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Does Cash Flow Optimize Financial Performance of Cooperative?

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Abstract---Globalization has changed the corporate sector, allowing the wealthy to control the market. The weak side is excluded from competition and becomes a passive observer. This research examines the cash flow operations of Koyafa's savings and loan and trade sectors to establish its financial performance. The study incorporates quantitative data from Koyafa's financial records and qualitative data from the cooperative's AD/ART. Linear regression was employed using SPSS 25. According to the research, Koyafa has not prepared financial accounts in accordance with PSAK No. 27. The current financial records do not adequately represent Koyafa's competence to manage its finances. According to financial records, Koyafa's liquidity in meeting its short- and long-term financial commitments is still insufficient, even though company earns net money every year. Koyafa's net profit is adequate due of effective asset investment. Cash flow and liquidity have a favorable influence on cooperative earnings, thus it's important to manage them for better financial performance. Koyafa must restructure its company and inventories to meet its goal and objective.

Keywords---cash flow, financial performance, liquidity, market, profits.

Introduction

Economic globalization has brought about many changes to the business sector, and has allowed powerful parties with high purchasing power to monopolize the market. On the other hand, the weak side will be excluded from the competition sphere and become a passive spectator in the trade (Ruswati, 2020). The establishment of a business basically has the aim of generating profits in every operational activity, including cooperatives (Ahmadi, 2020). As a form of economic business entity that has a lot of contact with the community, cooperatives are generally established on the basis of interests such as the Cooperative of Faletahan Foundation (Koyafa) which was established on the basis of a common idea for the benefit of Faletahan University resources. Koyafa, who is faced with dynamic social and economic conditions, inevitably needs to make various changes and careful analysis, especially in terms of finances, because Koyafa's finances are at the heart of Koyafa's operational activities (Apriani & Gayatri, 2022).

Since its establishment, Koyafa has experienced a long period of ups and downs. Things such as untidy sales administration, undocumented stock of names of goods, less harmonious relations between cooperative members, the

presence of irresponsible employees, losses in sales and price problems are vulnerable factors that need serious attention if stakeholders from Koyafa are eager to build a strong cooperative. Therefore, it is necessary to carry out a careful analysis of Koyafa's financial condition as seen from the cash flow, liquidity and profit statements (Ayuni et al., 2021) in order to provide good feedback for the survival of Koyafa in the future.

The phenomenon of the financial condition at Koyafa is where the profit earned has decreased from 2016 to 2019. Koyafa recorded a profit in 2016 of 10.99%, where this profit fell drastically in 2017 to 5.67%. Profits fell again in 2018 to 3.04% due to the large number of customers who did not pay the credit that had been submitted which had an impact on the decline in Koyafa's profit. In 2019, Koyafa even recorded a profit of only 0.13% which finally made Koyafa's operations inactive until the end of 2021, which was also caused by the impact of the COVID-19 pandemic (Chen & Chen, 2012; Guay & Harford, 2000).

Cash flow information is an important instrument that is useful for business owners to determine policies, especially those related to operational activities (Setyawan, 2020) as stated in PSAK Number 2 Paragraph 12 (Nur & Rimawan, 2021). Operating cash flow is a measure of cash or cash generated from operations or the company's main activities in its daily activities, but does not calculate capital expenditures or the company's working capital needs (Andini & Wirawati, 2018). Cash flow information can also be used as a description of the financial condition of a business, so that it can be analyzed how much profit allocation can be obtained (Lavenia, 2019). Cash plays an important role in the continuity of business activities, so special attention is needed in its management (Sasongko & Apriani, 2016). In this case, Koyafa needs to carefully pay attention to the existing cash flow, so that the savings and loan operations which are Koyafa's main activities can be effective and efficient and become the basis for business development (De Mel et al., 2009; Beuchelt & Zeller, 2011). Through the analysis of this cash flow statement, management will be able to find out when Koyafa is experiencing a cash shortage, so that by knowing this condition Koyafa will be able to prepare himself early so as not to get caught in financial difficulties and be able to operate as efficiently as possible (Okafor et al., 2021; Mazzi, 2011).

Good financial reports result from increased profits each period resulting from increased cash turnover owned by the cooperative (Ihsan, 2020). Providing information through financial reports to members of cooperatives and the community is a form of accountability for cooperative managers in using sources of capital originating from basic and mandatory savings for a certain period (Drehmann & Nikolaou, 2013; Cornett et al., 2011). Providing financial information is expected by cooperative members, customers, the community and the government regarding the company's financial condition based on the balance sheet report, profit/loss report, capital change report and cash flow report. This is very important to know the cooperative's plan for the next period (Ahmadi, 2020).

By having a good performance, Koyafa can increase the trust of cooperative members and the general public to save funds in the form of savings or time deposits. In addition to saving funds in cooperatives with competitive interest rates and easy administration, it can increase people's interest in borrowing money in cooperatives, this can increase the health level of cooperatives (Ayuni et al., 2021).

