PEARLS ANALYSIS TO ASSESS THE HEALTH LEVEL OF HATI AMBOINA SERVICE OFFICE (KP) SAUMLAKI COOPERATIVE CREDIT UNION (CU)

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ABSTRACT: Performance measurement for credit unions is important in order to make improvements and as a tool to measure the performance achieved by credit unions in a certain period. Performance measurement reflects the success rate of implementing operational activities and also serves as a basis for determining future strategies. To find out the financial development, the measurement of the financial performance of the Hati Amboina KP Saumlaki Credit Union is reviewed from the financial ratio analysis, namely the PEARLS ratio, namely P (Protection), E (Effective Financial Structure), A (Asset Quality), R (Rate of Return & Cost), L (Liquidity), S (Signs of Growth). This study aims to determine the health level of the Hati Amboina KP Saumlaki Credit Union for the period 2017-2019 by using an analysis tool, namely the PEARLS ratio. The results showed that the financial performance of the Hati Amboina KP Saumlaki Credit Union was in a fairly healthy condition, because the number of ratios that met the PEARLS standard was more than those that did not meet the standard. The overall PEARLS ratio shows that the financial condition of Hati Amboina KP Saumlaki Credit Union is quite healthy. For ratios that do not meet ideal standards, the cooperative needs to formulate the right strategy to improve the cooperative's financial performance.

Keywords: *credit union, pearls, level of health*

I. INTRODUCTION

The development of the economic sector cannot be separated from the presence of cooperatives that have contributed a lot to the welfare of the community. Cooperatives in their development in this digitalization era face challenges, including the presence of financial technology (fintech), fintech has changed the behavior of borrowing funds by the community. With the ease of obtaining loans, fintech is growing and experiencing growth. This condition is expected to be a motivation for cooperatives to innovate and maintain healthy financial performance. Cooperatives as the pillars of the economy are encouraged to continue to develop while adhering to the basic principles of cooperatives, namely mutual cooperation and from members and for members (Sitepu & Hasyim, 2018).

This type of Credit Cooperative (CU) was established to give members the opportunity to obtain loans easily and at low interest costs and also have short-term or long-term savings. Credit cooperatives are engaged in the business of capital formation through member savings continuously to then be lent to members easily, quickly for productive and welfare purposes. And the nature of the membership of the Credit Cooperative which is open and trusting, members or outside members need information

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related to the health level of the credit cooperative itself. Therefore, the growth and good performance of the cooperative itself will certainly generate profits. Health assessment of cooperative operations is very important and beneficial, both for cooperatives, as well as for parties outside the cooperative with an interest in the cooperative concerned. For a cooperative, the level of financial health can be used as a measuring tool in assessing the success of its business and can also be used as a consideration in making decisions and planning in the future. For outsiders, information on the health level of cooperatives can be used as consideration in making economic decisions for the cooperative concerned (Bauer, Miles, & Nishikawa, 2009).

Credit Union comes from the Latin word from the word *Credere* which means believe, and *Unio* which means association. Credit Union is a group of people who trust each other and agree to help their fellow members to be able to help themselves by saving and lending their savings to fellow members on the basis of mutual trust and aiming to achieve mutual prosperity. Credit Union is not only a place for savings and loans but also a member empowerment institution. Credit union not only focuses on savings and loans but credit union also focuses on education, training and member empowerment activities (Rubin, Overstreet, Beling, & Rajaratnam, 2013).

Financial statement analysis is the application of various methods of analysis to financial statements with the aim of obtaining meaningful and useful measures and relationships in the decision-making process (Hanafi, Mamduh M; Halim, 2012). Through financial statement analysis can predict future performance and analyze past performance. Financial statement analysis converts data into information. According to Munawir, analyzing the relationship between various financial posts becomes the basis for interpreting the financial condition and results of operations of a company. By using comparable reports, including data on changes in rupiah amounts, percentages and trends, analysts realize individual ratios will help analyze and interpret the financial position of a company (Munawir, 2010).

The analytical tool commonly used in financial performance research is the analysis of financial ratios such as liquidity ratios, solvency, activity and profitability, and CAMELS. In this study, the PEARLS analysis tool was used. PEARLS analysis is the analytical tool used because it can measure the soundness of a credit union and can determine whether a credit union's performance is up to standard or not. If it does not meet the standards, the credit union needs to make a strategic plan how to achieve the set standards. Through the numbers in the PEARLS analysis, you can see areas of cooperative finance that are problematic and must focus on improving them (Ahmadi, 2020).

