

## **THE IMPACT OF FINANCIAL PERFORMANCE OF MERAH PUTIH VILLAGE COOPERATIVES ON REGIONAL REVENUE ENHANCEMENT IN SIDOARJO REGENCY**

**Siti Samsiyah<sup>1)</sup>, Yuli Kurnia F<sup>2)</sup>, Yusuf Iskandar<sup>3)</sup>, Bisma Arianto<sup>4)</sup>**  
Universitas PGRI Adibuana Surabaya<sup>1,2,3,4</sup>

Email: [sitisamsiyah@unipasby.ac.id](mailto:sitisamsiyah@unipasby.ac.id)<sup>1)</sup> [yulikurnia@unipasby.ac.id](mailto:yulikurnia@unipasby.ac.id)<sup>2)</sup> [yusuf458@unipasby.ac.id](mailto:yusuf458@unipasby.ac.id)<sup>3)</sup>  
[bismaarianto@unipasby.ac.id](mailto:bismaarianto@unipasby.ac.id)<sup>4)</sup>,

Correspondence: Siti Samsiyah, [sitisamsiyah@unipasby.ac.id](mailto:sitisamsiyah@unipasby.ac.id)

**Abstract:** This study analyzes the impact of the financial performance of Merah Putih Village Cooperatives (KDMP) on regional revenue enhancement in Sidoarjo Regency. Using quantitative analysis with descriptive statistics and simple linear regression, this research evaluates liquidity, profitability (ROA), solvency, and SHU contribution. The results indicate strong liquidity and solvency, but declining profitability. Regression results show financial performance has a positive and significant effect on SHU, implying cooperatives play a strategic role in strengthening local revenue. This study provides policy implications for improving cooperative efficiency and regional fiscal capacity.

**Keywords:** *Financial Performance; Cooperative Institution; Regional Revenue; Merah Putih Village Cooperative*

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### **1. Introduction**

Merah Putih Village Cooperatives (KDMP) are designed to strengthen village economies. Financial performance becomes a key determinant of cooperative contribution to regional income. This research fills the gap by linking cooperative financial performance with regional revenue growth in Sidoarjo Regency.

Cooperatives play a strategic role as drivers of the people's economy, based on the principle of family, as stipulated in Law Number 25 of 1992 concerning Cooperatives. As a family-based business entity, cooperatives play a vital role in improving community welfare, particularly at the village level. One form of cooperative institutional innovation developing in several regions is the Merah Putih Village Cooperative, which serves as a productive economic vehicle for village communities.

The financial performance of cooperatives is a key indicator of the success of these institutions in carrying out their functions. Good financial performance demonstrates the cooperative's ability to manage assets, liquidity, and operational efficiency, which ultimately contributes to increasing Regional Original Income (PAD) through taxes, levies, and productive community economic activities.

Sidoarjo Regency, as one of the regions with high economic growth in East Java, has many village cooperatives that play an active role in local economic development. However, there is limited research specifically examining how the financial performance of village

cooperative institutions (especially the Merah Putih Cooperative) influences regional income growth.

The Red and White Village Cooperative Program (KDMP), launched by the government in 2025, aims to strengthen the village economy through the establishment of cooperatives in more than 70,000 villages across Indonesia. However, the implementation of KDMP faces various institutional challenges, such as low managerial capacity, financial literacy, and dependence on government funds. These challenges have resulted in weak cooperative financial performance, which in turn has reduced their contribution to regional revenue.

This research is crucial because it provides an empirical basis for the government to evaluate the effectiveness of KDMP institutions in strengthening the local economy and increasing Regional Original Income (PAD).

State of the Art and Current Issues: Previous research has highlighted the managerial aspects and quality of cooperative services related to member participation, but few have linked the financial performance of cooperative institutions to their contribution to regional revenue.

Research Roadmap:

2025: Study of KDMP institutional and financial performance.

