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THE EFFECT OF WORKING CAPITAL MANAGEMENT ON THE GROWTH OF SAVINGS AND LOAN BUSINESS IN THE OSSEDA FAOLALA WOMEN'S CONSUMER COOPERATIVE NIAS

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Abstract

This study analyzes the financial condition of the Osseda Faolala Perempuan Nias Consumer Cooperative during the period January 2021–December 2024, focusing on the management of current assets, short-term liabilities, and the repayment rate of member loans. Data were processed using descriptive statistics and simple linear regression to assess the cooperative's financial balance and factors influencing business growth. The classical assumption test showed that the regression model met the feasibility criteria, both in terms of normality and autocorrelation, thus the analysis results were reliable. The t-test results proved that working capital had a positive and significant effect on cooperative business growth with a significance value <0.05. The coefficient of determination ($R^2 = 0.887$) confirmed that 88.7% of the variation in business growth was explained by working capital management. This means that the more optimal the management of working capital—including current assets, short-term liabilities, and member loans—the higher the cooperative's chances of growth and development. In addition to strengthening the existing literature, this study is consistent with the findings of Winata et al. (2023) on manufacturing companies and Herawati (2023) on savings and loan cooperatives, both demonstrated the importance of working capital management to financial performance. However, these results differ from the research of Rezki Erdian et al. (2022) on the retail sector, which found that receivables had no significant effect on profitability. This difference indicates that the relevance of working capital is highly dependent on the institutional context. Overall, this study confirms that optimal working capital management is not merely an administrative issue, but a strategic factor determining cooperative business growth and improving welfare. member.

Keywords: *a maximum Working Capital, Savings and Loans, Consumer Cooperatives*

1. INTRODUCTION

In the business world, working capital management is a strategic process focused on managing current assets and meeting short-term liabilities of companies and institutions. The primary objective of this management is to ensure the smooth running of daily business operations, maintain stable liquidity, and ensure the organization's continued profitability. In other words, working capital management is a crucial foundation for maintaining a balance between a company's ability to meet its financial obligations and its efforts to

generate optimal profits. The scope of working capital management encompasses the management of cash, accounts receivable, inventory, and current liabilities. These four components are closely interconnected in a company's operational cycle. For example, cash is used to purchase inventory, inventory is then sold (either for cash or credit), credit sales generate receivables, and collected receivables increase the company's cash. This recurring cycle demands careful and adaptive management in accordance with fluctuating working capital needs in each period.

One common phenomenon in savings and loan cooperatives is an imbalance between current assets and short-term liabilities. This situation often presents difficulties for cooperatives in managing cash flow, particularly when member demand for loans is high but members' ability to repay loans does not comply with established schedules or procedures. This situation has the potential to trigger bad debts, which are the inability of members to repay loans on time. Bad debts not only impact working capital turnover delays but also reduce the cooperative's effectiveness in redistributing funds to other members in need. As a result, the cooperative's working capital is hampered, resulting in suboptimal savings and loan operations. Furthermore, the cooperative's burden is further burdened by increasing operational costs, such as administration costs, employee salaries, and facility maintenance. If this condition is not addressed through effective and efficient working capital management, the cooperative risks declining revenue and difficulty maintaining liquidity. This, in turn, will hinder the growth of the savings and loan business and undermine member confidence in the cooperative. Therefore, sound working capital management is key to maintaining the cooperative's financial stability, increasing cash flow, and ensuring long-term business sustainability.

The Osseda Faolala Women's Consumer Cooperative in Nias plays a strategic role in supporting the local economy. This role is particularly evident in providing members with access to loans, aimed at improving their well-being, particularly those in need of business capital. This loan facility is crucial for small and medium enterprises (SMEs) because it can help expand their businesses, increase working capital, and promote the economic independence of cooperative members. However, in recent years, the cooperative has faced several obstacles in providing loan services to its members. The main issue is the occurrence of bad debts, a situation where some members are unable to make timely installment payments according to the schedule or due date. This phenomenon has serious consequences because it hinders the smooth circulation of the cooperative's working capital, which ultimately affects the cooperative's ability to re-deliver loans to other members. Furthermore, bad debts can also reduce the effectiveness of savings and loan operations and slow the cooperative's overall growth.

