ASSESSMENT OF FACTORS AFFECTING COOPERATIVES' PERFORMANCE IN INDONESIA: THE CASE OF CREDIT UNION COOPERATIVES

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Abstract

The "Koperasi" (cooperative) has great potential for increasing Indonesia's national economy and reduce unemployment. However, the performance of cooperatives is still considered weak. This study aims to identify the factors influencing the performance of cooperatives in Indonesia and the extent of their influence. It does this for the case of the Tangerang region in Indonesia. The study adopts descriptive analysis using partial least squares structural equation modelling (PLS-SEM), with the sample size of 35 cooperatives in South Tangerang. The independent variables are Internal Business Process (PPIB), Learning & Growth (PPP), Members perspective (PA), Financial perspective (PK) and dependent variable is Cooperative Performance (K). The results show that the model has an R-square value of 0.952 (95.2%) indicating that the ability of the independent variable to explain dependent variable cooperative performance is about 95.2% while the remaining 4.8% is explained by other independent variables not formulated in the research. The relationship of the financial perspective on the cooperative's performance scored the highest path coefficient of 0.508, followed by member's perspective and learning growth with 0.493 and 0.403. It indicates that financial ability plays a major role in improving the cooperatives' performance while, and that the other two independent variables also have a significant impact on improving the cooperatives' performance. However, the internal business process with a path of coefficient 0.138 has a weak relationship with performance.

Research paper

Scientificia

Introduction

Cooperatives (Koperasi) are a community-based organisation that aims to gather resources for developing the local economy. Its success boosts the boost the national economy. Soewardi (2015) stated that cooperatives in Indonesia have grown significantly but lack performance. This is because the cooperative's management manages their resources inefficiently and fail to implement cooperate governance. As a result, the cooperatives in Indonesia fail to perform effectively and efficiently. Such conditions require the management of cooperatives to be more creative and innovative to improve their management capabilities to boost firm performance. Cooperatives in Indonesia are divided broadly into three types of business, namely production cooperatives (Koperasi Produksi), credit union cooperatives (Koperasi simpan pinjam) and multi-business cooperatives (Koperasi serba usaha). Among those three cooperatives, the credit union is the most active in business by providing loans to its members with a low interest. It also supports other cooperatives with funding such as production and multi business cooperatives. Nevertheless, due to inefficient resource management, many credit loan cooperatives in Indonesia are unable to optimise funding. The absence of information systems, lack of implementing internal controls and old fashioned management affect the performance of cooperatives causing them to struggle in a competitive business market (Hamdani, 2017).

Many researchers have studied the sustainability of human resources and its impact on cooperatives' performance. Miyazaki & Neary (1983) argued that human resources are a core element in the cooperative and key

determinant of performance. As such, it needs to be managed well. It is common practice in Indonesia that cooperatives do not provide legal agreements between the owner and the employee. Also, the employee bears no responsibility. The employee may find part-time jobs to increase their income since they receive unstable salaries from cooperatives. On the other hand, the lack of work facilities makes the employee uncomfortable to work in the office. It is argued that providing a formal and comfortable workplace for the employee might improve their productivity and boost performance (Lai, Saridakis, & Johnstone, 2017). Collectively, the above conditions result in the employee lacking focus and dedication for the cooperatives resulting in poor performance.

Cooperatives may be unable to avoid these issues because they are organised and operated by their members. They are not supported by investors as it is not owned by shareholders (International Co-operative Alliance). Also, no delegation of duties is implemented among employees. The management relies on "administrators" who have limited knowledge and skill to utilise the cooperative's resources.

This phenomenon has motivated this study of cooperatives' performance in Indonesia. We examine the internal factors that influence cooperatives' performance in Indonesia, especially credit union cooperatives in Tangerang city, Indonesia.

Tangerang city is a developing province in Indonesia located in Java Island. With mass developing infrastructures in the province, business activities have been growing. Currently, 300 credit union cooperatives actively

provide loans to the public. The customers are mostly members. Table 1 shows the number of credit union cooperative in Tangerang city from 2014 until 2016.