Research Method

This research was conducted at Koyafa, which is located at the Feletahan University, Jalan Raya Serang – Cilegon KM 6. The study used secondary data sourced from Koyafa's 2016-2019 financial statements. Data collection technique in this study is a documentation study which is then analyzed in stages including descriptive analysis, classical assumption test, multiple linear regression analysis, feasibility test, and t statistical analysis based on the SPSS 25 program (Ghozali, 2018).

Result and Discussion

Descriptive statistics

Descriptive statistical analysis provides an overview of the research data seen from the average value (mean), standard deviation, maximum and minimum data of research variables. Table 1 shows the minimum, maximum and mean values of 58 data related to operating cash flow, liquidity and profit from Koyafa during 2016-2019.

Table 1
Descriptive statistics

| | Descriptive Statistics | | | | |
|--------------------|------------------------|---------|---------|--------|----------------|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| Cash flow | 58 | 1.17 | 12.90 | 6.9297 | 0.76750 |
| Liquidity | 58 | 0.61 | 2.89 | 1.7323 | 1.56584 |
| Profit | 58 | -2.40 | 16.74 | 4.9417 | 4.34601 |
| Valid N (listwise) | 58 | | | | |

Source: processed data, 2022.

Classical assumption results

Normality test aims to test whether in a regression model, have a normal distribution or not (Ghozali, 2018). The normality test was carried out using the Kolmogorov-Smirnov statistical test which showed a value (asymptotic significance, 2-tailed) of 0.232 > a significance of 0.05. This result means that the data is declared to be normally distributed as shown in Table 2.

Table 2
Normality test

| One-Sample Kolmogorov-Smirnov Test | | |
|------------------------------------|----------------|-------------------------|
| | | Unstandardized Residual |
| N | | 58 |
| Normal Parameters ^{a,b} | Mean | .0000000 |
| | Std. Deviation | .76917897 |
| Most Extreme Differences | Absolute | .136 |
| | Positive | .102 |
| | Negative | -.136 |
| Kolmogorov-Smirnov Z | | 1.038 |
| Asymp. Sig. (2-tailed) | | .232 |

a. Test distribution is Normal.

b. Calculated from data

Source: processed data, 2022.

Multicollinearity indicates a situation where there are independent variables among each other. A good regression model should not have a correlation between the independent variables (Ghozali, 2018). The multicollinearity test in Table 3 is seen from the Tolerance and Variance Inflation Factor (VIF) values obtained > 0.1 and < 10 so that there is no multicollinearity.

Table 3
Multicollinearity

| Model | Coefficients ^a | |
|--------------|---------------------------|-------|
| | Collinearity Statistics | |
| | Tolerance | VIF |
| 1 (Constant) | | |
| Cash flow | .144 | 6.922 |
| Liquidity | .144 | 6.922 |

a. Dependent Variable: Profit

Source: processed data, 2022.

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in a certain period and the confounding error in the previous period (Ghozali, 2018). Based on Table 4, the DW value is 1.678. In the table with $df = 58$ $k = 2$, it is known that the dL value is 1.5052 and dU is 1.6475. This result states that there is no positive or negative autocorrelation because the value of dU (1.6475) $<$ DW (1.678) $<$ $4-dU$ (2.3525).

Table 4
Durbin Watson Test

| Model Summary ^b | | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|---------------|--|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson | |
| 1 | .505 ^a | .255 | .228 | .78304 | 1.678 | |

a. Predictors: (Constant), Cash flow, Liquidity
b. Dependent Variable: Laba

Source: processed data, 2022.

A good regression model is that there is no heteroscedasticity (Ghozali, 2018). Heteroscedasticity test in this study used the chart method (scatterplot diagram). In Figure 1, it can be seen that the points spread above and below the number 0 on the Y axis which indicates that there is no heteroscedasticity. Thus, the regression model is also declared free from heteroscedasticity symptoms and deserves to be continued in the next process.

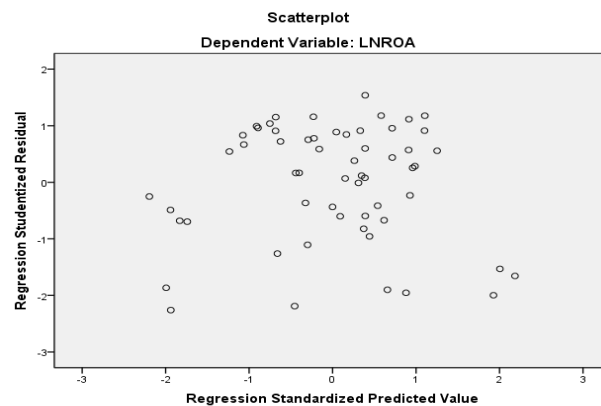


Image 1. Scatterplot
Source: processed data, 2022.

