

## Financial Performance Evaluation of the Revolving Fund Savings and Loan Program of PNPM Mandiri Perdesaan by the Activity Management Unit (UPK) in Tasikmalaya Regency

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### ABSTRACT

The Women's Savings and Loan (SPP) program is one of the key components of the National Program for Community Empowerment (PNPM) Mandiri in rural areas. This study aims to evaluate the financial performance of the PNPM Mandiri Perdesaan revolving fund program based on financial ratios, including Loans at Risk (LAR), Portfolio at Risk (PAR), Return on Investment (ROI), and Cost Coverage (CCr), during the period 2021 to 2023. A quantitative descriptive method was used, with primary data collected through interviews and secondary data obtained from official documents and archives. The findings indicate that the financial performance of the PNPM Mandiri Perdesaan revolving loan program during 2021–2023, as measured by LAR, PAR, ROI, and CCr, falls into the category of satisfactory performance

## **INTRODUCTION**

Poverty and unemployment remain pressing socioeconomic challenges in Indonesia, particularly in rural areas. Despite the implementation of various development initiatives, a significant portion of the rural population continues to face difficulties in meeting basic needs, accessing quality education and healthcare, and achieving economic stability. These conditions not only hinder individual and community development but also contribute to broader social issues such as inequality, vulnerability to economic shocks, and even increased crime rates. In response to these multifaceted problems, the Indonesian government has consistently pursued community empowerment strategies that emphasize inclusiveness, participation, and sustainable development.

One of the most notable initiatives in this regard was the National Program for Community Empowerment (Program Nasional Pemberdayaan Masyarakat or PNPM) Mandiri Perdesaan, which aimed to empower rural communities through financial assistance and capacity-building programs. A core component of this initiative was the Revolving Fund Savings and Loan Program, particularly the Simpan Pinjam Perempuan (SPP) scheme, designed to improve access to capital for women in marginalized rural areas. The program sought to enhance women's participation in microeconomic activities, encourage entrepreneurship, and ultimately elevate the socio-economic conditions of families and communities.

Following the conclusion of the PNPM Mandiri Perdesaan program in December 2014, the management of the remaining revolving funds was handed over to local institutions through the establishment of Community Empowerment Trust Funds (Dana Amanah Pemberdayaan Masyarakat or DAPM). These funds are now regarded as community-owned social capital grants, no longer under direct government control. To ensure their proper management, community forums established institutional bodies known as Activity Management Units (Unit Pengelola Kegiatan or UPK), which are tasked with overseeing the administration of the revolving loan funds—especially the SPP program—and ensuring the funds are used efficiently, transparently, and sustainably.

In various regions, including Tasikmalaya Regency, UPKs have continued to play a vital role in managing revolving loan funds. However, they still face several challenges, particularly related to operational sustainability, the quality of fund management, and the risks associated with loan defaults. Financial sustainability is a key concern, especially considering these programs are expected to operate independently without ongoing government support. Therefore, evaluating the financial performance of UPKs is essential to assess their effectiveness in managing community-based revolving funds.

Financial performance evaluation serves as a crucial tool for understanding how well an organization meets its financial goals, utilizes its resources, and mitigates financial risks. In the context of revolving fund programs, financial performance is commonly assessed using key financial ratios. According to the Technical Guidelines for Revolving Loans (Petunjuk Teknis Pinjaman Bergulir, 2012), one of the most relevant financial indicators is:

Loans at Risk (LAR): This ratio indicates the proportion of outstanding loans that are considered at risk of default

1. Portfolio at Risk (PAR): Measures the value of at-risk loans in comparison to the total loan portfolio.
2. Return on Investment (ROI): Assesses the profitability of the funds managed.
3. Cost Coverage Ratio (CCr): Evaluates the ability of the UPK to cover its operational costs with its income.

