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## The evaluative survey of the development of financial performances of cooperatives and micro small and medium enterprises in Riau, Indonesia

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**Abstract:** This study aims for the purpose of identifying methods of surveying, observation, and evaluation of the financial performance of cooperatives and SMEs, guidelines on the database, data processing and approaches of analysis. The research analysis is descriptive-quantitative method using SWOT analysis. Results of research finds that the financial performance of the cooperative aspect of equity, foreign capital aspect, aspect business volume and aspects of operating results had poor performance and needs revamping. The financial performance of the cooperatives in the self-owned capital aspect is in poor performance and needs to improve since the increase in self-owned capital was not followed by the increase in surplus (SHU) and highly needs to improve since when the business volume increased, the surplus (SHU) decreased. There has never been a previous study conducted on MSME in Riau Province using SWOT analysis, thereby it became the location of origin for this study.

**Keywords:** strengths, weakness, opportunities and threat; SWOT; UMKM; business performance; enterprises; Indonesia.

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## 1 Introduction

The development in cooperative and micro small and medium enterprise (MSME) business centre has been conducted for a long time. In spite of the existing data, there are some indications of problems and in optimal central development found especially in terms of financial performance. This experience is a tool to collect valuable information that can be used to assess and develop SME in the future. Therefore, there is a need to conduct a study to evaluate the development of financial performance, which has been run to the centre in improving the competitiveness of the products produced by SME.

The existence and development of the retrofitting funds of the cooperatives and micro small and medium enterprise (CMSME) should be monitored and evaluated regularly and sustainably, as a part of the accountable management of public funds. The problem is that during this monitoring and evaluation of program, the retrofitting funds seem to be ineffective, so that the Ministry of CMSME finds some difficulties to display the development data of the retrofitting funds to the related institutions. The available data are generally associated with the distribution data of retrofitting funds to the various CMSME, as well as the amount of the retrofitting funds.

The government demanded some information about the existence and development of retrofitting funds on the performance of CMSMEs included to the cooperative members receiving the retrofitting program, and its effect on the achievement of national goals. In accordance with the goals of retrofitting program, one of the measurements of the success is measured by the followings:

- 1 the contribution of the use of retrofitting funds in improving the standards of living
- 2 the contribution on employment
- 3 the contribution on poverty reduction.

Based on these considerations, the survey of the development of financial performances of CMSME should be implemented comprehensively and objectively, and able to reflect the real development of the retrofitting funds.

The evaluative survey of the development of financial performances of CMSME is also needed to build a basic database for the empowerment of CMSME in the provincial level. The availability of basic database of CMSME can be used to identify the needs of CMSME in order to improve its productivity and competitiveness, so that the local governments can empower CMSME to be more optimal in the future. This survey is expected to be conducted sustainably as well as is strived to continue to develop for its indicators and information coverage.

Originality of this research is not never been no previous a study conducted on MSME in Riau Province using strengths, weakness, opportunities and threat (SWOT) analysis. It became the location of originality in this study.

## **2 Theoretical background**

### *2.1 Definition of SMEs*

According to Indonesian banking by using the definition of MSME suited to the agreement with Bank Indonesia (BI) and based on the Law No. 9 of 1995 are as follows:

- 1 Micro enterprise is a small-scaled economic activity of the community which is traditional and informal in the sense of not registered and not incorporated yet. The highest annual sales revenue of the business is IDR100,000,000.00 and is owned by an Indonesian citizen.
- 2 Small enterprise is the economic activity of the community which has the highest net wealth of IDR200,000,000.00 excluding land and building of the business or which has the highest annual sales revenue of IDR1,000,000,000.00 and is owned by an Indonesian citizen.

