

Analysis Of Good Governance Practice On Village Units Cooperative

Muliyadi¹, Titiek Herwanti², Budi Santoso³

¹Master of Accounting, Faculty of Economics and Business, University of Mataram, Mataram, Indonesia

^{2,3}Faculty of Economics and Business, University of Mataram, Mataram, Indonesia

¹ediyam@gmail.com, ²titiekherwanti2@gmail.com, ³hebato@yahoo.com

ABSTRACT

This study aims to analyze the good governance practices on The Village Unit Cooperative of Utama Depan Pancor. The research approach used in this research is a qualitative approach with case studies. In-depth interviews with informants obtained Data and information were and the determination of critical informants using the purposive sampling technique. The data analysis technique used is an interactive model that classifies data analysis in three steps: data reduction, data presentation, and conclusion drawing. The results show that implementing good governance consists of five basic principles: transparency, accountability, responsibility, independence, and fairness related to institutional aspects, business, and financial management at The Village Unit Cooperative of Utama Depan Pancor has not been fully implemented properly yet. For this reason, in the future, The Village Unit Cooperative of Utama Depan Pancor must guide and practice good governance so that the cooperative becomes healthy and can prosper its members.

Keywords: Analysis, Good Governance, Practices; Village Unit Cooperative

INTRODUCTION

Since Indonesia's independence, the founders of this country, such as Moh Hatta, launched a cooperative economic system for the Indonesian people, stated cooperatives' importance as the pillars of the national economy, and made cooperatives an inseparable part of the national financial system. It is as stated in the 1945 Constitution article thirty-three (33) paragraph one (1), which reads: "The economy structure as a joint effort based on the principle of kinship." The form of the family-based economy summarizes in a cooperative forum (Fidausy, 2018). The affirmation of cooperatives based on kinship as stated in Law number 25 of 1992 Article one (1) paragraph one (1) Cooperatives are business entities consisting of individuals or cooperative legal entities based on their activities based on cooperative principles as well as a people's economic movement that based on cooperative principles—Based on family principles. By paying attention to the position of cooperatives as mentioned above, the role of cooperatives is critical in growing and developing the economic potential of the people and in realizing the life of economic democracy. However, empirical conditions reveal that many cooperatives in Indonesia cannot prosper their members, even though many have failed to disband themselves (www.ppid.kemenkopukm.go.id, 2020)

One form of combined business entity that has contributed greatly and played an active role in national economic development is the Village Unit Cooperative (VUC). In the early years of the formation of the Village Unit Cooperative, its development was very rapid. The presence of the Village Unit Cooperative was able to answer the economic problems of the village community. It was inseparable from the government's strategy to generate self-reliance of village communities to participate in developing and improving their standard of living. The Village Unit Cooperatives in

the 1980s and 1990s became an inseparable part of the village community, such as paying for electricity, procuring fertilizers, agricultural production facilities, and various other community needs. (Kud.co.id, 2019). One of the Village Unit Cooperatives that are successful in improving the welfare of its members through increasing the income of cooperative members is The Village Unit Cooperative of Saroha Nauli. Saroha Nauli plays a role in increasing the income of its members. The community is increasingly abandoning the Village Unit Cooperative due to a lack of competitiveness. The rapid expansion of modern businesses has had a significant impact on traditional businesses, including Village Unit Cooperatives, because of how many weaknesses the Village Unit Cooperatives face against modern businesses, including limited resources (namely, finance and infrastructure), low levels of education of employees and managers, managerial style traditional, and so on (Riswan et al., 2017)

In East Lombok Regency, one of the cooperatives that have triumphed is the Pancor Front Main Village Unit Cooperative, founded in 1974. Even in the 1980s, it held the title as one of the Core Independent Village Unit Cooperatives in East Lombok Regency, to be precise in 1989. Cooperatives At that time, Pancor's Main Front Village Unit was able to act as a center for education, development, and growth for other cooperatives in East Lombok Regency with the high active participation of cooperative members with the number of members reaching 4,000 people. However, the triumph of the Village Unit Cooperative seems to have collapsed after the economic crisis and reforms in 1998. One by one, the business fields of Village Unit Cooperative of Utama Depan Pancor began to fall, leaving only Saprodil services (production facilities), electricity payments, and rental services that existed until now. It is further exacerbated by the number of inactive members from year to year that continues to grow, recorded as of December 31, 2020, only 355 active members or 9.93%, while inactive members (not paying mandatory savings) reached 3,487 people. Members of 90.07% of the total members of 3,842 members (2020 AMM Report). In the financial aspect, it recorded that in 2020 the receivables of VUC and members were Rp. 2,079,030,312; or 69.66% of the total assets of the cooperative (Rp. 2,984,485,956;) fall into the category of bad loans or cannot be returned by members. Likewise, the operating profit or the remaining operating results (ROS) of the cooperative, from year to year, has decreased, recorded in 2020, the ROS obtained was only Rp. 25,831,504; This figure is far from the ideal number of total assets owned, where the value of the Return on Assets Ratio is only 0.86%. This figure shows the low ability of cooperatives to generate profits from their assets (assets) and is far from the set average standard of 5.98% (Lukviarman, 2016). These problems are alleged because The Village Unit Cooperative of Utama Depan Pancor cannot compete, and there are governance problems.

