always tends to grow yearly, regardless of the COVID-19 pandemic in 2020.

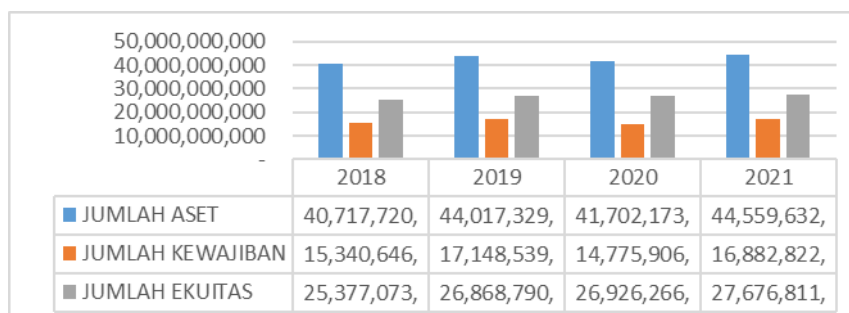


Figure 1. Development of Total Assets, Liabilities, and Equity

Sources: PT. LKM Bogor (2023)

Furthermore, BUMD PT LKM Bogor's profit movement has an increasing graphic trend. Even though it experienced a loss of 416,778 million in 2018, PT LKM slowly started to return to profit in 2019 due to a significant increase in revenue.

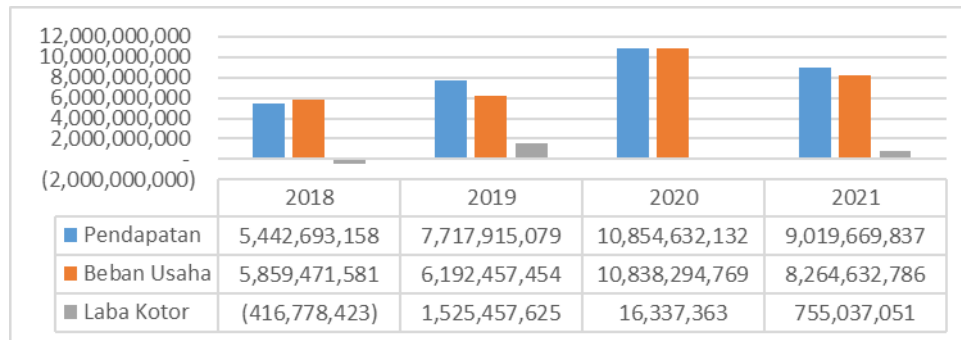


Figure 2. Data of Revenue, Operating Expenses, and Gross Profit

Efficiency Analysis

Indicators measuring efficiency can be seen from BOPO. BOPO is a comparison between operational costs and operational income. The more efficient a company's operational performance, the greater the profits. In this case, even though operating expenses are not higher than the company's total net income, the BOPO ratio is close to 100%, which means the company's efficiency performance is still low. In fact, in 2018, the BOPO ratio exceeded 100%, which means that the business expenses borne were greater than the income received.

Table 3. BOPO Ratio Analysis

ASPEK	2022	2021	2020	2019	2018
Beban Usaha	7,894,633,380	8,264,632,786	10,838,294,769	6,192,457,454	5,859,471,581
Pendapatan dari penjualan	8,501,557,378	9,019,669,837	10,854,632,132	7,717,915,079	5,442,693,158
Rasio BOPO	92.86	91.63	99.85	80.23	107.66
Nilai kesehatan BOPO 5%	4.64	4.58	4.99	4.01	5.38

Sources: PT LKM Bogor (2023)

Growth Analysis

The graph below shows asset growth and sales growth. It can be seen that asset growth has decreased except in 2021. In fact, the decline that occurred in 2020 touched a negative number. This could be a result of the COVID-19 pandemic that occurred that year. Sales tend to have a downward trend, with a drastic decline of -16.90% in 2021. From the two analyses above, it can be concluded that PT LKM has a poor BOPO ratio and growth rate.

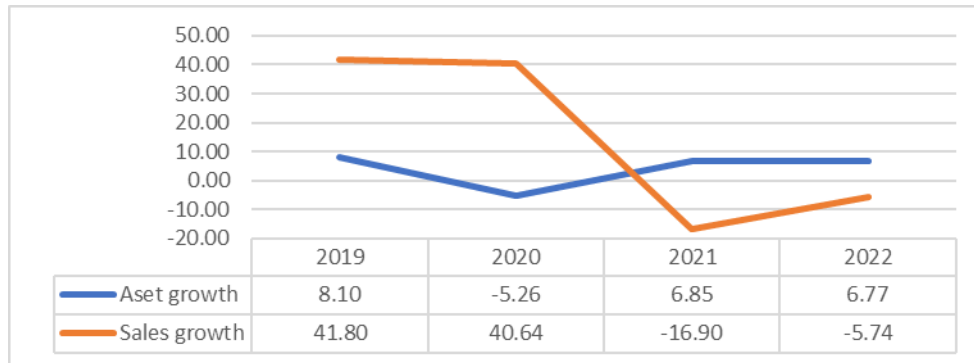


Figure 3. Growth Analysis

Sources: PT. LKM Bogor (2023)

Data analysis

After doing calculations and weighting, all credit scores from each factor are added up and assessed based on the company's health predicate. The performance assessment results of PT LKM Bogor can be seen in Table 9. In general, PT LKM's performance from 2018-2022 shows an UNHEALTHY condition. One of the reasons why PT LKM's health value is so small is that the quality of its productive assets, which has the most significant weight in determining the company's health level, has very little value. Thus, there is a need to improve the quality of PT LKM's productive assets.

