OWN CAPITAL, LOAN CAPITAL, AND EARNINGS OF BUSINESS RETURNS

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Abstract

The welfare of cooperative members is reflected in the remaining results of operations which continue to increase. This study aims to determine the effect of own capital and loan capital on the remaining results of operations at the Padang City savings and loan cooperative for the 2019-2021 period. The population in this study is the Padang City Savings and Loans Cooperative for the period 2019-2021. The sample of savings and loan cooperatives in the study totaled 15 savings and loan cooperatives in the city of Padang with an observation period of 3 years, namely 2019-2021. The sampling method used purposeful sampling technique. The analytical method uses regression model panel data. The results showed that, own capital has a negative and significant effect on the remaining results of operations and loan capital has a positive and significant effect on the remaining results of operations.

INTRODUCTION

Cooperatives have an important role in the development of economic democracy in Indonesia. Cooperatives adhere to the principles of democracy, togetherness, openness, and kinship. All elements in the management of cooperatives, including administrators, supervisors, managers and employees who work for cooperatives must comply with existing socio-economic principles and rules, be able to earn profits or profits and develop their business and organization, making members the owners and users of products and services, cooperatives, as well as being able to provide a business management system including finance, organization, and important information (Bustani & Firdaus, 2020).

Cooperatives are an economic force that develops and grows in society as a supporting factor for the national economy and have an important role in the economy in Indonesia. According to Law no. 25 of 1992 relating to cooperatives CHAPTER I Article 1 cooperatives are "A business entity consisting of individuals or cooperative legal entities with the basis of its activities based on cooperative principles as a people's economic movement based on the principle of kinship Suharmiyati, (2019). As a business entity, cooperatives have characteristics and objectives that are not much different from other business entities. However, this does not mean that cooperatives and other business entities have similarities in all respects, because cooperatives still have their own characteristics that other business entities do not have. The most obvious similarities are that they both benefit. However, cooperatives have a distinctive feature, namely cooperative members have a "dual identity" , as owners as well as customers or users of cooperatives. As owners, members are expected to be able to contribute to the cooperative in the form of capital, program implementation and supervision and progress of the cooperative. As customers, members can take advantage of various cooperative business services. The term profit in cooperatives is felt to be inappropriate because basically business activities in cooperatives are not solely profit-oriented but benefit-oriented. Cooperatives are basically managed for the welfare of its members. Seeing this phenomenon, cooperatives need capital to maintain and improve cooperative businesses. So that at the end of its business period, the cooperative is expected to produce residual business results (Hasanah, 2021).

According to statistical data from the Office of Cooperatives and SMEs in Padang City. In 2021 it can be seen that the development of the remaining results of cooperative operations in the city of Padang has decreased from several types of cooperatives, including . It can be seen that in 2020 the remaining income from the Employee Cooperative (KOPKAR) business is Rp. 264,424,297 in 2021 of Rp. 45069107. Whereas in the Republic of Indonesia Civil Servants Cooperative (KPRI) the receipt of the remaining business results obtained in 2020 is Rp. 350,055,675 while in 2021 it will earn Rp. 37,856,614 . Then it is also seen that the mosque cooperative in 2020 obtained a remaining operating profit of Rp. 211,105,258 while 2021 Rp. 27,216,841. Finally, if you look at the savings and loan cooperatives in 2020, they will get a remaining operating income of Rp. 54,586,572. And at the end of 2021 Rp. 5,178,594. This shows that the receipt of the remaining business results, especially in the Padang City Savings and Loans Cooperative, has decreased compared to other cooperatives. The cause of the decrease in the remaining results of operations is the large
number of operational activities that occur in cooperatives so that there are many expenses that must be spent on cooperatives and inefficient management of funds in Padang city cooperatives and substandard deposits of members in depositing principal savings, mandatory savings, and reserve funds.

One of the factors that affect the remaining results of operations is Capital. Capital in cooperatives according to Law No. 25 of 1992 consists of loan capital and own capital. Loan capital comes from principal savings, mandatory savings, grants and reserves while loan capital can come from other cooperatives, members, banks and other financial institutions, securities, and issuance of bonds and other legal sources. However, good capital is own capital because it is collected from members which is larger than loan capital (Juliardo, 2021).

Own capital is capital that comes from the company itself (reserves, profits) or comes from shareholders, participants or owners (share capital, participant capital, etc.). Basically, own capital is capital that comes from the owner of the company and is embedded in the company for an indefinite period of time (Rachman & Widiani, 2017).

The results of previous research related to the relationship between own capital and the remaining business results examined by Santosa, Rispantyo, (2019), Suharmiyati, (2019), Bustani & Firdaus, (2020) show that own capital has a positive effect on the remaining business results. This result means that, if the increase in own capital will affect the acquisition of the remaining results of operations. Then the change will affect changes in the remaining results of operations in a different direction. When own capital increases, the remaining results of operations will also increase.

