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# LOCAL GOVERNMENT'S ROLE IN STRENGTHENING GOOD CORPORATE GOVERNANCE IN COOPERATIVE DEVELOPMENT

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## ABSTRACT

This research seeks to elucidate the role of local government in enhancing cooperative management through good corporate governance (GCG) and the strategic measures implemented by the government in this endeavor. The study was performed using qualitative descriptive methods in Lamongan Regency, East Java Indonesia. Data were gathered via comprehensive interviews with 10 participants, including the Head of the Cooperative Office, the Deputy Head, and cooperative managers affiliated with the Cooperative Office of Lamongan Regency. The data were evaluated using the Miles and Huberman methodology, which has four stages: data collection, condensation, data display, and conclusion formulation. This study identified the strategic function of local governments in enhancing GCG-based cooperative governance through four roles: facilitation, regulation, coaching, and supervision. By strengthening the role in these four aspects, cooperatives are not only able to survive in economic competition but also develop as business entities that are professional, transparent, and trusted by their members. This research theoretically supports the concept of polycentric governance, with the Cooperative Office serving as a modal agency that amalgamates three primary strategies: cooperative clinics, audits and compliance, and training and development. This research advocates for enhancing the role of cooperative facilitators as intermediaries between the state and cooperatives, alongside the implementation of blockchain technology for transparent and decentralized record-keeping within cooperatives, in light of the prevailing institutional fragility and the dynamics between cooperatives and local governments.

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**KEYWORDS:** good corporate governance, GCG, cooperative, local government, accountability.

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## 1. INTRODUCTION

Cooperatives are one of the effective means of supporting local economic development (LED). This action occurs in line with their role as engines of economic growth, creators of market access, and promoters of democratic participation (Shava & Hofisi, 2019). Several studies state that production cooperatives, artisans, and production service providers in various countries around the world play an important role in development through the creation and safeguarding of local jobs in the long term and sustainably (Brief, 2015). Cooperatives are

also recognized as important partners in achieving sustainable development goals because they can promote democracy, increase income, encourage social inclusion, show concern for the environment, and have a significant economic impact on the global economy (Iyer, 2020). According to data quoted from Central Statistics Agency, the number of active cooperatives in Indonesia increased to 130,354 units with a business volume of Rp197.88 trillion in 2022. This number represents a 1.96% increase compared to the previous year, which had 127,846 units with a business volume of Rp182.35 trillion (Statistik, 2022).

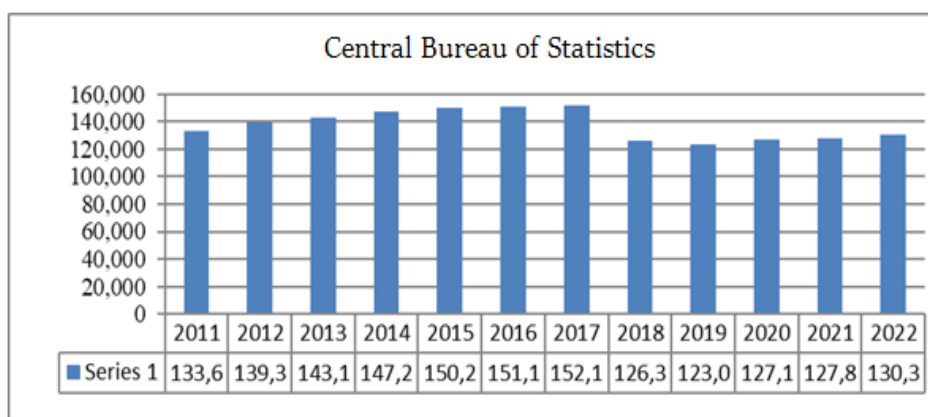


Figure 1: List of Active Cooperatives in Indonesia

The number of active cooperatives in Indonesia increased from 2011 to 2017 during its development. However, this number plummeted by 16.97% to 126,343 units in 2018. This condition occurred along with the dissolution of cooperatives carried out by the Ministry of Cooperatives and SMEs. The exercise was done to shift the paradigm of cooperative empowerment from quantity to quality. The number of active cooperatives in Indonesia decreased again by 2.61% to 123,048 units in 2019. However, the number has increased again in the last three years, reaching 127,124 units in 2020, 127,846 units in 2021, and 130,354 units in 2022.