THEORY

Working Capital Management

Working capital management is often referred to as short-term financial management because it directly relates to how a company or cooperative manages current assets and short-term liabilities to maintain liquidity and operational smoothness. One important aspect of working capital management is selecting the appropriate financing model according to the business characteristics and financial condition of the organization. According to Asri (2015), there are three main working capital financing models:

1. Aggressive Financing Pattern
2. Conservative Financing Pattern
3. Moderate Financing Pattern

However, unbalanced working capital management can have detrimental consequences. If a company has excess current assets, funds that could be used to generate profits will instead be idle and unproductive. This indicates inefficiency in asset utilization, as excessive funds are held in the form of cash, receivables, or excess inventory. Conversely, if a company experiences a shortage of current assets, the risk of decreased liquidity arises. This condition can make it difficult for the company to meet its short-term obligations, which ultimately has the potential to disrupt operational stability and even reduce the confidence of creditors and investors (Syaifuddin, 2008).

Working capital is essentially a company's short-term investment in the form of current assets used to support the smooth running of daily operations. Working capital is crucial because it serves as the primary source of financing for company activities, from purchasing raw materials and paying salaries to meeting other short-term financial obligations.

In general, working capital can be divided into two main categories, namely:

1. Net Working Capital
2. Gross Working Capital

According to Gitman (2001), working capital is the total of current assets that essentially function as a circulating investment, rotating from one form to another as business activities proceed. For example, cash is used to purchase raw materials, the raw materials are processed into products, the products are then sold either for cash or credit, resulting in receivables that ultimately return to cash. This cycle continues continuously and demonstrates how working capital is a vital element in supporting smooth operational activities. Furthermore, Weston and Thomas (1986) define working capital management as a company's short-term investment in various financial instruments, such as cash, marketable securities, receivables, and inventory. This means that the primary focus of working capital management is how a company manages its available funds in the short term to ensure

liquidity is maintained, operations are uninterrupted, and at the same time, it is still able to achieve expected profits.

According to Fred Weston and Thomas Copeland (1997), working capital can be defined as the difference between current assets and current liabilities. In other words, working capital is a company's investment in cash, marketable securities, accounts receivable, and inventories after deducting the short-term liabilities used to finance those current assets. This definition emphasizes that working capital is not simply the sum of a company's assets, but rather the result of management that takes into account the burden of obligations that must be settled immediately. Positive working capital indicates that current assets exceed current liabilities, thus ensuring the company's ability to meet short-term obligations while maintaining liquidity. Conversely, negative working capital indicates a precarious financial condition, as short-term liabilities exceed available current assets, potentially disrupting the company's smooth operations.

According to Taylor in Agnes Sawir (2005:132), working capital can be classified into two main types, namely:

1. Permanent Working Capital
2. Variable Working Capital

Bambang Riyanto (2001) divides the understanding of working capital into three main concepts: quantitative, qualitative, and functional. Each concept has a different focus and emphasis, but they complement each other in illustrating the importance of working capital management for business continuity.

Scott and Martin (1993) explain that traditionally, working capital management encompasses the administration and management of current assets and current liabilities. The primary focus of this management is to ensure the smooth operation of the company's short-term operations while supporting its long-term goal of value creation. The primary functions of working capital management can be explained as follows:

1. Adjusting sales volume levels, including seasonal sales
2. Optimizing company value through cost efficiency and profit improvement
3. A vital source of financing for micro-enterprises
4. The close relationship between sales growth and working capital requirements

Growth of Savings and Loan Business

The growth of savings and loan businesses can be understood as a process of increasing the capacity, reach, and quality of financial services provided by savings and loan institutions, including cooperatives. This growth is typically reflected in an increase in the number of members, an increase in the volume of deposits and loans, an increase in the value of assets held, and an increase in profits or operating profit (SHU) from year to year. In other words, the growth of savings and loan businesses is not merely an increase in the number of

transactions, but also an improvement in the quality of institutional governance in carrying out its financial intermediation function.

According to Kasmir (2017), the growth of savings and loan businesses is defined as the process of expanding fundraising activities from members and the public, as well as lending to those in need. Indicators of this growth can be seen in the increasing number of transactions, the increase in customers or members, and the improvement in efficiency and professionalism in the institution's financial management. This demonstrates that business growth is not only viewed quantitatively, but also in terms of service quality and management.

