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Effect of Modernization on Cooperative Performance in Medan City

Nelda Fitry Siregar[*1]*, Agus Purwoko*[2]*, Lita Sri Andayani*[3]

[*1]*Regional and Rural Planning Study Program, Postgraduate School, Universitas Sumatera Utara, Medan, 20155, Indonesia*
[2]*Faculty of Forestry, Universitas Sumatera Utara, Medan, 20155, Indonesia*
[3]*Faculty of Public Health, Universitas Sumatera Utara, Medan, 20155, Indonesia*

Abstract. *This research aims to analyze the influence of modernization (with criteria: institutional pillar, business pillar and financial pillar) simultaneously on cooperative performance in Medan City. This study sample was 62 cooperative managers built by the Medan City Government who were active and NIK certified. This research was quantitative. The results of multiple linear regression analysis obtained a simultaneous coefficient of determination (R²) of 0.615 where the value describes 61.5% of cooperative performance can be explained by institutional pillar variables (X1) 11.4%, business pillars (X2) 22% and financial pillars (X3) 49.6%, while the rest of 38.9% is explained by other factors or variables outside the model. In accordance with the results of the research, Financial pillar variables have a partially significant effect on performance, thus it is expected that modernization of institutional pillars, business pillars and financial pillars will increase the success of cooperatives in Medan City.*

Keywords: cooperative perfomance, modernization, people's economic condition

Abstrak. Penelitian ini bertujuan untuk menganalisis pengaruh modernisasi (dengan kriteria : pilar kelembagaan, pilar usaha dan pilar keuangan) secara simultan terhadap kinerja koperasi di Kota Medan. Sampel penelitian ini sebanyak 62 pengurus koperasi binaan Pemerintah Kota Medan yang aktif dan bersertifikat NIK. Hasil analisis regresi linier berganda diperoleh nilai koefisien determinasi simultan (R²) 0,615 dimana nilai tersebut menjelaskan 61,5 % kinerja koperasi dapat dijelaskan oleh variabel pilar kelembagaan (X1) 11,4%, pilar usaha (X2) 22% dan pilar keuangan (X3) 49,6%, sedangkan selebihnya 38,9 % dijelaskan oleh faktor lain atau variabel diluar model. Sesuai dengan hasil penelitian, variabel pilar keuangan berpengaruh signifikan secara parsial terhadap kinerja, dengan demikian diharapkan adanya modernisasi pada pilar kelembagaan, pilar usaha dan pilar keuangan akan meningkatkan keberhasilan koperasi di Kota Medan.

Kata Kunci: Kinerja koperasi, modernisasi, perekonomian masyarakat

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1. Introduction

In accordance with Permenkop No. 5 of 2020 on The Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, the development of cooperatives and small and medium enterprises is directed to strengthen economic resilience in order to support quality growth with the main targets of increasing added value, competitiveness, investment, exports, import substitution and employment expansion. Implementation of development and culture of the populist economic system based on Pancasila, includes: building a national economic culture with a cooperative platform in productive business activities, improving work ethic, entrepreneurship based on the spirit of working together, and the growth of intelligent consumer culture and love of domestic products.

Cooperatives aim to advance the welfare of members in particular and society in general, as well as help build the national economic order in order to realize an advanced, fair and prosperous society. Cooperatives in Medan City based on the type of business are producer cooperatives, consumer cooperatives, marketing cooperatives, service cooperatives and saving and borrowing cooperatives. Measuring the success of cooperatives is not only seen in terms of the ability of cooperatives in remaining results of the business, but the main thing that must be implemented cooperatives are to promote member economies.

In this era of digitalization there are several challenges and problems faced by cooperatives in medan city, namely cooperative performance that has not been optimal because cooperatives in Medan city are still conventional, limited human resources of qualified cooperative managers, resulting in professional business management approaches and cooperative governance that does not follow developments or has not fully used technology and business models that are in harmony with developments.

According to the results of Suryokumoro and Ula in [1] cooperative modernization must synergize with institutional aspects, business aspects and cooperative capital aspects to improve cooperative performance in order to support economic development. Kusumantoro and Sinaga in [2] simultaneously have a significant influence between the quality of service, the manager's ability, member motivation and the image of member satisfaction.

The results of Sinaga and Situmeang research in [3] prove that simultaneously variables in the quality of human resources, member participation, and service systems affect positively and significantly on the performance of all-business cooperatives in Medan City. Cooperatives in Medan City are expected to be able to increase competitiveness and adapt to the use of technology as a business base for business development. The purpose of this research is to analyze the influence of modernization (institutional pillar, business pillar and financial pillar) simultaneously on cooperative performance in Medan City.