Despite experiencing quantitative growth, cooperatives in Indonesia continue to face various structural and managerial challenges. Studies show a decline in institutional quality and low member participation, which have contributed to the revocation of licenses for more than 60,000 cooperatives since 2014 (Tulus & Nerang, 2020). Additionally, cooperatives are viewed as insufficiently competitive compared to other business entities, and many of them depend on external financing because of weak internal governance (Halilintar, 2018). Such evidence indicates that the qualitative growth of cooperatives has not yet been optimal. One of the fundamental root problems is the weak implementation of GCG principles within

cooperatives. Studies conducted by Wijayanti (Wijayanti *et al.*, 2017) in Tarakan City show that cooperative management's accountability, transparency, and professionalism are still not optimal.

Other issues, such as the lack of external audits and insufficient member education, also weaken the sustainability of cooperatives. This gap indicates that even though GCG principles have been widely adopted in the corporate world, their application in the context of cooperatives is still far from adequate. GCG is a process and structure used by corporate organs to enhance the company's value in the long term while considering the interests of other stakeholders, based on the principles of transparency, accountability, responsibility, independence, and fairness. KNKG formulates 5 main GCG principles: transparency, accountability, responsibility, independence, and fairness, which serve as the basis for assessing the governance of various business entities in Indonesia, including cooperatives (Governance, 2006).

The implementation of GCG is crucial for cooperatives as they transition from traditional entities to modern economic institutions. The principles of GCG, such as transparency, accountability, responsibility, independence, and fairness, become the foundation for building healthy

and competitive governance. With GCG, cooperatives can improve their management systems, strengthen member trust, and enhance business performance sustainably. Therefore, the internalization of GCG principles has become an urgent agenda in strengthening the institutional framework of cooperatives (Governance, 2006). The government has a strategic role in creating an ecosystem that supports the implementation of GCG in cooperatives, whether through regulation, institutional assistance, or facilitation of resource access. The central government has issued PP No. 7 of 2021 concerning the ease, protection, and empowerment of cooperatives and MSMEs to encourage their modernization (Chalim et al., 2022). On the other hand, local governments have the authority to conduct coaching and evaluation of cooperatives, as demonstrated by the Lamongan local government's initiative in creating healthy and independent cooperatives (Dasuki & Lestari, 2019).

Numerous studies indicate that the efficacy of cooperatives, especially in agriculture and microfinance, is predominantly influenced by a transparent and accountable governance framework (Chaddad & Iliopoulos, 2013). In this setting, local governments have a crucial role in enhancing GCG institutions via policies, facilitation, and training. Sunaryo et al. (Sunaryo et al., 2023) discovered that local government intervention utilizing a GCG approach in Yogyakarta yielded a high score of cooperative management effectiveness. Moreover, the government's educational function in imparting knowledge and facilitating the application of GCG principles to cooperatives has demonstrated an enhancement in the overall quality of cooperative management (Anania & Rwekaza, 2018).

Moreover, the significance of collaboration between local governments and cooperatives in promoting effective governance is shown in the study by Buis (Buis, 2009), which illustrates how government role in increasing the effectiveness of city-to-city cooperation. This research establishes that the successful implementation of digital systems necessitates collaboration among stakeholders. Conversely, Tripathy et al. (Tripathy et al., 2021) shown that a participatory approach to cooperative governance—frequently facilitated by local government policies—can enhance competitiveness and member involvement. Nonetheless Boresli et al. (Boresli et al., 2023) emphasized Boresli et al. provide insights into the regulatory frameworks that local governments must navigate to promote effective cooperative governance, emphasizing that the local legislative landscape plays a critical role in shaping cooperative success and sustainability in contexts like Kuwait.

The current literature offers a comprehensive

overview of the crucial role of local governments in enhancing cooperative governance, although there exists a notable deficiency in the examination of cross-sectoral implementation mechanisms, especially within Indonesia's heterogeneous local setting. Additional research is required to examine how the facilitation, regulation, guiding, and supervision functions of local governments especially affect the accountability aspects of cooperatives. Moreover, only a limited number of research have statistically and longitudinally assessed the direct effect of GCG adoption on cooperative performance. Consequently, a comprehensive examination of contextualized, best-practice partnership approaches between the government and cooperatives in diverse locations is essential.