Based on the circular letter of BI letter to all commercial banks in Indonesia No. 3/9/BK<sub>r</sub>, dated May 17, 2001, small enterprise is a business that meets the following criteria:

- 1 has the most wealth of IDR200,000,000.00 excluding the land and building used to conduct the business
- 2 has the highest annual revenue of IDR1,000,000,000.00
- 3 owned by the Indonesian citizens
- 4 independent, not a subsidiary or branch of the company owned, controlled or affiliated neither directly nor indirectly with a medium or large enterprise
- 5 in the form of individual business that has not incorporated or the business entity that is incorporated, including cooperatives.

Originality of this research is not never been no previous studies that examined the effect of mediation work enthusiasm on the influence of the non-financial compensation and leadership style to employee's performance, and there are no similar studies that examine the model which was appointed at the same location (in PT Instrucom). It became the location of originality in this study. So there have been no previous studies that examined the effect of mediation enthusiasm work on non-financial compensation influence and leadership style to employee's performance.

### *2.2 Cooperatives*

In general, cooperative is defined as a "group of people who voluntarily unite to make some efforts to improve their economic welfare, through the establishment of a business entity that is managed democratically." Cooperative is an association of individuals or companies that has a purpose to conduct some business functions for its members

(Rudianto, 2006). It is possible for a cooperative to be involved in various sectors of economic activity, such as: consumer cooperatives, producer cooperatives, as well as savings and loans and multi-business cooperatives that have specific capital resources to drive its efforts (Kartasapoetra, 2005):

- a consumption cooperative, using capital to buy inventory goods and goods to serve the needs / interests of its members
- b production cooperatives, using capital to procure production tools, production processing equipment, and purchase products from its members
- c savings and loan cooperatives, use capital to purchase inventory items, provide advice for the implementation of their business and provide credits for their members.

### 2.3 *Financial performance*

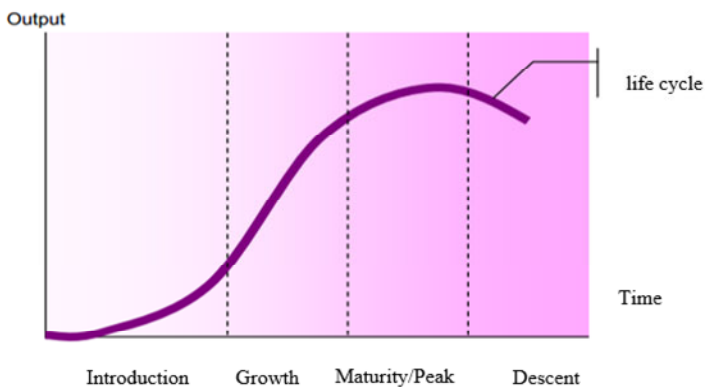
Sawir (2005) states that financial performance is an achievement of a company in a certain period which reflects the health of the company. The financial performance of a company can be seen from its financial report. This report is prepared and interpreted for the needs of the management and other parties that interest to the financial data of it (Jumingan, 2009). The financial performance of a company is one of the fundamental aspects in assessing the financial condition of the company that can be done based on the analysis on the following financial ratios of the company, among others: the liquidity ratio, leverage ratio, activity ratio and profitability ratio achieved by the company in a certain period (Nainggolan in Christiani, 2010).

In order to find a way to measure the performance, some of the following theories have been considered.

### 2.4 *Approach product life cycle*

One of them is the product life cycle approach. One of the approaches that can be used to have a look on the effect and effectiveness of the strengthening MSME is by looking at the position of the company that was observed in the product cycle.

**Figure 1** Product life cycle curve (see online version for colours)



In this approach, generally, a business will follow a cycle consists of four stages:

Stage 1 introduction

Stage 2 growth

Stage 3 maturity/peak

Stage 4 descent.