These indicators provide a comprehensive overview of both the risk exposure and operational efficiency of the UPK. In Tasikmalaya Regency, several UPKs have shown varying levels of asset growth and financial performance. For instance, despite not receiving the highest initial capital, some UPKs have demonstrated significant asset increases, largely due to their ability to manage loans and operational expenses effectively. Nevertheless, issues such as increasing non-performing loans (NPLs) and delays in repayment remain a concern that could threaten the long-term sustainability of these units.

Given the above context, this study seeks to evaluate the financial performance of the revolving fund savings and loan program managed by UPKs in Tasikmalaya Regency. By analyzing key financial ratios over a specific period, this research aims to provide insights into the effectiveness, strengths, and challenges of the program. The results of this evaluation are expected to serve as a basis for policy recommendations and improved practices in community-based financial management.

## **LITERATURE REVIEW**

### **Financial Performance**

Financial performance serves as a vital benchmark in assessing the efficiency and accountability of financial management, especially in non-profit and community-based organizations like Activity Management Units (UPK). Susanti and Firmansyah (2021) argue that financial performance evaluation involves using financial ratios to assess the institution's ability to achieve financial goals. Halim and Safitri (2020) emphasize that financial performance not only includes profitability, but also the organization's capability to manage risk, ensure sustainability, and maintain sound financial governance. In the context of UPK, financial performance reflects how well revolving loan funds are managed to support community empowerment programs. As noted by Wibowo and Arifin (2020), key indicators such as loan repayment rates and operational cost efficiency are critical in determining the effectiveness of revolving fund programs.

### **Financial Reporting**

Financial reports are tools that communicate an organization's financial condition and performance to stakeholders. According to Prasetyo and Nurlaily (2021), financial statements represent a snapshot of financial position over a period, offering essential information for decision-making. Kasmir (2019) explains that standard financial statements include the balance sheet, income statement, cash flow statement, and notes to the financial statements. In community-based entities such as UPKs, financial reporting is not only a matter of compliance but also transparency and public trust. Yusuf and Anggraini (2020) highlight that clear and accountable reporting is essential to maintaining community trust, especially in managing public funds. Rahmawati and Hendra (2022) stress that UPK financial reports should also reflect operational data, including loan disbursements, repayment performance, and outstanding receivables.

### **Financial Statement Analysis**

Analyzing financial statements allows organizations to evaluate past performance, assess current financial health, and predict future outcomes. Sari and Nugroho (2021) state that financial analysis is a crucial process for identifying organizational strengths and weaknesses. Kurniawan and Puspitasari (2020) categorize financial analysis tools into liquidity, solvency, profitability, and activity ratios. For UPKs, financial analysis helps monitor loan performance, detect credit risks, and improve fund allocation decisions. Nurhayati and Sahputra (2019) propose specific microfinance indicators such as Loans at Risk (LAR), Portfolio at Risk (PAR), Return on Investment (ROI), and Cost Coverage Ratio (CCR) as appropriate tools for evaluating the sustainability and accountability of revolving funds managed by UPK.

### **The Women's Savings and Loan Program (SPP)**

The Savings and Loan Program for Women (SPP) is a key component of PNPM Mandiri Perdesaan, aimed at empowering rural women by improving access to microcredit for productive activities. According to the PNPM Operational Technical Guidelines (2012), SPP funds are managed at the village level and distributed to women's groups through UPKs. Lestari and Firmansyah (2022) report that SPP significantly contributes to increased household income and women's economic participation in rural areas. However, Maulana and Dewi (2023) note several challenges, including weak loan management capacity and low repayment discipline among beneficiaries. To address these issues, they recommend capacity-building programs and improved supervision mechanisms.

#### **Program Impact and Sustainability**

The impact of SPP is not only evaluated through the volume of distributed loans but also through its repayment rates, the growth of women-led enterprises, and the program's contribution to poverty alleviation. Hence, comprehensive financial evaluations of UPK-managed SPP programs are necessary to ensure that these community funds are used effectively and sustainably. The transparency and efficiency of financial operations will determine the long-term success of community empowerment efforts funded by revolving credit schemes. Regular financial performance assessments are essential to maintaining accountability and enhancing the impact of development programs at the grassroots level (Wibowo & Arifin, 2020; Halim & Safitri, 2020).