Table 1. Number of Cooperatives in Kota Tangerang 2014-2016

Cooperatives	Year		
	2014	**2015**	**2016**
Active	647	669	655
Non-active	402	307	337
Total	1049	976	992

Source: BPS Kota Tangerang, 2018

Table 1 shows that the number of credit union cooperatives in Tangerang city fluctuated from 2014 until 2016. There was an increase in 2015 and a decrease in 2016. The declining number of cooperatives may have resulted from internal and external problems. The Head of Department of Cooperative, Small and Medium Enterprise, Tangerang city, argued that cooperatives including credit union cooperatives are threatened by retail stores and minimarkets which provide complete services to the costumers. He added that the customers feel more comfortable shopping in modern retail and minimarkets rather than cooperatives, which are more traditional. This had added additional difficulty for cooperatives in Tangerang city to compete in business. It is an external factor that threatens the existence of the cooperative in Indonesia, including credit union cooperatives. It also emphasises the need for the cooperative's management to improve their management style in order to survive in the business market.

A possible remedy is that the Indonesian government now requires new business, including cooperatives, to connect with technology. The new rules and regulations force the cooperatives to adapt their business with the technology and utilise information systems to optimise their resources and improve product innovation.

Literature Review

Cooperatives in Indonesia

The first cooperative in Indonesia was initiated by Raden Aria Wiriaatmadja in 1895 named *De Purwokertosche Hulp en Spaarbank der Irlandsche*. It aimed to save government employees from loan sharks. During Dutch colonialism, this organisation was suppressed by the Dutch by *Verordening op de Cooperatieve Verenigingen* which are regulations to control cooperative businesses and prevent acts rebellious to the Dutch colonial government.

The conditions of business cooperative worsened during the Japanese colonial era. Japan colonised and controlled Indonesia's natural resources and caused the collapse of its economy. Cooperatives became bankrupt. The Japanese government then took over the cooperatives and made it a tool to collect funding and resources from the public for the Japanese army.

Several years after Indonesia's independence in 1945, the Indonesian cooperative movement (named the Indonesian cooperative association) had its first congress on July 12, 1947, in Tasikmalaya and declared July 12 as

Indonesia's Cooperative Day. In 1953, they had the second congress and appointed Mohammad Hatta (formerly first vice president of Indonesia) as the father of cooperative Indonesia. In 1958, the Indonesian government issued *UU Koperasi No. 79 Tahun 1958* which amended Indonesian cooperative law. This law supported cooperatives as the pioneers to boost Indonesia's economy. In order to improve the cooperatives' performance, the Indonesia government issued several laws to support *UU Koperasi No. 79 Tahun 1958* such as *Peraturan Pemerintah (PP) No. 60 Tahun 1959* which stated that the government should be involved in the cooperative business by supervising and mentoring the management. However, this backfired as cooperatives tended to be dependent on government support. It caused a lack of initiative to create more business opportunities. Also, the cooperative became a tool for politicians to further their interests. In order to restore the identity of the cooperative, the Indonesian government issued law *UU No. 14 Tahun 1965*. However, this law was not implemented well due to political interference. Also, government intervention limited the cooperative. Later in 1966, law *UUD 1945 Pasal 33* was issued and restored the function and identity of the cooperative.

The Indonesian government then issued *UU No. 12 Tahun 1967* as an amendment to *UU No 14 Tahun 1965*. The new law stated that cooperatives should be registered as corporations. Furthermore, to strengthen the cooperative regulation, *UU No. 25 Tahun 1992* was issued as an amendment to *UU No. 12 Tahun 1967*.

Bacharuddin Jusuf Habibie, the third president of Indonesia, issued *Instruksi Presiden No. 18 Tahun 1988* which regulated the development of cooperatives in Indonesia. Through *Instruksi Presiden No. 18 Tahun 1988*, the government provided opportunities for people to establish and manage cooperatives without government intervention. However, without government intervention, supervision, control and monitoring, cooperatives have become underdeveloped (Tanjung, Gagasan dan Gerakan Koperasi di Indonesia, 2017).

