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The Role of Governance, Accounting Information Systems, and Internal Controls in Cooperative Financial Performance

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Abstract

Cooperatives play a strategic role in promoting economic development, community empowerment, and organizational learning. However, many cooperatives continue to face challenges in maintaining sustainable financial performance. This study aimed to examine the effects of Good Corporate Governance (GCG), Accounting Information Systems (AIS), and Internal Control Systems (ICS) on the financial performance of cooperatives in Karangasem Regency, Bali. A quantitative approach with an associative research design was employed. The population consisted of 231 active cooperatives, from which 15 cooperatives were selected using purposive sampling. The study involved 60 respondents, including chairpersons, treasurers, accounting staff, and cashiers. Data were collected through questionnaires and analyzed using multiple linear regression with SPSS 25. The findings revealed that Good Corporate Governance positively and significantly affected financial performance ($\beta = .418$, $p < .001$), making it the strongest predictor among the variables examined. Accounting Information Systems also showed a positive and significant effect ($\beta = .252$, $p = .020$), while Internal Control Systems positively and significantly influenced financial performance ($\beta = .303$, $p = .002$). Furthermore, the regression model explained 74.9% of the variance in financial performance (Adjusted $R^2 = .749$). These findings suggest that strengthening governance practices, improving accounting information systems, and enhancing internal control mechanisms are essential for improving cooperative financial performance. The study contributes to the literature by highlighting the importance of governance, information management, and organizational control in supporting cooperative sustainability, financial literacy, and organizational learning

Keywords: 3-5 keywords, separated by semicolon

1. Introduction

Cooperatives have long been recognized as important institutions for promoting economic development and community empowerment in Indonesia. Beyond their economic functions, cooperatives also contribute to human resource development by facilitating financial literacy, entrepreneurship learning, and organizational capacity-building activities for their members. Through various educational and training initiatives, cooperatives serve as informal learning environments where members develop practical knowledge and skills related to financial management, business operations, and organizational governance. Therefore, the sustainability and financial performance of cooperatives are essential not only for economic reasons but also for supporting continuous learning and community development.

Financial performance represents an organization's ability to manage its financial resources effectively to achieve its objectives (Arifuddin et al., 2023). In cooperatives, financial performance is commonly reflected in the Surplus Hasil Usaha (SHU), which serves as an indicator of organizational success and sustainability. Strong financial performance enables cooperatives to expand their services, improve member welfare, and support educational and capacity-development programs. Conversely, poor financial performance may reduce members' trust, threaten organizational sustainability, and limit opportunities for learning and development within the cooperative environment.

Despite their strategic role, many cooperatives in Indonesia continue to experience financial difficulties. During the period 2014–2019, approximately 82,000 problematic cooperatives were dissolved by the Ministry of Cooperatives. Similar concerns have emerged in Bali Province, particularly in Karangasem Regency. Data from the Bali Provincial Office of Cooperatives and Small and Medium Enterprises show that cooperatives in Karangasem experienced the largest decline in average SHU among regencies in Bali, decreasing by 20.4% between 2021 and 2022 and by 23.4% between 2022 and 2023. This decline indicates challenges in maintaining financial sustainability and organizational effectiveness.

Agency Theory provides a useful framework for understanding factors that influence organizational performance. According to Jensen and Meckling (1976), agency relationships arise when principals delegate authority to agents to manage organizational resources. Within cooperatives, members act as principals, whereas managers and administrators function as agents. Differences in interests between these parties may create agency conflicts and information asymmetry, potentially reducing organizational effectiveness and financial performance. Consequently, mechanisms that enhance accountability, transparency, and organizational control are required to minimize agency problems and improve performance outcomes.

One important mechanism is Good Corporate Governance (GCG). Good Corporate Governance refers to a system of principles and practices designed to ensure transparency, accountability, responsibility, independence, and fairness in organizational management (Hendra & Fahlevi, 2024). Effective governance helps organizations improve decision-making processes, strengthen managerial oversight, and reduce opportunities for fraud and financial misconduct. Previous studies have reported mixed findings regarding the relationship between GCG and financial performance. While Wideka et al. (2023), Hongutomo and Dewi (2024), and Pradnyawati and Hutnaleontina (2024) found positive effects, Laksono (2020) reported insignificant results. Another important factor is the Accounting Information System (AIS). AIS enables organizations to collect, process, and communicate financial information that supports managerial decision-making (Putri & Endiana, 2020). High-quality accounting information systems facilitate efficient resource management, improve transparency, and support evidence-based decision-making. From an educational perspective, accounting information systems also support organizational learning by providing reliable information that can be used for evaluation, planning, and continuous improvement. Nevertheless, previous studies have shown inconsistent findings concerning the influence of AIS on financial performance (Maulana, 2022; Putri & Endiana, 2020; Sumartini, 2021; Yuscintara & Hendrani, 2022).