The graph of this life cycle is based on the tendency of movement of the output addition from a business. In the beginning (Stage 1), the output addition is usually slow so that the curve is flat and convex towards the origin point. The introductory period will be followed by the growth period (Stage 2), the output addition will be fast here, so that the curve of the company's output becomes steep and still convex towards the origin point. After the growth period, the output will begin to enter the plateau region in which growth begins slower in which the products enter the maturity period (Stage 3). If this maturity period is not well-maintained, the product will go to the next stage of decreasing period (Stage 4). In order to operate this approach, it should be measured for the following variables:

- 1 central output in a timeline
- 2 profit margins generated by the centre
- 3 marketing costs
- 4 the amount of the raw materials used
- 5 the investment.

### 2.5 The developing strategy for SME

Another way for the analysis is by looking at the behaviours of the products and large enterprises around the SME. The idea is, the behaviours of large enterprises around the centre can affect the needs of central support. The supporting large enterprises create some opportunity to complement and have partnerships with the large enterprises, while the protective and attacking large enterprises make the SME have to find the entrance to a niche of the market that may be different.

**Table 1** Options market development strategy for SMEs

		<i>Big business reaction</i>	<i>Larger companies</i>	
			<i>Accommodate</i>	<i>Against</i>
<i>Selection strategy and degree of substitution products</i>				
Small and medium enterprises	New market segments are ignored by big business	Differentiated	Niching strategy	Deterrence strategy
	Old market segments served by the big business	Substitutable Identical	Substitution strategy Free-riding strategy	

Source: Kim and Lee (2002)

### 3 Material and method

Purposes of a study conducted on MSME in Riau Province are:

- 1 to identify the methods of survey, and evaluative observation on financial performances of CMSME
- 2 to arrange the guidelines of database, data processing and approaches of the analysis
- 3 to analyse the data and prepare the evaluative report of the development of the performances of CMSME in the regions
- 4 to analyse the data and prepare the evaluative report of the development of the financial performances of CMSME.

By looking at the needs of the data, some of the data collected directly from the public centre in the cooperatives. The data collection and analysis method that will be used to conduct the survey on the effect of strengthening the CMSME in Riau Province is the descriptive-quantitative method by using SWOT analysis.

### 4 Result and discussion

#### 4.1 *The direction of CMSME development policy*

The life of cooperatives and small and medium enterprises are strived to be developed by the government in the future through capital reinforcement, the improvement of management systems, and the expansion of market access. The policies in the development of cooperatives and SME are:

- 1 Developing the cooperatives and small and medium enterprises by providing the guidance for the development of cooperatives and SMEs in general in the implementation of community economy in order to improve the income and welfare and productive activities that have the added value(s).
- 2 Improving and developing productive and efficient economy, in the form of cooperatives and SME, through the development of the knowledge, organisation, business management, and experience to improve the quality of services to the community members thereby increasing the confidence of the community and business world to have more investment in the cooperatives and SME.

SWOT analysis is an identification of various factors systematically to formulate a strategy for policy-making steps (Rangkuti, 2001). Furthermore, the internal and external conditions of cooperatives in Riau Province which are used as the examples of observation can be presented in the form of SWOT matrix for the strategy in the development of cooperatives as shown in Table 2.

From the formulation of the strategy contained in Table 2, then it will define the priority of the strategy for the development of cooperatives in Riau Province that is estimated closed to have more support on local-potential-based economic development.

