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INTERNATIONAL SEMINAR 2015

Integrated View to International Development:
Society Empowerment Through
Economics, Agriculture, and Engineering Approach



PROCEEDING

Directorat of Development and Cooperation
University of Mercu Buana Yogyakarta



INTERNATIONAL SEMINAR 2015
Integrated View To International Development

**Society Empowerment Through Economics, Agriculture, and
Engineering Approach**

PROCEEDING

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FOREWORD

This proceeding was arranged based on the International Seminar on Society Empowerment through Multidimensional Approach: an Integrated View to International Development. The Seminar was held by University of Mercu Buana Yogyakarta (UMBY). It was also a realization of MoU between UMBY with foreign universities such as Budapest Business School (Hungary) and Lyceum of the Philippines University (the Philippines).

The Seminar was 2-day seminar with plenary session on the first day during which the prominent speakers from Indonesia and other countries such as Australia, the Philippines and Hungaria had give the presentations. Parallel session was held at the end of the first day and on the second day during which about 51 papers had presented. The purpose of the seminar is strengtening the academic partnership among higher education institutions from Indonesia and other countries especially those who was participated in this seminar, and bridging closer collaboration between educational and non-educational instituions.

The purpose of arranging this proceeding is to deliver the ideas and research finding was presented in the seminar into the broader society. This effort is in order to make many discussion about variative and integrated ways to empower the society. According to the purpose of this seminar, we hope the proceeding can make harmoniuosly together in empowering society to meet the international development, and achieve the goals of international development.

We realize that this proceeding still need many improvement to be better. So that we ask for any suggestion. We wish this proceeding will give benefit for all concerning to the better world development.

Yogyakarta, January 18, 2016

Editors

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**THE EVALUATION OF FINANCIAL PERFORMANCE FOR ECONOMIC
SUSTAINABILITY IN CREDIT UNION
(CASE STUDY IN “KERJA BERMAKNA” CREDIT UNION
JOGONALAN, KLATEN, CENTRAL JAVA)**

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Abstract

This aim of this research is to evaluate the financial performance of “*Kerja Bermakna*” Credit Union in Klaten by using PEARLS system (protection, effective financial structure, assets quality, rate of return and cost, liquidity and sign of growth).

This research is a case study research. It will focus to analyze the result and conclusion based on the object in this research. This research use primary data from the “*Kerja Bermakna*” Credit Union’s Montly Statistical Finance Report, such as balance sheet, cash flow report, expense and income statement and cooperative’s net income change report. The data analyze technique is using PEARLS Monitoring System.

Result of this research show that from 16 indicators of PEARLS monitoring system, 8 (50%) indicators are “ideal/health” and 8 (50%) indicators are “not ideal”.

Keyword: Credit Union, PEARLS Monitoring System, Protection, Effective Financial Structure, Asset Quality, Rates of Return and Cost, Liquidity, Signs of Growth.

A. Background

“*Kerja Bermakna*” Credit Union is one of Credit Union in Klaten, Central Java, Indonesia. “*Kerja Bermakna*” means meaningful work. This Credit Union established since November 2014. As a financial institution, Credit Union should be focus on economic sustainability. For that, the evaluation of financial performance is very important for Credit Union. Based on the interview with the manager of “*Kerja Bermakna*” Credit Union, this Credit Union has never been to evaluate the financial performance , because the Credit Union is still new Credit Union and has not received

PEARLS (*Protection, Effective financial structure, Asset quality, Rates of return and cost, Liquidity dan Signs of growth*) system from Credit Union Centre.