Study of Shamsuddin et al. (2019) states that governance plays a role in influencing the performance of cooperatives, meaning that cooperatives that practice good management will impact the sound financial performance of cooperatives. Cooperatives that do not follow and practice generally accepted governance principles such as transparency, accountability, responsibility, independence, and fairness are indicated to be one of the factors causing the poor performance of cooperatives because good and effective governance helps improve the financial performance and sustainability of cooperatives. (Huang et al., 2015). The results of research conducted by Susianto & Suyanto (2014) entitled Empirical Evidence of the Application of Good Cooperative Governance Principles on Cooperative Performance in Sukabumi. The results of his study indicate that accountability, transparency, responsibility, and fairness significantly affect the performance of cooperatives. Research conducted by Heroes & Princesses (2018) entitled The Influence of the Implementation of GCG Principles and Risk Management on the Financial Performance of Cooperatives in Gianyar Regency. The results of this study indicate that the principles of Good Corporate Governance (transparency, accountability, responsibility, independence, and fairness) positively affect the financial performance of cooperatives in the Gianyar Regency. Evi Marlina (2019) also conveyed the same thing, entitled The Effect of Good Cooperative Governance on Cooperative Performance in Pekanbaru City, Riau. This study shows that good governance, namely

transparency, accountability, responsibility, independence, and fairness, positively influences the performance of cooperatives.

Good governance is needed to improve the performance and value of the company but to avoid asymmetrical relationships between owners and managers following agency theory. (Triuwono, 2018). Agency theory is a relationship based on contracts that occur between members in the company, namely between the owner as of the principal and the manager as the agent. (Kholis, 2014). Agency theory is the basis used to understand corporate governance. In agency theory explaining the difference in the information held between principals and agents creates an unbalanced condition called information asymmetry. Therefore, a concept of good corporate governance is needed, which aims to make the company healthy. (Hamdani, 2016). Cooperatives to be beneficial and ensure their sustainability must also pay attention to their stakeholders by paying attention to business models that follow stakeholders' interests for the sustainability of the business. (Freudenreich et al., 2020). More according to Moses et al. (2016), it has been empirically proven that the participation of cooperative members has a positive and significant effect on the business performance of the collective itself. According to Ulum (2017), Organizational management is expected to do things necessary to their stakeholders and report these activities to stakeholders. The company is not an entity that only operates for its own sake but must pay attention to the interests and benefit all its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts, and others). Based on the stakeholder theory, cooperative management is not only responsible to members. Still, it must also pay attention to the interests of other stakeholders such as the government, customers, and the community as the cooperative's goal is to prosper its members and prosper the community.

The implementation of good governance is significant to improve the performance and sustainability of cooperatives in the future and be able to get out of the various problems that are currently being experienced. For this reason, current cooperatives, especially Village Unit Cooperatives, need to assess the practice of implementing sound governance principles such as transparency, accountability, responsibility, independence, and fairness to provide an overview. Collaborative governance practices that are currently practiced can be used as internal evaluation materials for the future improvement of cooperatives.

This research is a development of several previous studies, such as research conducted by Iskandar (2015) entitled Analysis of the Implementation of the Principles of Good Corporate Governance and Internal Control. The study results show that, in general, the application of the principles of Good Corporate Governance by Kopwan Setia Bhakti Wanita has been maximally successful. However, the limitations of this study are that the researchers only conducted interviews with three sources. Namely, Public Relations, who concurrently served as Human Resources Development (HRD), Supervisors and Field Extension Officers (PPL), did not involve administrators and conducted on cooperatives which became one of the pilot cooperatives engaged in this research. Exist in Indonesia.

Atiqah (2017), indicate that the implementation of corporate governance at Bina Ummat Sejahtera has not been optimal. This study does not use the general guidelines for good corporate management in Indonesia issued by the 2006 National Committee on Governance Policy, which consist of five basic principles, namely; transparency, accountability, responsibility, independence,

Soebijono et al. (2017), shows that the principles of transparency, independence, accountability, responsibility, fairness, and equality are well implemented in the Employee Cooperative in Surabaya. This research is descriptive-analytic, and data collection is done through interviews with administrators and distributing questionnaires to members. The conclusion of this study is based on the calculation of the questionnaire with an index value. The limitation of this study is that most of the data were obtained from questionnaires, not through in-depth interviews.

Yusma et al. (2021), aims to understand the factors constraining cooperative governance in East Lombok Regency and to understand how to develop joint control in East Lombok Regency.

This study indicates that the constraint factors of cooperative governance are the management in the collective itself because the board or management is one of the main factors that become obstacles in the development of collaborative governance. Meanwhile, to build cooperative control, what is needed is potential, human resources management, honesty, and capital.

Many studies related to the practice of good governance in corporations and cooperatives have been carried out. Still, research specifically on Village Unit Cooperatives has not been widely carried out even though the phenomenon of Village Unit Cooperatives has been one of the institutions that cannot be separated from the economic activities of rural communities and are used by the government in driving the national economy. At the village level. However, currently, many Village Unit Cooperatives cannot compete and prosper their members and even disband on their own. Therefore, it is essential to analyze the practice of good governance in cooperatives to assess the extent to which cooperatives apply the principles of good management so that cooperatives can take corrective steps to realize the goals of the cooperative itself. Research related to the analysis of the implementation of good governance in cooperatives has been widely studied. Still, some respondents do not represent all communal organs, such as administrators, supervisors, managers, and members. In addition, this study uses the principles of good governance issued by the 2006 National Committee on Governance Policy. This research was conducted at the Village Unit Cooperative, which is the difference between this study and previous research.