PEARLS, is a financial performance tool used to determine the strengths and weaknesses of credit union cooperatives as well as a tool for decision making and supervision. PEARLS can be used to compare financial performance and rank existing credit unions. The meaning of the word PEARLS itself is: P (Protection), E (Effective Financial Structure), A (Asset Quality), R (Rate of Return & Cost), L (Liquidity), S (Signs of Growth). Pearls helps management because it can provide information "signals or signs of a problem" before the problem can harm the cooperative, through PEARLS can identify the health of the Credit Union. PEARLS, is used as a monitoring tool, can monitor the progress of management on financial goals that have been determined by policy makers (Gultom, 2016).

Hati Amboina Credit Cooperative / Savings and Loans Cooperative has a Legal Entity Decree with No. 518/98 / BH / XXX.5 / DK.UKM dated 6 February 2009. Based on the Balance Sheet and Statistical Data of the Hati Amboina Credit Union Cooperative, the Saumlaki Service Office as of 31 December 2019 had 2,674 members with total assets of IDR 40,248,378,446, running its business The Credit Union Cooperative is facing a negligent credit problem. The size of this non-performing loan will affect the cooperative's profit, liquidity problems and the institution's capital will be disrupted.

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Table 1.: Member Development, Default Loans and Outstanding Loans
Hati Amboina KP Saumlaki Credit Union

Year	Member	Default Loans (%)	Outstanding Loans (%)
2017	2200	26.11%	56.85%
2018	2550	21.59%	64.78%
2019	2674	15.56%	68.36%

Source: Financial Report of the Hati Amboina KP Saumlaki Credit Union.

From table 1, it can be seen that an increase in the number of members, default credit tends to decrease. The decline in default credit shows the efforts of the Hati Amboina Credit Union at the Saumlaki Service Office (KP) to solve the problem of default credit. Loans outstanding have increased. An increase in outstanding loans will affect income. Credit unions earn income from their savings and loans business. If KP Saumlaki succeeds in selling money in the form of loans and the loan can be returned on time and in the right amount, then the credit union will be able to continue to develop its business and make the members prosperous.

The purpose of this study was to analyze the level of health at the Hati Amboina Credit Union Saumlaki with the PEARLS Approach. In connection with its function in collecting funds from the public, the Credit Union (CU) can be said to be one of the service institutions with financial savings and loan services. Therefore, Credit Union (CU) continues to be required to be able to show good performance and management, because good performance can increase public confidence in the Credit Union (CU) concerned. The performance of a Credit Union (CU) can be measured from the financial statements. Based on this background, the problem in this study is how the health level of the Hati Amboina Credit Union, Saumlaki Service Office (KP) using the PEARLS approach.

II. RESEARCH METHOD

The type of research used is descriptive research, namely data obtained in the form of secondary data from the company (financial statements) related to existing variables and verification research (verificative research) is a type of research that aims to test a theory or the results of previous research, so that results are obtained that strengthen or invalidate previous theories or research results.

Research data include:

1. Quantitative data is data that is presented in numerical form including balance sheet and income statement for the period 2017-2019
2. Qualitative data is data that is presented in the form of oral or written information from the company regarding the general description of CU Hati Amboina KP Saumlaki

Pearls Analysis Technique consists of:

SECTOR		TARGET
P = Protection	P1 = Credit Protection > 12 months	100%
	P2 = Credit Protection 1 - 12 months	35%
E = Effective Financial	E1 = Outstanding Loans	70% – 80%
	E2 = Total non-share savings to total Assets	70% – 80%

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SECTOR		TARGET
Structure	E3 = Loans from outside parties to total Assets	Max 5%
	E4 = Net institutional capital to total Assets	Min 10%
A = Effective Financial Structure	A1 = Total default loans against total receivables	< 5%
	A2 = Non Yielding Assets	< 5%
R = Rate of Return & Costs	R1 = Total BJS shares / share average - market rate	3% – 10%
	R2 = Total operating costs to assets	15% – 30%
L = Liquidity	L1 = Liquid investment to total non-share savings	10% - 20%
S = Signs of Growth	S1 = Member growth	Min 12%
	S2 = Asset growth	Min 10%

If the results reach the existing targets, it means that the results obtained are said to be ideal, but if the results obtained are not in accordance with the target, it means that they are said to be not ideal (Kurniyati, 2011).

