

Influence Good Governance on Cooperative Performance in West Java

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Abstract. Cooperatives must be able to become the nation's economic strength that is able to improve the welfare of its members, and in the end can improve the economic welfare of the Indonesian nation. However, in reality, not all cooperatives develop as expected, and it is not uncommon for cooperatives to act as shields to seek profit for certain parties. Cooperative slump must be developed with good governance. Where there is a paradigm shift in society that was previously more on kinship leading to individualism. Therefore, the traditional management of cooperatives is no longer relevant, so it must improve with professional management. The purpose of this study is to analyze influence good corporate governance on the performance of cooperatives in West Java. The population of this study is a cooperative located in West Java, the research method uses analysis tool in the form of a Structural Equation Model (SEM) program through Smart PLS software. Samples were taken based on 10 times the number of items 31, namely as many as 310 samples. The results of the study show that Transparency, Accountability, Independence and Fairness have a significant effect on cooperative performance, while Responsibility has no significant effect on cooperative performance.

Keywords. good corporate governance; cooperative performance.

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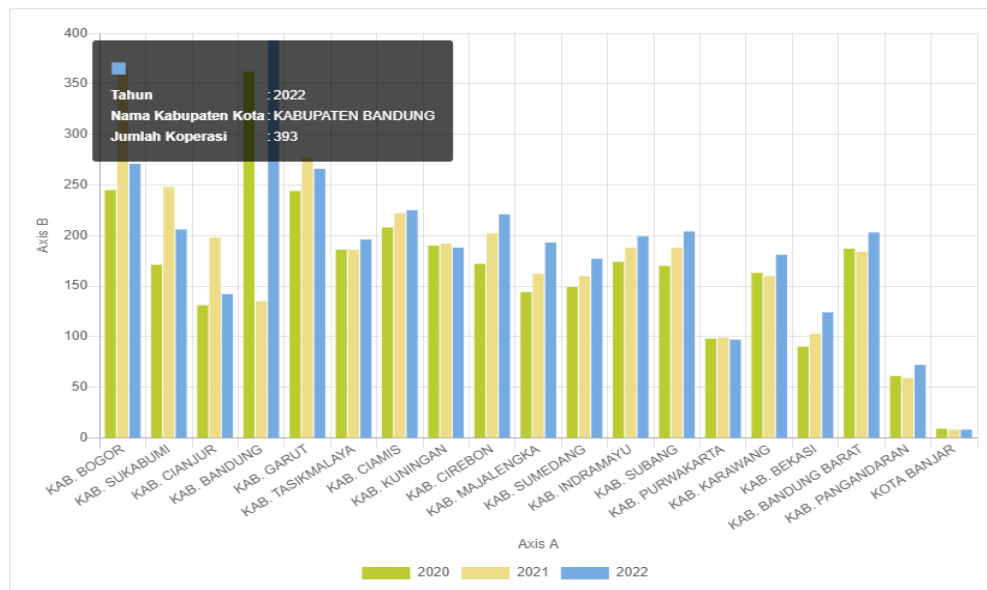
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INTRODUCTION

Cooperatives are the backbone of the Indonesian economy. Article 33 of the 1945 Constitution states that "The Indonesian economy is structured as a joint effort based on the principle of kinship". The explanation of the 1945 Constitution states that the business entity in accordance with the article is a cooperative, so that cooperatives can be said to be the pillars of the Indonesian economy. The existence of this cooperative is one of the business actors with an important role in the national economy. This role is explained in Article 4 of the Law of the Republic of Indonesia Number 25 of 1992 concerning Cooperatives that the functions and roles of Cooperatives are; a. build and develop the economic potential and capabilities of members in particular and in general for the community with the aim of improving their economic and social welfare, b. participate actively in efforts to improve the quality of human life and society; c. strengthening the people's economy as the basis for the strength and resilience of the national economy with cooperatives as the pillars; d. strives to realize and develop the national economy which is a joint effort based on the principles of kinship and economic democracy. This role is in line with article 33, paragraph (1) of the 1945 Constitution of the Republic of Indonesia which mandates that the economy is structured as a joint effort on the principle of kinship. strives to realize and develop the national economy which is a joint effort based on the principles of kinship and economic democracy. This role is in line with article 33, paragraph (1) of the 1945 Constitution of the Republic of Indonesia which mandates that the economy is structured as a joint effort on the principle of kinship. strives to realize and develop the national economy which is a joint