**Table 2** SWOT matrix cooperative development

<i>SWOT matrix and strategy development cooperation</i>	
<i>Factor</i>	<i>Strength</i>
<i>Internal</i>	1 More democratic
	2 Autonomous and independent
	3 Members have the ultimate power
	4 Government support
	5 Concern for communication
<i>External</i>	1 Culture feudalistic paternalistic management
	2 Members heterogeneous
	3 Relative amount of effort
	4 Resources held still limited, especially capital and quality of human resources
	5 The information system is weak
<i>Strategy W-O</i>	
<i>Opportunities</i>	<i>Strategy S-O</i>
a The failure of a large industry to produce sustainable economic development, so the cooperative can become economic fundamentals	a Encourages partnership business networks that support the development of commodity/product featured local
b The globalisation of economic	b Encourage mergers for small cooperatives
c The development of information technology	c Reorientation and reorganisation of cooperatives
d A pillar of the economy	d Improve upon ability of cooperatives to create and expand information systems and market opportunities
<i>Threats</i>	<i>Strategy S-T</i>
a Economy crisis	a Selective in determining the criteria for membership and board
b Their opportunist opportunist-cooperative	b Activating the role and function of cooperatives, namely cooperatives grounded in basic self-help, self reliance, self-management and self-responsibility
c Political parties use the cooperative's interests in order to election	c Restructuring and renewal of the government's role to a cooperative.
d The role of cooperatives in the economy remains low a contribution	d
	<i>Strategy W-T</i>
a Applying education of members, cooperative management of sustainable	a
Establishment of the financial institution bank/cooperative	b
Applying the principles of efficiency in the cooperative	c
Maximise competitive advantage and minimise competitive disadvantages, regarding price, quality and service the procurement and acquisition of products for members	d



## 4.2 *The performances of cooperatives*

In assessing the financial performance of a cooperative, it can be viewed from several aspects, they are: self-owned capital aspect (modal sendiri), foreign capital aspects, business volume aspect and surplus (SHU) aspect.

### 4.2.1 *Self-owned capital aspect*

In order to view the financial performance of cooperatives in Riau Province from the self-owned capital aspect can be seen in Table 3.

**Table 3** Data equity years 2013–2015

No.	Regency/city	Owner's equity		
		2013	2014	2015
1	Pelalawan	53,031,959,019	74,103,007,745	72,106,145,477
2	Indragiri Hilir	65,842,712,000	58,905,831,007	41,293,874,570
3	Rokan Hilir	152,553,572,200	36,449,862,500	55,973,088,374
4	Kampar	117,149,000,000	169,647,000,000	207,857,000,000
5	Siak	45,647,581,751	77,178,891,088	95,485,878,330
6	Bengkalis	11,087,422,000	11,087,422,000	12,194,155,000
7	Pekanbaru	272,859,250,728	293,445,934,245	366,937,880,681
8	Kuantan Singingi	56,411,223,461	90,227,931,493	88,049,536,488
9	Dumai	39,643,463,602	42,611,175,646	51,550,431,908
10	Indragiri Hulu	30,674,329,300	30,674,329,300	69,209,269,286
11	Rokan Hulu	45,533,990,941	79,287,027,241	85,411,625,169
12	Kepulauan Meranti	11,390,262,000	11,390,262,000	5,264,403,829
13	Provinsi	-	18,375,424,553	18,375,424,553
Total		902,319,767,001	993,384,098,818	1,169,672,713,665

Based on Table 3, it indicates that the self-capitalised cooperatives in Riau Province has increased from year to year. In 2013, the self-owned capital of the cooperatives in Riau Province was IDR902,319,767,001, while in 2014 it was IDR993,384,098,818, with an increase of IDR91,064,331,817, and in 2015 it was IDR1,169,672,713,665, with an increase of IDR176,288,614,847. It can be seen that there was significant increase in self-owned capital in the cooperatives in Riau Province, in 2015 for 17.75%.

### 4.2.2 *Foreign capital aspect (loans)*

According to Kartasapoetra (2005), the benefit of loan capital is the unlimited amount, it means that it is available in a large amount. In addition, by using the loan capital, it usually improves the motivation of the management to do the business seriously. In order to see the foreign capital owned by cooperatives in Riau Province, it can be seen in Table 4.