Tangerang city had 477 registered cooperatives in 2009, which increased to 655 in 2016 (BPS Kota Tangerang, 2017). This means that the growth of the cooperatives was only 37.32% in seven years which is 5.33% per year on average.

Based on Indonesian rules and regulations, cooperatives in Indonesia are divided into four types, namely the credit union cooperative, production cooperative, consumption cooperative and marketing cooperative. Consumption and marketing cooperatives could be named multi-business cooperatives. Its purpose and function are different. For example, a credit union cooperative provides loans to its members and provides bank deposit services to those who wish to save money such as *KSP (Koperasi Simpan Pinjam) Jakarta* (Tanjung, Penggolongan Koperasi, 2017). Credit unions such as *KSP (Koperasi Simpan Pinjam) Jakarta* lends the money to its members at low-interest rates. The cooperatives collect the money from its members and provide loans to members who need capital to develop business. Credit

union cooperatives also encourage the members to deposit the money and avoid loan sharks (Subandi, 2009).

Factors in Cooperative Performance

Company performance is highly critical for its success. This requires a method that can measure performance (Kaplan, 1996). Company performance refers to the financial condition of a company that is analysed with financial tools of analysis for a given period (Nurlaela wati, 2018). Performance is a term generally used for part or all of the actions or activities of an organisation for a given period concerning standard amounts such as historical costs or projected cost, on the basis of efficiency, accountability of management and the like (Srimindarti, 2004). The concept of a balanced scorecard is to align the company and workers' performance with the long-term strategic objectives of the company.

There are four basic viewpoints or perspectives to consider with the KPI balanced scorecard (Norton, 2006);

1. Financial perspective – tracking financial performance such as sales, expenditures, and income are used to understand financial performance. These financial metrics may include dollar amounts, financial ratios, budget variances, or income targets.

2. Customer perspective – tracking customer satisfaction, attitudes, and market share goals. They are collected to gauge customer satisfaction with quality, price, and availability of products or services.

Customers provide feedback about their satisfaction with current products.

3. Internal process perspective – covers internal operational goals needed to meet customer objectives. They are evaluated by investigating how well products are manufactured. Operational management is analysed to track any gaps and delays.

4. The learning and growth or innovation perspective- intangible drivers for future success such as human capital, organisational capital, training, informational systems, etc. They are analysed through the investigation of training and knowledge resources. This first leg handles how well information is captured and how effectively employees utilise the information to convert it to a competitive advantage over the industry.

In achieving performance, the cooperatives should respect the cooperative's principles in line with the economic effectiveness principle (Geocomini, 2017). The balanced scorecard could be used to measure the cooperative's performance to achieve its economic objective.

Aspects Affecting Cooperatives' Performance

There are two suspected variables affecting cooperatives' performance, namely loans and human resources.

Loans

Cooperatives role in improving the welfare of the middle- and lower-class. The type of cooperative that loans money is called credit unions (Radovic Markovic and Salamzadeh, 2012). These credit unions lend money to its members, and the member shall pay back the money they borrow with interest in a certain period (Pratiwi, 2013)

Santoso et al. (2015) suggest that the indicators of the loans are requirements, period, and interest rate. From those three indicators, the most significant is the interest rate (Shafagh & Salamzadeh, 2017). Other researchers also suggest how often and how big the SMEs request for money, as well as time, interest rate, collateral, and procedures also related to loans (Rahmaniyah, Sulindawati, & Herawati, 2017).

Human Resources

Human resources may be described as both the people or personnel who work in a company, firm, or organisation, as well as the department with the task of managing the employees in the company (HumanResourcesEdu). Human resource, as a division, is responsible for hiring and firing employees, training, appraising, and compensating the employees, as well as to care for their health and safety (Dessler, 2015).

Many factors influence the human resources in a firm such as the lack of professional knowledge, the management expertise, as well as the employees' social closeness (Lai, Saridakis, & Johnstone, 2017). Santoso et

al. (2015) stated that the factors that influence human resources include skills, teamwork, and discipline.