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Amount cooperative in Indonesia reached 127,124 units in 2020. This number increased by 3.31% compared to the previous year. The highest number of cooperatives is in East Java, as many as 22,464 units or about 17.6% of the total cooperatives. Furthermore, West Java with 14,706 units and Central Java with 12, 190 units(Cindy-Databoks, 2021). As mentioned above, the number of cooperatives in West Java is the second highest, which is the object of this research, and the data on cooperatives is mostly in Bandung Regency.



Source:Cindy-Databoks (2021)

Figure 1. Number of West Java Cooperatives for the 2020-2019 Period

Cooperatives are a superior form of organization with a noble mission and high goals. Cooperatives are unique institutions that balance and negotiate relationships between members, communities, traders, states and international commercial traders, social capital facilitates these relationships. This includes the interests of members, concern for others, and the general welfare of society(Kyazze et al., 2017). However, in its implementation many cooperatives have problems, especially in West Java. Cooperative problems in general include weak human resources (HR) managers, lack of capital support, marketing difficulties, loan shark practices, technological stuttering, lack of innovation, low product quantity and quality.(Suparman et al., 2019).

Table 1. Problems of West Java Cooperatives

Type	Problem
Human Resources	Weak awareness
	Weak participation
	Weak discipline
	Weak entrepreneurial spirit
	Weak skills
	Weak education and technology
	Have a personal interest

Type	Problem
Capital	Difficult source of funds
	There are structural barriers in the mastery of factors of production
	Lack of innovation in multiplying cooperative products
	Weak cooperative management system
	Weak modernization
Institutional	Weak cooperative independence
	Lack of marketing
	The difficulty of the business network and licensing
	Cooperatives have not been able to survive in competition with banks
	Difficult process in establishing a cooperative
	Difficult to recruit members

Source: West Java cooperative office-(Suparman et al. (2019)

According to Head of the Bandung City Micro, Small and Medium Enterprises Cooperative Agency, Atet Dedi Handiman, in 2020 Bandung City there are around 2,030 registered cooperatives. Of these, only 700 cooperatives are active, the rest are not. Still according to Atet, the Ministry of Cooperatives and SMEs is currently focusing on the quality rather than the quantity of cooperatives. So that the current central government will verify existing cooperatives and will not hesitate to dissolve inactive cooperatives. The government will provide guidance to existing cooperatives. The guidance includes the improvement of Human Resources (HR), management and management of cooperatives as well as the fulfillment of cooperative business network facilities.(Andriyawan, 2020). This is caused by The Ministry of Cooperatives and SMEs (KemenkopUKM) targets the cooperative sector to contribute 5.5% of the national Gross Domestic Product (GDP) in 2024. Currently, the contribution of cooperatives is only 5% of GDP(Cindy-Databoks, 2021).

Cooperatives must be able to become the nation's economic strength that is able to improve the welfare of its members, which in turn will improve the economic welfare of the Indonesian nation. However, in reality, not all cooperatives develop as expected, and it is not uncommon for cooperatives to act as shields to seek profit for certain parties. With cooperatives, they can save taxes by means of cooperatives, they can get funds with low interest. Besides that, there are cooperatives that tend to be stagnant, undeveloped or passive, where they never hold annual member meetings, let alone distribute the remaining business results to their members(Marlina, 2019).

According to Peter (2015) the decline in cooperatives must be developed with good governance. Where there is a paradigm shift in society that was previously more on kinship leading to individualism. Therefore, the traditional management of cooperatives is no longer relevant, so it must improve with professional management. Professional management of cooperatives is also known as good cooperative governance. The implementation of the Good Corporate Governance (GCG) system that is applied to cooperatives is important so that in the management of cooperatives they can change the organizational system, with the aim of creating performance,

Good Corporate Governance good behavior is at the heart of a successful cooperative (Harvey, 2017). Good Corporate Governance is the system and process concerned with ensuring the overall direction, oversight and accountability of an organization (Chris Cornforth Governance Overview, 2004). Government here is defined as a means to achieve the happiness of citizens to protect basic rights and individual freedoms as well as for the desired end result (Chandarasorn, 2014). Good Corporate Governance is the key determinant

for growth, development and poverty alleviation (Dayanandan, 2013). Good Corporate Governance can also be seen as an instrument for the effectiveness of a community institution. If these institutions are appropriate and effective, the result should be good governance (Duncan, 2003).