Meanwhile, Tohar (2000) emphasized that the growth of savings and loan units in cooperatives is more clearly visible through the increase in the number of active members, the size of circulating capital, and the smoothness of loan payments from members to the cooperative. This means that the higher the level of member participation and the smoother the flow of credit payments, the healthier the savings and loan business run by the cooperative. Growth in this context is closely related to the sustainability of the organization, as member participation is a fundamental factor in supporting the cooperative's existence.
Furthermore, Avianti Sukaesih (2021) stated that the growth of savings and loan businesses can also be seen from the extent to which credit distribution contributes to increasing cooperative revenue. If credit distribution runs smoothly, the cooperative's revenue will increase, positively impacting business sustainability. Therefore, effective and targeted credit distribution is a key indicator in measuring the success of savings and loan business growth.

Savings and Loan Business

The term savings and loan consists of two words: deposit and loan. Historically, savings and loan activities within cooperatives have been known since 1958, and since then, member savings have served as the primary capital for cooperatives. This differs from companies in general, which use the term "shares" as a form of capital ownership. In other words, cooperatives place member savings as the primary pillar in raising funds, thus emphasizing the fundamental principle of cooperatives: togetherness and mutual cooperation among members in building economic strength.

In general, a savings and loan business is defined as the activity of collecting funds from members in the form of savings, which are then redistributed in the form of loans to members in need. This process is typically carried out through a formal mechanism, where members wishing to borrow funds submit a written application to the cooperative management stating the required loan amount. The management then makes considerations based on the cooperative's financial condition, capital capacity, and the members' eligibility as borrowers. The decisions made include the approved loan amount, repayment period, loan

terms, and an assessment of the smoothness of the payments. This mechanism also demonstrates the governance and risk control inherent in the cooperative system.

Furthermore, savings and loan business activities are essentially a special business activity carried out by cooperatives with the aim of collecting funds and distributing them productively. These funds are collected from members, other cooperatives, and other parties related to the cooperative, then redistributed in the form of loans to members in need to support various business activities. The Savings and Loan Unit (USP) within the cooperative carries out activities that include withdrawing or collecting funds in the form of member deposits, as well as distributing these funds in the form of loans. Through this mechanism, cooperatives function not only as member-based financial institutions but also as a vehicle for community economic empowerment, particularly in increasing member access to easier, cheaper, and more affordable financing sources.

In cooperative business activities, particularly in savings and loan units, several types of savings form the basis of the cooperative's capital and serve as instruments for strengthening financial independence. Each type of savings has different characteristics, provisions, and objectives, but all play a vital role in maintaining the cooperative's business continuity. Generally, these types of savings include principal savings, mandatory savings, and cooperative savings.

RESEARCH METHOD

Quantitative Research According to Prof. Dr. Sugiyono (2022) Quantitative Method is called traditional method, because this method has been used for a long time so that it has become a tradition as a method for research. This method is a positivistic method because it is based on the Philosophy of Positivism. This method is a scientific method because it has fulfilled scientific principles, namely concrete/empirical, objective, measurable, rational, and systematic. This method is also called the discovery method, because with this method various new science and technology can be discovered and developed. This method is also called a quantitative method because the research data is in the form of numbers and analysis using statistics. In this study the population used is the Osseda Faolala Women's Consumer Cooperative, Nias, Gunungsitoli Branch and the Financial Report of the last four years which will be used by researchers from 2021 - 2024 to compare the Growth of Savings and Loan Businesses.

Data Collection Techniques According to Sugiyono (2022:224), data collection techniques are the most strategic step in research, because the main goal of research is to obtain data. Without understanding data collection, researchers will not obtain data that meets the established data standards. The data collection techniques used in this study were observation, questionnaires, and documentation.

Data analysis techniques describe the analytical techniques that researchers will use to analyze the collected data, including testing. The data analysis technique used to

determine the effect of working capital management on savings and loan business growth is simple linear regression analysis. This is done to ensure that the independent variables have an influence on the dependent variable. Next, a hypothesis (t-test) is conducted to determine the significance of the independent variables on the dependent variable. The data analysis technique in this study was assisted by the Statistical Program for Special Science (SPSS) version 2022. Before conducting the analysis according to the requirements of the Ordinal Least Square (OLS) method, descriptive analysis and classical assumption tests were first conducted

