



NEW OUTLOOK FOR SHARIA COOPERATIVE PERFORMANCE MEASUREMENT IN INDONESIA

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Abstract

Cooperatives are one of the supporters of the economy in Indonesia, but unfortunately, so far the development of cooperatives in Indonesia, especially sharia cooperatives, is still not good. This is based on a report issued by the office of cooperatives and micro, small and medium enterprises in Indonesia which states that the development of cooperatives in Indonesia is still slow. This can be seen from the financial statements of cooperatives which are used as indicators by the government to measure the performance of cooperatives, especially sharia cooperatives. This paper provides a new perspective to measure the performance of cooperatives, not only from financial indicators but also from non-financial indicators. This is because cooperatives are not purely business organizations to seek profit from their business activities, but also have a social mission for the stakeholders in the cooperative.

Keywords: new outlook, measurement, cooperative, sharia, non-financial indicator.

A. BACKGROUND

Indonesia is develop-country with an amount of population of 254.9 million. Based on census data economy national In 2016, 10.86 % of the population (28.1 million) belonged to the poor. As many countries develop, Indonesia needs complete problem poverty. One effort made by the government to resolve the problem of poverty is to move the economy Public through various institutions, government and private, one of them through the Ministry Cooperative and Small Business and Micro (Ministry of Cooperatives & SMEs). In 2021, the number of active cooperatives in Indonesia was 127,846, and the majority (22.845 units) were in Java East. In Indonesia, cooperatives are dominated by the credit union. Besides profitable activity, this rate significantly helps members in Thing finance and promotes a spirit for saving.

Though bear predicate as the province with amount cooperative most, ironically, population poor in Java fixed east _ high. According to Body Center Statistics (2022), the region Java East has a population of as much as 40,665,696 people, and 4,259,600 (10.59 %) of the total population lives in poverty. Therefore, the paradox of many cooperatives and high poverty becomes serious because they do not comply with the welfare community's destination cooperative (Zeller et al., 2002; Adnan et al., 2015).

In Indonesia, cooperative supervision is under the Service Cooperative and Micro Enterprises (UMK). Though slow, progress cooperative, specifically credit union, has shown enhancement yearly (<https://www.bps.go.id/publication/2022>). This thing look at 2 (two) specified sizes of government, namely: 1) Business volume and 2) performance finance (<http://umkm.depkop.go.id/>).

In Indonesia, a general cooperative is shared into 2 (two) groups, namely, a conventional and a sharia cooperative that runs the business with a draft for the result. However, several researchers previously discussed _ about the performance of Sharia

cooperative states that there are still many cooperative units sharia / Baitul bad Wa Tamwil in Indonesia which have performance lack finance satisfying if compared with cooperative conventional (Seibel, 2005; Seibel 2007; Masyita & Ahmed, 2013).

However, the result was different from what was found by Hadisumarto & Ismail (2010), Riwijanti (2014), and Mohamed (2015). He revealed much superiority in cooperative Sharia compared to cooperative conventional though the Islamic institutions still meet various obstacles. However, in general, performance cooperative sharia which became the object of the study shows promising results. Choudhury (1983), Kahf (1991), Chapra (1991, 1992), Khan and Abbas (1992), Siddiqi (1996), and later, Sadeq (1997), Akhtar (2000), Sirageldin (2000), Farooq (2008), Zaman (2010), Hasibuan (2010), Rahman (2010), Arnez (2010), Liala (2010), Polat (2010) Hashmat (2014) also stated that sharia cooperative becomes one solution for relieving problem poverty, especially in Muslim countries .

When the Service Cooperative and MSE measured cooperative performance, neither conventional nor Sharia used finance indicators. This thing felt insufficient because cooperative, not institution finance pure but also condition with element social, so measurement performance by holistic required To use knowing non-financial performance. For that, measurement performance cooperative with indicator finance and non- financial to know performance cooperative by comprehensive, especially on organization Islamic business.

