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## Effect of Credit Union Governance On Financial Performance: Perspective Analysis of 4-Lever Management Control System

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**Abstract:** In the process of implementing the principles of credit union, credit union certainly focuses on the importance of realizing social and Human Development. (World Council of Credit Union's (WOCCU), 2007). In achieving this goal, the Indonesian credit union is required to implement the provisions of the Ministry of Cooperatives and SMEs on the implementation of Cooperative Health Level examination No. 9 of 2020, the research Model used is an instrumental case study, this is used to make it easier for researchers to review the data on cooperative health examination results for 3 (three) years (Amir H, 2020). For the risk profile indicator, it is good that can be done by CU Madani is to continue to mitigate periodically if the discovery of risks that occur so that the small risk does not become a big risk. Provision of briefing to employees before the service needs to be applied so that events that may have not been resolved yesterday can be discussed and find a solution together.

**Keyword:** Credit Union, Management Control System, Financial Performance.

### INTRODUCTION

In Law Of The Republic Of Indonesia No. 25 year 1992, a cooperative is a business entity consisting of a person or a legal entity of the cooperative whose activities are based on the principle of cooperatives as well as the people's economic movement based on the principle of kinship, this of course applies fatherly each category, form and or type of each cooperative. Koperasi Simpan Pinjam (KSP) type of Credit Union has long existed in Indonesia whose legal entity arrangements are incorporated into the form of KSP based on Government Regulation No. 9 of 1995 because in passing the business activities of Credit unions are almost the same as savings and loan cooperatives.

In the process of implementing the principles of credit union, credit union certainly focuses on the importance of realizing social and Human Development. (World Council of Credit Union's (WOCCU), 2007).

In achieving this goal, the Indonesian credit union is required to implement the provisions of the Ministry of Cooperatives and SMEs on the implementation of Cooperative Health Level examination No. 9 of 2020.

The health of cooperative institutions includes aspects such as good cooperative governance, good risk management, healthy financial performance and strong capital.

Cooperative health checks are important for several reasons. First, cooperative health checks can identify potential problems or weaknesses in the management and operation of cooperatives. By identifying such problems early, remedial measures and adjustments can be taken to prevent possible failure or bankruptcy of the cooperative. Second, cooperative health checks can also help improve transparency and accountability in financial management and cooperative operations. Through an objective and independent examination process, valid and reliable information is obtained regarding the financial condition of the cooperative, operational efficiency, and compliance with regulations. It is important to build the trust of cooperative members and other related parties. Third, cooperative health checks can help identify opportunities and cooperative development strategies. By analyzing the health conditions of institutions, cooperatives can identify areas in which they need to make improvements or changes, as well as opportunities for growth and diversification. This helps cooperatives to remain relevant, competitive, and sustainable in the face of challenges and changes in the dynamic business environment. Fourth, cooperative health checks are also important within the framework of supervision and regulation. Supervisory institutions or regulatory authorities often require cooperatives to undergo periodic health checks to ensure compliance with applicable regulations and requirements. Through these checks, cooperatives can ensure that they meet established standards and minimize the risk of sanctions or legal action that may arise as a result of non-compliance. Thus, the background of cooperative health examination research highlights the importance of reviewing and ensuring the health of cooperative institutions in aspects such as finance, management, risk, and compliance.

Technical Instructions Deputy For Operations No. 15 of 2021 concerning guidelines for cooperative health examination working papers to assess the financial performance of cooperatives based on 4 (four) aspects ; (i) governance aspects, which include cooperative, institutional and management principles, (ii) risk profile which includes inherent risk assessment and application of risk management, financial performance which includes evaluation of financial performance, financial management and financial sustainability (iii) financial performance which is very important to know in assessing the health of cooperatives, and (iv) Capital includes capital adequacy and Capital Management.

Therefore, this study aims to analyze the application of the provisions of the cooperative health examination with a four-segment assessment method so as to provide the sustainability of cooperative business.

This research study is the first to analyze the results of medical examination in the form of a case study on Credit Union Madani. The second is to map the results of the Cooperative Health Level examination in the concept of 4-lever management control, so that it can precisely provide related and measurable results.