METHODS

The research approach used in this research is a qualitative approach with a case study. The case study is a series of scientific activities carried out intensively, in detail, and in-depth about a program, event, and action, either at the individual level, a group of people, institutions, or organizations, to gain in-depth knowledge about the event (Rahardjo, 2017). Case study research is intended to study intensively the background of the problem, the situation and position of an event that is currently taking place, and the environmental interactions of specific social units that are as they are. (Gunawan Imam, 2015). The reason for using this case study is because case study research allows researchers to collect detailed information that includes the dimensions of a particular case.

In this study, the researcher acts as an instrument and a data collector; therefore, the researcher's presence is necessary. The researcher's role as a full participant and the researcher's company is known to his status as a researcher by the subject or informant (Arikunto, 2011). The information in this study was obtained through in-depth interviews with informants who were used as resource persons. Determining key informants is done using the purposive sampling technique. The selected informants understand, are directly involved, and can provide information about the research topic not to be determined randomly. In contrast, reports that the informants have not entirely obtained will decide to use the Snowball method until the data and information obtained are complete or confirmed (Fitrah & Lutfiyah, 2017).

Data analysis in this study refers to qualitative data techniques, including those described by Miles and Huberman in Sugiyono (2012), which explains that qualitative data analysis activities are carried out continuously at each stage of the research to obtain the data are complete and until they are saturated. Although according to Creswell (2015), qualitative research generally uses general procedures and special steps in data analysis, the ideal way is to mix available courses with specific data analysis measures. The data analysis technique used in this study refers to the concept of miles & Huberman (1992), namely the interactive model that classifies data analysis in three steps, namely: data reduction (data reduction), data presentation (data display), and concluding (verification). The data reduction results are processed so that complete information is obtained continuously, and then the data is presented, then finished, and verified (Rijali & Antasari, 2018).

RESULTS AND DISCUSSION

The Village Unit Cooperative of Utama Depan Pancor is a cooperative which in 1989 was named one of the Mandiri Core Village Unit Cooperatives. This cooperative can act as a center for education, development, and growth for other cooperatives in East Lombok Regency with a membership of 4,000 people. Before 1982 the Pancor Front Main Village Unit Cooperative was named the Pancor Community Multipurpose Cooperative, which was established in 1961 and 1982 changed its name through amendments to the articles of association on March 10, 1994. The background for establishing this cooperative was that the initiators/founders wanted to provide solutions to some of the problems faced by farmers at that time by providing production, processing, and marketing facilities for farmers' products. There are five organ elements in the Pancor Front Main Village Unit Cooperative, namely the meeting of members, administrators, supervisors, advisory/supervisory boards, and managers. Pancor's Main Front Village Unit Cooperatives are production inputs, electricity billing services, and rental services. The financial position of the 2020 period, as reported by the 46th Annual Members' Meeting (AMM), which was held on March 20, 2021, the cooperative's assets amounted to Rp. 2,984,485,956; cooperative debt of Rp. 2,048,268,477 and cooperative capital of Rp. 766,549,239.

The practice of implementing good governance consists of five basic principles, namely, transparency, accountability, responsibility, independence, and fairness. Unfortunately, The Village Unit Cooperative of Utama Depan Pancor has not been fully implemented correctly, as described below.

The principle of transparency contains the disclosure of timely and accurate information on all matters relating to cooperatives, including the financial condition, performance, membership, and governance. Based on the results of the author's interview regarding whether cooperatives provide information in a timely, adequate, precise, accurate, comparable manner, and easily accessible to stakeholders following their rights. It found that the practice of information disclosure in cooperatives through Annual Member Meeting (AMM) is carried out at least once a year in the form of a AMM report. The AMM report gave five days before the implementation of the AMM at the Pre AMM event, which was attended by administrators, supervisors, coaches, and several members of the cooperative. During the AMM implementation, not all cooperative members were invited to participate in and not all AMM participants who attended were given the report, as stated by informant P1: "Usually we give the report five days before we give the AMM. The term is Pre AMM, which is attended by administrators, supervisors, coaches, and several cooperative members. Reports in the form of books in which there are financial statements in the form of balance sheets and accountability reports in the main VUC in front of this. So when he arrived on Sunday, that's where the big meeting took place. In principle, all members have rights, but in practice, when AMM is not invited, not all are invited.

"The same thing was conveyed by informant P5 that the AMM report was given during the AMM and not all AMM participants who attended were given the AMM report: "The report was given at the AMM location, before the AMM there were administrators who gathered, invited the elders in the Pre AMM event. Even though we are present at AMM, not all AMM reports are distributed because the number is limited."