On organization adopting business _ draft Islamic business in implementation, success no solely is measured with acquisition profit company. However, more than that, that gives broad benefits to society, as Prophet Muhammad said: "*The best man is the most useful for humans (Hadith History of Ahmad, Shohihul Jami' No: 3289)*. Though look simple, however, if drafted, the executed, proven capable bring prosperity not only for the Public around him but also share multiplied profit for an organization that alone even if organization the not yet know Islam (Matsushita, 1937; Ali and Al-Owaihah, 2008)

This paper gives a new outlook on measurement performance cooperative with non-financial indicators. This paradigm can become a consideration for measuring cooperative performance, specifically for sharia cooperatives.

B. LITERATURE REVIEW

1. The Uniqueness Of Cooperative

Cooperatives are seen as unique compared to other financial institutions. The peculiarities of cooperatives compared to banks are:

1. a member-owned cooperative, with each member (savers and borrowers) having only one voice controlling the institution. The difference between cooperatives from banks is in the owner's power.
2. The board of directors of a cooperative is elected voluntarily by its members. Instead, bank directors are appointed to represent shareholders and are compensated for their time. The cooperative also recruits volunteer workers. This is in contrast to banks that exclusively employ paid employees.
3. Cooperatives do not issue share capital. Instead, they usually start with zero capital and then build up capital over time, keeping a portion of their net profit. Often, the sponsoring organization or individual (usually a founding member) provides initial facilities in office space and equipment. On the other hand, banks start with shareholder capital raised in the stock market.

4. Mutual bonds connect cooperative members. More specifically, belonging to a particular community, industry, or geographic group incorporates credit union membership. Bank customers are not subject to membership criteria.
5. Cooperatives are not formed to generate profits. In return, net income is distributed among its members through lower borrowing rates, higher savings rates (through dividends), improved service quality (such as convenience or lower costs), or contributions to reserves. On the other hand, banks pay (or charge) fixed or variable interest rates to their customers regardless of net income. After maintaining a portion for institutional growth, the remainder is distributed to shareholders as dividends.
6. Cooperatives usually have a social purpose, recognized in law, to serve people excluded from public financial services—this type of philanthropic behavior, which one cannot expect from a profit-maximizing bank.

2. Development Of Sharia Cooperative In Indonesia

Facts in the field show that though the majority populated Muslims, however cooperative Sharia with a system for results, not enough socializes and only occupies a proportion of 23.95 % (<https://www.bps.go.id/publication/2021>), as seen in Figure 1 (one) below :

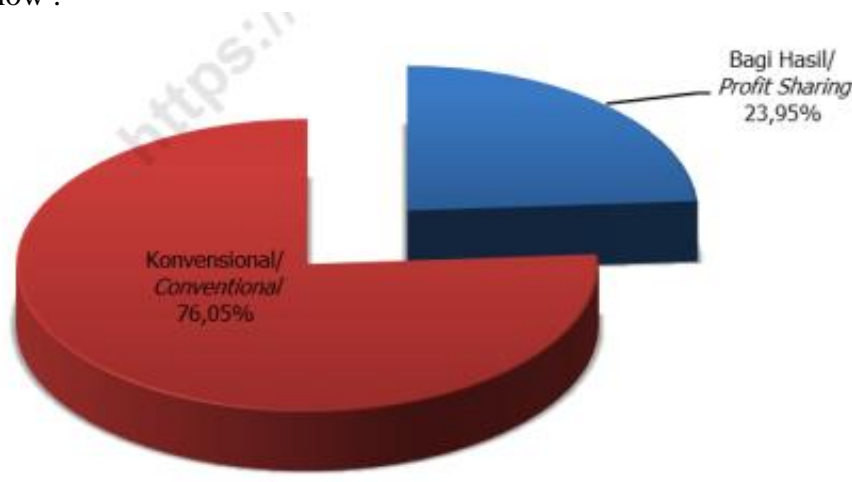


Figure 1: the market share konvensional and sharia cooperative in Indonesia (2019)