Assessment of financial performance should ideally be done by Credit Union each closing period, ie every month or at least once a year. Analysis of financial performance can be done with some systems, such as: CAMEL (Capital, Asset quality, Management, Earning, dan Liquidity), Balance Scorecard, Altman, health assesment and PEARLS. CAMEL and PEARLS analysis is a common sistem for Credit Union. CAMEL is a cooperative system of health assessment in terms of capital, assets profitable quality, management, rentability, and liquidity. While PEARLS is a financial performance assessment system wich developed by World Council of Credit Unions (WOCCU) including the aspects of protection, effective financial structure, asset quality, rates of return and cost, liquidity and sign of growth. Each of this aspects will show a ratio and from this ratio we can know that each indicator is “ideal/health” or “not ideal”.

The routinely of financial performance assessment in every closing period will have an impact on the economic sustainability of a Credit Union. From this assesment, Credit Union will know the “not ideal” indicators and Credit Union will respond that as soon as possible. World Council of Credit Unions (WOCCU) assesses that the PEARLS is more appropriate to assess the financial performance of the Credit Union. Based on the problem above, the assessment of financial performance in “*Kerja Bermakna*” Credit Union is needed. PEARLS analysis is considered as an appropriate system to measures the financial performance of “*Kerja Bermakna*” Credit Union.

B. Literature Review

1. “Kerja Bermakna” Credit Union

“Kerja Bermakna” Credit Union is one of the Credit Union in Klaten, Central Java, Indonesia. “Kerja Bermakna” means meaningful work. Adress of this Credit Union is Sumberan, Gondangan, Jogonalan , Klaten, Central Java, Indonesia. This Credit Union is established in November 2014. Members of “*Kerja Bermakna*” Credit Union until May 2015 is 111 persons and members scattered in several villages in Jogonalan such as Sumberan, Gondang and Karanglo (interview, 2015).

Based on interview with manager, products in “*Kerja Bermakna*” Credit Union are:

1. Deposits

a) Deposits Shares

Deposits Shares consists of principal savings and mandatory savings. Once deposited principal for a member. Principal savings can not be taken during the member remains a member of the Credit Union. While the compulsory savings are savings deposited once a month with the limits date on 20 every month.

b) Deposits Daily Interest (SIBUHAR)

Deposits Daily Interest (SIBUHAR) are deposits which can be withdrawn at any time with daily interest rate system. SIBUHAR product consists of:

1) Deposits Work (SAHAJA)

SAHAJA is saving members the fee of 3% per year.

2) Deposits Meaning of Work (SINAYA)

SINAYA is saving for prospective members. Fee of 2% per year. Bookkeeping Sinaya account administration fee Rp5.000,00.

3) Savings Excitement Learning (TSB)

Education savings plan for a maximum period of 6 years with a service fee of 5% per year savings. Regular deposits worth multiples Rp10,000.00 start Rp50,000.00 (fifty thousand dollars). TSB account opening charge Rp10,000.00 and materei Rp6.000,00. If withdrawal beyond the date of the agreement subject to a penalty of 1.5% of the current balance of disbursement and should be confirmed two (2) weeks earlier. TSB account holder name is entitled to obtain a beautiful souvenir for each grade.

2. Loans

Types of loans available in the “*Kerja Bermakna*” Credit Union are:

a) Monthly Installment Loans

Monthly installment loan is a loan principal repaid at the latest 24 (twenty four) months with a 1.7% interest decreased or 1.4 flat. Total disbursement and installment due summarized in credit analysis.

b) “Sebrak” Loans

Interest rate of “Sebrak” loan is 1.5%. These loans are applicable for members that do not have a loan. Payment of interest is calculated daily and the longest is 1 (one) month. If members can not pay until one month, the loan must be updated.

c) Weekly Installment Loans

Weekly installment loan is a loan that is paid in installments every week. Interest on loans is 0.6% fixed per week. Weekly installment loan interest set related priorities (loans subscribe) disbursement and accounting. Maximum loan of this product is Rp3,000,000.00.