The study conducted in Lamongan Regency serves as a concrete example of how local governments can play a significant role in the development of GCG-based cooperatives. With an integrated approach through the Cooperative and Micro Business Office, the Lamongan local government successfully promoted local economic growth through the "*Koperasi dan UMKM Naik Kelas*" program (Cooperatives and MSMEs Move Up a Class), which showed economic improvement post-pandemic. This positive performance is not unrelated to the local government's attention to the importance of transparency and accountability in cooperative management.

Based on the above description, there is an urgency to evaluate in more depth how the role of local governments can strengthen cooperatives through the implementation of good corporate governance principles. This research is relevant because it fills the gap in the study of the effectiveness of regional policies in fostering cooperatives in a professional and accountable manner. This study aims to use GCG principles and current regulations to help create effective ways to support cooperatives that adapt to local economies and global challenges.

### 1.1. Problem Statement

Based on the explanation above, the issues raised in the research are as follows:

1. What is the role of the local government in developing cooperatives based on good corporate governance?
2. How is the implementation of good corporate governance in a healthy cooperative?
3. What are the obstacles faced by local governments in developing cooperatives based on Good Corporate Governance?
4. What are the impact of GCG implementation on the cooperative development and accountability?

## 2. MATERIALS AND METHODS

### 2.1. Approach and Type of Research

This research aims to explain the role of the government in developing GCG-based cooperative management and the challenges it faces in that development. Because this research is descriptive-exploratory in nature, the appropriate approach to explain this issue is a qualitative approach with a case study at a cooperative in Lamongan Regency, East Java, Indonesia. The qualitative approach was chosen because the researcher will explain the practices carried out by the Lamongan Regency government in developing the GCG-based cooperative qualitatively and not based on numbers or statistical calculations.

### 2.2. Participants and Data Collection Methods

We collected research data through interview, observation, and documentation methods, primarily focusing on interview data. The type of interview used is an in-depth interview where the researcher will ask participants about the main issues being studied without a specific interview script but rather will ask freely until satisfactory answers are obtained. The interviews in this study involved 10 participants, including the Head and Secretary of the Cooperative and Micro Business Office of Lamongan Regency, Heads of divisions or staff specializing in cooperatives, as well as Cooperative Managers and Supervisors in Lamongan Regency. Each participant was assigned a code from P1 to P10. The interview duration varied for each participant, ranging from 20 minutes to 40 minutes, depending on their position and the issues explored with them.

In addition, secondary data can include written documents or relevant archives, such as regional policy documents, cooperative statistical data from the cooperative office, program reports or annual cooperative reports, books, scientific journals, articles, and academic study materials related to cooperatives and good corporate governance in Lamongan Regency.

### 2.3. The Validity and Reliability of Data

To check the validity and accuracy of the data, the researcher adheres to the concept of trustworthiness by Lincoln and Guba (1985), which consists of four main criteria: credibility, transferability, dependability, and confirmability. From the perspective of data dependability, the researcher uses an audit trail, which is the tracking of the entire research process from planning to data collection to analysis. Every step in the data collection process is systematically documented, including field notes, interview transcripts, and analytical memos. Additionally, the researchers conducted discussions with their peers, known as peer debriefing, to reflect on the findings and evaluate the consistency of their

data interpretation.

Meanwhile, to test the credibility of the data, the researcher applies triangulation strategies that include source, method, and time triangulation. In applying source triangulation, the researcher compares and checks the data obtained from interviews with various informants, such as heads or secretaries of departments, supervisors, or cooperative managers. For methodological triangulation, the researcher uses several data collection methods, such as in-depth interviews, non-participatory observation, and document review, to check the consistency of the obtained information. Meanwhile, for temporal triangulation, the researcher collects data at different times to observe the consistency of the information and avoid bias due to specific temporal situations. By applying triangulation, the researchers strive to ensure that the data collected truly reflects the social reality occurring in the field.

In terms of transferability, researchers give a clear and detailed description of the research setting, including who the participants are, their social and cultural backgrounds, and the conditions of the institution being studied, so that readers can judge how relevant and useful the research findings might be in similar situations. Researchers also present direct quotes from informants and transparently explain the data collection methods, thereby strengthening external validity and helping users of the research findings understand the limits and potential applications beyond the study location.

In applying the principle of data confirmability, researchers return preliminary results or data interpretations to informants for verification of their accuracy. The main objective is to ensure that the research findings truly reflect the views, experiences, and meanings intended by the participants. The researcher presents a summary of the interview results or initial findings to the informants, both orally and in writing, and then requests feedback on the accuracy of that information. If discrepancies are found, the researcher will revise or adjust the interpretation to align with the actual intent of the informant.