The use of Civil credit union as a case study of this research because the performance of the cooperative has very impressive results, but when compared with the specific national performance of credit union limits it is still rarely encountered, then this study aims to provide systematic results as a form of improvement with a clear measure. The next stage of the study is followed by a literature review that contains theories and measurement models, which are then followed by the methods used in this study in the Design Methodology section. The findings section includes the results of collecting documents, analysis and preparation of results from the concept of 4 levers containing the results. The final section describes the limitations of the study and implications.

## **METHOD**

The Data used is data on the results of medical examinations at Madani Credit Union for three (3) years from 2020 to 2022 whose data was obtained from the Accountability Report of the Annual Meeting of KSP Credit Union Madani.

The research Model used is an instrumental case study, this is used to make it easier for researchers to review the data on cooperative health examination results for 3 (three) years (Amir H, 2020)

The assessment is carried out by validating documents for the category of governance and risk profile while financial and capital performance are assessed.

The assessment is carried out by validating documents for the category of governance and risk profile while financial and capital performance are assessed. Based on the level of ratio, each value obtained both in documents and or ratio assessor is given the weight of the answer with the number 1 has a healthy value, lift 2 is quite healthy, number 3 is under supervision and number 4 is under special supervision

ASPEK	BOBOT	NILAI	SKOR	KATEGORI / PREDIKAT
TATA KELOLA	30%	24.00 - 30.00	80 - 100	SEHAT
		19.80 - 24.00	66 - 80	CUKUP SEHAT
		15.30 - 19.80	51 - 66	DALAM PENGAWASAN
		< 15.30	< 51	DALAM PENGAWASAN KHUSUS
PROFIL RISIKO	15%	12.00 - 15.00	80 - 100	SEHAT
		9.90 - 12.00	66 - 80	CUKUP SEHAT
		7.65 - 9.90	51 - 66	DALAM PENGAWASAN
		< 7.65	< 51	DALAM PENGAWASAN KHUSUS
KINERJA KEUANGAN	40%	32.00 - 40.00	80 - 100	SEHAT
		26.40 - 32.00	66 - 80	CUKUP SEHAT
		20.40 - 26.450	51 - 66	DALAM PENGAWASAN
		< 20.40	< 51	DALAM PENGAWASAN KHUSUS
PERMODALAN	15%	12.00 - 15.00	80 - 100	SEHAT
		9.90 - 12.00	66 - 80	CUKUP SEHAT
		7.65 - 9.90	51 - 66	DALAM PENGAWASAN
		< 7.65	< 51	DALAM PENGAWASAN KHUSUS

In the aspect of governance, this examination examines the indicators of equity profitability, operational independence and net SHU to total revenue, with a maximum weighted average value of not less than 30%.

In the risk profile aspect, this examination examines the inherent risk indicators and the quality of risk management implementation, with a maximum average weight value of not less than 15%.

In the aspect of financial performance this examination examines more indicators than others which include financial performance evaluation, financial management and financial sustainability. the maximum average weighting value is not less than 40%. In the capital aspect, this examination examines indicators including capital adequacy evaluation and Capital Management adequacy, with a maximum average weighted value of not less than 15%.

The following are the components of the cooperative health examination in accordance with the technical instructions of the deputy for cooperatives NO. 15 OF 2021 ON GUIDELINES FOR COOPERATIVE HEALTH EXAMINATION WORKING PAPERS.