How many studies have been conducted by Dayandan (2013), Dasuki and Lestari (2019), Kyazze et al (2017), Puri and Walsh (2018), showing that Good Corporate Governance has an effect on cooperative performance. From the explanation above, the purpose of this study is to analyzeinfluencegood corporate governanceon the performance of cooperatives in West Java.

Good Corporate Governance (GCG)

Regulation of the Minister of State for State-Owned Enterprises No: PER-01/MBU/2011 concerning the Implementation of Good Corporate Governance in BUMN (August 1, 2011), the definition of Good Corporate Governance is the principles that underlie a process and mechanism for managing a company based on regulations legislation and business ethics (Ardiani et al., 2017).

There are five principles of good corporate governance (GCG) according to the National Government Committee (KNKG); transparency, accountability, independence, responsibility and fairness (Dasuki and Lestari, 2019), as follows:

1. Transparency, one of the principles of good corporate governance (GCG) is to open access to public information based on the corridor of transparency and information transparency. One of these information is accounting reports. The accounting reports made must have significant meaning, or there is no hidden information or disclosure.
2. Accountability, implementation and accountability of the management organization (company) so that the organization's management runs effectively. An organization is accountable, if the organizational elements can function optimally and are able to account for their duties and functions effectively. This condition can only occur if there is clarity of rules, duties, functions, work mechanisms, job descriptions for each organ of the organization (Priyambodo, 2012).
3. Responsibility, the implementation of the principle of accountability is marked by the success of the organization in complying with applicable laws and regulations, the organization's (company) internal regulations.
4. Independence is the state of the organization (company) being managed professionally, without conflict of interest/influence from any party that does not comply with applicable laws and regulations. In this principle of independence there is no domination from one party to another and the organization cannot be intervened by other parties.
5. Fairness, fairness and equality in fulfilling equal rights and justice can be defined as fairness and equal treatment in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations. Justice also includes clarification of investor rights, legal systems and enforcement of regulations that protect the rights of investors, particularly minority shareholders in various forms of fraud.

Cooperative Performance

Sedarmayanti (2011:11) reveals that performance is a translation of performance which means the work of a worker, a management process or an organization as a whole, where the results of the work must be shown by concrete and measurable evidence. The definition of cooperatives according to Law No. 25 of 1992 Article 1 concerning cooperatives, cooperatives are business entities consisting of one person or cooperative legal entity based on activities on the cooperative principle as well as a people's economic movement based on

the principle of kinship. Cooperative performance measurement can determine the effectiveness and efficiency of income costs, asset use, operational processes of organizational cooperative management.

Hypothesis

- H1: Transparency Affects Cooperative Performance
- H2: Accountability Affects Cooperative Performance
- H3: Responsibility Affects Cooperative Performance
- H4: Independence Affects Cooperative Performance
- H5: Fairness Affects Cooperative Performance

METHOD

This study uses a quantitative approach with non-experimental methods (no treatment/treatment or manipulation of research variables), namely research in which the variables to be measured are attached to the respondents, with data collection techniques that can be done by means of interviews, questionnaires and observations. Using an analytical tool in the form of a Structural Equation Model (SEM) program through Smart PLS software. Sample were taken based on 10 times the number of 31 items, namely 310 samples.