Not all members who were invited during the AMM and not all AMM participants who attended were given a report. The AMM report received by the members during the AMM violated the principle of information disclosure, where all members have the same rights to attend the AMM and obtain information. It is also inconsistent with Minister of Cooperatives Regulation Number 19 of 2015 concerning Cooperative Member Meetings Article 11 paragraph 4 point h which states that:

invitations and agendas, rules of the Member Meeting, book of accountability reports for management and supervisors, and work plans for management and supervisors which must be received by participants no later than seven days before the date of the Membership Meeting. Regarding not all members are invited at the time of AMM is also not in accordance with Permenkop Number 19 of 2015 Article 4 paragraph 3, which states that:

"The primary cooperative Member Meeting must be attended by members who are registered in the list of members and each member has one voting right, and his presence cannot be represented." It is also like articles of Association of The Village Unit Cooperative of Utama Depan Pancor Article 9 paragraph 2 which states that: "every member has the right to attend meetings, express opinions, and vote at the Members' Meetings."

Information revealed by Village Unit Cooperative Main Home Pancor is limited to financial statements consisting of: Balance Sheet, Profit/Loss and explanation of balance sheet items, inventory list, list of SHU distributions, list of member savings, reports on results of inspections by supervisory bodies and work plans, Revenue Budget Plan and Shopping) next year (AMM Report, 2020). The report presented follows the mandate in Law No. 25 of 1992 concerning Cooperatives Article 35. However, if referring to the Good Corporate Governance Principles contained in the General Guidelines for GCG issued by the National Committee on Governance Policy in 2006, there is some information that has not been disclosed, including vision, mission, business goals, and strategies of cooperatives, risk management system, a system of supervision and internal control, system and implementation of good governance and level of compliance.

The report presented by the management was assessed by supervisors and cooperative members as not easy to understand, as was conveyed by the P3 informant:

"In terms of easy understanding, Partama is rather difficult to understand, the first one. Why? It's because our reporting pattern still follows the strict rules of the game, which we can't understand quickly, let alone the members. It means that there are rules. For example, there are liabilities, such terms, people don't understand."

Then there is the value of the goods, the depreciation value is all there, so if you read it there is no authentic picture of the facts, so in my opinion, it doesn't describe it because in the RAT book it must be arranged according to the rules. So if we want details, we have to look at the primary ledger, and what books are there, then we will see. But it can't be exposed. It's internal to check.

Members also conveyed that the reports presented were not understood as represented by informant P5: "I don't understand what the numbers in the AMM report mean."

The principle of openness adopted by The Village Unit Cooperative of Utama Depan Pancor does not reduce the obligation to comply with cooperative secrecy following statutory regulations, job secrecy, and personal rights even though this is not contained in the articles of association and rules. In other words, The Village Unit Cooperative of Utama Depan Pancor practices and owns information that is excluded from being disclosed to the public even though it is not regulated in writing.

As stated by informant P1, "there is no written statement. We do not dare to convey the model of a business that is personal or principle in nature."

Based on the description above, the implementation of the principle of transparency in The Village Unit Cooperative of Utama Depan Pancor has not been fully implemented because not all cooperative members are invited during the AMM, and not all AMM participants present are given a report. The AMM report by members is received during the AMM. Although The Village Unit Cooperative of Utama Depan Pancor has presented financial statements following the Cooperative Law, however, if it refers to the Good Corporate Governance Principles contained in the General Guidelines for Good Corporate Governance issued by the National Committee on Governance Policy in 2006, there is some information that has not been disclosed including vision, mission, business objectives, and strategies of the cooperative, risk management system, internal control and supervision system, system and implementation of good governance as well as the level of compliance.

The principle of accountability includes accountability for performance transparently and fairly by each element of governance in the cooperative. For this reason, cooperatives must be managed correctly, measurably, and following the interests of the cooperative while taking into account the interests of members and other stakeholders.

Based on the results of the author's interview, The Village Unit Cooperative of Utama Depan Pancor implement the principle of accountability with the division of authority, duties, and responsibilities of each cooperative organ is only regulated in the articles of association, as conveyed by informant P2: "related to the duties of the chairman, secretary, treasurer, and manager. used to be contained in the cooperative's articles of association."

To ensure that all cooperative organs and all managers have the ability according to their duties, responsibilities, and roles, Village Unit Cooperative Utama Home Pancor stipulates the criteria to become collaborative management and supervisor, including being a member of a cooperative for at least two years, having a good track record, being honest, well-behaved, having the ability and skills to manage a collective, having no family relationship with other administrators, supervisors, and managers and not being become a manager or supervisor in another cooperative. Although related to the criteria for becoming administrators and supervisors, this is not further regulated in the regulations or cooperative decisions, only contained in the Articles of Association Village Unit Cooperative Main Front Pancor.

Cooperatives' performance can improve by appointing professionals as managers in carrying out cooperative business. For this reason, cooperatives must have a professional recruitment system for managers.

The Village Unit Cooperative of Utama Depan Pancor's manager recruitment is not done openly (limited) and is determined by the cooperative management as conveyed by informant P2: "In the meantime, not everyone knows about recruitment, due to conditions. If he pulls the manager, we will hand over the contract and have, but we are not capable at this time."

Village Unit Cooperative Utama Home Pancor does not have an internal control system document in managing cooperatives. Control is carried out naturally and follows the practices that have been running by itself. Performance measures for all cooperatives are seen from the achievement of the remaining operating results (ROS) determined in the REBP.