NO	ASPEK PEMERIKSAAN	SKOR	KRITERIA DAN KATEGORI
<b>A</b>	<b>TATA KELOLA</b>		
I	PRINSIP KOPERASI		
II	KELEMBAGAAN		
III	MANAJEMEN KOPERASI		
<b>B</b>	<b>PROFIL RISIKO</b>		
I	RISIKO INHEREN		
II	KUALITAS PENERAPAN MANAJEMEN RISIKO		
<b>C</b>	<b>KINERJA KEUANGAN</b>		
<b>I</b>	<b>EVALUASI KINERJA KEUANGAN</b>		
<b>1</b>	<b>RENTABILITAS</b>		
a	Rentabilitas Aset (Return on Asset)		
b	Rentabilitas Ekuitas (Return on Equity)		
c	Kemandirian Operasional		
d	SHU Bersih terhadap Total Pendapatan (NPM)		
<b>2</b>	<b>EFISIENSI</b>		
a	Biaya Operasional terhadap Pendapatan Operasional		
b	Biaya Usaha terhadap SHU Kotor		
c	Biaya Gaji Karyawan terhadap Total Pendapatan		
d	Biaya Operasional terhadap Total Piutang		
II	<b>MANAJEMEN KEUANGAN</b>		
<b>1</b>	<b>KUALITAS ASET</b>		
a	Pinjaman pada Anggota terhadap Total putang		
b	Pinjaman Bermasalah Terhadap Total putang		
c	PPAP terhadap PPAWD		
d	Cadangan Risiko Terhadap Pinjaman Bermasalah		
e	Aset tetap terhadap total aset		
f	Piutang tak tertagih terhadap Total putang		
<b>2</b>	<b>LIKUIDITAS</b>		
a	Kas dan Bank terhadap Kewajiban Jangka Pendek		
b	Piutang terhadap dana yang diterima		
c	Aset Lancar terhadap Kewajiban Jangka Pendek		
d	Kas & Bank terhadap Total Aset		
e	Investasi Jangka Panjang terhadap Total Aset		
III	<b>KESINAMBUNGAN KEUANGAN</b>		
<b>1</b>	<b>PERTUMBUHAN</b>		
a	Pertumbuhan Aset		
b	Pertumbuhan Dana dtenma		
c	Pertumbuhan Ekuitas		
d	Pertumbuhan Hasil Usaha Bersih		
e	Pertumbuhan Autang dan Pembiayaan		
<b>2</b>	<b>ASPEK JATIDIRI</b>		
a	Pendapatan Utama terhadap Total Pendapatan		
b	SHU Bersih terhadap Simpanan Pokok dan Simpanan Wajib		
c	Partisipasi Simpanan Anggota		
d	Tingkat Pelayanan Anggota		
e	Biaya Pembinaan terhadap SHU Bersih		
<b>D</b>	<b>PERMODALAN</b>		
<b>I</b>	<b>KECUKUPAN PERMODALAN</b>		
<b>1</b>	<b>Ekuitas terhadap Total Aset</b>		
<b>2</b>	<b>Kecukupan Modal</b>		
<b>II</b>	<b>KECUKUPAN PENGELOLAAN PERMODALAN</b>		
<b>1</b>	<b>Modal Pinjaman Anggota terhadap Total Aset</b>		
<b>2</b>	<b>Kewajiban Jangka Panjang terhadap Ekuitas</b>		
<b>3</b>	<b>Modal Lembaga terhadap Total Aset</b>		
	<b>NILAI SKOR &amp; PREDIKAT PEMERIKSAAN</b>		