Meanwhile, according to the research results of Magfiroh, (2021), Hapsari, (2018) has a different result, namely own capital has a negative and significant effect on the remaining business results. This result means that, if the increase in own capital will affect the acquisition of the remaining results of operations. Then the change will affect changes in the remaining results of operations in a different direction. When own capital increases, the remaining results of operations decrease.

The greater the own capital obtained, the remaining results of operations on the cooperative will increase. The paid-up capital itself will make its members more flexible in operating to increase their business volume so that this will certainly increase the SHU that can be obtained by the cooperative. Because this own capital can be obtained from members of the cooperative (basic and mandatory savings) and if the own capital is in a large cooperative, then the capital for managing the cooperative from the beginning of its formation will be maximized.

Based on previous research, researchers derived hypotheses that would be proven empirically:

**H₁:** Own Capital Has a Positive Effect on Earning Of Business Return

Loan capital/foreign capital is capital that comes from outside the company which is temporary in nature working within the company, and for the company concerned this capital is a "debt" which must be repaid in time (Kurniawan & Yulhendri, 2020). Law No. 25/1992 states that loan capital can come from: members, banks or non-banks, other cooperatives and or their members, bonds, and other legitimate sources (Rohmansyah & Sudarjati, 2017).

In existing research on loan capital, namely, Irawati, (2019), Setiawan & Kartiwa, (2020), Suharmiyati, (2019) found that loan capital has a positive effect on the remaining business results. This shows that every increase in loan capital is always followed by an increase in the remaining operating results.

The more the loan capital increases, the higher the remaining business results that will be obtained by members of the cooperative. Loan capital also has a role in determining the remaining operating results. The reason is that loan capital is sustainable capital to produce a product or carry out business activities or work systems. Loan capital relates to capital expenditures for production activities or the implementation of certain activities. The hypotheses that can be put forward in this study are:

**H₂:** Loan Capital Has a Positive Effect on Earning Of Business Return.

**RESEARCH METHODS**

The type of research data used is a quantitative research method with the type of data used using panel data. The population in the study at the Padang City Savings and Loans Cooperative for the 2019-2021 period with sample selection using the purposive sampling method, namely the sampling technique with considerations, criteria. *Purposive sampling* criteria: 1) Savings and loan cooperatives located in the city of Padang. 2) A savings and loan cooperative actively registered at the Office of Cooperatives and SMEs in the City of Padang. 3) A savings and loan cooperative have complete data needed by researchers in the 2019-2021 period. According to the sample selection criteria, the number of research samples that match the criteria is 15 Padang City Savings and Loans Cooperatives.
Variable Operational Definitions

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Understanding</th>
<th>Measurement</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Y = Earning Of Business Return</td>
<td>The remaining results of operations are the difference between all income or receipts and expenses for one financial year.</td>
<td>SHU = Total Revenue – Total Expenses.</td>
<td>Wirastini, Prathama, 2018</td>
</tr>
<tr>
<td>2.</td>
<td>X1 = Own Capital</td>
<td>Own capital is capital that comes from the company itself (principal savings, mandatory savings, and reserve funds).</td>
<td>Own capital = Total principal savings + Total mandatory savings + Reserve funds</td>
<td>Bustani, Firdaus, 2020</td>
</tr>
<tr>
<td>3.</td>
<td>X2 = Loan Capital</td>
<td>Loan capital is capital from outside the cooperative which is temporary for the cooperative, and for the cooperative the capital is debt and must be returned.</td>
<td>Member loans, loans from other cooperatives or their members, banks and non-banks, issuance of bonds or other securities.</td>
<td>Tria Rohmansyah &amp; Sudarijati, 2017</td>
</tr>
</tbody>
</table>

Data processing in the study was carried out using the help of the Eviews program by conducting an analysis using the panel data regression model which can be formulated as follows:

\[ Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \varepsilon_{it} \]

Description of the equation where Y is the Remaining Results of Operations, X1 is Own Capital, X2 is Loan Capital, \( \alpha \) is The constant, \( \beta_1 \)–\( \beta_2 \) is the Regression Coefficient of the Independent Variable while \( \varepsilon_{it} \) is the confounding variable.

**Hypothesis test**

The t test or T-test is a test for each independent variable which is carried out to find out whether individually the independent variables have a significant effect on the dependent variable. If you compare the probability value <0.05, it means that the independent variable has a significant effect on the dependent variable. On the other hand, the probability value > 0.05 means that the independent variable does not affect the dependent variable. (Purwanto, 2011). The R-Square value or R2 test is the correlation value of the R-Square a gar more sensitive to data phenomena. The magnitude of the percentage of determination in the form of a coefficient value indicates that the value of the variation of the dependent variable with the total percentage can be explained by the regression model. Therefore, if in the regression model the coefficient of determination is smaller because it will be close to zero, it means that the influence of all independent variables on the dependent variable is getting smaller (Purwanto, 2011).