As emphasized by Moleong (2017), data validity checks are conducted by returning the data or information to its source to obtain confirmation of whether the data is accurate, appropriate, and acceptable to the informant. Thus, member checking not only strengthens the credibility of the data but also builds an honest and reflective relationship between the researcher and the participants. This technique is used in research about how local government helps develop cooperatives by checking the interview results with important people, like officials from the Cooperative Office and cooperative managers, to make sure that the way the data is understood matches their

actual experiences and views.

### 3. DATA ANALYSIS

Data analysis in this study refers to the interactive model developed by Miles, Huberman, and Saldana (2014), which consists of three steps: data condensation, data display, and conclusion drawing. This model is chosen because it can effectively and adaptively manage the complicated nature of qualitative data, particularly in exploring how local governments contribute to developing cooperatives that follow Good Corporate Governance (GCG) principles.

At the condensation stage, the researcher undertakes several processes, namely transcribing, reading, highlighting, coding, categorizing, and thematizing. After the data is transcribed, the researcher reads through the entire data set repeatedly and thoroughly to understand the general context and content of the data. Following the reading, the researcher identifies pertinent information and chooses portions of the data that directly align with the focus or research question. The researcher can accomplish this by emphasizing key sentences, themes, or significant statements. After that, each piece of data is labeled or coded based on certain themes, categories, or concepts. The codes can be words or short phrases that describe the content of the data pieces. Codes with similar meanings are grouped into categories or sub-themes, which are then organized into an analytical structure. After the coding process is complete, the researcher composes a brief narrative or table/matrix that represents the data according to the predetermined categories to facilitate further interpretation.

In the data display, researchers organize the data

in a systematic and easily readable format to observe the relationships between categories or themes. In the context of this research, data presentation is carried out in the form of thematic matrices and descriptive narratives, which contain important information related to the regulatory, facilitative, and educational roles of local governments toward cooperatives.

The final step is the process of drawing conclusions that is carried out gradually and retested throughout the research process. The researcher interprets patterns or trends that emerge from the data, such as the relationship between the local government's commitment to providing managerial training for cooperatives and the resulting improvement in their internal accountability. The conclusions drawn are not final in the initial stages but are continuously verified through the process of triangulation of sources and methods, as well as confirmation with informants (member check). This verification process is important to ensure that the researcher's interpretation does not deviate from the reality intended by the informants and that the research findings have strong validity.

### 4. RESEARCH FINDINGS

The results of the research data analysis revealed four main themes, followed by several subthemes below them. The major themes that emerged were the theme of the government's role in fostering cooperatives and the theme of government strategy in fostering cooperatives towards GCG. The main functions played by the government in strengthening cooperatives in Lamongan Regency, namely the functions of facilitation, regulation, coaching, and supervision. The following table encapsulates this finding.

*Table 1: The Role of Regional Government in Strengthening Cooperatives in Lamongan Regency*

Role	Role Description	Sub-theme	Implementation in Lamongan Regency
<b>Facilitator</b>	Provide technical support and resources for cooperative development.	<ul style="list-style-type: none"> <li>Facilities</li> <li>Capital</li> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Provision of management training and digital transformation.</li> <li>Capital assistance and marketing access.</li> <li>24-hour cooperative assistance by cooperative assistants.</li> <li>Facilitation of Cooperative Identification Number (NIK) management.</li> </ul>
<b>Regulation</b>	Develop policies and operational standards for cooperative governance.	<ul style="list-style-type: none"> <li>Policy</li> <li>Reform</li> <li>Harmonization</li> </ul>	<ul style="list-style-type: none"> <li>Delivery of the latest policy information through cooperative assistants.</li> <li>Adjustment of regional regulations with national policies.</li> <li>Verification and issuance of NIK after the cooperative meets the requirements (for example, holding RAT 3 times in a row).</li> </ul>
<b>Guidance</b>	Improve the capacity of cooperative human resources and institutions through mentoring and training.	<ul style="list-style-type: none"> <li>Governance</li> <li>Mentoring</li> <li>Competence</li> </ul>	<ul style="list-style-type: none"> <li>Management training, digitalization, and GCG principles.</li> <li>Direct assistance by cooperative assistants in preparing financial reports and RATs.</li> <li>Revitalization of inactive cooperatives.</li> <li>Cooperative Clinic services for technical consultations.</li> </ul>
<b>Supervision</b>	Monitor cooperative performance and enforce compliance with regulations.	<ul style="list-style-type: none"> <li>Monitoring</li> <li>Evaluation</li> <li>Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of cooperative health based on financial reports and RAT activity.</li> <li>Provision of warnings and appeals before sanctions.</li> <li>Persuasive approach to revive dormant cooperatives.</li> <li>Long and tiered cooperative dissolution procedures.</li> </ul>