**Table 4** Data foreign capital (loans) year 2013–2015

No.	Regency/city	Data foreign capital		
		2013	2014	2015
1	Pelalawan	59,823,836,426	166,279,484,866	172,122,722,867
2	Indragiri Hilir	37,601,064,000	36,884,944,545	147,582,621,387
3	Rokan Hilir	57,969,400,000	5,978,896,095	2,571,810,630
4	Kampar	177,149,000,000	173,621,000,000	188,676,000,000
5	Siak	198,627,297,005	310,579,553,137	348,793,205,411
6	Bengkalis	22,982,079,000	22,982,079,000	22,982,079,000
7	Pekanbaru	635,013,860,512	623,031,651,365	915,775,056,718
8	Kuantan Singingi	212,221,977,575	155,154,905,259	240,930,511,595
9	Dumai	32,038,088,769	36,969,238,087	37,096,168,449
10	Indragiri Hulu	184,531,920,130	184,531,920,130	150,271,346,293
11	Rokan Hulu	95,958,638,545	122,422,529,291	136,348,243,981
12	Kepulauan Meranti	4,639,524,000	4,639,524,000	5,835,635,679
13	Provinsi	-	13,841,406,366	13,841,406,366
Total		1,718,556,685,962	1,856,917,132,141	2,382,826,808,376

Based on Table 4, it shows that the development of capital owned by the cooperatives in Riau Province has increased from year to year. In 2013, it was IDR1,718,556,685,962, while in 2014, it was IDR1,856,917,132,141, with an increase of IDR138,360,446,179, and in 2015, it was IDR2,382,826,808,376, with an increase of IDR525,909,676,235. It can be seen that there was a significant increase in foreign capital in the cooperatives in Riau Province, that was in 2015, for 28.32%.

#### 4.2.3 Business volume aspect

The economic activity of cooperatives can be seen from the business volume of the cooperatives. The activity or business conducted by the cooperatives can provide as much as possible benefits, especially for the members and community in general. The business or activity conducted can be seen from the business volume that later affects the profit or surplus of the cooperatives. Table 5 will explain the business volume of the cooperatives in Riau Province.

From Table 5, it shows that the business volume of the cooperatives in Riau Province has up-and-down progress from year to year. In 2013, the business volume of the cooperatives in Riau Province was IDR3,098,145,478,373, while in 2014 it was IDR2,681,545,450,334, and in 2015 was IDR2,750,809,105,464. It can be seen that in 2014, there was a very significant decrease of IDR416,600,028,039, while in 2015, there was a significant increase of IDR69,263,655,130.

**Table 5** Business volume data years 2013–2015

No.	Regency/city	Business volume		
		2013	2014	2015
1	Pelalawan	151,648,659,847	127,582,099,951	184,464,610,995
2	Indragiri Hilir	213,458,310,000	113,300,489,307	120,862,850,719
3	Rokan Hilir	453,805,551,248	69,134,999,009	80,843,415,437
4	Kampar	575,124,000,000	663,172,000,000	738,459,000,000
5	Siak	208,209,424,651	213,344,101,889	220,138,506,905
6	Bengkalis	37,605,469,000	37,605,469,000	37,605,469,000
7	Pekanbaru	907,873,111,239	919,832,591,040	865,026,551,757
8	Kuantan Singingi	204,856,096,683	187,249,297,536	226,658,131,959
9	Dumai	55,005,901,852	58,531,988,405	61,212,999,951
10	Indragiri Hulu	202,930,365,652	202,930,365,652	91,938,556,550
11	Rokan Hulu	81,857,700,201	83,091,160,545	83,120,573,099
12	Kepulauan Meranti	5,770,888,000	5,770,888,000	5,686,803,545
13	Provinsi	-	34,791,635,547	34,791,635,547
Total		3,098,145,478,373	2,681,545,450,334	2,750,809,105,464

*Source:* Processed data

#### 4.2.4 Surplus aspect (SHU)

Table 6 will explain the surplus (SHU) of the cooperatives in Riau Province.

