Determinant Cooperatives Business Profits in Indonesia: A Partial Least Squares Approach

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ABSTRACT: *The purpose of this study was to test cooperatives business profits determinant in Indonesia. This study used cooperative profile data in 33 provinces in 2012-2013 published by the Ministry of Cooperatives and Small and Medium Enterprises Indonesia. Data analysis model is path analysis model using Smart. PLS 4.0 to process the data. The study found that cooperatives in Indonesia is very dependent on the employee. This indicates that cooperatives in Indonesia, during its development, are highly dependent on the employee, not a member, manager or capital.*
Keywords: determinant, coopereatives, business, Indonesia

I. INTRODUCTION

Cooperative development in Indonesia has grown rapidly. Cooperative is one form of business entity intended for the welfare of its members. The form of welfare is the provision of profit to all members after it was decided in the Annual Members Meeting fairly. In this Annual Member Meeting, all members, administrators, supervisors (managers) are invited to a meeting to discuss cooperative issues and profit distributed and retained as capital for the cooperative. Data from the Ministry of Cooperatives and 2013 SMEs stated the development of cooperatives in Indonesia. There were 203.701 cooperatives, of which 143.117 were active and 60.584 cooperatives were not. In other words, 70% were still performing well and 30% did not. The number of cooperative members increased from 33,841,539 people in 2012 to 35,258,176 people in 2013. Number of manager, however, decreased to 35.063 people from previously 36.149. In addition, the amount of equity capital of cooperatives in Indonesia reaches from 51,422,621 (millions rupiah) into 89,536,290.61 (millions rupiah. Foreign capital now amounted to 80,840,572.48 (millions rupiah) from previously 98,763,516 (millions rupiah). While the business volume in 2012 amounted to 119.182.433 (million rupiah) to 125,584,976.2 (millions rupiah) in the next year. Profit was 8.118.959.29 (millions rupiah) which increased from the previous year in 2012 amounted to 6.661.925 (millions rupiah).

[1] says that the cooperative would restore the earned income to its members, or the number of patrons that will be allocated to members and can also be saved for use as a future capital. Although cooperatives are not prioritizing profits , businesses must obtain cooperatives business profits (BP) is feasible so that cooperatives can maintain its viability and enhance business capabilities. [2] says that the cooperative is a company that should be able to stand alone to run its business activities to earn profits or revenues , known as the BP. In Act No. 25 Article 45, Paragraph 1 of 1992 states that the BP is a cooperative income earned within one year reduced the costs, depreciation, and other obligations, including in the tax year concerned. Income or cooperative profits is highly dependent on two aspects, namely the financial and non-financial aspects [3,4; 2; and 5].

Furthermore, many studies that examine each variable of financial and non-financial aspects of the business revenue. [6] using a structural equation model approach, the performance of Cooperatives village in the province of Bali. [7 and 8] analyze the performance of cooperative balanced scorecard approach. [9] studied the effect of number of members, number of deposits, loan amount and the amount of working capital to the rest of the results of operations of savings and Credit Cooperatives in Badung Bali Province. [10] examine the effect of its own capital, external capital, and the business volume of net income of Cooperatives in the province of Yogyakarta. From the above discussion, it shows that not many previous studies that examine the use of the volume of business as an intervening variable. [11] studied the effect of the amount of equity and the amount of outside capital to variable volume cooperative profits through the Efforts of Cooperatives in the city of Lhokseumawe. And, [12] examined the effect of the involvement of supervisors, the ability of the board and the participation of members of the cooperative financial performance boarding school. Her findings, among others, are the responsibility of the board to run the Kopontren organization is large enough, founder should note well aspect of prosperity increase through an additional incentive to be motivated in their work and devote his time as possible for the development. Kopontren is cooperatives set up in the dorm where students learn the Koran and so forth.

This study consists in the following sections: Section 1 is an introduction; Section 2 of the literature review; Section 3 methods of research; Section 4 the results and the last section conclusions.

II.   METHODS

This study uses data cooperatives in 33 provinces from the period 2012 and 2013 issued by the Ministry of Cooperatives and SMEs in Indonesia. The cooperative data are secondary data consists of data on the number of members, number of employees, number of managers, equity, foreign capital (outside the cooperatives), the volume of business and operating results. The operational definition of variables can be seen in Table 1 below were obtained from the Cooperative Act No. 25, 1992. From the problems, two variables are found exogenous and endogenous.