## RESULTS AND DISCUSSION

HASIL PEMERIKSAAN KOPERASI SIMPAN PINJAM CREDIT UNION MADANI							
2020 s.d 2022							
NO	ASPEK PEMERIKSAAN	2020		2021		2022	
		SKOR	KATEGORI	SKOR	KATEGORI	SKOR	KATEGORI
<b>A.</b>	<b>TATA KELOLA</b>	77.94	CUKUP SEHAT	82.86	SEHAT	84.52	SEHAT
1	PRINSIP KOPERASI	78.57	CUKUP SEHAT	78.57	CUKUP SEHAT	78.57	CUKUP SEHAT
2	KELEMBAGAAN	80.00	SEHAT	85.00	SEHAT	90.00	SEHAT
3	MANAJEMEN KOPERASI	75.00	CUKUP SEHAT	85.00	SEHAT	85.00	SEHAT
<b>B.</b>	<b>PROFIL RISIKO</b>	91.67	SEHAT	92.58	SEHAT	93.54	SEHAT
1	RISIKO INHEREN	86.11	SEHAT	89.33	SEHAT	91.25	SEHAT
2	KUALITAS PENERAPAN MANAJEMEN RISIKO	95.83	SEHAT	95.83	SEHAT	95.83	SEHAT
<b>C.</b>	<b>KINERJA KEUANGAN</b>	69.44	CUKUP SEHAT	69.44	CUKUP SEHAT	69.44	CUKUP SEHAT
I	EVALUASI KINERJA KEUANGAN	30.00	DALAM PENGAWASAN KHUSUS	30.00	DALAM PENGAWASAN KHUSUS	30.00	DALAM PENGAWASAN KHUSUS
1	RENTABILITAS	25.00	DALAM PENGAWASAN KHUSUS	25.00	DALAM PENGAWASAN KHUSUS	25.00	DALAM PENGAWASAN KHUSUS
2	EFISIENSI	37.50	DALAM PENGAWASAN KHUSUS	37.50	DALAM PENGAWASAN KHUSUS	37.50	DALAM PENGAWASAN KHUSUS
II	MANAJEMEN KEUANGAN	91.67	SEHAT	91.67	SEHAT	91.67	SEHAT
1	KUALITAS ASET	100.00	SEHAT	100.00	SEHAT	100.00	SEHAT
2	LIKUIDITAS	83.33	SEHAT	83.33	SEHAT	83.33	SEHAT
III	KESINAMBUNGAN KEUANGAN	78.57	CUKUP SEHAT	78.57	CUKUP SEHAT	78.57	CUKUP SEHAT
1	PERTUMBUHAN	81.25	SEHAT	81.25	SEHAT	81.25	SEHAT
2	JATIDIRI	75.00	CUKUP SEHAT	75.00	CUKUP SEHAT	75.00	CUKUP SEHAT
<b>D</b>	<b>PERMODALAN</b>	100.00	SEHAT	100.00	SEHAT	100.00	SEHAT
1	KECUKUPAN PERMODALAN	100.00	SEHAT	100.00	SEHAT	100.00	SEHAT
2	KECUKUPAN PENGELOLAAN PERMODALAN	100.00	SEHAT	100.00	SEHAT	100.00	SEHAT
	<b>NILAI SKOR &amp; KATEGORI PEMERIKSAAN KESEHATAN</b>	79.91	CUKUP SEHAT	86.22	SEHAT	86.88	SEHAT

From these data it can be seen that there was an increase from 2020 to 2022, an increase in the indicator :

1. Governance previously obtained a score of 77.94, due to the findings of the supervisory team of KSP Cu Madani ; (1)there is no list of members made in the form of a conventional book and/or in verified electronic form, (2) bylaws are made, not in accordance with the provisions in the Articles of association , (3) there is no list of members present at the RAT 2019 conventionally and/or electronically verified, (4) the attendance recorded at the RAT implementation is only 493 members out of a total of 1,971 members, so that the RAT does not reach a quorum, (5) the determination of committees that are included in the main elements of the management in the organizational structure, not in accordance with the AD/ART of the CU KSP Madani, (6) there is no description of the tasks and functions for the manager/Management, (7) there is no description of the tasks and functions for the manager/Management, (8) the growth of own capital is still low, but looks great due to capitalization savings. (9) capitalized deposits are capital investments recorded in equity, (10) there is no capital Agreement letter to members, (11) There is no operational management policy/special regulation and system that regulates liquidity control. In the following year, improvements and completion of the requested administration so as to separate several points such as those related to digital files, this is due to changes in data from conventional to digital which has its own challenges, such as how to maintain member data security, how to socialize to members who are still stuttering about technology and others, of course this point is something that is still ongoing and continues to be of particular concern.
2. The risk profile that obtained an assessment of 91.67 experienced a slow increase where previously there were special records such as; (1)there are no audit results from KAP, (2) there are no special regulations on problem loans and risk limits, (3) the purchase of assets in the form of land sourced from current debts of members in 2020, has been improved in the following year but is still not perfect due to several obstacles such as the procurement of audit results from KAP which will cost, and continue to strive so that its operations can be in accordance with existing standards and regulations in the hope that when audited will get satisfactory results.
3. The performance aspect in 2020 obtained a value of 69.44, this value is classified as the smallest among other aspects with the smallest indicator in the evaluation of financial performance which only obtained 30.00 points, due to the findings in the form of ; (1) the achievement of assets obtained from net income is still low, (2) capitalization deposits recorded in equity are not in accordance with AD/ART KSP Cu Madani, (3) low equity profitability due to high operating expenses/ operational makes financial performance inefficient, judging from business costs to net income, (4) there are no special regulations on asset management. This is certainly a special thing that is the supervision of the cooperative supervisory team, but keep in mind that this small value does not really affect the overall value, this is because of the financial management process carried out by CU Madani so that the economic benefits provided can be felt as a whole to its members, such as for example from the profits obtained, funds will be reserved for training activities for members such as the development of member MSMEs. So that the financial performance looks low but the social and economic benefits can be felt as a whole to other members.