**RESULTS AND DISCUSSION**

**Panel Data Regression Model Analysis**

This test aims to examine the two variables, namely, the independent variable (own capital and loan capital) on the dependent variable (remaining business results).

<table>
<thead>
<tr>
<th>Variables</th>
<th>coefficient</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGMS</td>
<td>-0.361.596</td>
<td>-2.191.620</td>
<td>0.034.0</td>
</tr>
<tr>
<td>LOGMP</td>
<td>0.279.928</td>
<td>2.647.909</td>
<td>0.011.4</td>
</tr>
<tr>
<td>C</td>
<td>14.664.20</td>
<td>5.826.751</td>
<td>0.000.0</td>
</tr>
</tbody>
</table>

Source: Secondary Data processed with E-Views, 2023

From the table above, the equation can be made:

\[ Y_s = 1 \times 4.664 + 0.361 X_{1st} + 0.279 X_{2st} \]

Based on table 2, it shows that the regression model shows that the resulting constant value is a constant value of 1.4664. The value obtained indicates that if it is assumed that there is no change (increase or decrease) in the variables of own capital and loan capital, the remaining operating results are 1.4664. Explains that the value of the remaining operating results of each savings and loan cooperative in Padang City is 1.4664 assuming the value of own capital and loan capital is fixed or does not change.

The panel regression model that has been formed also identified that the equity variable has a regression coefficient value with a negative sign of 0.361. The coefficient value obtained shows that when it is assumed that there is an increase in the value of own capital owned by savings and loan cooperatives of Rp. 1 then it will reduce the residual value of the results of operations by 0.361 assuming other factors besides own capital are considered fixed or constant.

The panel regression equation model for the loan capital variable has a positive regression coefficient value of 0.279. The coefficient value obtained shows that when it is assumed that there is an increase in the
value of loan capital owned by savings and loan cooperatives of Rp. 1 will increase the remaining operating results by 0.279 assuming other factors other than loan capital are considered constant or constant.

**Test t-Test Or Partial Test**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-statistics</th>
<th>Prob</th>
<th>Alpha</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner's equity</td>
<td>-0.361596</td>
<td>-2.191620</td>
<td>0.0340</td>
<td>0.05</td>
<td>H1 Accepted</td>
</tr>
<tr>
<td>Loan capital</td>
<td>0.279928</td>
<td>2.647909</td>
<td>0.0114</td>
<td>0.05</td>
<td>H2 Accepted</td>
</tr>
</tbody>
</table>

Source: Secondary Data processed by E-views, 2023

Of testing the first hypothesis using the equity variable to obtain a probability value from the t-statistics test of 0.0340. Data processing is done using an error rate of 0.05. The results obtained indicate that the Prob. of 0.0340<0.05 so that H0 is rejected while H1 is accepted, then the decision is H1 accepted so that it can be concluded that own capital has a negative and significant effect on the remaining business results at the Padang City Savings and Loans Cooperative.

In accordance with the results of testing the second hypothesis using the loan capital variable, the Prob value is obtained. of 0.01 14 < 0.05 so the decision is H2 accepted. In the test used an error rate of 0.05. The results obtained show that the significant value of loan capital is 0.01 14 < 0.05 so that H0 is rejected while H1 is accepted, then the decision is H2 accepted so it can be concluded that loan capital has a positive and significant effect on the Remaining Results of Operations at City Savings and Loans Cooperative Padang.

**Determination Coefficient Test (R²)**

<table>
<thead>
<tr>
<th>Information</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-Square</td>
<td>0.225563_</td>
</tr>
<tr>
<td>Adjust R-Square</td>
<td>0.188780_</td>
</tr>
</tbody>
</table>

Source: Secondary Data processed with E-Views, 2023

In table 4 it can be seen that the coefficient of determination shows an R-squared Value Of 0.2256. This indicates that the ability of the relationship between the independent variables, namely own capital and loan capital on the related variables, namely the remaining operating results is 22.56%. While the remaining 77.4% (100% - 22.56%) is explained by other variables not included in the model or explained by other indicators outside this study.

**DISCUSSION**

The **Effect of Own Capital on the Remaining Results of Operations**

Based on the research results obtained after testing the 45 observational data which is data taken from the data summary of savings and loan cooperatives in Padang City, it can be concluded that, Hypothesis 1, namely own capital has a negative and significant effect on the remaining business results of savings and loan cooperatives in Padang City. This result means that if there is an increase in own capital, then the remaining operating results will decrease in the savings and loan cooperative in Padang City. The inefficient management of own capital causes a decrease in the remaining results of operations at the Padang City savings and loan cooperative and the large number of expenses that must be incurred by the savings and loan cooperative in its operational activities. Meanwhile, for the deposit of principal savings, many obligatory savings on members are not current which results in a decrease in the remaining results of operations because the available own capital is not comparable to the expenses incurred in managing the savings and loan cooperative in the City of Padang.