2. PEARLS Monitoring System

PEARLS is a financial performance monitoring system which developed by the World Council of Credit Union (WOCCU). PEARLS aims to guide the management of Credit Union to manage financial (Munaldus, et al, 2014). There are four benefit of PEARLS:

1. PEARLS is uses as a tool to evaluate the financial performance of Credit Union. The strengths and weakness can be identified by using PEARLS. PEARLS can be described as “early warning system”.
2. PEARLS can be standardize ratio and formula. Ratio and formula can reduce the difference in perception of Credit Union.
3. PEARLS can be used to rank a Credit Union. It can reduce misunderstanding. Ranking in Credit Union must be analyze based on objective analyze because PEARLS have no subjective qualitative indicators.
4. PEARLS can be used as a monitoring system. The monthly PEARLS analysis is used to analyze the health of a Credit Union. If there is a problem, Credit Union can indicate and give the respond as soon as possible.

PEARLS monitoring system consists of six aspects of performance assessment Credit Union. There are Protection, Effective Financial Structure, Assets Quality, Rates of Return and Cost, Liquidity and Signs of Growth (Richardson, 2002). There are 6 aspects and 16 indicators in this research, they are:

a) Protection

Protection assets is an essential factor to the health of the Credit Union. This asset protection measures the adequacy of the risk reserve fund and credit provision delinquent. According to Noetjahjono (2012), protection measurements consist of two indicators: (P1) comparing the availability of risk reserve fund with the loan provision delinquent (total non-performing loans > 12 months) and (P2) comparing the availability of funds to the risk reserve provision net delinquent loan (total of delinquent loan 1- 12 months). Protection aspects for P1 is "ideal/health" if the ratio of reserve risk is 100% from total of delinquent loan after 12 month and $\geq 35\%$ for delinquent loan under 12 month. Credit Union must always have available for fund risk. If it is not available, there are two effects: decreasing value of assets and fictive income.

b) Effective Financial Structure

The effective financial structure is very important factor for Credit Union, specially to determine the potential growth, the ability to get profit, and financial strength. Effective financial structure is needed to achieve safety, soundness and profitable. According to WOCCU (2007), effective financial structure aspect consists of 4 indicators, which are: (E1) net debt/total assets, (E5) non-shares deposits/total assets, (E7) capital stocks/total assets, dan (E8) institutional capitals/total assets. "Ideal/health" target for E1 dan E5 indicators are 70-80%, E7 indicator is 10-20%, and E8 indicator is $\geq 10\%$.

c) Asset Quality

Assets quality is an important aspect for achieving the organization profit. PEARLS analyzing system classify all of profitable and non profitable assets. If the non profitable assets have a high percentage, it can be negative impact and reduce income. If the non profitabe assets has a high percentage, it can be negatively impact and reduce revenue. Assets quality consists of delinquency loans, non profitable assets, and fund the non profitable assets.

Munaldus, et al (2014: 179-180) said that asset quality aspects consists of 3 indicators, they are: (A1) delinquent loans/total receivable, measures the percentage of total loans in the portofolio of delinquent loans using the criteria of balance delinquent loans, not the accumulation of principal payment of loans; (A2) non profitable assets/total assets, to masure persentage of non profitable assets and total assets; (A3) cost for non profitable assets/institutional capitals, to measures the cost persentage of total non profitable assets by institutional capitals. A1 and A2 are “ideal/health” if the rasio is $\leq 5\%$ and A3 indicator is “ideal/health” if it has $\geq 100\%$.

d) Rates of Return and Cost

Return and cost are factors that have directly affect for organization growth. Rates of return and cost measures the average revenue for each the most productive assets in balance sheet. In addition, rates of return and cost also measures the average cost fot every debt and important capitals. The ruselt of this is an average investment, not “spead analysis”. This result indicates whether CU get income and can to pay the loans with interest market, debt and assets (Munaldus, 2014: 180-182).

a) Cost of Deposits Shares

The purpose of this indicator measures the gross revenue margin derived from the results of all assets before deducting costs, allowance for the risk reserve fund and other expenses. This indicator is “ideal/health” if the ratio between 10-20%.