### **Analisis**

Based on the results of the review, the researchers provide analysis results for each perspective examination :

1. Governance is very important to be a concern, research conducted by (Favalli et al., 2020) related to evaluating the relationship between governance and the financial efficiency of cooperatives in Brazil, where poor efficiency can be caused due to poor governance, it is important to improve the health and sustainability of cooperatives, therefore for the perspective of governance, Cu Madani must still apply the concept of sustainability

- because Credit Union is an alternative solution to solve global poverty cases and financial cases in social cases (Anakpo et al., 2023), like the paperless movement, the movement to reduce the use of paper can certainly reduce the contribution in terms of climate change, but this movement still needs to be accompanied by adequate back up. Reducing the use of paper is good to apply but keep in mind that cyber crime is also high, civil CU must be able to work with several online service providers with a level of security that can be guaranteed such as the use of Google Workspace facilities. Creation of ICQ (Internal Quality Control) to ensure that members who submit data digitally have understood the purpose and benefits of using online systems other than paperless programs.
2. For the risk profile indicator, it is good that can be done by CU Madani is to continue to mitigate periodically if the discovery of risks that occur so that the small risk does not become a big risk. The provision of briefing to employees before the service needs to be applied so that events that may have not been resolved yesterday can be discussed and find a solution together so as not to pose a big risk such as disappointed members which will later have an impact on decreasing the number of memberships.
  3. In the aspect of performance, just keep the existing ones, because in accordance with the new institutional economic theory not all existing regulations can be applied as a whole, of course there will be some points that cannot be applied. As in Cu Madani, which has implemented the allocation of funding for the benefit of Joint members is good enough, only if it is felt that the allocation causes a decrease in the remaining results of operations in each year, it is necessary to examine more deeply whether the strategy used is in accordance with what should be.

### **Research limitations**

The limitation of the study is the scope of the problem or object to be researched. Problem boundaries are present to make it easier for researchers to limit the scope of the problem or object to be researched. The limitation of the problem generally aims to direct the discussion of research, so that it does not experience narrowing or widening of the subject matter. So this study focuses on the KSP Credit Union Madani, because in 2020 the KSP Credit Union Madani has been examined directly by the cooperative supervisory team based on the assignment warrant of the assistant deputy for Cooperative supervision number : 238/ST/D.1.3/X / 2021 dated October 18, 2021 and obtained a value of 79.91 points (quite healthy).

### **CONCLUSION**

The results of this study can contribute to the development of theories about the importance of cooperative examination in maintaining the health and sustainability of cooperatives, providing practical benefits for the management of cooperatives, namely by improving supervision and examination of cooperatives. This can be done by improving the quality of supervision, conducting cooperative supervision reporting through information technology, and preparing follow-up materials on the results of supervision and examination for the improvement and development of cooperatives. Data (in brief form), data analysis, and interpretation of the results. Results can be presented in tables or graphs to clarify the results verbally because sometimes the display of an illustration is more complete and informative than the display in narrative form. This section must answer the problems or research hypotheses that have been formulated previously

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