### **METHODOLOGY**

This study employs a descriptive quantitative approach to evaluate the financial performance of the Revolving Fund Savings and Loan Program under the National Program for Community Empowerment (PNPM) Mandiri Perdesaan, managed by the Activity Management Unit (UPK) in Tasikmalaya Regency. The data used in this study are secondary data derived from financial reports of the UPK covering a five-year period. The primary analytical tool applied is financial ratio analysis based on the Technical Guidelines for Revolving Loans (Petunjuk Teknis Pinjaman Bergulir, 2012).

The financial performance assessment includes four main indicators: Loans at Risk (LAR), Portfolio at Risk (PAR), Return on Investment (ROI), and Cost Coverage (CCr). LAR measures the proportion of borrowers in arrears for more than three months compared to the total number of active borrowers. This ratio provides insights into the overall risk level associated with loan repayments. A LAR of less than 10% is considered satisfactory, 10%-20% is considered minimal, and more than 20% indicates delayed performance.

PAR, or Portfolio at Risk, calculates the percentage of the loan portfolio that is more than three months overdue, relative to the total outstanding loan balance. This indicator reflects the quality of the loan portfolio and credit risk. Similar to LAR, a PAR below 10% is rated as satisfactory, 10%-20% is minimal, and above 20% signals a delay.

ROI assesses the UPK’s ability to generate profit from the capital used for revolving loans. It is calculated by comparing the net income earned with the capital deployed. An ROI greater than 10% is rated as satisfactory, more than 0% as minimal, and less than or equal to 0% indicates poor or delayed performance.

Finally, CCr, or Cost Coverage Ratio, evaluates the UPK’s operational efficiency in covering its costs with its revenues. It is derived by dividing total income by total expenses. A CCr above 125% is categorized as satisfactory, 100%–125% as minimal, and below 100% as delayed.

Through this methodological framework, the study aims to comprehensively assess the financial sustainability and performance efficiency of the PNPM UPK-managed revolving fund program. The findings are expected to offer insights into the management practices and financial health of community-based loan systems in rural areas.

## RESULT AND DISCUSSION

The number of Community Self-Reliance Groups (KSM) with arrears of three months or more in the revolving fund program in Tasikmalaya Regency showed a declining trend from 2017 to 2019. Although there was a decrease in the number of delinquent KSMS, this was not followed by a proportional increase in active borrowing members. This was due to the implementation of a selective disbursement strategy and more rigorous credit control mechanisms, including loan restructuring and active follow-ups by the loan recovery team.

Table 1. The Loan at Risk (LAR) Ratio Over the Three Years

Year	Number of Delinquent KSMS (≥ 3 Months)	Number of Active Borrowing KSMS	LAR (%)
2021	18	226	7.96%
2022	20	250	8.00%
2023	13	232	5.59%

Source: Processed Data

According to the Revolving Fund Technical Guidelines, a Loan at Risk (LAR) ratio below 10% is considered satisfactory. Thus, the LAR performance in Tasikmalaya Regency reflects good credit risk management. The decrease in LAR from 8% to 5.59% in 2019 indicates the success of early intervention efforts and improved borrower discipline.

Table 2. The Portfolio at Risk (PAR) Ratio is Summarized

Year	Loan Arrears ≥ 3 Months (Rp)	Total Outstanding Loans (Rp)	PAR (%)
2021	38,200,000	2,010,700,000	1.90%
2022	53,250,000	2,200,000,000	2.42%
2023	19,450,000	2,555,500,000	0.76%

Source: Processed Data

A PAR below 10% is considered satisfactory. The decrease to 0.76% in 2019 confirms improved loan portfolio quality. The low PAR indicates effective credit monitoring and repayment performance, as the value of risky loans remained minimal in relation to the expanding portfolio.