Multiple Linear Regression Analysis

Multiple linear regression was used to test the effect of the independent variables on the dependent variable whether each independent variable was positively or negatively related. From the data processing, the regression model is obtained as follows:

$$\text{Profit} = -0.123 + 0.572 \text{ Operating Cash Flow} + 0.230 \text{ Liquidity}$$

Explanation:

The constant value obtained is -0.123 which means that Koyafa's profit during 2016-2019 is in a negative condition if it is not influenced by cash flow and liquidity. The cash flow regression coefficient is 0.575 which shows that every 1 unit increase in operating cash flow will make Koyafa's profit increase by 0.575 units assuming a fixed value of liquidity. Meanwhile, the liquidity regression coefficient is 0.230 which shows that every 1 unit increase in liquidity will make Koyafa's profit increase by 0.230 units with the assumption that there is no change in operating

cash flow. Thus it can be concluded that operating cash flow and liquidity have a positive relationship to earnings (Izbosarov, 2021).

Hypothesis test

To find out whether an independent variable affects the dependent variable or not, a comparison of the value of t count with t table is carried out with the provision that if the value of t count > t table or t count < t table then Ho is rejected and Ha is accepted (Ghozali, 2018).

Table 5
T statistics

| Model | Coefficients ^a | | | | |
|--------------|-----------------------------|------------|---------------------------|-------|------|
| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | -.123 | 2.539 | | 1.584 | .119 |
| Cash flow | .575 | .501 | .351 | 2.147 | .006 |
| Liquidity | .230 | .350 | .812 | 2.653 | .010 |

a. Dependent Variable: Profit

Source: processed data, 2022.

The results of the analysis in Table 5 show that the t value for operating cash flow is 2.147 and sig 0.006. The t value in the table with df = 58-1 one-sided test with a sig of 5% is 1.672. These results indicate that t count 2.147 > t table 1.672 and sig 0.006 < 0.05, which means that it has a significant effect. With a regression coefficient of 0.575 this result shows that operating cash flow has a positive and significant effect on profits, so it can be proven that an increase in operating cash flow will provide an increase in Koyafa's profit. Likewise with the calculated t value of liquidity obtained 2.653 and sig 0.010. These results indicate that t count 2.653 > 1.672 and sig 0.010 < 0.05, which means that it has a significant effect. With a regression coefficient of 0.

Koyafa is based on a savings and loan system, which is a non-bank financial institution at the University of Faletehan. Koyafa must have a good performance in serving its members, the community and managing existing funds properly, considering that currently Koyafa is in danger of going bankrupt due to its inability to pay attention to the financial cycle properly. Bankruptcy at Koyafa could have occurred because of the lack of responsibility and honest attitude of the management, so that supervision is needed, namely how the cooperative's financial position can be seen in its financial statements (Subagya, 2020).

One form of financial information is a cash flow statement, where the cash flow statement will describe a report on the main sources of cash receipts and cash disbursements or payments for a certain period. The financial statements contained in the cooperative are the balance sheet, the remaining operating results report, the member promotion economic report, the cash flow report, and notes to the financial statements (Lavenia, 2019). Based on the test results, the results obtained that cash flow has an influence on profit, this is evidenced by the value of sig below 0.05, then the effect is unidirectional, meaning that the better the cash flow, the higher the profit. Koyafa presents a statement of cash flows from operating, investing and financing activities in a manner that best suits the company's business (Nur & Rimawan, 2021). Classification by activity provides information that enables users of the report to assess the effect of these activities on the company's financial position and on the amount of cash and cash equivalents (Supatminingsih & Setyawati, 2018). Cash flows generally come from transactions and other events and conditions that affect the determination of profit or loss, for example, such as cash receipts from the sale of goods and services, cash receipts from royalties, fees, commissions and other income, cash payments to suppliers of goods and services (Wasiaturrahma et al., 2020). This study is in line with several studies which state that cash flow is an important factor in achieving profit (Sasongko & Apriani, 2016; Setyawan, 2020; Sulindawati, 2012).

Apart from cash flow, another thing that can be maximized to achieve profit at Koyafa is liquidity. Placement of funds that are too large on the asset side has two different effects. On the one hand, business liquidity is getting better. But on the other hand, Koyafa lost the opportunity to get additional profit, because the funds that should have been used for investments that benefit the cooperative, were reserved to meet liquidity (Menrad, 2003; Al-Awadhi et al., 2020). Based on the test results, the results obtained that liquidity has an influence on profit, this is evidenced by the value of sig below 0.05, then the effect is unidirectional, meaning that the better liquidity will increase profits.

The results of this study are in line with several studies which show that liquidity as proxied by the Current Ratio has a significant effect on profit growth (Ramdaniansyah, 2020; Sari et al., 2021).

Conclusion

Based on the results of testing and discussion, it can be concluded that operating cash flow and liquidity have a significant effect on profit achievement at Koyafa. Thus, healthy cash flow and stable liquidity will determine the financial performance of Koyafa. Koyafa is expected to maintain a good cash ratio, the sources and receipts of cash in the cash flow statement are classified based on cash flow activities, namely operating activities, investing activities, and financing activities in the current period. Calculation and preparation of cash flow statements are expected to assist the management of cooperatives in predicting cash flows, cash and cash equivalents needs, as well as possible sources of cash that can be generated by cooperatives in the future.

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