This performance measure is practiced and applies even though it is not regulated in cooperative regulations or decisions as conveyed by informant P2: "This

performance measure is not written but applies only, this will be seen in the RAT book, for example, last year's food business, so many years this year, so compared."

This time Village Unit Cooperative Utama Home Pancor also does not have a reward and punishment system and business ethics documents and code of conduct. As stated by informant P4: "The reward system when we were still victorious existed. Let alone being the manager here, the head of the corporate group in the field who supervises the members if they help us a lot, we give awards. After all, we do the work. But, for now, we don't have and implement the document."

Based on the description above, implementing the principle of accountability in Village Unit Cooperative Utama Home Pancor has not yet been fully implemented. However, the details of the duties and responsibilities of each cooperative organ and manager are regulated in the articles of association. In fulfilling the human management resources, the recruitment of managers is not carried out openly, cooperatives do not have internal control system documents in managing cooperatives, and currently, this Village Unit Cooperative of Utama Depan Pancor does not have a reward and punishment system as well as business ethics documents and code of conduct. However, in carrying out their duties and responsibilities more technically, each cooperative organ and manager adheres to the habits that have been practiced so far.

The principle of responsibility includes the obligation of cooperatives to comply with laws and regulations and carry out their duties to the community and the environment so that long-term business continuity can be maintained. Based on the results of interviews with The Village Unit Cooperative of Utama Depan Pancor authors regarding the cooperative's compliance with laws and regulations, the articles of association, and cooperative rules, the business being carried out is currently following the Cooperative's Articles Association. Still, it is related to the capitalist system where the cooperative's capital comes from the principal and mandatory savings. As stipulated in Law 25 of 1992 Article 41 paragraph 1, Cooperative Capital consists of its capital and loan capital. Furthermore, in paragraph 2, it is explained that own money can come from principal savings, mandatory savings, reserve funds, and grants. In practice, the Village Unit Cooperative of Utama Depan Pancor collects members' mandatory savings from the ROS so that ROS is not accepted by members as stated by informant P2:

"We return the ROS for these members every year to mandatory savings. Even though the stipulation is that in addition to issuing basic savings as members, we are also obliged to save mandatory savings, but we cannot do that."

This practice contradicts "We return the ROS for this member every year to mandatory savings. Even though the stipulation is that in addition to issuing basic savings as members, we are also obliged to save mandatory savings, but we cannot do that."

This practice contradicts "We return the ROS for this member every year to mandatory savings. Even though the stipulation is that in addition to issuing basic savings as members, we are also obliged to save mandatory savings, but we cannot do that."

This practice contradicts Minister of Cooperatives Regulation 09 of 2018 concerning the Organization and Development of Cooperatives Article 108 paragraph 4 states that: "Compulsory deposits are an amount of money that must be paid by members to

cooperatives, within a certain time or opportunity whose value and payment mechanism are regulated in the Cooperative's Articles of Association."

Meanwhile, in the Articles of Association of the Pancor Front Main Village Unit Cooperative, it is not regulated regarding the amount and time of payment of the mandatory savings. In the Articles of Association of the Pancor Front Main Village Unit Cooperative, it is only regulated regarding the obligation of members to pay principal savings and mandatory savings as stated in article 9 paragraph 1, which states that: "Each member should pay principal savings and mandatory savings."

The practice of appointing managers by the Village Unit Cooperative of Utama Depan Pancor management is not based on an engagement (contract) as stated by informant P4: "There is no engagement or some contract, there used to be, but now there is no."

A funny thing was conveyed by informant P2: "Actually, if he pulls the manager, we will hand over the contract and have a guarantee, but we can't afford it at this time."

This practice that is not based on an engagement (contract) is not following Law 25 of 1992 Article 33, which states that: "The relationship between the business manager as referred to in Article 32 and the cooperative management is a working relationship based on an engagement.

It is also regulated in the Articles of Association of the Pancor Front Main Village Unit Cooperative Article 34 paragraph 4 which states that:

"Furthermore, the cooperative's business activities follow the articles of association. Still, over time the cooperative's business is partly not heeding the needs of members as conveyed by informant P2: "If the articles of association has worked. Now, this is what has not been connected between members' understanding, not only now but From the first example, we have a guide, why can't we use it, why are we looking for other entrepreneurs."

The same thing was conveyed by the P3 informant: "some of the current cooperative efforts are not suitable, and there is very little use by members. Furthermore, it was conveyed by a member of the cooperative that the business of The Village Unit Cooperative of Utama Depan Pancor is currently not following its economic activities as conveyed by informant P2: "Back then, when we were farmers, we bought fertilizer there, now there are no (rice fields) so we no longer have to deal with cooperatives. Therefore, the Cooperative Business of the Village Unit Cooperative of Utama Depan Pancor, which is currently being run partially, does not meet the needs of members, contrary to the spirit of Law 25 of 1992 Article 43 paragraph 1, which states that: "Cooperative business is a business that is directly related to the interests of members to improve business and welfare. member."

The Village Unit Cooperative of Utama Depan Pancor commitment in carrying out social responsibility is reflected in the articles of association, which is budgeted at 2.5% of the ROS as Social Funds. However, the inclusion of 2.5% of ROS as Social Funds is not included in the Work Plan and REBP (Revenue and Expenditure Budget Plan) and the accountability report of the allocation of these funds in the AMM report.