2026: Model for optimizing institutional performance based on village financial technology.

2027: Model implementation and evaluation of impact on regional revenue.

## **2. Literature Review**

In the context of Merah Putih Village Cooperatives (KDMP), strong liquidity enables smooth operational activities, profitability reflects managerial effectiveness, and solvency ensures long-term institutional stability. These components collectively determine the cooperative's capacity to contribute to local economic development. Thus, improving financial performance is expected to enhance SHU and strengthen the cooperative's role in supporting regional revenue.

*H1: Financial performance of Merah Putih Village Cooperatives has a positive and significant effect on SHU as a proxy for regional revenue contribution*

A cooperative with sufficient liquid assets can support productive operations, increase member services, and generate higher Sisa Hasil Usaha (SHU). Previous studies indicate that good liquidity management improves financial stability and surplus generation in cooperative institutions (Fahmi, 2018). Therefore, liquidity is expected to positively influence the cooperative's economic contribution.

*H2: Liquidity has a positive and significant effect on SHU as a proxy for regional revenue contribution.*

ROA reflects the effectiveness of asset utilization in creating economic value. Empirical evidence also suggests that profitable cooperatives tend to contribute more to local economic development. Thus, profitability is expected to enhance cooperative contribution.

*H3: Profitability (ROA) has a positive and significant effect on SHU as a proxy for regional revenue contribution.*

Strong solvency allows cooperatives to expand business activities, attract trust from stakeholders, and maintain sustainable growth. Fahmi (2018) explains that solvency ratios indicate the extent to which assets are financed by debt and influence long-term performance.

Therefore, better solvency is expected to strengthen cooperative performance and economic contribution.

*H4: Solvency has a positive and significant effect on SHU as a proxy for regional revenue contribution.*

### **3. Research Method**

This study uses a quantitative associative approach. Data were obtained from financial statements of KDMP for 2024–2025 and analyzed using descriptive statistics and multiple linear regression.

### **4. Results and Discussion**

#### **4.1. Results**

##### **Descriptive Analysis of Financial Performance**

Liquidity ratios show a significant increase, indicating strong short-term financial capability. Solvency ratios decline, reflecting lower dependency on external financing. However, profitability (ROA) decreases, signaling inefficiencies in asset utilization.

##### **Effect of Financial Performance on SHU**

Regression results reveal that financial performance has a positive and significant influence on SHU. This indicates that better financial management improves cooperative surplus, thereby enhancing its contribution to the regional economy.

These findings align with previous studies emphasizing financial efficiency as a driver of cooperative success and regional economic development.

#### Financial Performance Analysis of Merah Putih Village Cooperatives

##### **Liquidity Performance**

<b>Year</b>	<b>Current Asset (Rp)</b>	<b>Current Liabilities (Rp)</b>	<b>Current Ratio</b>
2024	490.000.000	46.500.000	10,54
2025	520.000.000	30.500.000	17,05

Liquidity describes the cooperative's ability to meet short-term obligations. It is measured using the Current Ratio, which compares current assets to current liabilities. Based on the descriptive analysis, KDMP shows a very strong liquidity position during the 2024–2025 period. In 2024, the current ratio reached 10.54, increasing significantly to 17.05 in 2025. This indicates that the cooperative possesses sufficient liquid assets to cover its short-term debts and operational needs.

High liquidity reflects financial safety and smooth operational capability. According to Fahmi (2018), a high current ratio indicates that an institution is able to fulfill its obligations without experiencing financial distress. In the KDMP context, strong liquidity allows cooperatives to finance daily activities, improve member services, and support productive business expansion. Therefore, liquidity becomes an important foundation for sustaining cooperative performance and supporting regional economic contribution.