RESULTS AND DISCUSSION

Covergent Validity relates to the principle that the manifest variables of a construct should be highly correlated. Covergent Validity with PLS software can be seen from the loading factor for each construct indicator, as for assessing Covergent Validity the loading factor value must be more than 0.6 - 0.7, and the average extracted (AVE) must be greater than 0.5, the results obtained as follows:

Table 1. Loading Factor

Variable	Manifest Variables	Loading Factor
Transparency	X11	0.833
	X12	0.857
	X13	0.853
	X14	0.827
Accountability	X21	0.696
	X22	0.916
	X23	0.919
	X24	0.884
Responsibility	X31	0.781
	X32	0.857
	X33	0.852
	X34	0.778
Independence	X41	0.869
	X42	0.780
	X43	0.798
	X44	0.862
Fairness	X51	0.725
	X52	0.706

Variable	Manifest Variables	Loading Factor
Cooperative Performance	X53	0.909
	X54	0.912
	Y1	0.936
	Y2	0.838
	Y3	0.962
	Y4	0.883
	Y5	0.822
	Y6	0.809
	Y7	0.966
	Y8	0.965
	Y9	0.809
	Y10	0.814
	Y11	0.799

The table above provides information about the loading factor value for each manifest variable, nthe loading factor value of all indicators on the latent variable shows > 0.7, so that all indicators are declared valid and able to measure the variableappropriately.

Table 2. Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)
Transparency	0.710
Accountability	0.738
Responsibility	0.669
Independence	0.685
Fairness	0.670
Cooperative Performance	0.767

In the table above, it can be seen that the four latent variables have an AVE . valuemuch is greater than the specified value of 0.5. So that all variables are declared valid in explaining the latent variable which indicates that the use of the manifest variable meets the requirements of the AVE.

Therefore, all manifest variables are declared to have met the convergent validity requirements. Convergent validity itself is a proven validity if the scores obtained by the instrument measuring the concept or measuring the concept with different methods have a high correlation.

Discriminant Validity can be seen from the cross loading factor with the construct and the comparison of AVE with the correlation of latent variables. If the correlation of the construct with the principal measurement (each indicator) is greater than the size of the other constructs, it is said that the variable has high discriminant validity. The cross loading value is presented as follows:

Table 3. Cross Loading Factor Test Results

	Transparency	Accountability	Responsibility	Independence	Fairness	Cooperative Performance
X11	0.833	0.630	0.541	0.601	0.645	0.728
X12	0.857	0.653	0.526	0.545	0.639	0.714
X13	0.853	0.599	0.439	0.490	0.596	0.666
X14	0.827	0.664	0.540	0.538	0.598	0.692
X21	0.710	0.696	0.513	0.492	0.562	0.627
X22	0.648	0.916	0.546	0.490	0.576	0.743
X23	0.632	0.919	0.534	0.478	0.528	0.706
X24	0.612	0.884	0.515	0.436	0.514	0.674
X31	0.352	0.431	0.781	0.428	0.445	0.489
X32	0.453	0.503	0.857	0.599	0.553	0.597
X33	0.572	0.583	0.852	0.753	0.658	0.698
X34	0.573	0.473	0.778	0.690	0.745	0.643
X41	0.576	0.510	0.721	0.869	0.601	0.677
X42	0.504	0.426	0.577	0.780	0.524	0.572
X43	0.525	0.410	0.561	0.798	0.584	0.606
X44	0.536	0.477	0.687	0.862	0.695	0.688
X51	0.492	0.348	0.515	0.635	0.725	0.599
X52	0.404	0.344	0.553	0.545	0.706	0.544
X53	0.724	0.672	0.676	0.625	0.909	0.878
X54	0.720	0.628	0.687	0.609	0.912	0.839
Y1	0.787	0.759	0.710	0.721	0.820	0.936
Y10	0.726	0.674	0.594	0.637	0.721	0.838
Y11	0.807	0.792	0.725	0.732	0.847	0.962
Y2	0.740	0.691	0.696	0.653	0.901	0.883
Y3	0.653	0.624	0.661	0.635	0.762	0.822
Y4	0.642	0.620	0.624	0.658	0.706	0.809
Y5	0.808	0.786	0.713	0.725	0.853	0.966
Y6	0.806	0.789	0.721	0.734	0.851	0.965
Y7	0.664	0.662	0.590	0.628	0.674	0.809
Y8	0.700	0.669	0.606	0.657	0.709	0.814
Y9	0.651	0.643	0.582	0.635	0.734	0.799

Based on the PLS software results table above, it can be seen that the value of the correlation cross loading factor for each latent construct for the appropriate indicator is higher than for the other constructs, so it can be concluded that the indicators used to measure the latent variables have met the requirements.