Based on the description above, the implementation of the principle of responsibility in Village Unit Cooperative Utama Home Pancor there are still some practices that are contrary to the applicable laws and regulations, such as cooperative businesses, some of which are not following the needs of members and members' economic activities, in the Articles of Association Village Unit Cooperative Utama Home Pancor does not regulate the amount and time of payment of mandatory savings, the appointment of managers by the management of the Village Unit Cooperative of Utama

Depan Pancor is not based on an engagement (contract). Therefore, the implementation of collective social responsibility is not included in the Work Plan, and REBP (Revenue and Expenditure Budget Plan) and the accountability report for the allocation of funds in the AMM report are not disclosed.

The principle of independence must facilitate the implementation of the principles of good governance. Cooperatives must be managed independently so that each cooperative organ does not dominate and cannot be intervened by other parties. Based on the author's interview results, the management of the Village Unit Cooperative of Utama Depan Pancor is carried out objectively and independently. However, there are no written rules regarding active involvement in political parties. There are no marital ties between fellow administrators and supervisors, including cooperative managers, as conveyed by informant P2: "In our cooperative, the administrators and supervisors are not allowed to engage in politics because it will interfere with our work in the cooperative."

The P3 informant also conveyed the same thing: "We are all independent even though there are no written provisions in our cooperative, but the point is that we are independent, we must not be independent." Each cooperative organ in the Village Unit Cooperative of Utama Depan Pancor related functions and duties is regulated in the articles of association but is not further held in the communal regulations or decisions so that the duties, responsibilities, and authorities of each cooperative organ will be more straightforward as stated. by informant P3: "Ideally, cooperatives should have more detailed regulations like that, but now how can it be ideal if everything that is done is not clear. Ideally, what manager, what cashier, but now it's not clear because all of them are dysfunctional."

Based on the description above, implementing the principle of independence in the Main Front Village Unit Cooperative of Utama Depan Pancor has been practiced even though there are no written rules regarding active involvement in political parties and there is no marital bond between fellow administrators and supervisors, including cooperative managers. Each suitable organ Village Unit Cooperative of Utama Depan Pancor related functions and duties are regulated in the articles of association. Still, they are not held further in detail in the regulations or collective decisions so that each cooperative organ's duties, responsibilities, and authorities will be more straightforward and do not interfere with each other and interfere with each other.

Principles of Fairness and Equality Cooperatives must always pay attention to members' interests as shareholders and other stakeholders based on the principles of fairness and equality. Based on the results of interviews with the authors of The Village Unit Cooperative of Utama Depan Pancor, the application of the principle of equality by providing opportunities for stakeholders to provide input and express opinions for the benefit of the cooperative as well as open access to information following the direction of transparency is carried out through the mechanism of the Annual Membership Meeting (AMM) which is held a year. Once with the management's accountability report agenda related to institutions, organizations, and cooperative businesses. Report on the results of the supervision of the supervisory body and discuss the work plan and REBP (Revenue and Expenditure Budget) of the suitable for the following year. However, before AMM is carried out, Pre AMM activities are carried out, Pre AMM is carried out to prepare for AMM. Pre- AMM participants were invited were group administrators and delegates with a plan to narrow down and provide an overview that would be discussed when the AMM was held. The Pre AMM also discusses if there are ideas and ideas, problems that need to be explicitly resolved are carried out during the Pre AMM so that the AMM itself is ceremonial because the principal and detailed matters have been discussed together by the management, supervisors, member representatives, and leaders. Figures in the cooperative at the time of Pre AMM. However, the management's suggestion suggestions and input from members while the AMM is still being

discussed and decided together as conveyed by informant P2: "All forms of the program are offered back to members and then resolved by deliberation if they agree that it will be a joint decision so that nothing becomes a problem in the future."

The same thing was conveyed by informant P3: "final decision making is through AMM, AMM is where LPJ reports on the accountability of the management, but previously there was such a thing as Pre AMM. The pre- AMM was carried out to the AMM that was invited at that time. The admin, instructors, and group delegates give an overview of what will be discussed or mentioned in tomorrow's AMM so that the AMM that is carried out is not too long. So many people already know. Like before, if there is an idea, there is something that needs to be released specifically. Specifically does during the Pre AMM, so at the AMM it is more ceremonial so that we have it at the Pre AMM."

From the above practice, the existence of Pre AMM, which discusses in detail the AMM report and cooperative programs for the following year attended by a small number of members, is contrary to the principle of equality because most members do not receive the same information because they are not involved in the Pre AMM event. In implementing the principle of equality at the Annual Members Meeting (AMM), the cooperative management conveyed that the Village Unit Cooperative of Utama Depan Pancor provided equal and fair treatment to stakeholders, especially cooperative members, including attending the highest appropriate forum namely AMM. Still, due to limitations, not all members were able to participate in.

The AMM forum so that the AMM is attended by members in turn as conveyed by informant P2: "All members are entitled and given the widest opportunity, but not all of our members are present at the AMM, we take turns, this year, for example, we take 100, next year those who are not present. so we consider those who are present as representatives."