b) Operational Costs/Average assets

This indicator measures all of management costs from total assets of Credit Union. This indicator is “ideal/health” if the ratio between 3-5%.

c) Nett Profit

This indicator measures the income and the availability of institutional capital. “Ideal/health” target in this indicator is minimum 10%.

e) *Liquidity*

The Credit Union has always enough money when members suddenly withdraw their savings. In other words , liquidity reserves are always strong . In addition , the idle money were also measured to ensure that the assets that do not generate revenue and not to reduce the Credit Union. According to Noetjahjono (2012) there are two indicators for liquidity aspects: (L1) $\text{Investment Liquid} + \text{Liquid Assets} - \text{Liabilities} / \text{Deposits Non - Stock}$, to measure the resistance of liquid cash reserves to a deposit withdrawals, after paying all current liabilities < 30 days (non - interest bearing liabilities) and (L3) $\text{cash+check} / \text{total assets}$, to measure the entire wealth invested in current non profitable estimates. The “ideal/health” ratio for L1 is $\geq 15\%$ and L2 indicator is $\leq 10\%$.

f) *Signs of growth*

Signs of growth is a component for measuring the rate of growth of financial institutions to provide financial services to the members. In the economic conditions with high inflation , real growth (after deducting inflation) , is the key to long-term durability Credit Union. According to Richardson (2012), there are two indicators of Signs of growth, which are: (S10) members growth, to measure the growth of members of Credit Union. (S11) total assets growth, to measure the growth of total assets. “Ideal/health” target for S10 is $\geq 12\%$ and for S11 indicators is more than inflation rate ($>10\%$).

3. Previous Research

Relevant research to this research has been done by researchers . Lidyani (2004) evaluated the “*Pancur Kasih*” Credit Union Pontianak by using PEARLS system. The result of this research showed that protections (P), effective financial structure (E), asset quality (A), liquidity (S) dan sign of growth (S) is “ideal/health”, but rate of return and cost (R) aspects is “not health”. From the results of this study concluded that the “*Pancur Kasih*” Credit Union is a health credit union.

The other research about PEARLS in Credit Union is Sarjono research (2007). This research is evaluating the financial performance for “*Banuri Harapan Kita*” Credit Union by using PEARLS system from 2003 until 2005. The result of this research show that the PEARLS system 2003 and 2004 is “ideal/health” but PEARLS in 2015 is “not ideal”.

In 2014, Kholisa also evaluate the financial performance of “*Mandiri*” Jember Credit Union based on protection, asset quality, rate of return and cost and sign of growth aspects. This resut show that protection aspects is “not health”, assets quality is “ideal/health”, rate of return and cost is “ideal/health” for nett income/total assets dan “not ideal” for cost of deposits shares/total assets. While the resut for signs of growth aspects is “not ideal” for members growth and “ideal/health” for loans growth.

C. Research Methodology

This research is a case study research. It will focused on a particular object, so the result and conclusions only based on the object in this research. The place in this research is in “*Kerja Bermakna*” Credit Union during May until June 2015.

Subject in this research is manager of “*Kerja Bermakna*” Credit Union and the object research is Montly Statistical Finance Report from December 2014 until May 2015. This research use a primary data of financial aspects in “*Kerja Bermakna*” Credit Union. Financial aspects derived from the Montly Statistical Finance Report, includes : balance sheet, cash flow, loss and benefit report, change of the net assets report, and statistical report.

The technique of collecting data in this research is using documentation technique and interview. The documentation technique used to collect balance sheet, cash flow, loss and benefit report, change of the net assets report and statistical report from December 2014 until May 2015. Interview technique used to verify primary data of “*Kerja Bermakna*” Credit Union. The financial performance in this research is analize by using PEARLS Monitoring System.