As Ogunyomi et al. (2015) suggested, there are several aspects of human resources related to the firm's performance, such as employee performance management, and occupational health & safety (Salamzadeh et al., 2019). Also, human resource decisions in the early stage of a firm are crucial for the success of the business (Cardon & Stevens, 2004).

Cooperatives' Performance Indicators

Santoso et al. (2015) suggest that the indicators of a firm's performance are sales, profit, employees, and market size. Sales are the number of units the firm manages to sell, while profit is the margin between the price of goods sold and the cost of goods sold. In this regard, employees work as the firm's performance indicator by how well they perform as well as how satisfied they are towards their job. The market size is measured by the size of the market; the firm can capture (Fitanto, 2009).

This research will analyse the impact of loan and human resources on the financial performance of cooperatives. Financial performance was chosen because it is easier to measure the performance of cooperatives with numbers. Sales numbers are also easier to obtain because, at the very least, those cooperatives surely have financial records of their sales.

Methodology

This study adopted a mixed-method design whereby interview and focus group discussions will be conducted along with a survey questionnaire to evaluate and support the qualitative data. Mixed-methods will provide a deeper understanding of the issues in the credit union cooperatives in Tangerang. The study will use primary data from selected credit union cooperatives in Tangerang as well as from reputable literature. The data will be collected from credit union cooperatives that have been established for more than five years. Focus group discussions will be conducted to gain information from the respondents, and a questionnaire will be distributed to support the findings. The respondents will be the management of the credit union cooperatives.

Result and Discussion

This section discusses the survey results, which are divided into five sections. The first section discusses the profile of respondents. The second section engages in the descriptive analysis of the study.

Profile Respondent

The respondent profile is formed to observe the characteristics of the respondents, which are 35 credit union cooperatives in Tangerang. The respondents who answered the questionnaires are mostly answered administrative staff with 51.4%, others (40%) and financial managers (8.6%). The administrative staff have insightful knowledge of cooperative business ac-

tivities compared to finance managers and the other positions such as marketing. The respondents who have worked less than two years make up 65.7% and those working two to five years and six until ten years is 17.1%. Respondents with a are 48.6%, followed by an undergraduate with 34.3%, and Masters and PhD with 8.6% each.

Table 2. Profile Respondent

Type of Cooperative	Frequency	Per cent
Credit Union Cooperative	35	100
Position		
Financial Manager	3	8.6
Administrative staff	18	51.4
Others	14	40
Working Tenure		
Less than 2 years	23	65.7
2 until 5 Years	6	17.1
6 until 10 Years	6	17.1
Education		
Phd	3	8.6
Master	3	8.6
Undergraduate	12	34.3
Diploma	17	48.6

Descriptive Analysis

Table 3 is the descriptive analysis of the respondent profile. The variables are within the theoretical range showing there is an absence of errors in data entry. The mean values are 3.31 for the position, followed by educational background, working tenure and type of cooperative with mean values of 3.23, 1.69 and 1.60. It shows that employee position plays a significant role in answering the questionnaire since they have insights about cooperative activities. Meanwhile, educational background supports the em-

ployee capabilities to understand the objective of each question in the questionnaire.

Table 3. Descriptive Analysis

Variable	Theoretical Range	Actual Range	Mean	Standard Deviation
Type of Cooperative	1-5	1-2	1.60	.497
Position	1-5	2-2	3.31	.631
Working Tenure	1-5	1-4	1.69	1.132
Educational background	1-5	1-4	3.23	.942

SEM-Partial Least Square

The research used structural equation model (SEM) with partial least square (PLS). According to Byrne (2010), structural equation modelling (SEM) is a statistical method for hypotheses testing to analyse the structural theory bearing on some phenomenon.

This study used PLS-SEM to find the relationship between exogenous and indigenous variable. It also predicts the construct variables of the study (Garson, 2016). Partial least square (PLS) enables simultaneous analysis of up to 200 indicator variables. It facilitates extensive interactions among moderator and latent predictor variables (Al-Ghatani, Geoffrey, & Wang, 2007). PLS-SEM can handle multicollinearity among the independent variables, robustness in the face of data noise and missing data, and create independent latent variables directly on the basis of cross-products involving the response variable(s), making for stronger predictions. Furthermore, PLS-SEM serves prediction purposes better when the sample size is small (Garson, 2016).