III. RESULT AND DISCUSSION

PEARLS, is a financial health monitoring system designed and used as a management guide to help reveal weaknesses and growth trends in Credit Union. PEARLS is a supervisory tool for making policies and can also be used to compare or rate existing credit unions. The meaning of the word PEARLS itself is: P (Protection), E (Effective Financial Structure), A (Asset Quality), R (Rate of Return & Cost), L (Liquidity), S (Signs of Growth). (Kurniyati, 2011)

Tabel 2
Protection Calculation Hati Amboina KP Saumlaki Credit Union 2017- 2019

PEARLS	Description	2017	2018	2019	Ideal
P1	Measuring the ability of CU to provide risk reserve funds for defaults > 12 months	100%	100%	100%	100%
P2	Measuring the ability of CU to provide risk reserve funds for defaults ≤ 12 months	57.31%	91.19	100%	≥ 35%

Sumber : Laporan Keuangan Hati Amboina KP Saumlaki Credit Union yang diolah.

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P = Protection

Protection is an important variable to find out what percentage of assets in a credit union are protected.

P1 = Credit Risk Fund / Loan Negligence > 12 months. Target: 100% new is said to be ideal.

P2 = Net Credit Risk Fund / Loan Default 1 - 12 months. The target achieved is 35% . (Gultom, 2016)

Based on the calculation in table 2, it can be seen that the level of Protection Hati Amboina KP Saumlaki Credit Union during the 2017 - 2019 period is in an ideal position. For P1 get 100% and for P2 has increased. This condition indicates that Hati Amboina KP Saumlaki Credit Union is in good health due to the results achieved during the period of reaching the target. Hati Amboina KP Saumlaki Credit Union is able to provide risk reserve funds to overcome the risk of default loan.

Tabel 3: Effective Financial Structure
Hati Amboina KP Saumlaki Credit Union
2017 - 2019

PEARLS	Description	2017	2018	2019	Ideal
E1	Measures the percentage of total assets invested in net accounts receivable	56.85%	64.78%	70.95%	70 - 80 %
E5	Measure the percentage of total assets funded from non-stock deposits	63.64%	60.32%	57.83%	70 - 80 %
E6	Measure the percentage of total assets financed from 3rd party loans (outside the CU network)	0%	0%	0%	0%
E7	Measures the percentage of total assets funded by member shares	13.2%	15%	14.44%	≥ 10 %
E9	Measures the actual level of institutional capital after issuing the DCR allowance to cover P1 & P2	5.03%	9.84%	11.14%	≥ 10 %

Source: Financial Statements of Hati Amboina KP Saumlaki Credit Union processed.

An effective financial structure is an important variable affecting growth, profitability and efficiency. A sound credit union effective financial structure if; assets are financed by savings, income is able to pay remuneration for members' savings, is able to cover operational costs and maintain capital adequacy (Gultom, 2016).

E1 Ratio: Measures the percentage of total assets represented in outstanding receivables / loans. During the research period, outstanding loans were in an ideal position. KP Saumlaki can maintain and improve the performance of this outstanding ratio by approaching potential members who do not have a loan to borrow but by still paying attention to credit policy.

E5 ratio, total non-share savings to total assets 70.14, ideal 70-80%. For this ratio it is not in an ideal position. KP Saumlaki must promote the type of non-share savings to members. E6 ratio: Ideal is in an ideal position because KP Saumlaki does not make loans at banks or other financial institutions.

E7: Objective: Measure the percentage of total assets funded by member non-share deposits.

E9: Net institutional capital is not in an ideal position. Institutional capital is still lacking, therefore share savings must be increased and the need to handle default credit so that institutional capital can increase. Default credit collection between defaults and collection, conducts credit analysis accurately, correctly and deeply so as to reduce the growth of default credit, improve the quality and quantity of member education and provide post-disbursement assistance.

Tabel 4: Assets Quality
Hati Amboina KP Saumlaki Credit Union
2017 - 2019

PEARLS	Description	2017	2018	2019	Ideal
A1	Measure the percentage of total accounts receivable defaults from total accounts receivable	26.11%	21.59%	15.28%	≤ 5 %
A2	Measure total assets that do not generate income	5.28%	6.73%	9.6%	≤ 5 %

Source: Financial Statements of Hati Amboina KP Saumlaki Credit Union processed.