D. Result And Analysis

This research is analyze by using PEARLS monitoring system. PEARLS is analyze monthly from December 2014 until May 2015. The result of this PEARLS analyze are as follow.

a) Protection

From the table 4.1, protection aspects to P1 and P2 indicators are “ideal/health”, except for the month of May 2015 P2 is "not ideal". This means that it is during the months of December 2014 to May 2015 there were no negligence loan over 12 years, and from December 2014 until April 2015 there is also no negligence loans of less than 12 months. This is resulting in the achievement of Protection ratio is over 100%. In May 2015 there were kelalaan loans under 12 months of one member. This resulted in May 2015, P2 ratio is 31,06%, which means "not ideal". However, the negligence of the loan has to be resolved in the next month.

Protection ratios achievement is certainly a strength for the “*Kerja Bermakna*” Credit Union. This indicator is “ideal/health” because members have discipline principle to pay their loan. “*Kerja Bermakna*” Credit Union give a reward of 2.5% of the services for members who paid the loan on time. This reward is very motivating members. In addition, “*Kerja Bermakna*” Credit Union was able to identification negligent loan of the members as soon as possible. Personal approach is used by “*Kerja Bermakna*” to finish member problems. These are factors are the main factors that lead to achievement ratio on the "Protection" aspects are always in category of "ideal/healthy".

Table 4. 1 Ratio of Protection Indicators

	P1		P2	
	Ratio	Category	Ratio	Category
Dec'14	> 100%	Ideal/Health	> 100%	Ideal/Health
Jan'15	> 100%	Ideal/Health	> 100%	Ideal/Health
Feb'15	> 100%	Ideal/Health	> 100%	Ideal/Health
March15	> 100%	Ideal/Health	> 100%	Ideal/Health
Apr'15	> 100%	Ideal/Health	> 100%	Ideal/Health

May'15	> 100%	Ideal/Health	31,06%	Not Ideal
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Source: PEARLS Analyze, 2015.

*) P1 : availability of risk reserve fund+provision of delinquent loans/ delinquent loans > 12 month

*) P2 : availability of risk reserve fund+provision of delinquent loans/ delinquent loans < 12 month

b) Effective Financial Structure

“Ideal/health” target for E1 indicator is 70-80%. From the table 4.2, shows that E1 in December 2014 is “ideal/health”. It is because “*Kerja Bermakna*” Credit Union still a new Credit Union. “*Kerja Bermakna*” Credit Union buy a lot of non profitable assets, such as cost for building renovation, office equipment, and office administration. This is why the ratio of E1 by 50.05 % and it is “not ideal”. Result of E1 for January 2015 show that E1 indicator is ideal/health” and from February until May 2015 is “not ideal”. It is because there are so many new members but they are not spent loan. It is because members of “*Kerja Bermakna*” Credit Union saving their money. Several members save their money in non stock capital. And the result of E7 indicator is “ideal/health” with decreasing trend. It is because new members only deposits their principal deposits and it makes capital increase. While assets not growing because the member have not saving.

The result of E8 indicator is “not ideal” with decreasing trend. It is “not ideal” because since this Credit Union hold, non profitable assets is too large while institutional capital is too small (0,1% from loan). The other factor are the general fund have not been taken into account, the building solidarity fund (cost paid once a year to “*Kerja Bermakna*” Credit Union for building) is too small (Rp3.000,00) and the profit revenue is too small and it use for operational cost.

Table 4.2. Ratio of Effective Financial Structure

	E1		E5		E7		E8	
	Ratio	Category	Ratio	Category	Ratio	Category	Ratio	Category
Dec'14	50,05%	Not Ideal	72,50%	Ideal/Health	25,85%	Not Ideal	0,68%	Not Ideal
Jan'15	78,25%	Ideal/Health	72,85%	Ideal/Health	25,61%	Not Ideal	0,64%	Not Ideal
Feb'15	81,29%	Not Ideal	75,44%	Ideal/Health	22,83%	Not Ideal	0,58%	Not Ideal
March15	89,66%	Not Ideal	76,71%	Ideal/Health	21,82%	Not Ideal	0,54%	Not Ideal
Apr'15	87,40%	Not Ideal	76,73%	Ideal/Health	21,89%	Not Ideal	0,51%	Not Ideal
May'15	92,41%	Not Ideal	76,33%	Ideal/Health	22,07%	Not Ideal	0,508%	Not Ideal

Source: PEARLS Analyze, 2015.