3. RESULTS AND DISCUSSION

a. Data normality test

Table 1. Data Normality Test

Tests of Normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistics	df	ig.	Statistics	df	Sig.
Assets_Year	,247	3		,969	3	,662
Business Growth	,243	3		,973	3	,682

a. Lilliefors Significance Correction

Source: *Data Processed, 2025*

Based on table 1, Based on the results of the normality test conducted using the Shapiro-Wilk method, the significance value (Sig.) for the Year Assets variable was 0.662 and for the Business Growth variable was 0.682. The significance value of both variables is greater than the set significance level of 0.05. Thus, according to the test rules, it can be concluded that both the Year Assets data and the Business Growth data follow a normal distribution. These results indicate that the data distribution does not deviate significantly from the normal distribution, thus fulfilling one of the basic assumptions in parametric statistical analysis.

b. Autocorrelation test

Table 2. Auto Correlation Test

Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	,942a	,887	,773	2,656	1,938

a. Predictors: (Constant), Asset_Year

b. Dependent Variable: Business Growth

Source: *Data Processed, 2025*

Based on the regression analysis results shown in the Model Summary table, the Durbin-Watson value was 1.938. This value is very close to 2, indicating that the regression model does not experience any autocorrelation issues, either positive or negative. Thus, the classical assumption of residual independence has been met, making the regression model suitable for further analysis.

In addition, the correlation coefficient (R) value of 0.942 indicates that there is a very strong relationship between the independent variable (Year_Assets) and the dependent variable (Business_Growth). The R Square value of 0.887 indicates that 88.7% of the variation in changes in business growth can be explained by year_assets, while the remaining 11.3% is influenced by other factors outside this research model. Meanwhile, the Adjusted R Square value of 0.773 also confirms that the model's explanatory power remains high even though it has been adjusted for the number of variables in the study.

The Standard Error of the Estimate value of 2.656 indicates a relatively small level of model prediction error, so the estimation results can be said to be quite accurate. Overall, these results indicate that the regression model used has good validity, does not experience autocorrelation, and is able to explain the strong relationship between current assets and business growth during the study period.

3.3 Hypothesis Testing

Table 3. t-test

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	39,162	20,452		3,382	,183
	Working capital	2,508	,000	,942	2,796	,021

a. Dependent Variable: Working Capital

Source: *Data Processed, 2025*

Based on the results of the t-test in the Coefficients table, the calculated t-value is 2.796 with a significance level (Sig.) of 0.021. Because the significance value is smaller than the specified real level of 0.05 (0.021 < 0.05), H0 is rejected and Ha is accepted.

Thus, it can be concluded that working capital significantly influences the growth of the Osseda Faolala Women's Consumer Cooperative Savings and Loans Business in Nias.

This means that better working capital management will further enhance the cooperative's growth.

3.4 Test of Coefficient of Determination

Table 4.4 Test of Determination Coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	,942a	,887	,773	2,656

a. Predictors: (Constant), Working_Capital

Source: *Data Processed, 2025*

Based on the table above, the R Square value of 0.887 means that 88.7% of the variations that occur in Business Growth can be explained by the Working Capital variable, while the remaining 11.3% is explained by other factors outside this research model.

3.5 Simple Linear Regression

Table 4.5 Simple linear regression test

Coefficientsa					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	39,162	20,452		3,382	,183
Working capital	2,508	,000	,942	2,796	,021

a. Dependent Variable: Working Capital

Source: *Data Processed, 2025*

Based on the results of a simple regression analysis, the equation Y = 39.162 + 2.508X is obtained. The constant value of 39.162 indicates that if working capital is zero, then business growth remains at 39.162. This indicates that there are other factors outside of working capital that still influence the growth of cooperative businesses. The working capital regression coefficient of 2.508 indicates that every one unit increase in working capital will increase business growth by 2.508, so it can be said that working capital has a positive effect on business growth. Furthermore, the calculated t value of 2.796 with a significance level of 0.021 which is smaller than 0.05 indicates that working capital has a significant effect on business growth. Thus, the alternative hypothesis (Ha) is accepted, namely that working capital management has an effect on the growth of the Osseda Faolala Perempuan Nias Consumer Cooperative Savings and Loans business. From these results, it can be concluded

that the better the working capital management, the greater the possibility of increased cooperative business growth.