**Table 6** Data time results of operations (SHU) year 2013–2015

No.	Regency/city	SHU		
		2013	2014	2015
1	Pelalawan	10,792,718,516	15,304,426,178	9,974,278,992
2	Indragiri Hilir	12,828,436,000	3,045,876,259	9,511,966,593
3	Rokan Hilir	6,694,958,005	6,506,523,663	5,840,589,600
4	Kampar	31,430,000,000	35,451,000,000	27,046,000,000
5	Siak	12,582,610,890	13,826,801,975	15,950,811,030
6	Bengkalis	10,150,935,000	10,150,935,000	10,150,935,000
7	Pekanbaru	33,070,459,804	42,669,767,389	49,394,887,798
8	Kuantan Singingi	10,551,359,712	16,570,757,867	13,257,227,088
9	Dumai	9,147,713,215	9,670,601,234	10,885,784,119
10	Indragiri Hulu	10,016,239,573	10,016,239,573	10,785,462,513
11	Rokan Hulu	12,688,617,342	14,096,493,342	9,308,041,170
12	Kepulauan Meranti	218,358,000	218,358,000	1,474,342,055
13	Provinsi	-	1,443,423,604	1,443,423,604
Total		160,172,406,057	177,527,780,480	175,023,749,562

From Table 6, it indicates that the surplus owned by the cooperatives in Riau Province is not stable from year to year. In 2013, the surplus owned by the cooperatives in Riau Province was IDR160,172,406,057, while in 2014 it was IDR177,527,780,480, and in 2015 was IDR175,023,749,562. It can be seen that in 2014, there was a significant increase of IDR17,355,374,423, but in 2015, it had a significant decrease of IDR2,504,030,918.

### 4.3 Discussion

In order to see the financial performances of the cooperatives directly, it is actually can be seen only per case in detail, so that it can result in an appropriate conclusion. However, in order to see the financial performances of the cooperatives in general can be seen from several factors as follows.

#### 4.3.1 Self-owned capital

From the growing amount of Self-owned capital for active cooperatives, it can be seen that the average amount of self-owned capital of active cooperatives as the following: in 2013, the amount of self-owned capital of the cooperatives in Riau Province was IDR902,319,767,001, while in 2014 it was IDR993,384,098,818 with an increase of 10.10% and in 2015 was IDR1,169,672,713,665 with an increase of 17.75%. The average increase of self-owned capital of the cooperatives in Riau Province equals to 14.81%. From a more detailed analysis, it can be seen that the highest increase of self-owned capital was in 2015 with a significant increase of 17.75%.

The self-owned capital of the cooperatives in Riau Province that has increased from year to year is expected that the financial performances of the cooperatives are able to be better. With the increased self-owned capital is expected that the cooperatives are able to obtain profit/achieve the goals so that the cooperatives can obtain the benefits that can be perceived by members of the cooperatives in the form of surplus (SHU). With the significant increase in the self-owned capital, it is expected that the surplus (SHU) also has a significant increase. It is because of the theory states that if the self-owned capital increases the surplus (SHU) also increases automatically. If this does not occur, then the financial performances of the cooperatives are unhealthy/not good and must be improved. Table 7 will explain the development of self-owned capital and surplus (SHU).

**Table 7** Development of equity and time results of operations (SHU) year 2013–2015

<i>Year</i>	<i>Equity time</i>	<i>Results of operations (SHU)</i>
2013	902,319,767,001	160,172,406,057
2014	993,384,098,818	177,527,780,480
2015	1,169,672,713,665	175,023,749,562
Total	3,065,376,579,484	512,723,936,099

However, if we look at Table 7, it shows that the development of self-owned capital has increased significantly, but the surplus data (SHU) show the unstable development. In 2013, the amount of self-owned capital was IDR902,319,767,001, while the surplus (SHU) was IDR160,172,406,057. However, in 2014 the amount of self-owned capital increased by IDR993,384,098,818, that was also followed by the increase in surplus

(SHU) of IDR177,527,780,480, and in 2015 the amount of self-owned capital was IDR1,169,672,713,665, but in 2015 the surplus (SHU) had a decrease of IDR175,023,749,562, with a percentage of 1.41%.