2. Methodology

This type of research was quantitative, the research design used is observationally analytical and uses a cross sectional approach. While the research time with survey methods and interviews with questionnaires. The study sample was determined to follow the Slovin formula of 62 active and NIK certified cooperative administrators. To analyze the hypothesis of the effect of cooperative modernization on cooperative performance in Medan City using multiple regression analysis, namely:

$$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu \qquad (1)$$

With :

Y	=	Cooperative performance
X_1	=	Modernization of cooperative institutional pillar X2 = Modernization of cooperative business pillar
X_3	=	Modernization of cooperative financial pillar β0 = Constant
μ	=	Error term
β1… β4	=	Regression coefficient

3. Results and Discussion

3.1 Result

3.1.1 Coefficient of Determination Test (R^2)

This coefficient of determination analysis is used determine the percentage of the magnitude of the variation in the effect of free variables on bound variables**.**

Table 1 Result of Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	d. Error of theEstimate
1	,716[a]	,512	,615	1,05355

a. Predictors: (Constant), Financial pillar (X3), Institutional pillar (X1), Business pillar (X2)
b. Dependent Variable: Kinerja (Y)

Based on Table 1, it can be seen that the adjusted R Square number of 0.615 which can be called the coefficient of determination which in this case means 61.5 % of performance can be explained by the variables of financial pillars, institutional pillars and business pillars. The remaining 38.9% is explained by other factors or variables outside the model.

3.1.2 Simultaneous Test (F)

This test is to see the effect of dependent variables on independent variables simultaneously. The way to use is to look at the level of significance, if the significance value is less than 0.05 then Ho is rejected and Ha is accepted.

Table 2. Result of Simultaneous Test

	ANOVAª					
Model	Sum of Squares	df	Mean Square	F	Sig.	
1 Regression	66,466	2	33,233	29,941	,000ᵇ	
Residual	63,268	57	1,110			
Total	129,733	59				
a. Dependent Variable: Performance (Y)						
b. Predictors: (Constant), Financial pillar (X3), Institutional pillar (X1), Business pillar (X2)						

The significant probability is much smaller than 0.05 which is 0.000 < 0.05, so it can be said that in this study that the variable institutional pillar, business pillar and financial pillars have a significant effect on performance simultaneously.

3.1.3 Partial Test (t)

This test is used to show how far independent variables individually describe variations of this test done using a 5% significance level. The test can be done by comparing t count with t table with the provision that if t calculates > t table (α 0.05) then Ha is accepted and Ho is rejected.

Table 3 Result of Partial Test

	Coefficientsª					
	Unstandardized Coefficients		Standardized Coefficients			
Model	B	Std. Error	Beta	t	Sig.	
1 (Constant)	.225	1.404		.078	.404	
Institutional pillar (X1)	.114	.093	.158	4.225	.025	
Business pillar (X2)	.220	.095	.214	3.103	.018	
Financial pillar (X3)	.496	.017	.206	3.568	.022	
a. Dependent Variable: Performance (Y)						

1) Institutional pillar variable (X1) with a probability level of 0.025. It can be concluded Sig. t < α or 0.025 < 0.05 then Ha was accepted and Ho was rejected, which stated the institutional pillar had a partially significant effect on performance.

2) Business pillar variable (X2) with a probability level of 0.018. It can be concluded Sig. t < α or 0.018 < 0.05 then Ha was accepted and Ho was rejected, which stated that the pillar of business had a partially significant effect on performance.

3) Financial pillar variable (X3) with a probability level of 0.022. It can be concluded Sig. t < α or 0.022 < 0.05 then Ha is Accepted and Ho is rejected, which states the financial pillar has a partially significant effect on performance.

Based on Table 3, multiple linear regressions are obtained as follows:

$$Y = 0{,}225 + 0{,}114\,X1 + 0{,}22\,X2 + 0{,}496\,X3 + e$$

a. If everything on free variables is considered zero, then the performance value (Y) is 0.225.

b. If there is an increase in institutional pillar by 1, then performance (Y) will increase by 0.114 (11.4%) assuming other variables remain. The positively marked institutional pillar variable means having a unidirectional influence, meaning that any addition or increase in the institutional pillar variable log will add performance value by 11.4%.

c. If there is an increase in the business pillar by 1, then performance (Y) will increase by 0.22 (22%) assuming other variables remain. The positively marked business pillar variable means it has a unidirectional influence, meaning that any addition or increase in the business pillar variable log will increase the performance value by 22%.

d. In the event of an increase in the financial pillar by 1, then performance (Y) will increase by 0.496 (49.6%) assuming other variables remain. Positively marked financial pillar variables mean to have a unidirectional influence, meaning that any addition or increase in the financial pillar variable log will add a performance value of 49.6%.

3.2 Discussions

3.2.1 The Influence of Modernization (development pillar, business pillar and financial pillar) Simultaneously on Cooperative Performance in Medan City

The results showed that the variables of cooperative modernization (institutional pillar, business pillar and financial pillar) simultaneously had a significant effect on cooperative performance in Medan City. Based on the results of the simultaneous determination coeffesien test (R^2) the size of Adjusted R Square 0.615 which can be called the coefficient of determination which in this case means 61.5% performance can be explained by the variable pillar of the institutional pillar, and business pillar. The remaining 38.9% is explained by other factors or variables outside the model.