The general standard of PLS-SEM must be achieved to access the indicator of good fit. Several parameters test the validity of the variables in PLS-SEM (Chin, 2010) as follows:

1. Convergent validity with factor loading (Outer loading) must be greater than >0.7

2. Discriminant validity that indicates by AVE (Average Variance Extracted) must be greater than >0.5

3. Three parameters to measure the reliability, i.e., cross-loading must be greater than >0.7 in one variable, Cronbach's alpha is greater than >0.6, and composite reliability is greater than >0.6

Outer Model Analysis

The outer model is the measurement model consisting of the indicators of the paths connecting them to their respective factors. There are two models, namely, outer model loading and outer model weights, and both weights and loadings are output for both reflective and formative models (Garson, 2016). Outer model loadings appear in the table below. They may be considered a form of item reliability coefficients for reflective models: the closer the loadings are to 1.0, the more reliable that latent variable. By convention, for a well-fitting reflective model, path loadings should be above .70 (Hair, Hult, Ringle, & Sarstedt, 2014). Note that loading of .70 is the level at which about half the variance in the indicator is explained by its factor and is also the level at which explained variance must be greater than

error variance. The value of 0.70 is a criterion for minimum measurement loadings.

Outer loading (factor loading) measures the convergent validity of the variable in the research model. According to Chin (2010), outer loading should exceed 0.70. If the items do not comply with these criteria. The items must be deleted, and a new analysis re-run. The same process is repeated until clean factors are derived. Discriminant validity or outer loading indicates that construct variable should be reflective and representative of the overall underlying construct, and it should be different from other indicators. Also, all variables should exceed 0.70. Two stages of outer loading analysis were conducted for all variables of the study. In stage 1, items of variable internal business process, learning & growth, members' perspective and cooperative performance were eliminated, i.e., PPIB 1 & 2, PPP 6, PA 4 & 5 and K6. Once those items are eliminated, then the process is re-run. In stage 2, items in the cooperate performance i.e., K5 and financial perspective i.e., PK 4 were eliminated. Table 3 shows the final results of discriminant validity exceeded 0.70

Table 4. Discriminant validity (Outer Loading)

Variable	Internal Business Process (PPIB)	Learning & Growth (PPP)	Members perspective (PA)	Financial perspective (PK)	Cooperative Performance (K)
PPIB 3	.888				
PPIB 4	.883				
PPP 1		.893			
PPP 2		.736			
PPP 3		.905			
PPP 4		.885			
PPP 5		.892			
PA 1			.846		
PA 2			.826		
PA 3			.933		
PK 1				.930	
PK 2				.792	
PK 3				.909	
K 1					.817
K 2					.941
K 3					.883

Reliability and Validity

Cronbach's alpha and composite reliability scores measure the reliability of the variables to find good results. Accordingly, Cronbach's alpha of construct variable is greater than 0.6 as well as composite reliability. Meanwhile, the average variance extracted (AVE) should exceed 0.5, and the results show that no construct variable was below 0.5 (Werts et al., 1974; Salisbury et al., 2002). Table 5 shows that all variables have good reliability except internal business process (PPIB) as the Cronbach's alpha is below 0.6 and AVE does not exceed 0.5. It means that independent variables should be eliminated.

Table 5. Reliability and Validity

Variable	Cronbach's alpha	rho_A	Composite reliability	AVE
Learning & Growth (PPP)	.914	.934	.936	.747
Members Perspective (PA)	.838	.858	.903	.756
Financial Perspective (PK)	.856	.913	.910	.773
Cooperative Performance (K)	.855	.857	.913	.788

Inner Model

Inner model analysis is performed to ensure that structural models are robust and accurate. Inner model evaluation can be seen from two indicators, i.e., determination coefficient (R2) and predictive relevance (Q2). Furthermore, the goodness of fit also includes in the inner model analysis.