Amount study discloses much superiority of cooperative Sharia compared to cooperative conventional (Hadisumarto & Ismail, 2010; Riwayatanti, 2014; Mohamed, 2015), but the Islamic institutions still meet various obstacles. For example, research conducted by Seibel (2005: 2007) shows that of 3,000 sharia cooperatives / BMT units in Indonesia, no more than one-fifth have performance good finance. Plus, again, with the reality that cooperative growth sharia is still left behind compared with cooperative conventional (Masyita & Ahmed, 2013).

C. DISCUSSION

In Indonesia, the Department of Cooperatives and Micro Enterprises (UMK) carries out the development and supervision of cooperatives. Although slow, the development of cooperatives, especially savings and loan businesses, has increased yearly (<https://www.bps.go.id/publication/2021>). The indicators used are: 1) business and 2) financial performance (<http://umkm.depkop.go.id/>). Business indicators include 1) the number of management, supervisors, and members, 2) the amount of savings and

loans disbursed, and 3) the regularity of the Annual Membership Meeting (RAT). Meanwhile, the financial performance is seen by the acquisition of Surplus of Business Operation.

However, this is not capable of the overall performance of cooperatives, including non-financial performance. Cooperatives are not pure financial institutions but also have requirements with social elements so that holistic performance measurement is needed to determine non-financial performance. For this reason, it is necessary to measure the performance of cooperatives with non-financial indicators to be able to know the overall performance of cooperatives.

Experts developed several methods of measuring cooperative performance, but globally it could be divided into 2 (two) groups: 1) Financial Indicator and 2) Non-Financial Indicator. The experts had done the previous study by using financial indicators, including:

Table 1: Financial Approach Performance Appraisal Method

No	Researcher	Year
1	Glass et al.	2010
2	Arcas et al	2011
3	Costa et al	2012
4	Dios- Palomares et al	2013
5	Abate et al	2014
6	Jones and Kalmi	2015
7	Costa and Carini	2016
8	Chareonwongsak	2017
9	Cadot and Ugaglia	2018
10	Siswanti & Sukoharsono	2019

Table 2: Non-Financial Approach Performance Appraisal Method

No	Author	Year	Indicator
1	Ruben and Heras	2012	the perspective of members,
2	Ruben and Heras	2013	production quality and supplier relationships,
3	Hanisch et al	2013	market share
4	Figueiredo and Franco	2018	satisfaction with cooperatives in general
5	Jardine et al.	2014	improving the quality of cooperatives
6	Franken and Cook	2015	
7	Mojo et al	2016	
8	Feng et al	2016	the satisfaction of their members
9	Sisay et al	2017	
10	Benos et al	2016	the view of its CEO
11	Hammad et al	2016	
12	Wouterse and Francesconi	2016	organizational health index.

From various previous studies, the table above shows that many other researchers use non-financial indicators to measure cooperative performance. This thing is exciting and can reference measuring performance cooperative by holistic, remembering cooperative is organization a business that has mission social, especially for Islamic cooperative.

In Islam, increasing performance is not only measured through achievement profit more companies but increase however also well-being by holistic that is, success and well-being by individual and well-being normal social, called *maslahah* (Ahmad, 1997; Indrawati, Salim, Hadiwidjojo, & Syam, 2018).

D. CONCLUSION AND FUTURE DIRECTION

From the exposure delivered, it is time to measure the cooperative performance from financial and non-financial indicators. For a sharia cooperative, the concept gives benefits to members is the most important. Sharia cooperatives must be capable give benefits and great prosperity to their members. This thing needs to be realized that cooperative has been seen as one economic supporter in Indonesia, not small only because of the profit gain. One more important thing from enhancement profit is the well-being of member cooperative and the benefits for society. A Cooperative is a business organization with a social character. If a cooperative loses its social character, it is not cooperative anymore.

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