Table 3. Performance evaluation results/health level of PT LKM Bogor

Aspects of Performance Assessment	Score	Predicate
2018		
Capital	18.70	Unhealthy
Quality of Productive Assets	2.08	
Management	0.20	
Rentability	5.32	
Liquidity	16.30	
Score	40	
2019		
Capital	18.31	Unhealthy
Quality of Productive Assets	1.52	
Management	0.20	
Rentability	4.19	
Liquidity	17.14	
Score	42	
2020		
Capital	19.37	Unhealthy
Quality of Productive Assets	1.67	
Management	0.20	
Rentability	5.00	
Liquidity	18.18	
Score	44	

2021		Unhealthy
Capital	18.63	
Quality of Productive Assets	1.54	
Management	0.20	
Rentability	4.67	
Liquidity	17.04	
Score	41	
2022		Unhealthy
Capital	17.99	
Quality of Productive Assets	0.77	
Management	0.20	
Rentability	4.73	
Liquidity	16.08	
Score	43	

Sources: Data processed by the author (2023)

CONCLUSION

Based on the results and discussion above, the findings of this research are as follows:

1. The development of PT LKM's assets and liabilities has fluctuated. Total assets and liabilities decreased in 2020 due to the impact of the COVID-19 pandemic, but then increased again in 2021
2. PT LKM's total equity tends to increase yearly, regardless of the COVID-19 pandemic in 2020.
3. PT LKM Bogor's profits are increasing. Even though it experienced a loss of 416,778 million in 2018, PT LKM slowly started to return to profit in 2019 due to a significant increase in revenue.
4. PT LKM's performance from 2018-2022 shows UNHEALTHY conditions. The company's health value is so small because the quality of its productive assets, which have the most significant weight in determining its health level, has very little value.
5. Provision for credit losses/bad credit decreases every year and is accompanied by an increase in assets, this is due to the write-off of reserves for receivables which are quite large each year
6. Management control over collectability is very low as evidenced by the high number of bad loans yearly.
7. Indicators measuring efficiency can be seen from BOPO (Operating Costs per Operating Income). BOPO is a comparison between operational costs and operational income. The more efficient a company's operational performance, the greater the profits obtained. In this case, even though operating expenses are not higher than the company's total net income, the BOPO ratio is close to 100%, which means the company's efficiency performance is still low.

REFERENCES

- Anggriani, T. W., Nuryartono, R., & Juanda, B. (2019). Efficiency and Sustainability of Microfinance: Study Case Agribusiness Microfinance Institutions in Bogor. *Agribusiness Economics Journal*, 8(2), 123–135.

- Arisma, N. (2024). Analisis Peran Bank Perkreditan Rakyat dalam Meningkatkan Kinerja Keuangan Mikro pada Masa Pandemi Covid-19: Studi Kasus PT. BPR Dana Mandiri Bogor. *Skripsi*, Universitas Nusa Putra.
- Data Processed by Author, 2003, Universitas Pakuan, Bogor, Indonesia
- Kusumaningtyas, P., Kuswanti, H., & Daryanto, S. (2012). Analisis Kinerja Keuangan dan Kepuasan Nasabah terhadap Pelayanan Lembaga Keuangan Mikro Agribisnis (LKM-A) “Rukun Tani” di Kabupaten Bogor. *Forum Agribisnis*, 2(1), 1–15.
- Laporan Keuangan 2018 dari KAP Asep Rahmansyah Manshur dan Suharyono
- Laporan Keuangan 2019 dari KAP Asep Rahmansyah Manshur dan Suharyono
- Laporan Keuangan 2020 dari KAP Doli, Bambang, Sulistyanto, Dadang dan Ali
- Laporan Keuangan 2021 dari KAP Manshur dan Suharyono
- Laporan Keuangan 2022 dari KAP Kumalahadi, Kuncara, Sugeng Pamudji, dan Rekan
- Peraturan Menteri Dalam Negeri Republik Indonesia Nomor 118 Tahun 2018 Tentang Rencana Bisnis, Rencana Kerja dan Anggaran, Kerja Sama, Pelaporan, dan Evaluasi Badan Usaha Milik Daerah
- SK Menteri Keuangan RI No. 826/KMK.013/1992
- SK Direktur Bank Indonesia No. 30/12/KEP/DIR tanggal 30 April 1997
- Wulandari, A. S., Darwin, M., Moeljono, D., & Sukamdi. (2020). Enhancing Financial Inclusion through Social Capital in Indonesia: A Case Study of Women Micro Enterprise Group in Bogor Regency, West Java. *International Journal of Society, Development and Environment in the Developing World*, 4(2), 31–44.