Table 6. Inner model

Variable	R. Square	R. Square adjusted
Cooperative Performance (K)	0.952	0.945

R-square explains how the exogenous variables hypothesised in the equations are able to explain the endogenous variables. The results show that the model formed has an R-square value of 0.952 (95.2%). It means the ability of an independent variable to explain dependent variable cooperative performance is about 95.2% and, the remaining 4.8% explained by other independent variables that are not formulated in the research. It indicates that learning and growth, members' perspective and financial perspective can explain cooperatives' performance.
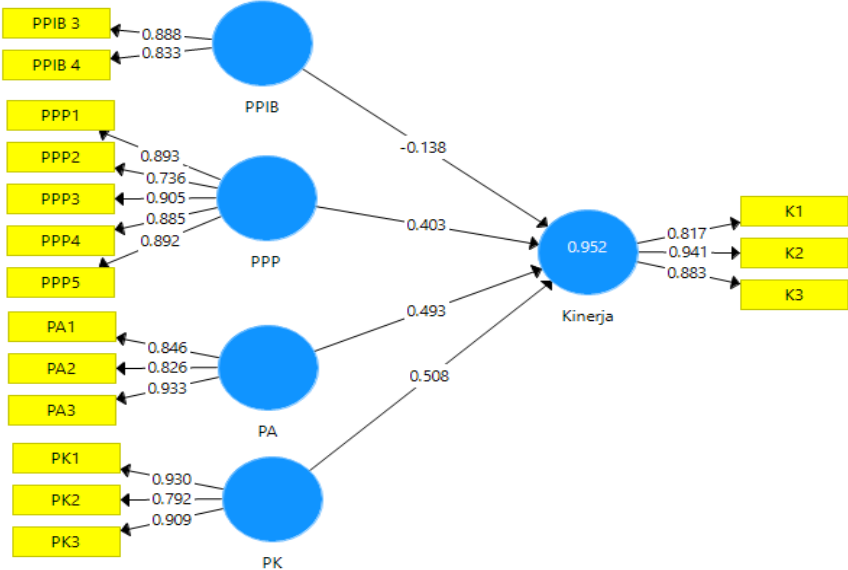
Figure 1. Inner model R- square

Figure 1 explains the relationship od four independent variables to one dependent variable. The relationship of financial perspective to the cooperative performance have a path coefficient value of 0.508. This is the highest path coefficient value, followed by members' perspective and learning growth with path coefficients of 0.493 and 0.403. It indicates that financial ability plays a major role in improving cooperative performance while the other two independent variables also improve the cooperatives' performance. The variable of internal business process with a path of the coefficient of 0.138 does not have a relationship with cooperative performance due to low path coefficient.

Goodness of Fit (GoF) Analysis

The goodness of Fit (GoF) is a single measure used to validate the combined performance between measurement models and structural models. GoF values range from 0-1 with interpretation 0.1 (small GoF), 0.25 (moderate GoF) and 0.36 (GoF substantial) (Garson, 2016). Unlike the full equation modelling, the goodness of fit in the SEM-PLS should be calculated manually with the formula:

$$GoF = \sqrt{\overline{AVE} \times \overline{R^2}}$$

Based on the manual calculation, the GoF is 0.853, which indicates that the research model is substantial.

Hypothesis Testing

Hypothesis testing is examined by looking at the value of probability with p-value <0.05. SEM-PLS uses two analyses to test the hypothesis, i.e. direct effect and indirect effect.

Direct Effect

Table 6. Direct effect

	Original Sample	Sample Mean	Standard Deviation	T-Statistic	P-Value
Internal business process - > Cooperate business performance	-0.138	-0.118	0.082	1.678	0.094
Learning & Growth - > Cooperate business per-formance	0.403	0.402	0.074	5.471	0.000
Members perspective - > Cooperate business per-formance	0.493	0.477	0.066	7.505	0.000
Financial perspective - > Cooperate business per-formance	0.508	0.497	0.077	6.577	0.000

Table 4 shows that the variable of internal business process has a p-value exceeding <0.05 (0.09). It shows that there is no significant effect on cooperatives' business performance. On the other hand, learning & growth, members' perspective and financial perspective have a significant impact of cooperatives' performance with a p-value less than <0.05 (0.00).