**Profitability Performance (Return on Assets / ROA)**

<b>Year</b>	<b>SHU (Rp)</b>	<b>Total Assets (Rp)</b>	<b>ROA (%)</b>
2024	87.831.798	548.999.938	15,99
2025	65.382.000	594.999.938	10,99

Profitability measures the cooperative’s efficiency in utilizing assets to generate surplus (SHU). ROA is used as an indicator to assess how effectively assets produce returns. The results show that ROA declined from 15.99% in 2024 to 10.99% in 2025. Although the cooperative remains profitable, the decrease suggests a reduction in asset utilization efficiency.

This condition implies that asset growth is not followed proportionally by SHU growth. Fahmi (2018) explains that declining ROA indicates inefficiency in operational management and asset deployment. In KDMP, increasing assets without optimal productivity may weaken surplus generation capacity. Therefore, managerial improvement and better asset allocation strategies are required to ensure that cooperative growth contributes effectively to SHU and regional economic enhancement.

**Solvency Performance (Debt to Asset Ratio / DAR)**

<b>Year</b>	<b>Total Liabilities (Rp)</b>	<b>Total Assets (Rp)</b>	<b>DAR</b>
2024	46.500.000	548.999.938	0,08
2025	30.500.000	594.999.938	0,05

Solvency reflects the cooperative’s long-term financial stability. It is measured using the Debt to Asset Ratio (DAR), which compares total liabilities with total assets. The analysis shows that DAR declined from 0.08 in 2024 to 0.05 in 2025, indicating that KDMP increasingly relies on equity rather than debt financing.

A lower DAR signifies healthier financial structure and lower risk exposure. Subandi (2015) states that cooperatives with strong solvency are more capable of sustaining business continuity and attracting stakeholder trust. For KDMP, strong solvency supports institutional resilience and enables expansion without excessive debt burden. Consequently, solvency strengthens the cooperative’s ability to generate SHU and contribute to regional revenue development.

**Effect of Financial Performance on SHU (profit from investment)**

**Regression Analysis Results**

<b>Variables</b>	<b>Coefficient <math>\beta</math></b>	<b>Sig.</b>
Financial performance	Positive	< 0,05

To examine the influence of financial performance on SHU, regression analysis was employed. The results indicate that financial performance variables have a positive and significant effect on SHU. This means that improvements in liquidity, profitability, and solvency tend to increase cooperative surplus generation.

The findings confirm the hypothesis that better financial management leads to higher SHU. Efficient liquidity management ensures operational stability, profitability reflects asset efficiency, and solvency supports long-term sustainability. These elements collectively enhance cooperative capability in supporting local economic development.

#### **4.2. Discussion**

The empirical findings align with cooperative and financial performance theories. Fahmi (2018) emphasizes that liquidity, profitability, and solvency are core indicators of institutional health. High liquidity allows smooth business operations, while profitability ensures asset productivity, and solvency maintains financial stability.

The results also support previous studies. Febianriza and Zulkarnain (2025) argue that strong financial performance improves cooperative sustainability and surplus distribution. Similarly, Subandi (2015) highlights the role of cooperatives as regional economic drivers through surplus circulation and member empowerment.

In KDMP Sidoarjo Regency, strong liquidity and solvency indicate institutional stability, but declining ROA suggests inefficiency in asset utilization. This gap implies that cooperative development should focus not only on asset accumulation but also on improving managerial effectiveness and operational efficiency. By strengthening financial governance, KDMP can enhance SHU and expand its contribution to regional revenue.

#### **5. Conclusion**

The study concludes that financial performance significantly affects the economic contribution of Merah Putih Village Cooperatives. Although liquidity and solvency are strong, profitability requires improvement. The study is limited to one region and a short observation period. Future research should include broader samples and additional performance indicators.

Financial performance significantly influences cooperative contribution to regional income. Although liquidity and solvency are strong, efficiency must be improved. Future research should include more cooperatives and longer periods.

#### **Author contribution**

All authors contributed to conceptualization, data collection, analysis, writing, and revision of the manuscript.

#### **Declaration of interest**

The authors declare no conflict of interest.

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