*) E1 : Total loans outstanding-(risk fund+provision of delinquent loans)/ total assets.

*) E5 : Total non-shares deposits/ total assets

*) E7 : Capital stocks/ total assets

*) E8 : Institutional capitals/ total assets

c) Asset Quality

The result of asset quality are follow.

Table 4.3 Ratio of Asset Quality Indicators

	A1		A2		A3	
	Ratio	Category	Ratio	Category	Ratio	Category
Dec'14	0,00%	Ideal/Health	23,51%	Not Ideal	15,81%	Not Ideal
Jan'15	0,00%	Ideal/Health	17,51%	Not Ideal	19,28%	Not Ideal
Feb'15	0,00%	Ideal/Health	12,58%	Not Ideal	26,14%	Not Ideal
March15	0,00%	Ideal/Health	10,86%	Not Ideal	26,05%	Not Ideal
Apr'15	0,00%	Ideal/Health	9,31%	Not Ideal	28,27%	Not Ideal
May'15	0,56%	Ideal/Health	8,36%	Not Ideal	32,51%	Not Ideal

Source: PEARLS Analyze, 2015.

*) A1 : Total delinquent loans/total outstanding loans

*) A2 : Total non profitable assets/total assets

*) A3 : (Institutional capitals + non cost debt)/non profitable assets

Results of A1 indicators from December 2014 until May 2015 is "ideal/healthy" with a percentage of 0%. This is because the "Kerja Bermakna" Credit Union still a new Credit Union, so there is no problem about negligence loans. If there are members who are signs of neglect, "Kerja Bermakna" Credit Union can quickly identify and respond to it. A2 indicator from December 2014 until May 2015 is "not ideal" with decreasing trend to "idea/health". It's because total of non profitable assets are decreasing while profitable assets are increasing. The result of A3 indicator is "ideal/health" with increasing trend. It's because cash fluctuations are not significant. Non profitable assets are fixed while capital investment and debt with not cost are increasing because increasing members.

d) Rates of Return and Cost

The result of rates of return and cost are follow.

Table 4. 4 Ratio of Rates of Return and Cost Indicators

	R8		R9		R12	
	Ratio	Category	Ratio	Category	Ratio	Category
Dec'14	0,81%	Not Ideal	8,16%	Ideal/Health	1,58%	Not Ideal
Jan'15	1,22%	Not Ideal	8,02%	Ideal/Health	1,32%	Not Ideal
Feb'15	2,04%	Not Ideal	7,52%	Ideal/Health	1,58%	Not Ideal
March15	2,57%	Not Ideal	7,73%	Ideal/Health	1,58%	Not Ideal
Apr'15	3,94%	Not Ideal	8,81%	Ideal/Health	1,03%	Not Ideal
May'15	4,72%	Not Ideal	9,36%	Ideal/Health	1,21%	Not Ideal

Source: PEARLS Analyze, 2015.

*) R8 : Total margin og gross revenue/average of total assets

*) R9 : (Total assets of this month+total assets last month)/2

*) R12 : Nett profit / [(Total assets of this month+total assets last month)/2]

Table 4.4 show that the results of R8 indicator is "not ideal" and is still too low (< 5 %). This is because the revenue sources "Kerja Bermakna" Credit Union is still too low compared to the costs of operational. Result of R9 indicator is "ideal/healthy ". This is because the "Kerja Bermakna" Credit Union can pay the operational costs incurred to earned income. Results of the indicator R12 is "not ideal". R12 is an indicator for measuring the ratio of net income by average total assets . If R8 is not "ideal/ healthy" so R12 also "not ideal".