The result of F simultaneous test calculated 29,941 with significantly less than 0.05 which is $0.000 < 0.05$, it can be said that in this study that there is a positive influence between institutional pillar variables, business pillar and financial pillar on cooperative performance in Medan City. This is in accordance with Aristana, et al in [4] on cooperative performance models where the influence of empowering leadership, organizational culture and organizational commitment has a positive and significant effect. So that the better empowering leadership and organizational culture, the higher the commitment of the organization so that cooperative performance is increasing.

According to Riyanti in [5] cooperative performance can be measured from the success of cooperative businesses with indicators of increasing turnover, increasing number of employees, increasing market share, and increasing number of customers. So that indicators of institutional pillar variables, business pillar and financial pillar can have a positive effect in improving cooperative performance. In accordance with the results of research, cooperatives in Medan City strongly agree with the modernization of institutional pillars, business pillars, and financial pillars that will certainly increase the success of their cooperatives.

3.2.2 The Influence of Modernization of Cooperative Institutional Pillar on Cooperative Performance in Medan City

Institutional pillar are independent variables or free variables that have been tested and accepted based on the results of regression co-effectiveness showing a value of 4,225 and significant by 0.025 this shows that the institutional pillar has a positive and significant effect on the performance of medan city cooperatives. This is in accordance with Farida research in [6] where variables of administrators performance, member participation and services are react significantly effect on the performance of KPRI RS. UP Dr.Sardjito Yogyakarta.

The institutional pillar of cooperatives are built in accordance with the goals to be achieved by cooperatives, cooperative institutions show the parts in cooperative organizations that function to organize certain tasks, as well as the relationship of one part with the other. Modernization is needed to transform cooperatives, so efforts are needed to build creative and innovative character for cooperative driving people. Creative and innovative cooperative people can begin their transformation to organize their organization and business strategy This is in accordance with Mangkunegara theory in [7] where factors that affect performance achievement consist of ability factors. The development of cooperative businesses in the industrial era 4.0 can be done through strengthening the network of cooperation and business interrelationships between cooperatives, which are not only organizational interrelationships but on the potential of cooperation between primary and secondary cooperatives that need to be developed, and specialization of cooperative business activities that can currently be further facilitated by the development of technology.

3.2.3 The Influence of Modernization of Cooperative Business Pillar on Cooperative Performance in Medan City

The business pillar is an independent variable or free variable that has been tested and acceptable based on the results of regression co-effectiveness showing a value of 3,103 and a significant amount of 0.018 this shows that the business pillar has a positive and significant effect on the performance of Medan City cooperatives. The results of Sinaga and Situmeang research in [3] prove that simultaneously the variables of HR quality, member participation and service systems affect positively and significantly on the performance of all-business cooperatives in Medan City.

In this study, the business pillar variables are reflected in three main dimensions, namely human resources, business services and partnerships. Improving business services is a demand that must always be improved to expand the cooperative network. According to Setiawati in [8], the development of cooperative businesses in the industrial 4.0 era can be done through strengthening the network of cooperation and business linkages between cooperatives, which are not only organizational interrelationships but on the potential of cooperation between cooperatives, to achieve the goals of cooperative development in general, steps are needed: improving the initiative, capabilities, and participation of the cooperative movement through improving the quality of human resources in the framework of institutional development and stabilization and creating a conducive business climate to increase access and market share.

3.2.4 Effect of Modernization of Cooperative Financial Pillar on Cooperative Performance in Medan City

The financial pillar is an independent variable or free variable that has been tested and acceptable based on the results of regression co-effectiveness showing a value of 3.568 and a significant amount of 0.022 this shows that the financial pillar has a positive and significant effect on the performance of Medan City cooperatives. This is in accordance with Kustina and Dewi research in [9] where the implementation of bank partnership services can increase cooperative income seen in the cooperative's financial statements, namely on the calculation of the remaining business results (SHU) that record cooperative income.

Cooperative business entities have the main purpose not only to seek profit but to serve cooperative members to be more prosperous based on family. According to Kusumantoro and Sinaga in [2] business modernization is to provide quality and quality services so that it will provide a good perception for new and old members. The success of cooperatives in achieving optimal performance many factors that affect it, one of which is by strengthening the financial pillars of cooperatives, with stable financial conditions, cooperatives will be able to survive and prosper their members. Cooperative managers and managers are obliged to provide a financial system that can be accessed by all members so that cooperative financial accountability can be monitored.

4. Conclusion

Modernization of cooperative (institutional pillar, business pillar and financial pillar) simultaneously positively and significantly affects the performance of cooperatives in Medan City. The development of cooperative performance in Medan city is characterized by an increase in the number of cooperatives every year, but not followed by an increase in members, managers, employees, outside capital, inner capital, business volume and remaining business results. The suggestions from the results of the research are as follows: the existence of cooperative institutional development, the development of business orientation carried out in an integrated manner and the development of capital structures, and improving the ability to use capital.

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