The reliability test in Partial Least Square (PLS) can use two methods, namely Composite Reliability (CR) and Cronbach's Alpha, which are presented as follows:

Table 4. Composite Reliability (CR) and Cronbach's Alpha. Test Results

Variable	Cronbach's Alpha	rho_A	Composite Reliability
Transparency	0.864	0.864	0.907
Accountability	0.876	0.884	0.917
Responsibility	0.836	0.846	0.890
Independence	0.846	0.853	0.897
Fairness	0.834	0.877	0.889
Cooperative Performance	0.969	0.972	0.973

From the test results above, it can be seen that the Composite Reliability (CR) value is greater than 0.7 and the value of Cronbach's Alpha is greater than 0.6, so it can be concluded that the data is reliable which shows that all indicators have consistency in measuring each variable.

The measurement of this structural model is to test the effect of one latent variable with other latent variables. The test is carried out by looking at the path value to see whether the effect is significant or not seen from the t value of the path value (the t value can be obtained by doing bootstrapping). The following is a picture of the results of the bootstrapping carried out in this study:

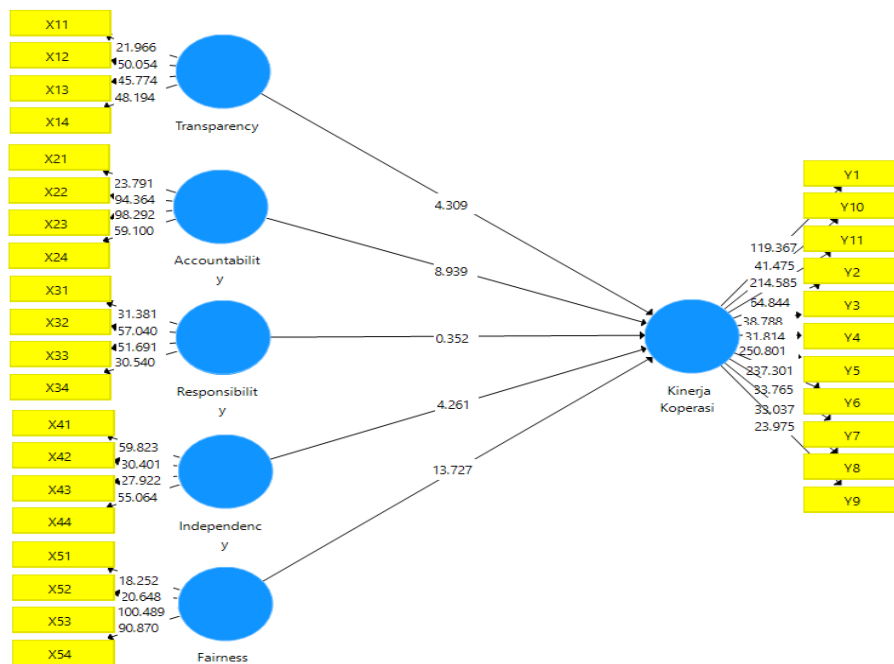


Figure 1. Bootstrapping

Q-square measures how well the observed values generated by the model and the estimated parameters are. a Q-square value greater than 0 (zero) indicates that the model has predictive relevance, while a Q-square value less than 0 (zero) indicates that the model has no predictive relevance.

Table 5. Results of R Square

	R Square
Cooperative Performance	0.915

To calculate Q2 the formula can be used, as follows:

$$Q2 = 1 - (1 - R^2)$$

$$Q2 = 1 - (1 - 0.915)$$

$$Q2 = 0.915$$

The achieved Q2 value of 0.915 means that the Q2 value above zero provides evidence that the model has Predictive Relevance.

The hypothesis in this study will be tested using path coefficient values and t values to see whether there is a significant effect or not. In addition, the results of the path significance test also show the value of the parameter coefficients (original sample). The parameter coefficient shows the significance value of the influence of each research variable.