Discussion

The Influence of Working Capital Management on the Growth of Savings and Loan Businesses at the Osseda Faolala Women's Consumer Cooperative in Nias

The results of research conducted at the Osseda Faolala Women's Consumer Cooperative in Nias provide a clear picture that working capital management has a significant influence on the growth of the cooperative's business. Through a series of classical assumption tests, the regression model used was proven to meet the feasibility criteria, both in terms of normality and autocorrelation, so that the results of the analysis can be trusted to draw conclusions. The t-test conducted showed that working capital had a positive and significant effect on business growth with a significance value of less than 0.05. This means that the more optimal the management of working capital—whether in the form of current assets, short-term liabilities, or member loan arrangements—the higher the opportunity for the cooperative to grow and develop. The coefficient of determination of 88.7% further confirms that the growth of the cooperative's business during the study period is largely determined by how management manages working capital.

Upon closer inspection, these results are consistent with research by Liana Angelina Winata et al. (2023) examining manufacturing companies. Winata found that the majority of the literature shows a positive relationship between the cash conversion cycle and company profitability. This means that in both the cooperative and manufacturing sectors, the ability to manage working capital remains a crucial foundation for maintaining financial performance. Although the indicators used differ—the cooperative study emphasized business growth, while Winata's focused on profitability—the essence remains the same: well-managed working capital will improve organizational performance. This finding reinforces the understanding that the importance of working capital applies not only to large businesses but also to member-based economic institutions such as cooperatives.

Furthermore, this research aligns with the findings of Herawati (2023) who examined the Manurung Jaya Savings and Loans Cooperative in Bone–Bone. Although Herawati's research primarily utilized descriptive analysis without in-depth significance testing, the data presented still illustrated a relationship between working capital management and financial performance, as measured by Return on Assets (ROA). Therefore, the research on the Osseda Faolala Cooperative can be considered a reinforcement of existing empirical evidence by adding a clearer dimension of statistical significance. This demonstrates that, in the cooperative context, working capital management is not merely an administrative issue, but rather a strategic factor that can determine the institution's sustainability and growth.

Overall, the research on the Osseda Faolala Perempuan Consumer Cooperative in Nias extends the existing literature by providing new evidence from the consumer cooperative context. While previous research has focused on large companies in the manufacturing and retail sectors, this study confirms that the same principles regarding the importance of working capital management also apply to cooperatives as people's economic institutions. These findings have significant practical implications: cooperatives must pay more attention to working capital management strategies, particularly in maintaining a balance between loan disbursement, installment receipts, and ending cash balances. With

better management, cooperatives can not only maintain liquidity but also accelerate business growth and improve the welfare of their members in a sustainable manner.

CONCLUSION

Based on the results obtained from data analysis and hypothesis testing, the researcher can draw the following conclusions.

1. Based on the results of the t-test in the Coefficients table, the calculated t-value is 2.796 with a significance level (Sig.) of 0.021. Because the significance value is smaller than the specified real level of 0.05 (0.021 < 0.05), H0 is rejected and Ha is accepted. The results of the t-test indicate that working capital has a positive and significant effect on the growth of cooperative businesses. This means that the better the working capital management, the higher the level of business growth that can be achieved. Simple linear regression analysis produces the equation Y = 39.162 + 2.508X with a coefficient of determination (R^2) of 0.887. This means that 88.7% of the variation in cooperative business growth can be explained by working capital, while the remaining 11.3% is influenced by other factors outside the research model. Overall, this study confirms that effective working capital management is a dominant factor in increasing the growth of savings and loan businesses. In addition, good working capital management also helps cooperatives maintain financial stability, reduce the risk of bad debts, and support long-term business sustainability.
2. The Osseda Faolala Women's Consumer Cooperative's strategy for mitigating the risk of non-performing loans (NPLs) is reflected in the cooperative's ability to optimally manage its working capital. Research shows that working capital significantly impacts business growth, with better management reducing the likelihood of non-performing loans. This effort is supported by maintaining the cooperative's liquidity through cash flow and current asset management to maintain a balance between loan disbursement and installment receipts. The cooperative also applies the principle of prudence in disbursing loans, taking into account members' repayment capacity and strictly monitoring installment payments to ensure member discipline in fulfilling their obligations. Furthermore, the cooperative strives to diversify its business as an additional support to avoid relying entirely on installment receipts. Through these strategies, the cooperative is able to maintain the stability of its business growth while minimizing the potential for non-performing loans.

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