#### 4.1. Facilitation Role

The facilitation function constitutes a primary duty of local governments in promoting the establishment of healthy and sustainable cooperatives. Research findings in Lamongan Regency reveal that the Cooperative and Micro Business Office intensely fulfills its facilitation role, particularly by enhancing the function of cooperative facilitators as primary service providers at the field level. The facilitators engage in administrative and consultative duties while also offering round-the-clock services, particularly when cooperatives require immediate support, such as during challenges in financial reporting, preparation for the Annual Members' Meeting (RAT), or adaptation to new policies.

Cooperative facilitators act as a direct conduit between cooperatives and the department, ensuring that all information and policies from the government are transmitted to the cooperatives promptly and accurately. Facilitators are often the initial communicators of regulatory changes or new policies from the ministry or department to active cooperatives. They serve as crucial intermediaries in linking cooperatives to the wider regulatory framework, while also addressing technical and administrative matters related to cooperatives in relation to the Cooperative Office. The facilitators also offer tangible assistance in the registration and administration processes.

The Supervisor from the Cooperative and Micro Business Office of Lamongan Regency stated, "*The primary responsibility of the facilitator is to offer guidance on legality and cooperative management, as many members of the cooperatives established at that time lacked organizational foundations, making facilitation critically important.*" P4

The assertion suggests that the backing for cooperatives, especially those rooted in women's communities, arises from the essential requirement to improve institutional literacy and governance. In this context, the facilitator serves not only as a technical consultant but also as an enabler for cooperatives to adopt fundamental institutional principles, encompassing legal compliance, bylaw formulation, financial management, and the execution of annual member meetings. The Secretary of the Cooperative and Micro Business Office of Lamongan Regency asserted, "*The facilitator's role is exceedingly crucial. We no longer regularly offer training or seminars to cooperatives; thus, this facilitator serves as our liaison for any inquiries concerning policies or difficulties inside the cooperatives.*" P2

This remark indicates that cooperative facilitators have transitioned from simply administrative

executors to agents of communication and policy integration between the government and cooperatives. In circumstances of constrained fiscal resources, facilitators are crucial in disseminating current regulatory information, offering resolutions to grassroots cooperative challenges, and aiding cooperatives in meeting administrative responsibilities like as RAT reporting and bookkeeping.

#### 4.2. Regulatory Function

The regulatory function is a crucial element of local governments' roles in fostering orderly, healthy, and competitive cooperatives. The Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia is responsible for policy formation, the publication of operational guidelines, and the establishment of standards and legal recognition for cooperative entities. Regulation seeks to govern, establish legal certainty, promote compliance, and uphold the sustainability and integrity of cooperatives as economic organizations for the populace.

In Lamongan Regency, the Cooperative and Micro Business Office executes regulatory tasks by distributing current policy information, aligning regional regulations with national policies, and developing a digital-based cooperative legality system.

Cooperative facilitators are essential in communicating regulatory modifications to cooperatives, including those pertaining to the yearly Members Meeting (RAT), yearly financial reporting, and the transition to the online Cooperative Identification Number (NIK) system. This indicates that the regulatory function is not unilateral, but rather executed collaboratively with the assistance of field actors. The Secretary of the Cooperative Office stated, "*To streamline regulations, the formation of cooperatives no longer necessitates validation or endorsements from the local cooperative office.*" Visit a notary and register online with the Ministry of Cooperatives to acquire legal entity status. Our objective is to facilitate the issuance of the Cooperative Registration Number (NIK) to enable prompt operational commencement. P2

This criterion indicates that while cooperatives can be established directly via a notary without initial local government involvement, the Cooperative Office's role is crucial during the feasibility assessment and final legality approval stages. This underscores that the regulatory role of local government is essential for ensuring cooperatives adhere to principles of good governance.