Financial performance is also influenced by the effectiveness of Internal Control Systems (ICS). Internal controls are designed to safeguard organizational assets, ensure compliance with regulations, improve operational efficiency, and enhance the reliability of financial reporting (Samila & Fitra, 2025). Effective internal controls not only reduce the risk of fraud and errors but also encourage organizational learning through systematic monitoring and evaluation processes. Previous studies generally reported positive effects of internal control systems on financial performance (Dewi et al., 2024; Putri & Endiana, 2020; Samila & Fitra, 2025; Wideka et al., 2023), although contradictory findings were reported by Pradana et al. (2022).

The financial challenges experienced by cooperatives in Karangasem Regency, combined with inconsistent findings from previous studies, indicate the need for further investigation. Moreover, understanding factors that contribute to cooperative financial performance is important not only for economic sustainability but also for supporting organizational learning, financial literacy development, and community empowerment initiatives conducted by cooperatives. Financially sustainable cooperatives are better positioned to provide educational programs, training opportunities, and capacity-building activities that contribute to community development.

This study contributes to the literature by examining the separate effects of Good Corporate Governance, Accounting Information Systems, and Internal Control Systems on cooperative financial performance. Unlike previous studies that primarily focused on financial reporting quality, this study directly investigates financial performance outcomes within the cooperative context. The findings are expected to provide valuable insights for cooperative managers, policymakers, and educators interested in strengthening organizational governance, financial literacy, and institutional sustainability.

Based on Agency Theory and previous empirical findings, the following hypotheses are proposed:

H1: Good Corporate Governance positively affects cooperative financial performance.

H2: Accounting Information Systems positively affect cooperative financial performance.

H3: Internal Control Systems positively affect cooperative financial performance.

2. Method

2.1 Research Design

This study employed a quantitative approach using an associative research design to examine the effects of Good Corporate Governance (GCG), Accounting Information Systems (AIS), and Internal Control Systems (ICS) on the financial performance of cooperatives in Karangasem Regency. A quantitative design was selected because it enables researchers to objectively measure relationships among variables and test hypotheses statistically. The study was grounded in Agency Theory, which explains how governance mechanisms, information systems, and internal controls can reduce agency conflicts and improve organizational performance.

2.2 Participants

The population consisted of 231 active cooperatives registered in Karangasem Regency, Bali Province, in 2025. Purposive sampling was employed to select cooperatives that met the predetermined criteria. The criteria included cooperatives that were willing to participate in the study and had implemented an accounting information system in their operational activities.

Based on these criteria, 15 cooperatives were selected as the research sample. Four respondents were chosen from each cooperative, including the chairperson, treasurer, accounting staff, and cashier/teller. These individuals were selected because they were directly involved in financial management and possessed sufficient knowledge regarding governance practices, accounting information systems, internal controls, and financial performance. Consequently, the study involved a total of 60 respondents.

2.3 Data Collection

Data were collected using a structured questionnaire distributed directly to the selected respondents. The questionnaire employed a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The instrument was developed based on indicators derived from previous studies and relevant theoretical frameworks. Good Corporate Governance was measured through the principles of transparency, accountability, responsibility, independence, and fairness. Accounting Information Systems were assessed through indicators related to information quality, reliability, usefulness, and timeliness. Internal Control Systems were measured using indicators adapted from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, including control environment, risk assessment, control activities, information and communication, and monitoring. Financial performance was measured using indicators reflecting the cooperative's ability to achieve financial objectives and maintain organizational sustainability.

2.4 Data Analysis

Data analysis was conducted using Statistical Package for Social Sciences (SPSS) version 25. The analysis began with descriptive statistics to describe respondents' perceptions of the research variables. Instrument quality was subsequently assessed through validity and reliability testing. Prior to hypothesis testing, classical assumption tests were conducted to ensure the suitability of the regression model. These tests included normality, multicollinearity, and heteroscedasticity tests. The hypotheses were tested using multiple linear regression analysis because the study examined the effects of three independent variables on one dependent variable. The regression model was formulated as follows:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$

where:

Y = Financial Performance

X_1 = Good Corporate Governance

X_2 = Accounting Information Systems

X_3 = Internal Control Systems

α = Constant

$\beta_1, \beta_2, \beta_3$ = Regression Coefficients

ε = Error Term

The significance level used in this study was 5% ($\alpha = 0.05$). A hypothesis was accepted when the significance value was less than 0.05 and the calculated t-value exceeded the critical t-value, indicating a significant effect of the independent variable on financial performance.