Table 1 Operational Definition of Variables

Variables	Definition	Remark
Member (A)	The owner and user of cooperative and recorded in cooperative register	Exogenous
Employee (K)	Cooperative employee either in dealing with cooperative organizations or businesses and earn salary from cooperative	Exogenous
Manager (M)	Persons appointed by the board to manage the cooperative	Exogenous
Internal Capital (MS)	Capital of cumulative savings, compulsory savings, reserve funds and grants	Exogenous
External Capital (ML)	Cooperative capital borrowed from cooperatives members, banks and financial institutions, bonds/ securities and other sources	Exogenous
Business Volume (VU)	The total value of sales volumes or revenues of goods and services in the financial year concerned	Endogenous 1
Business Profits (SHU)	Business Profits (BP) cooperative Income earned in a fiscal year is reduced by the cost, depreciation, other liabilities including taxes in the fiscal year concerned	Endogenous 2

Source: Cooperative Act No 25, 1992.

III.   STATISTICAL ANALYSIS

This study examines the complex causal relationships and tiered involve endogenous   variable which are number of members, number of employees, number of managers, the amount of equity capital, and foreign capital. Whereas exogenous variables, namely the volume of business and operating results. With above problems, simultaneous equation with path analysis estimation technique is used [13] Smart application program. PLS version 4.0 is helpful in analysis the data in this study. In addition, the use of PLS method because this research is the prediction research to support the theory that is still weak and limited data.

IV.   RESULT

Based on the data obtained, it showed that the cooperative Indonesia has experienced rapid growth. Especially from capital or funds used to build the economy in the form of cooperatives in Indonesia (Table 2).

Table 2 Description of Financial and Non-Financial Aspect of Cooperatives

Year	MS	ML	A	K	M	VU	SHU
2013	89.536.291	80.840.572	35.258.176	438.541	35.062	125.584.976	8.118.959
Average	2.713.221	2.449.714	1.068.429	13.289	1.062	3.805.605	246.029
2012	51.422.621	98.763.516	33.841.539	386.383	36.149	119.182.433	6.661.925
Average	1.558.261	2.992.834	1.025.501	11.708	1.095	3.611.589	201.877

Remark: MS, ML, VU and SHU (million rupiah)
Source: Data processed 2015

Based on Table 2, it can be explained that the two years of study from 2012 to 2013 showed an increase every year except manager that declined. There was an increased in internal capital (equity) by 38,113,670. External capital decreased by 17,922,944, the number of members increased by 1,416,637 people, the number of employees increased number of 52.158 people, the business volume increased by 6,402,543 and 1,457.034 BP except number of managers decreased by 1,504 people.

Evaluation Model: Inner models and Hypothesis Testing
Goodness of Fit testing models in the *inner structural* model using the R-square value [14] The value of R-square is used to see the significance of latent variables. In Inner testing the model showed the R-square of business volume (Y1) is 0.926, meaning that 92.6% of business volume variable is influenced by variables ML (EC), MS (IC), A(M), K(E), M (MG), and the remaining 7.4% is influenced by other factors outside of this research . Furthermore, for the results of the R-square BP variable (Y2) is 0.443%, meaning that 44.3% of BP variables are influenced by variables EC, IC, M, E, MG and BV and the remaining 55.7% is affected by variables outside of this research.

Table 3. The Coefficient of Determination R Square

R Square

	R Square
A	
K	
M	
ML	
MS	
SHU	0.442912
VU	0.925618

Source: data processed, 2014

Measurement of relevance predictions (predictive relevance) of the endogenous latent variable indicators to assess the magnitude reflexive square Q (Q2), wherein a latent variable has a good predictor relevasi when having Q2> 0. In this study the amount of Q2 can be calculated as follows: Q2 = 1 - (1 - RI2). From the equation above, the value of Q12 = 1 - (1-.4432) = 1 - (1-.196) = 1 - (0.804) = 0.196 and Q22 = 1 - (1-.9232) = 1 - (1 - 0.852) = 1 - (0.148) = 0.852. Based on test results Q12 and Q22 obtained values are 0.196 and 0.852, means that the model in this study has a good prediction, because value Q2> 0, which means having a good prediction of the latent endogen variables.