Asset quality is the main variable affecting the income level of credit unions. Examples of non-yielding assets are cash in safes, office supplies, etc. (Kresnayana, Hermawati, & Purnamawati, 2020)

A1: This ratio measures loan default. Total default loans to total receivables in 2017 was 26.11% decreased by 21.59% and in 2019 15.28%. The ratio of credit negligence tends to decline, this indicates an improvement in financial performance. If the Saumlaki KP every year can reduce lala credit, it will have an effect on increasing the remaining results of operations and institutional capital ..

A2: Assets that do not produce tend to increase. KP Saumlaki must be able to manage its assets to generate profit because for this ratio the smaller it is, the better and the healthier it is.

Tabel 5. Rate of Return & Costs
Hati Amboina KP Saumlaki Credit Union
2017 - 2019

PEARLS	Description	2017	2018	2019	Ideal
R7	Measure the percentage of cost returns on stock deposits	5.02%	8.22%	4.16%	≥ 5 %
R9	Measure the percentage cost of managing all assets	1%	1.23%	3.03%	5%

Source: Financial Statements of Hati Amboina KP Saumlaki Credit Union processed.

Revenues and costs will have a direct impact on the growth rate of the institution. The purpose of this ratio is to measure the cost of managing assets. The calculation results show that KP Saumlaki is able to perform operational cost efficiency and is able to provide remuneration for members' savings.

Tabel 6. Liquidity
Hati Amboina KP Saumlaki Credit Union
2017 - 2019

PEARLS	Description	2017	2018	2019	Ideal
L1	Measures the percentage of liquid reserves fulfilling withdrawal requests after paying all obligations <30 days	23.5%	16.05%	17.77%	15 - 20 %

Source: Financial Statements of Hati Amboina KP Saumlaki Credit Union processed.

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This ratio is to measure the strength of cash liquidity reserves to meet withdrawal needs after paying obligations <30 days (Philippus, Rifai, & Yulida, 2014).

This ratio is in an ideal position for 2018 and 2019, meaning that KP Saumlaki is able to have cash availability and is able to meet the needs of its members in terms of withdrawing deposits and disbursing loans.

Table 7. Signs of Growth
Hati Amboina KP Saumlaki Credit Union
2017 - 2019

PEARLS	Description	2017	2018	2019	Ideal
S10	Measure the percentage growth of members from year to year	2.48%	4.96%	5.41%	≥ 15 %
S11	Measure the percentage of asset growth from year to year	5.46%	4.35%	1.79%	≥ 10 % + Inflation rate (3,39%)

Source: Financial Statements of Hati Amboina KP Saumlaki Credit Union processed.

This ratio measures the growth of members and assets. Member growth tends to increase while asset growth has decreased. KP Saumlaki must continue to promote, socialize about the benefits of being a member of a credit union cooperative to the local community. If the members increase it can enlarge the assets.

IV. CONCLUSION AND RECOMMENDATION

A. CONCLUSION

Based on the PEARLS analysis for the 2017-2019 period, the financial performance of the Hati Amboina KP Saumlaki Credit Union cooperative in 2007 - 20129 was in a fairly good performance condition. Of the 14 PEARLS indicators used in this study, the ideal ratio was 8 and not ideal 6. KP Saumlaki showed a fairly good financial performance. The ideal PEARLS indicators include risk protection indicators, outstanding loans, remuneration for member deposits and liquidity. For ratios that are not yet ideal and require improvement in financial performance, among others, the ratio of default credit, institutional capital, and ability to manage assets that do not produce as well as asset growth.

B. RECOMMENDATION

1. Hati Amboina KP Saumlaki Credit Union should continue to make efforts to improve financial performance, by trying to solve the problem of negligent credit by consistently implementing credit policies, collecting routine and conducting proper credit analysis. The handling of default credit is very influential in increasing the profit and financial health of the Hati Amboina KP Saumlaki Credit Union.
2. Hati Amboina KP Saumlaki Credit Union should increase the promotion of the benefits of savings and loan products that are owned in order to increase the interest of members in saving and borrowing funds.
3. Hati Amboina KP Saumlaki Credit Union should regularly conduct socialization of the objectives and benefits of being a member, in order to attract the interest of the community to become a member of the credit union and after becoming a member can be actively involved in every Credit union activity, including education, training and empowerment activities.

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