Return on Investment (ROI) measures the net income generated from the invested capital. In Tasikmalaya Regency, ROI showed a slight decline over the three years, primarily due to increased capital reinvestment and variations in revenue. Nevertheless, all ROI figures remained above the 10% standard set by the guidelines:

Table 3. Return on Investment (ROI) of Revolving Fund Program in Tasikmalaya Regency (2021-2023)

Year	Net Profit (Rp)	Investment Value (Rp)	ROI (%)
2021	63,502,100	470,000,000	13.51%
2022	67,122,000	520,800,000	12.89%
2023	68,200,000	618,400,000	11.03%

Source: Processed Data

These figures indicate that the revolving loan program generated satisfactory returns. Despite fluctuations, the ROI remained healthy, demonstrating the financial viability of the revolving fund management in Tasikmalaya Regency.

The Cost Coverage Ratio (CCr) reflects the extent to which total revenue covers operational costs. A minimum benchmark of 125% is established in the Technical Guidelines:

Table 4. Cost Coverage Ratio (CCr) of Revolving Fund Program in Tasikmalaya Regency

Year	Total Revenue (Rp)	Operational Cost (Rp)	CCr (%)
2021	100,509,320	29,991,220	335.03%
2022	120,500,000	48,796,000	246.95%
2023	140,200,000	58,000,000	241.73%

Source: Processed Data

The steady increase in revenue alongside manageable operational costs ensured strong cost recovery. The values above indicate that the program not only recovered its operational costs but also generated a surplus. This reflects a sustainable financial model with prudent cost control and optimized fund utilization.

In summary, the financial performance of the revolving loan program in Tasikmalaya Regency between 2017 and 2019 demonstrated:

- LAR and PAR ratios consistently stayed below the 10% maximum limit, indicating good risk control.
- ROI remained above the 10% benchmark, reflecting profitability.
- Cost Coverage Ratio was well above the 125% minimum, ensuring sustainability.

These indicators collectively affirm that the revolving loan fund was effectively managed and financially sound.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

Based on the analysis of financial performance indicators—Loans at Risk (LAR), Portfolio at Risk (PAR), Return on Investment (ROI), and Cost Coverage Ratio (CCr)—the revolving loan program in Tasikmalaya Regency demonstrated effective and sustainable financial management over the period 2017 to 2019.

1. LAR and PAR ratios consistently remained below the 10% threshold set in the Revolving Fund Technical Guidelines, indicating a well-controlled credit risk and successful loan recovery mechanisms.
2. Return on Investment (ROI) was maintained above the minimum benchmark of 10%, reflecting the program's ability to generate steady returns despite fluctuations in capital and net profit.
3. Cost Coverage Ratio (CCr) far exceeded the 125% minimum requirement, affirming that the program not only covered its operational expenses but also generated surplus income, signaling strong financial sustainability.
4. These findings collectively indicate that the revolving fund program in Tasikmalaya Regency was managed in a disciplined, efficient, and effective manner, and was capable of supporting community-based financial empowerment.

### **Recommendations**

To maintain and further enhance the performance of the revolving fund program, the following recommendations are proposed:

#### **Strengthen Loan Monitoring Systems**

Implement continuous monitoring and early warning mechanisms to detect potential delinquencies promptly, thereby ensuring that LAR and PAR levels remain within acceptable thresholds.

#### **Capacity Building for KSMs**

Intensify training and mentoring programs for Community Self-Reliance Groups (KSM) to improve their financial literacy, loan management skills, and repayment commitment.

#### **Digitalization of Financial Reporting**

Develop and apply digital tools for managing financial transactions, reporting, and borrower tracking to improve operational efficiency, reduce administrative errors, and enhance transparency.

### **Diversify Fund Allocation**

Explore the possibility of distributing funds across multiple productive sectors to reduce risk concentration and enhance the socio-economic impact of the program.

### **Regular Evaluation and Policy Review**

Conduct periodic evaluations and reviews of program implementation to ensure alignment with both technical guidelines and community needs. Necessary policy adjustments – such as revisions to credit limits or repayment terms – should be made based on empirical evidence and performance data.

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