Within the framework of GCG principles, such requirements are intricately linked to accountability and legal liability. The establishment of cooperatives, when separated from initial regional oversight yet ultimately reliant on local government validation for legality, necessitates a more efficient vertical coordination system between central and regional levels to ensure the continuity of sound cooperative governance.

#### 4.3. Development Function

The function of coaching is a crucial aspect of the role of local governments to ensure that cooperatives can develop in a healthy, professional manner and based on the principles of people's economy. Based on the policies of the Ministry of Cooperatives and SMEs of the Republic of Indonesia, the development of cooperatives is not limited to granting permits or establishment but includes enhancing the capacity of cooperative human resources, providing technical guidance, institutional assistance, and instilling cooperative values in the management, supervisors, and members of the cooperatives. The main objective of this function is to ensure that cooperatives do not merely exist formally but are also able to survive, grow, and provide real benefits to their members and the wider community.

One of the cooperative facilitators shared their experiences and role in the field as follows: *"We not only assist with administration such as RAT reporting or financial report preparation but also provide direct support when cooperatives face challenges, for example, during management changes, operational difficulties, or when a cooperative wants to upgrade and needs a business strategy." So we are like the 'discussion partners' of the cooperatives, ready to help whenever they need."* (P2)

The statement emphasizes that cooperative facilitators do not merely perform administrative functions but also act as field consultants and empowerment facilitators. This approach allows for more contextual and sustainable development, tailored to the specific needs of each cooperative in its respective area. In this case, the Head of the Cooperative Office said,

*"We conduct four forms of development activities: cooperative management training, financial report preparation, service digitalization, and GCG management. Of course, we carry out these four activities in stages rather than simultaneously."* (P1)

The statement above describes that in Lamongan Regency, the function of cooperative development is carried out by the Cooperative and Micro Business Office through various formal programs. Some forms of coaching activities include (1) cooperative

management training, (2) preparation of cooperative financial reports, (3) digitalization of cooperative services, and (4) management training based on the principles of Good Corporate Governance (GCG). These programs aim to improve cooperative governance to be more accountable, efficient, and in line with current developments.

Amid budget constraints and the declining intensity of formal training programs in 2025, the role of cooperative facilitators becomes a strategic element in maintaining the continuity of the coaching process. Cooperative facilitators serve as the extended arm of the local government, tasked with providing direct and personal guidance to cooperatives in their designated areas. They not only perform technical functions but also act as facilitators, field consultants, and agents of institutional transformation.

#### 4.4. Supervisory Function

The supervisory function is an important element in ensuring that cooperatives continue to operate in accordance with applicable principles, objectives, and regulations. Based on national regulations from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, supervision includes monitoring the performance of cooperatives, assessing the health of the organization, and enforcing rules through the application of administrative or legal sanctions in case of violations. The purpose of this function is to protect cooperative members, encourage management accountability, and ensure the sustainability of cooperatives as people's economic institutions. In this regard, the head of the cooperative department said, *"Supervision is carried out to protect cooperative members by encouraging cooperative managers to be accountable in their management so that the cooperative's sustainability can be ensured."* (P2)

In Lamongan Regency, the Cooperative Supervision Division is tasked with conducting a series of inspections on the institutional and business aspects of cooperatives, assessing their health based on specific indicators such as the completeness of financial reports, the implementation of the RAT (Annual Member Meeting), member participation, and business sustainability. If a cooperative is found not to adhere to principles and regulations, the supervisory field has the authority to issue warnings, provide guidance, and even formulate recommendations for the imposition of administrative sanctions.

However, in practice, the Lamongan Cooperative Office does not immediately impose harsh sanctions on cooperatives that violate the regulations. Inactive cooperatives or those that do not hold the Annual

Member Meeting (RAT) do not have their licenses revoked immediately; instead, they are first given warnings, written reprimands, and assistance to improve their institutional performance. This step is taken as a persuasive and educational approach, considering that many cooperatives face obstacles not due to an intention to violate regulations, but because of limited resource capacity or the technical understanding of the management. One of the officials from the Lamongan Cooperative Office stated that:

*"In practice, we do not immediately dissolve inactive cooperatives. Usually, we first issue a warning, urging them to hold their annual member meeting (RAT) as soon as possible, and if feasible, we assist them in becoming active again. Many inactive cooperatives are not inactive due to an intention to violate regulations; rather, this is often because their management lacks an understanding of governance or has limited human resources. (P4)*

This more humane and participatory supervisory approach demonstrates the local government's

commitment not only to perform control functions but also to facilitate the institutional improvement of cooperatives. In good corporate governance, this shows the values of fairness and accountability, where penalties are not given out alone but through a fair review process that includes solutions for improvement.