Indirect effect

Table 7. Indirect effect

	Original Sample	Sample Mean	Standard Deviation	T-Statistic	P-Value
-	-	-	-	-	-

Table 7 provides no results of the indirect effect. It shows that there is no mediating variable effect between the independent and dependent vari-

ables. This is in line with the hypotheses of the study that all independent variables have only a direct effect on the dependent variable.

Summary of Hypotheses Testing

Table 8. Hypotheses Result

Hypotheses	Assumption	Results
H1. There is a relationship internal business process with co-operative business performance	-	Rejected
H2. There is a relationship between learning and growth with cooperative business performance	+	Supported
H3. There is a relationship between members perspective with cooperative business performance	+	Supported
H4. There is a relationship financial perspective with coopera-tive business performance	+	Supported

The results of the study show that financial perspective, learning and growth and members' perspective play major roles improve credit union cooperatives' performance in Tangerang. However, the variable of internal business process which a has path of coefficient 0.138 does not have a relationship to cooperative performance due to low path coefficient, and the result of the hypothesis is rejected as shown in Table 8.

The model developed through SEM-PLS has an R-square value of 0.952 (95.2%), which means that the ability of independent variables to explain the dependent variable cooperative performance is about 95.2%. The remaining 4.8% is explained by other independent variables that are not formulated in the research. On the other hand, the financial perspective has the highest path coefficient value of 0.508, followed by members' perspective and learning growth with path coefficients of 0.493 and 0.403, respec-

tively. Based on some interviews with the management of credit union, business process can be the activities how management achieve the goals and objectives. Some activities are including implementing the standard operation procedure of developing membership database, delivering the savings and loans process and regulation, fund collecting process from the new and potential members, and so forth. Those activities were suspected considered in the low level. Therefore, members do not feel that the credit unions are managed properly but more into traditional approaches

Conclusion

Cooperatives (Koperasi) are a community-based organisation that aims to gather resources for developing the local economy. As a part of small medium enterprise, Cooperatives in Indonesia are divided broadly into three types of business, namely production cooperatives (Koperasi Produksi), credit union cooperatives (Koperasi simpan pinjam) and multi-business cooperatives (Koperasi serba usaha). Among those three cooperatives, the credit union is the most active in business by providing loans to its members with a low interest. It also supports other cooperatives with funding such as production and multi business cooperatives. Nevertheless, due to inefficient resource management, many credit loan cooperatives in Indonesia are unable to optimise funding. The absence of information systems, lack of implementing internal controls and old fashioned management affect the performance of cooperatives causing them to struggle in a competitive business market.

Credit union cooperative which located in Tangerang city, Indonesia contributes boost local economic by providing loan to the public with low interest. The cooperatives collect the money from its members and provide loans to members who need capital to develop business. Credit union cooperatives also encourage the members to deposit the money and avoid loan sharks. In order to measure cooperative performance, the balance scorecard is used in the study.

The study finds that one of BSC's variable does not effect to cooperative performance i.e., internal business process. This is because internal business process is the management activities to achieve cooperative goals and objectives. Such activities are implementing the standard operation procedure of developing membership database, delivering the savings and loans process and regulation, fund collecting process from the new and potential members, and so forth. Those activities were suspected considered in the low level. Therefore, members do not feel that the credit unions are managed properly but more into traditional approaches. Meanwhile, the others three variables i.e., learning and growth, members perspective and financial performance are effect to cooperative performance. This is because the cooperative's members intend to learn many things in order to improve their knowledge and skills, promoting union cooperative to the public is succeed and the public believes that the credit union cooperative are able to provide loan with low interest rather than commercial bank. Furthermore, the credit union cooperatives are able to encourage the members to deposit the money and avoid loan sharks. On the other hand, credit union cooperative in Tan-

gerang city are able to maintain return on assets and return in equity as their financial capabilities to perform in the long term business activities as it is shown in the result of the study.

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