3. Findings

The analysis used in this study is multiple linear regression analysis. The reason the researcher used multiple linear regression analysis is because this study uses more than one independent variable, namely price and product quality, as independent variables, so that simple linear regression analysis cannot be used. The analysis was conducted by entering three independent variables: good corporate governance (X1), accounting information systems (X2), and internal control systems (X3), and one dependent variable, namely financial performance (Y). The results of the analysis can be seen in Table 1 as follows:

Table 1. Results of Multiple Regression Analysis

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Sig.*
1	(Constant)	2,947	2,440		1,208	0,232
	Good Corporate Governance (X_1)	0,284	0,072	0,418	3,963	0,000
	Accounting Information System (X_2)	0,276	0,115	0,252	2,393	0,020
	Internal Control System (X_3)	0,295	0,092	0,303	3,219	0,002

The regression model indicates that all independent variables have positive coefficients, suggesting that improvements in governance practices, accounting information systems, and internal control systems are associated with better financial performance. Specifically, Good Corporate Governance has a regression coefficient of 0.284 ($\beta = 0.418$, $t = 3.963$, $p < .001$), indicating a positive and statistically significant effect on financial performance. This finding suggests that cooperatives implementing stronger governance principles tend to achieve better financial outcomes. Accounting Information Systems also demonstrate a positive and significant effect on financial performance (B = 0.276, $\beta = 0.252$, $t = 2.393$, $p = .020$). The result indicates that effective accounting information systems contribute to improved financial management and organizational performance. Similarly, Internal Control Systems positively affect financial performance (B = 0.295, $\beta = 0.303$, $t = 3.219$, $p = .002$). This finding suggests that stronger internal control mechanisms help cooperatives improve operational effectiveness and financial accountability. Among the three predictors, Good Corporate Governance exhibits the highest standardized coefficient ($\beta = 0.418$), indicating that it is the strongest predictor of cooperative financial performance. Internal Control Systems rank second ($\beta = 0.303$), followed by Accounting Information Systems ($\beta = 0.252$). Overall, the results provide evidence that governance, information systems, and internal control mechanisms are important determinants of financial performance in cooperatives.

The coefficient of determination (Adjusted R^2) was used to assess the explanatory power of the regression model. The results are presented in Table 2.

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,873[a]	0,761	0,749	3,292

As shown in Table 2, the regression model produced an Adjusted R^2 value of 0.749. This result indicates that Good Corporate Governance, Accounting Information Systems, and Internal Control Systems collectively explain 74.9% of the variance in cooperative financial performance. The remaining 25.1% may be attributed to other factors not included in the model, such as organizational culture, human resource competence, leadership style, work commitment, and other organizational characteristics. The high Adjusted R^2 value suggests that the proposed model has strong explanatory power in predicting cooperative financial performance.

4. Discussions

In the discussion section, interpret the findings in the context of your research questions and the existing literature. Begin by summarizing the key results and explaining their implications. Discuss how your findings align with or differ from previous studies, providing possible explanations for any discrepancies. Address the limitations of your study, acknowledging any factors that may have influenced the results. Suggest areas for future research and consider the practical applications of your findings. Conclude by emphasizing the significance of your study and its contribution to the field. By effectively presenting and discussing your findings, you provide valuable insights and foster a deeper understanding of your research topic.

The findings indicate that Good Corporate Governance (GCG) has a positive and significant effect on cooperative financial performance. Furthermore, GCG emerged as the strongest predictor among the independent variables examined in this study ($\beta = .418$, $p < .001$). This finding suggests that cooperatives with stronger governance practices tend to achieve better financial outcomes. The result supports Agency Theory (Jensen & Meckling, 1976), which argues that governance mechanisms help reduce agency conflicts and information asymmetry between principals and agents. In the cooperative context, members act as principals, while managers and board members act as agents responsible for managing organizational resources. Effective governance practices improve transparency, accountability, responsibility, independence, and fairness, thereby reducing the likelihood of opportunistic behavior and improving organizational performance.

The findings are consistent with previous studies conducted by Wideka et al. (2023), Hongutomo and Dewi (2024), and Pradnyawati and Hutnaleontina (2024), which found that good corporate governance positively contributes to financial performance. Effective governance enhances stakeholder trust, strengthens managerial accountability, and improves resource allocation, all of which support better financial outcomes.

From an educational perspective, governance practices also facilitate organizational learning and member participation. Transparent reporting and regular member meetings create opportunities for members to understand financial conditions, evaluate organizational performance, and participate in decision-making processes. Therefore, good governance contributes not only to financial sustainability but also to cooperative learning and capacity development. The results show that Accounting Information Systems (AIS) positively and significantly influence cooperative financial performance ($\beta = .252$, $p = .020$). This finding indicates that the availability of accurate, relevant, and timely financial information enables cooperatives to improve financial management and operational decision-making.