### 5. DISCUSSION

The research indicates that the government supports Good Corporate Governance (GCG) principles in cooperatives through four primary domains: facilitation, regulation, guidance, and supervision. Each theme has strategic sub-roles that are closely associated with enhancing accountability, transparency, operational efficiency, and institutional integrity within cooperatives. The following figure illustrates the pattern of the government's role in enhancing cooperative management through GCG and its impact on cooperative accountability.

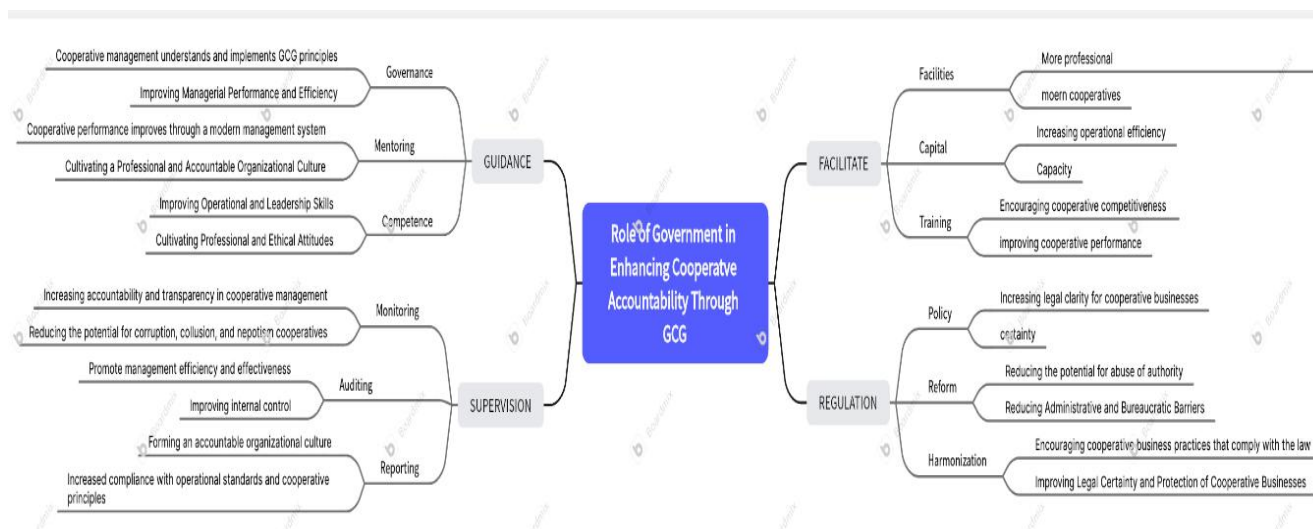


Figure 2:

The government's facilitative role, by providing infrastructure, access to money, and training, significantly influences the modernization and professionalization of cooperatives. This facilitation role, by providing facilities, capital, and training, is essential for enabling cooperatives to evolve into professional and competitive organizations. This corresponds with the Resource-Based View Theory (Barney, 2000), which posits that businesses can establish a competitive edge by mastering distinctive and hard-to-replicate resources. When the government grants cooperatives access to money and training, they can enhance their operational efficiency and institutional capability. This conclusion is corroborated by Motari research, which indicated those cooperatives receiving government

management and technology training exhibited substantial enhancements in service delivery and performance (Motari, 2018). This also corroborates the findings of Basterretxea & Albizu, who established that cooperatives receiving infrastructural support and training have superior performance and competitive advantage in company management and development (Basterretxea & Albizu, 2011). Furthermore, obtaining financial assistance from government banks or revolving funds has been demonstrated to enhance the operational efficiency and output of cooperatives, as evidenced by a study conducted by Duong (Duong, 2025), which identified a positive correlation between governmental financial support and the competitiveness of cooperatives in the productive

sector.