A P3 informant conveyed the same thing regarding not all members being invited to attend the AMM event. "Like yesterday's AMM, a maximum of 50, yes, we arrange it sometimes in the rotation this year, this year, we were not invited, it depends on the situation." Furthermore furthermore, in the implementation of the AMM, not all members who were present at the time of the AMM received a copy of the AMM report in the form of a book due to limitations as conveyed by the informant P2: "Look, so we put everything in the form of a AMM book, we print this book and then distribute it."

In addition to the AMM forum, the management of The Village Unit Cooperative of Utama Depan Pancor also continues to provide opportunities for stakeholders to provide input and express opinions related to cooperatives even though cooperatives do not have a unique mechanism or system connected to the procedures for submitting ideas and suggestions as well as requests for information about cooperatives. As stated by informant P2: "If there is input or need information, it can be conveyed through the management, that is the existing system, and there is no written arrangement."

Furthermore, in recruiting employees of the Village Unit Cooperative of Utama Depan Pancor, Pancor has not provided equal opportunities in employee recruitment. As a result, recruitment of employees is not carried out openly or widely informed, but the determination of employees is based on limited deliberations of the management. As stated by informant P2: "For

now, we are providing limited information regarding employee recruitment because of the conditions."

Based on the description above, the implementation of fairness and equality in Village Unit Cooperative Utama Home Pancor has not been fully implemented. However, in direction, cooperatives provide equal and fair treatment to stakeholders, especially cooperative members, including attending the highest collaborative forum, namely AMM, due to limitations not all members can attend the AMM forum so that the AMM is attended by members alternately and not all members who were present at the time of the AMM received a copy of the AMM report in the form of a book. Furthermore, in recruiting employees, Village Unit Cooperative of Utama Depan Pancor has not provided equal opportunities in employee recruitment. Recruitment of employees is not carried out openly or widely informed, but the determination of employees is based on limited deliberations of the management.

Based on field findings related to governance practices consisting of transparency, accountability, responsibility, independence, and fairness, it has implications for the development. It supports agency theory stated by Jensen & Meckling, 1976 in Ujjiyantho & Scouts (2007), namely agency relationship as a contract in which one or more (principals) hire another person (agent) to perform some services on their behalf by delegating some decision-making authority to agents. In a cooperative, there is an agency relationship between the members of the collective and the management. This agency relationship can be seen from the joint members as the principal and the administrator as the agent. The principal (cooperative member) gives regulatory authority to the agent (suitable manager) and provides resources to the agent (appropriate manager) through the Member's Meeting. The agent's responsibility for the given authority is to provide an accountability report to the principal. The management, which acts as an agent with members as principals, has been asymmetry of information between cooperative members (principals) and administrators (agents). Managers (agents) have access to more information than members of cooperatives (principals). The administrators as agents do not fully practice the concept of good cooperative governance, which aims to make cooperatives healthy.

In addition, based on the results of the analysis of governance practices in Village Unit Cooperative of Utama Depan Pancor has implications for stakeholder theory where the results of this study are in line with the stakeholder theory stated by Freeman (2015), namely the company is not an entity that only operates for its interests but must provide benefits to its stakeholders. Thus, the existence of a company is strongly influenced by the support provided by stakeholders to the company so that the company's survival depends on the support of stakeholders. The basic premise of stakeholder theory is that the stronger the corporate relationship, the better the corporate business will be. On the other hand, the worse the corporate relationship, the more difficult it will be (Totok Mardikanto, 2014).

CONCLUSION

The practice of implementing good governance consists of five (5) basic principles, namely; transparency, accountability, responsibility, independence, and fairness in the Village Unit Cooperative of Utama Depan Pancor has not been fully implemented properly. Information related to cooperatives' financial position, performance, and institutional development cannot be accessed by all cooperative members and cooperative members as shareholders do not have the same opportunity to be able to attend the highest decision-making forum in cooperatives, namely Annual Member Meeting. Accountability in cooperative management is not optimal. It is because cooperatives do not have detailed duties and responsibilities of each collective organ and do not have performance measures. Cooperatives also do not have internal control system documents, reward and punishment systems, business ethics documents, and a code of conduct. The responsibility of cooperatives in compliance with laws and regulations has not been fully

implemented. It can be seen from the cooperative efforts currently being run, partially not following members' needs and economic activities.

Therefore, the cooperative's goal to improve the welfare of members cannot be realized. The cooperative's articles of association do not regulate the amount and time of payment of mandatory savings. The practice of appointing managers by cooperative management is not based on an engagement (contract). Social responsibility is not included in the Work Plan (RAPBK) and the accountability report of allocating funds in the RAT report. The regulation of the independence of each cooperative organ is not further regulated in communal laws or decisions related to active involvement in political parties, and there is no marriage bond between fellow administrators and supervisors, including cooperative managers.

The results of this study are expected to be used for future studies by considering several limitations in the study; namely, this research only focuses on governance practices related to institutional aspects, business management, and cooperative finance. Furthermore, the indicators for assessing the implementation of good governance refer to the general guidelines for good corporate governance in Indonesia issued by the 2006 National Committee on Governance Policy, and this research only uses a single case study as the object of research, namely the Cooperative Unit Desa Utama Front Pancor.