Table 6. Path Significance Test (Path)

	Hypothesis	Original Sample	T Statistics	P Values	Conclusion
H1	Transparency -> Cooperative Performance	0.152	4.309	0.000	Received
H2	Accountability -> Cooperative Performance	0.299	8.939	0.000	Received
H3	Responsibility -> Cooperative Performance	-0.010	0.352	0.725	Rejected
H4	Independence -> Cooperative Performance	0.166	4.261	0.000	Received
H5	Fairness -> Cooperative Performance	0.479	13,727	0.000	Received

In this study, researchers used a 95% confidence level because according to Indrawati (2015), business research usually uses a 95% confidence level. The path coefficient score indicated by the T-Statistic value must be above 1.65 for the one-tailed hypothesis.

Based on the Path Coefficient and T-Statistics in the table above, the following conclusions can be drawn:

1. Transparency has a significant effect on Cooperative Performance.
2. Accountability has a significant effect on Cooperative Performance.
3. Responsibility does not have a significant effect on Cooperative Performance.
4. Independence has a significant effect on Cooperative Performance.
5. Fairness has a significant effect on Cooperative Performance.

The calculation results show that Transparency have a significant effect on Cooperative Performance. The results of this study are in line with research conducted by Thrikawala (2013), Mwanja et al. (2014) which states that Transparency is an important part of Cooperative Performance. According to Thrikawala (2013), Good corporate governance has been noted to be even more important because of the demand for transparency and accountability of funds used in financial activities, solid governance to minimize the possibility of managing failures that could jeopardize the effective implementation of funds received from the government.

The calculation results show that Accountability have a significant effect on Cooperative Performance. The results of this study are in line with the results of research conducted by Darmawansyah (2013), Susianto (2015), Setyawatii (2012), that the existence of the principle of accountability in the company allows effective supervision of every company activity and is more controlled so that organizational performance is more coordinated and more efficient. efficient. The achievement of cooperative performance is facilitated by the coordination created from the principle of accountability, thus the performance of cooperatives will also increase.

The calculation results show that no responsibility have a significant effect on Cooperative Performance. The results of this study are not in line with research conducted by Rahmatika, et al., (2015) showing the results that the principle of responsibility affects financial performance

The calculation results show that Independence have a significant effect on Cooperative Performance. This is not in line with the research conducted by Rahmatika et al (2014), Pradnyaswari et al (2016) found that independence has a positive effect on financial performance. Freedom to manage the company without conflict of interest from other parties is important to consider in an effort to improve performance and ensure that the company has acted objectively (Pradnyaswari et al., 2016).

The calculation results show that Fairness has a positive and significant influence on Cooperative Performance. The results of this study are in line with research from Ilyas and Rafiq (2012) who found research results that showed a significant positive effect Fairness on the performance of the Cooperative. Fairness is justice and equality in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations (Pradnyaswari et al., 2016).

The effect of the variable transparency, accountability. Responsibility, independence and fairness on the performance of cooperatives from the results of this study concluded that simultaneously (together) that Good Cooperative Governance (GCG) which consists of the variables of transparency, accountability. Responsibility, independence and fairness have a significant positive effect on cooperative performance. This means that the better in implementing GCG, the better the performance of the cooperative will be. Cooperative performance or organizational performance is the level of achievement or organizational results from targets to be achieved or tasks to be carried out within a certain period of time. The results of this work can be increased supported by the implementation of GCG which consists of the principles of transparency, accountability. responsibility,

CONCLUSION

Based on the results of the analysis and discussion that have been carried out previously, the conclusions in this study are (1) Transparency has a significant effect on Cooperative Performance; (2) Accountability has a significant effect on Cooperative Performance; (3) Responsibility does not have a significant effect on Cooperative Performance; (4) Independence has a significant effect on Cooperative Performance; (5) Fairness has a significant effect on Cooperative Performance.

The implementing level of cooperatives, especially the Cooperatives Service and Cooperative Division throughout the country to implement the policies prepared by the Ministry of Cooperatives. To hold a National Cooperative Training Center and its branches throughout West Java. Garr cooperatives can practice good governance, so that they can improve the performance of cooperatives which ultimately saves management time, money and energy; and finally achieve the vision, mission, goals and objectives.

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