Secondly, concerning regulations, the government's responsibility in formulating laws for cooperatives that align with good governance principles, amending those regulations as needed, and fostering cooperation between central and local authorities has been crucial for preventing power abuse and establishing clear legal frameworks. Policies, reforms, and legislative harmonization designed to establish legal certainty for cooperatives exemplify the government's regulatory function. This corresponds with the New Institutional Economics viewpoint, which underscores the significance of legal and institutional frameworks in enhancing market efficiency and minimizing transaction costs (Richter, 2005). This perspective is supported by research conducted by Dasuki and Lestari (Dasuki & Lestari, 2019), which demonstrates that the establishment of clear and uniform regulations can mitigate power abuse and promote adherence to principles of good governance within cooperatives. Finally, Feng and Genna (Feng & Genna, 2003) concluded that the absence of synchronization between central and regional regulations frequently impedes the development of local cooperatives, thus emphasizing the necessity of harmonization to establish a legally structured and accountable cooperative ecosystem.

Third, regarding guidance, the government serves as a strategic ally for cooperatives by providing governance training, management mentorship, and enhancing the competencies of cooperative personnel. Government guidance, through enhanced governance capacity, mentoring, and managerial competency training for cooperatives, has yielded favorable outcomes in the comprehension and application of GCG concepts. This is substantiated by agency theory, which underscores the necessity for oversight and training systems to harmonize the interests of cooperative management and members as capital stakeholders (Al-Faryan, 2024). A study by Akbari et al. (Akbari et al., 2023) established that cooperatives subjected to rigorous coaching from the Cooperatives Office had enhanced performance and greater transparency in financial reporting. This study aligns with Wijayanti (Istiana Wijayanti, 2024) research, which indicates that increased mentorship enhances the application of GCG principles in cooperatives, particularly with member engagement, internal control, and information dissemination. Moreover, rigorous mentorship cultivates a collaborative corporate culture that is more transparent, adaptive to change, and focused on excellent service.

Ultimately, regarding oversight, the government assumes a crucial role through surveillance, assessment, and public disclosure. These activities mitigate corruption and nepotism in cooperative administration while enhancing public trust. Research indicates that consistent monitoring, evaluation, and reporting improve transparency and accountability in cooperative management. This corresponds with the notion of public accountability articulated by Maina (Maina, 2016), highlighting the significance effect of monitoring and evaluation on cooperative performance. Research conducted by Khadka et al. (Khadka et al., 2024) indicates that cooperatives under frequent supervision by government entities exhibit for financial transparency and accountability, making a reduction in instances of corruption, collusion, and nepotism, alongside an enhancement in public trust (Mugellini et al., 2021). A study by Effendy & Suwandi (2021) substantiates that cooperatives subjected to frequent audits by government oversight authorities are more likely to comply with transparency standards and provide more trustworthy financial reports.

## 6. CONCLUSION

Local governments assume a pivotal role in cooperative growth through four primary functions: facilitation, regulation, guidance, and oversight. The government promotes the professionalization and modernization of cooperatives by offering facilities, training, and access to financing. Moreover, explicit laws, along with continuous coaching and assessment, enhance the execution of sound governance principles inside cooperatives. Cooperatives deemed healthy typically adhere to GCG principles, including transparency in financial reporting, accountability in decision-making, and conformity with legal rules. These cooperatives implement participatory, digital management systems and adhere to the ideal of equity among members, as evidenced by electronic reporting systems and transparency in decision-making.

Local governments encounter significant challenges, including insufficient human resources to support cooperatives, inadequate management literacy among cooperative leaders, and minimal continuous oversight. Moreover, not all cooperatives recognize the significance of GCG in ensuring the sustainability of their enterprises. The application of GCG markedly enhances the accountability and openness of cooperative management, hence increasing trust among members and the public. Cooperatives that adopt GCG typically exhibit enhanced performance, reduced risk of corruption

and anomalies, and increased competitiveness in the open market. This study illustrates that GCG functions as both a regulatory instrument and a catalyst for organizational performance.

## 7. SUGGESTIONS

This research enhances the understanding of cooperative governance by affirming that the implementation of GCG necessitates an active governmental engagement as a catalyst. The government intervention model can serve as a reference for formulating participatory governance theory within the people's economy sector.

Local governments must enhance the capabilities

of cooperative development organizations by implementing human resource training, digitizing monitoring systems, and broadening access to financial and managerial support. Adaptive policies are necessary to address the distinct dynamics of digital and millennial cooperatives.

Subsequent research may investigate the causal link between the extent of GCG implementation and cooperative financial performance. Comparative analysis among regions or various types of cooperatives (consumer, producer, and service) is essential for acquiring a comprehensive and nuanced understanding of the efficacy of regional government policies in advancing GCG.

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