The result supports Agency Theory, which emphasizes the importance of information transparency in reducing information asymmetry between principals and agents. Through effective accounting information systems, cooperative managers can provide reliable financial information that enables members to monitor organizational performance more effectively. The findings support previous studies by Sumartini (2021), Yuscintara and Hendrani (2022), Hongutomo and Dewi (2024), and Dewi et al. (2024), which reported positive relationships between accounting information systems and financial performance. Effective AIS implementation improves reporting accuracy, facilitates budgeting processes, strengthens internal monitoring, and supports strategic decision-making. In addition, accounting information systems contribute to organizational learning by providing data that can be used for evaluation and continuous improvement. Access to reliable financial information enables managers and members to develop financial literacy and strengthen their understanding of organizational performance, thereby supporting the long-term sustainability of cooperatives.

The findings further reveal that Internal Control Systems (ICS) positively and significantly affect cooperative financial performance ($\beta = .303$, $p = .002$). This result suggests that effective internal controls improve operational efficiency, protect organizational assets, and enhance the reliability of financial reporting. The finding is consistent with Agency Theory, which proposes that monitoring mechanisms are essential for reducing agency costs and ensuring that agents act in the interests of principals. In cooperative organizations, internal controls serve as an important mechanism for preventing fraud, minimizing errors, and ensuring compliance with established procedures. This result is in line with previous studies conducted by Putri and Endiana (2020), Wideka et al. (2023), Dewi et al. (2024), and Samila and Fitra (2025), which reported that strong internal control systems contribute positively to organizational performance. Effective controls enable cooperatives to manage financial resources more efficiently and reduce risks associated with operational and financial activities.

Beyond their control function, internal control systems also support organizational improvement through monitoring and evaluation processes. Continuous evaluation allows cooperatives to identify weaknesses, implement corrective actions, and improve managerial practices. Consequently, internal controls not only strengthen financial performance but also contribute to organizational development and institutional sustainability. The regression model explained 74.9% of the variance in cooperative financial performance, indicating that governance, accounting information systems, and internal control systems are critical determinants of financial success. Among these factors, Good Corporate Governance demonstrated the strongest influence, highlighting the importance of strengthening governance practices within cooperatives. The findings suggest that cooperative managers should prioritize transparency, accountability, reliable accounting information systems, and effective internal controls. For policymakers and cooperative development agencies, the results emphasize the need for training programs that enhance governance competencies, financial literacy, and organizational management capabilities. Such initiatives may contribute not only to improved financial performance but also to the sustainability of community-based learning and development programs implemented by cooperatives.

5. Conclusion and Suggestion

This study examined the effects of Good Corporate Governance (GCG), Accounting Information Systems (AIS), and Internal Control Systems (ICS) on the financial performance of cooperatives in Karangasem Regency. The findings revealed that all three variables positively and significantly influence cooperative financial performance. Among these factors, Good Corporate Governance emerged as the strongest predictor, indicating the critical role of governance practices in enhancing organizational performance. The results suggest that cooperatives with stronger governance mechanisms, more effective accounting information systems, and well-established internal control systems tend to achieve better financial outcomes. These findings support Agency Theory, which emphasizes the importance of monitoring and control mechanisms in reducing information asymmetry and aligning the interests of principals and agents. This study contributes to the literature by providing empirical evidence on the determinants of cooperative financial performance in the Indonesian cooperative sector. In addition, the findings highlight the importance of governance, information management, and organizational control in supporting cooperative sustainability, organizational learning, and financial literacy development among cooperative members.

Based on the findings, cooperative managers should strengthen the implementation of Good Corporate Governance principles by promoting transparency, accountability, responsibility, independence, and fairness in organizational management. Cooperatives are also encouraged to improve the quality of their accounting information systems to ensure the availability of accurate and timely financial information for decision-making purposes. Furthermore, cooperative administrators should continuously enhance internal control mechanisms through regular monitoring, risk assessment, and evaluation procedures to minimize operational risks and improve financial accountability.

For policymakers and cooperative development agencies, the findings suggest the need for training programs focusing on governance practices, financial management, accounting information systems, and internal control procedures. Such initiatives may improve both organizational performance and the financial literacy of cooperative members. Future researchers are encouraged to investigate additional factors that may influence cooperative financial performance, such as organizational culture, leadership style, human resource competence, member participation, and technological innovation. Expanding the study to different regions and cooperative sectors may also provide broader insights into the determinants of cooperative performance.

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