e) Liquidity

The result for Liquidity indicators are:

Tabel 4. 5 Ratio of Liquidity indicators

	L1		L3	
	Ratio	Category	Ratio	Category
Dec'14	100%	Ideal/Health	26,44%	Not Ideal
Jan'15	100%	Ideal/Health	4,48%	Ideal/Health
Feb'15	100%	Ideal/Health	6,65%	Ideal/Health
March15	100%	Ideal/Health	0,14%	Ideal/Health
Apr'15	100%	Ideal/Health	3,86%	Ideal/Health
May'15	100%	Ideal/Health	0,21%	Ideal/Health

Source: PEARLS Analyze, 2015.

*) L1 : (Liquid investments+liquid assets – sort term liabilities)/non-shares deposits

*) L2 : (Cash+check)/total assets

Based on table 4.5, results of the indicator L1 is "ideal / healthy ". L1 is an indicator that measures the current investments and non- current liabilities to savings shares. “*Kerja Bermakna*” Credit Union has not current investment, thus saving non-current liabilities with shares of equal value . That is way, the ratio of L1 indicator is 100%. L3 indicator is " not ideal " in December 2014 and "ideal / healthy" for the next month. December is “not ideal” because the money has not been in circulation since the second new moon of this Credit Union. Result of L3 indicator in January until May 2015 is "ideal/health" because the cash fluctuation is fluency.

f) Sign of Growth

The result of signs of growth indicators are:

Tabel 4. 6 Ratio of Signs of Growth indicators

	S10		S11	
	Ratio	Category	Ratio	Category
Dec'14	155,00%	Ideal/Health	337,25%	Ideal/Health
Jan'15	47,06%	Ideal/Health	66,16%	Ideal/Health
Feb'15	17,33%	Ideal/Health	39,22%	Ideal/Health
March15	11,36%	Not Ideal	27,08%	Ideal/Health
Apr'15	7,14%	Not Ideal	16,65%	Ideal/Health
May'15	5,71%	Not Ideal	14,36%	Ideal/Health

Source: PEARLS Analyze, 2015.

*) S10 : Member growth (Total members this month – total members last month)/Total members last month

*) S11 : Assets growth (Total assets of this month – total assets last month)/ Total assets last month

Result of S10 indicator is “ideal/health” with decreasing trend, but from March to May 2015 the indicator results is "not ideal". This is because almost all of the person around the “*Kerja Bermakna*” Credit Union areas is members of “*Kerja Bermakna*” Credit Union. And the result of S11 is “ideal/health” with decreasing trend. It is because the members growth increase with decreasing percentage , so the assets growth is not significant to increase assets.

E. Conclusions

Based on the PEARLS analyze in “*Kerja Bermakna*” Credit Union from December 2014 until May 2015, we can conclude :

1. Indicators Protection (P1 and P2) are "ideal / healthy". Protection ratios achievement is certainly a strength for the “*Kerja Bermakna*” Credit Union. Ratios are "ideal / healthy" for this indicator because members are discipline to pay their loan, there is reward for members who pay loan on time and this Credit Union use personal approach to finish members problems .
2. The effective financial structure indicator show that for E1 is "ideal/healthy" in the month of December 2014 and January 2015 while next month "not ideal", E5 result is "ideal / healthy", while the E7 and E8 the result is "not ideal". The results are "not ideal" because new members of “*Kerja Bermakna*” Credit Union has not been active for savings and only pay their principal deposit only.
3. The asset quality indicators show that indicator A1 is "ideal / healthy" while A2 and A3 is "not ideal". This is because the “*Kerja Bermakna*” Credit Union has non profitable assets is too large while the capital investment is too small.
4. Result of rates of return and cost indicator for R9 is “ideal/health” while R8 and R12 result was "not ideal". This is because the source of income “*Kerja Bermakna*” Credit Union is still too low.