It is supposed that the increased self-owned capital in a cooperative will also increase the surplus (SHU). However, Table 7 indicates that in 2015, the self-owned capital of the cooperatives in Riau Province increased significantly, but the surplus (SHU) decreased. It states that the financial performances of the cooperatives in Riau Province in self-owned capital aspect need to improve.

#### 4.3.2 *Foreign capital*

From the growth in the amount of foreign capital, for the active cooperatives, it can be seen that the average foreign capital is higher than the amount of foreign capital of the active cooperatives, as follows: In 2013, the amount of foreign capital of the cooperatives in Riau Province was IDR1,718,556,685,962, while in 2014 was IDR1,856,917,132,141, with an increase of 8.05%, and in 2015 was IDR2,382,826,808,376, with an increase of 28.32%. The increase in the average foreign capital of cooperatives in Riau Province is 19.33%. In a more detailed analysis, it can be seen that the highest increase of foreign capital occurred in 2015 which increased significantly by 28.32%.

The foreign capital obtained by the cooperatives in Riau Province has increased very significantly every year. It is expected that the increased foreign capital can make the financial performances of the cooperatives run properly. In order to see whether the financial performances of cooperatives run properly or not, we can see from the surplus (SHU) obtained by cooperatives. If the capital of a cooperative increases, the revenue/profit of the cooperative should increase too, so that the cooperative will obtain an increase in surplus (SHU), and vice versa, If the surplus (SHU) obtained by a cooperative decrease, then certainly the revenue of the cooperative decreases and the additional foreign capital obtained by the cooperative will not result in profit. Table 8 will explain the development of foreign capital and surplus (SHU).

**Table 8** Development of foreign capital and of business profits (SHU) year 2013–2015

<i>Year</i>	<i>Foreign capital</i>	<i>Results of operations (SHU)</i>
2013	1,718,556,685,962	160,172,406,057
2014	1,856,917,132,141	177,527,780,480
2015	2,382,826,808,376	175,023,749,562
Total	5,958,300,626,479	512,723,936,099

In Table 8, it shows that the development of foreign capital of the cooperatives in Riau Province has increased significantly from year to year, but the development of the surplus (SHU) is not stable. In 2013, the amount of foreign capital owned by the cooperatives in Riau Province was IDR1,718,556,685,962, while the surplus (SHU) was IDR160,172,406,057. In 2014, the amount of foreign capital increased by IDR1,856,917,132,141, followed by the increase in surplus (SHU) of IDR177,527,780,480, and in 2015, the amount of foreign capital increased significantly by IDR2,382,826,808,376, but it was not followed by the increase in the surplus (SHU). In 2015, the amount of the surplus (SHU) decreased by IDR175,023,749,562 with a percentage of 1.41%.

Based on Table 8, it can be seen that the financial performances of the cooperatives in Riau Province need to improve, since the outside capital increases significantly from year to year but the surplus (SHU) is not stable, that it decreased significantly in 2015. It is not in line with the theory of Pachta and Andjar (2005), states that the greater the loan capital obtained, the greater the business units developed by a cooperative in order to increase the Surplus of the cooperative.

#### 4.3.3 Business volume

From the development in the amount of business volume, the active cooperatives show that the average business volume of the active cooperatives as follows: In 2013, the amount of business volume of the cooperatives in Riau Province was IDR3,098,145,478,373, while in 2014, it was IDR2,681,545,450,334, with a decrease of 13.44%, and in 2015, it was IDR2,750,809,105,464 with an increase of 2.60%. In a more detailed analysis, the business volume of the cooperatives in Riau Province had a significant decrease in 2014 of 13.44%.

In a further analysis on the data above that the development of business volume is not stable, that it will affect the development of surplus (SHU). If the business volume has unstable development, then the surplus (SHU) will have the same. The development of business volume and surplus (SHU) can be seen in Table 9.