Research result which has been carried out is in line with previous research from Hapsari, (2018) and Magfiroh, (2021) showing that own capital has a negative and significant effect on the remaining business results. The research results indicate that own capital has not been able to contribute properly and has not been able to increase the remaining business results as much as possible. The results of the study also show that own capital has a very important effect on the remaining business results.

Capital itself is capital that comes from the company itself or from the members of the cooperative itself. Where the member's capital comes from principal savings, mandatory savings, and reserve funds Bustani & Firdaus, (2020). When members pay smoothly their principal savings, mandatory savings and reserve funds each year, their own capital in the Padang City savings and loan cooperative will automatically increase.

The capital of the Padang city saving and loan cooperative tends to decrease every year. The decrease in the remaining results of operations at the savings and loan cooperative in Padang City is influenced by the large number of expenses incurred in cooperative activities and the increased operational costs for cooperatives that must be incurred by their own capital while their own capital is not sufficient to balance the expenditure costs.

Own capital plays an important role in managing cooperative operational activities. Own capital is sourced from principal savings deposits, mandatory savings and reserve funds from members. However, many members are not current in depositing principal savings, mandatory savings and reserve funds which

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results in insufficient own capital in the management process of the Padang City savings and loan cooperative.

In this study, the Padang City Savings and Loans Cooperative was considered to be less efficient in operating cooperative activities due to the existence of greater capital than the previous year but it had not been able to increase the remaining results of operations at the Padang City Savings and Loans Cooperative. This can be influenced by several factors such as increased expenses for cooperatives as well as debts in the previous year that must be paid, higher operational costs than the previous year so that it has a small impact on obtaining the remaining results of its operations. The increase in own capital in the Padang City saving and loan cooperative can have an impact on decreasing the remaining business results.

The Effect of Loan Capital on the Remaining Results of Operations

Based on the results of the research that has been done, it shows that loan capital has a positive and significant effect on the remaining results of operations at the Padang City Savings and Loans Cooperative. This result means that the more loan capital obtained from the Padang city saving and loan cooperative, the more the remaining business results obtained by the Padang city saving and loan cooperative will increase. Loan capital has an important role in expanding the cooperative business and financing operational activities and can increase the acquisition of the remaining results of operations at the Padang city saving and loan cooperative.

The results of this study are in line with research conducted by Setiawan & Kartiwa, (2020) and Suharmiyati, (2019) showing that own capital has a positive and significant effect on the acquisition of residual business results. The results of this study indicate that loan capital is important for increasing the remaining results of operations, indicating that increasing loan capital in the Padang city savings and loan cooperative will result in increasing the remaining results of operations by making a large contribution by members to the cooperative activities themselves.

Loan capital is capital from outside the cooperative which is temporary for the cooperative, and for the cooperative the capital is debt and must be returned Rohmansyah & Sudarjati, (2017). Sources of loan capital include member loans, loans from other cooperatives or their members, banks and non-banks, issuance of bonds or other securities. If the loan capital provided by outsiders to the cooperative is current and increase, then the loan capital in the cooperative will also be high which will be used to manage and develop the cooperative.

Capital of savings and loan cooperatives in the city of Padang tends to increase every year so as to increase the acquisition of residual income. Savings and loan cooperatives can obtain loans from outside members and other financial institutions so that they are able to strengthen insufficient funds or capital. This loan capital is one of the activities that can add to the acquisition of the remaining operating results. The amount of this loan capital can help for operational activities if the available capital is insufficient in the operational activities of the cooperative and is able to overcome the stability and smooth running of the cooperative and can also create member welfare.

Loan capital also has the function of providing cooperative reserve funds for members’ needs, helping cooperative members who need loan funds, being a source of financing for members’ needs, being a source of financing to pay the remaining results of operations, and expanding the cooperative's business and financing operational activities.

CONCLUSION

Based on the previous discussion, it can be concluded as follows: 1). Own capital has a negative and significant effect on the remaining results of operations at savings and loan cooperatives in the city of Padang. 2). Loan capital has a positive and significant effect on the remaining results of operations at the Padang city savings and loan cooperative.

The potential for the development of Savings and Loans Cooperatives in the City of Padang which is not yet optimal compared to other types of cooperatives, it is hoped that the Savings and Loans Cooperatives in the City of Padang will maximize members’ savings to cultivate capital and utilize their own capital and loan capital, so that later they can compete with other fields in the Padang City Cooperative. For further research expected to be able to carry out further research by expanding research data.

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