Reject and not reject limit 1 and 2 an be seen from the statistical criteria at t-score>1,96 [15]. Detail can be seen in the regression table below:

Table 4 Result of Smart PLS

Total Effects (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
A -> SHU	-0.037910	0.047294	0.333212	0.333212	0.113771
A -> VU	-0.056963	0.042233	0.409890	0.409890	0.138972
K -> SHU	0.735545	0.444625	0.306423	0.306423	2.400423
K -> VU	1.105224	0.652899	0.448175	0.448175	2.466056
M -> SHU	-0.032135	-0.001870	0.158420	0.158420	0.202850
M -> VU	-0.048287	-0.015830	0.197703	0.197703	0.244238
ML -> SHU	-0.006647	0.055728	0.180384	0.180384	0.036849
ML -> VU	-0.009988	0.078500	0.232483	0.232483	0.042961
MS -> SHU	-0.040345	0.146368	0.328871	0.328871	0.122676
MS -> VU	-0.060622	0.185343	0.413659	0.413659	0.146550
VU -> SHU	0.665517	0.733889	0.165223	0.165223	4.027982

Source: Data processed, 2014

Based on table 4 above, it can be explained that only variable E that has significant influences on variable BV with 1,1052. While variables ML, MS, A and M have no significant effect on VU. As for SHU, variable E has significant effect on SHU with 0,3755 and variable VU with 0,6655. While variable ML, MS, A and M have no significant effect on variable SHU.

V.   DISCUSSION

The results of the study addressed that cooperatives in Indonesia is still very dependent on employees or managers to increase business volume and BP. This can be seen from the output estimate coefficients Smart PLS where only employees or executives who have a significant value of 2,466 and 2,400. The findings indicate all cooperative institutions in Indonesia is less participative to promote the cooperative. In other words, the members of the cooperative entrusted the effort to managers (employees). Other findings from this study that the cooperative BP is determined by the volume of the cooperative effort. And the volume of business is strongly influenced by the performance of the employees of cooperatives instead of the source of funding and resources from members and managers of cooperatives. In other words, the better employees' effort and work the higher the volume received by the cooperative effort, ultimately boils down to the higher BP cooperative in Indonesia. The results of the study support the research [12] who studied at boarding cooperative stating that the management responsibility in running the organization Kopontren large enough, it needs to be considered properly by the builder is increased prosperity for the board through an additional incentive to be motivated in their work and devote his time as good possible for the development Kopontren. However, the results of this study differ from previous studies, such as: [10; 9; 3; 4 and 11]. Where the research they find capital or financial factors more dominant influence BP cooperative

VI.   CONCLUSSION

This study provides understanding of determination of cooperatives SHU in Indonesia using data 33 cooperative ministry in 33 provinces owned by the Ministry of Cooperatives and SMEs of the Republic of Indonesia. The study found that cooperatives run by the department of cooperatives and SMEs in 33 provinces in Indonesia still very dependent on cooperative management. The rest of the results of cooperative efforts is dependent upon cooperative management. Cooperatives with active management will likely have better SHU. High BP is of course is desired by members of the cooperative. The higher the SHU, the higher remuneration received by the members of the cooperatives and makes them more prosperous.

Implications of these findings that cooperatives should have administrators who work and participated should be granted or considered to be given better bonus. This motivates them to work better so cooperative BP will increase even more. While the members of the cooperative whose numbers are so great should be given knowledge about cooperatives better. This will encourage them to pro-actively elicits cooperative if their participation is certainly well made cooperative SHU is better. These members seem large amounts but like still asleep or not moving. In addition, the cooperative manager 1600's numbers should be given the understanding and knowledge that they have the intention to work for the development and progress of the cooperative is not just so the position of manager. The last of the financial aspects of both equity and external or foreign Capitas need to be used as best as possible for the development of cooperatives. Many of his amount of money possessed if not utilized for productive things for members certainly will not accelerate the development of cooperatives so do not just ignored. On the other hand, distributed to the members or prospective businesses better to add cooperative SHU in Indonesia.

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