**Table 9** Development business volume and surplus or results of operations (SHU) year 2013–2015

<i>Year</i>	<i>Business volume</i>	<i>Results of operations (SHU)</i>
2013	3,098,145,478,373	160,172,406,057
2014	2,681,545,450,334	177,527,780,480
2015	2,750,809,105,464	175,023,749,562
Total	8,530,500,034,171	512,723,936,099

From Table 9, it shows that the development of business volume is not stable from year to year, that this is similar to the development of surplus (SHU). In 2013, the amount of business volume of the cooperatives in Riau Province was IDR3,098,145,478,373, while the surplus (SHU) was IDR160,172,406,057. In 2014, the amount of business volume decreased by IDR2,681,545,450,334, but the surplus (SHU) increased by IDR177,527,780,480, and in 2015, the amount of business volume increased by IDR2,750,809,105,464, but the surplus (SHU) decreased by IDR175,023,749,562.

From these data, it can be seen that the financial performances of the cooperatives in Riau Province in terms of business volume aspect need to improve sustainably. Because it is not in line with the theory of Sitio and Halomoan (2001), states that the higher the business or activity volume conducted, the higher the chance of the cooperatives to increase the surplus.

#### 4.3.4 Surplus (SHU)

From the development of surplus (SHU) of the active cooperatives, it shows that surplus (SHU) average of the active cooperatives, as follows: in 2013, the amount of surplus (SHU) of the cooperatives in Riau Province was IDR160,172,406,057. While in 2014, the amount of surplus (SHU) of the cooperatives in Riau Province was IDR177,527,780,480,

with an increase of 10.83%, and in 2015, the amount of surplus (SHU) of the cooperatives in Riau Province was IDR175,023,749,562, with a decrease of 1.41%. In a more detailed analysis, it can be seen that there was a significant increase in the surplus (SHU) in 2014, but in 2015 the surplus (SHU) decreased by 1.41%.

## **5 Conclusions and recommendations**

### *5.1 Conclusions*

Based on survey data that has been presented in the previous section, it can be concluded as follows:

- 1 The financial performance of the cooperatives in self-owned capital aspect, is in a poor performance and needs to improve since the increase in self-owned capital was not followed by the increase in surplus (SHU). In 2015, the self-owned capital increased significantly by 17.75%, but the surplus (SHU) decreased by 1.41%.
- 2 The financial performance of the cooperatives in foreign capital aspect is in a poor performance and needs to improve since the increase in the foreign capital was not followed by the increase in surplus (SHU). In 2015, the foreign capital increased significantly by 28.32%, but the surplus (SHU) decreased by 1.41%.
- 3 The financial performance of the cooperatives in business volume aspect is in a poor performance and highly needs to improve since when the business volume increased, the surplus (SHU) decreased and vice versa. In 2014, the business volume decreased by 13.44%, but the surplus (SHU) increased by 10.83%, and in 2015, the business volume increased by 2.60%, but the surplus decreased by 1.41%.
- 4 The financial performance of the cooperatives in surplus (SHU) aspect is in a poor performance since the development of surplus (SHU) is not stable from year to year. In 2014, the surplus (SHU) increased by 10.83%, but in 2015, it decreased by 1.41%.

### *5.2 Suggestions*

From the research that has been conducted, there are some recommendations to the Riau Provincial Government as follows:

- 1 From the self-owned capital and foreign capital aspects, the cooperatives should be able to utilise their capital as well as possible, so that they can obtain profit/benefit. With the increasing capital, the management should be motivated and manage the cooperatives to run seriously.
- 2 From the business volume aspect, the highly prospective businesses in the market should be maintained. In addition, the government/department of cooperatives has to support and provide training, so that the volume of the cooperatives is increasing from year to year sustainably.
- 3 From the surplus (SHU) aspect, the cooperatives should be able to maintain the surplus (SHU) obtained, since by the surplus, we can conduct assessment whether a cooperative is healthy or not.

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