REFERENCE

- Atiqah, M. (2017). Assessment Of Good Corporate Governance Using The UGM CGCG Model (Case Study on KSPPS BMT Bina Ummat Sejahtera). Gajah Mada University.
- Ching, C. H., Suhana, Z., Rohana, O., N., & Ariff, A. A., (2015). Influence of Cooperative Members' Participation and Gender on Performance. *Journal of Southeast Asian Research*. <https://doi.org/10.5171/2015.610199>
- Fidausy, C. M. (2018). Cooperatives in the Indonesian Economic System. In the Indonesian Torch Heritage Foundation.
- Fitrah, M., & Lutfiyah. (2017). Research methodology: qualitative research, classroom action & case studies Class & Case Studies. In Publisher Trail.
- Freeman, R. E. (2015). Strategic management: A stakeholder approach. In *Strategic Management: A Stakeholder Approach*. <https://doi.org/10.1017/CBO9781139192675>
- Freudenreich, B., Lüdeke, F., & Schaltegger, S. (2020). A Stakeholder Theory Perspective on Business Models: Value Creation for Sustainability. *Journal of Business Ethics*, 166(1). <https://doi.org/10.1007/s10551-019-04112-z>
- Gunawan, I. (2015). *Qualitative Research Methods: Theory and Practice*. In Jakarta: Earth Literacy.
- Hamdani, M. (2016). Good Corporate Governance (GCG) in Agency Theory Perspective. National Seminar of Felon 2016.
- Iskandar, B. K. (2015). Analysis of the Implementation of Good Corporate Principles and Internal Control. *Journal of Accounting Science & Research*, 4(10).
- Kholis, N. (2014). Analysis of Ownership Structure and Its Role on Company Earnings Management Practices. *Addin*, 8(1). <https://media.neliti.com/media/publications/53710-ID-analysis-structure-kepemilikan-dan-perann.pdf>
- KNKG. (2006). *General Guidelines for Good Corporate Governance (GCG) of Indonesia*.
- Lukviarman, N. (2016). *Corporate Governance: Towards Conceptual Strengthening and Implementation in Indonesia*. PT. Adicitra Intermedia Era.
- Marlina, E. (2019). The Effect of Good Cooperative Governance on Cooperative Performance in Pekanbaru City, Riau. *Journal of Accounting and Economics*, 9(1).
- Miles, M. B., & Huberman, A.M. (1992). *Qualitative data analysis*, trans. Jakarta: University of Indonesia Publisher.

- Musa, D., Rashid, A. R. A., & Rashid, R. (2016). The Examination of Multidimensional Construct of Members' Participation and Its Correlation To the Cooperatives' Business Performance. *Journal of Business and Hospitality Management*, 2(1).
- Rahardjo, M. (2017). *Case Studies in Qualitative Research: Concepts and Definitions*. Maulana Malik Ibrahim State Islamic University Malang, January.
- Rijali, A., & Antasari. (2018). Qualitative Data Analysis. In *Alhadharah: Journal of Da'wah Science* (Vol. 17, Issue 33). <http://jurnal.uin-antasari.ac.id/index.php/alhadharah/article/view/2374>
- Riswan, R., Suyono, E., & Mafudi, M. (2017). Revitalization model for cooperative village units in Indonesia. *European Research Studies Journal*, 20(4). <https://doi.org/10.35808/ersj/822>
- Shamsuddin, Z., Ismail, A. G., Zaidi, M. A. S., Daud, W. M. N. W., & Yusuff, W. S., (2019). Does governance compliance affect cooperative performance? *International Journal of Innovation, Creativity, and Change*, 5(2).
- Simaremare, S. S. (2019). The Role of Village Unit Cooperatives in Increasing Community Income in Dolok Please Village. *Enrichment: Journal of Management*, 10(1).
- Soebijono, T., Erstiawan, M. S., & Binawati, L. (2017). Analysis of Good Corporate Governance in Cooperatives. *Journal of Business Perspective*, 9 No 1. <https://doi.org/https://doi.org/10.37477/bip.v9i1.42>
- Triuwono, E. (2018). Contract Process, Agency Theory, and Corporate Governance (Contracting Process, Agency Theory, and Corporate Governance). *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3250329>
- Ujiyantho, M. A., & Agus, P. B. (2007). Mechanisms of Corporate Governance, Earnings Management, and Financial Performance. *National Symposium on Accounting X*, July.
- Ulum, I. (2017). *Intellectual Capital: Measurement Model, Disclosure Framework & Organizational Performance*. UMM Press. [HTTP// books.google.co.id/books?id=e25jDwAAQBAJ](http://books.google.co.id/books?id=e25jDwAAQBAJ)
- Wirawan, A. . GBP, & Dwija Putri, IGAMA (2018). The Influence of the Implementation of the Principles of Good Corporate Governance and Risk Management on the Financial Performance of Cooperatives in Gianyar Regency. *E-Journal of Accounting*. <https://doi.org/10.24843/eja.2018.v23.i03.p07>
- Yusma, L. N. S., Sakti, D. P. B., & Furkan, L. M. (2021). Cooperative Governance of East Lombok Regency (Case Study on Savings and Loan Cooperatives). *EMBA Journal: Journal of Economic Research, Management, Business And Accounting*, 9(2). <https://doi.org/10.35794/emba.v9i2.33239>.