The Effect of Service Quality on Financial Performance and Satisfaction of Cooperative Members in Gianyar Regency

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ABSTRACT

This study aims to determine the effect of service quality on financial performance and member satisfaction as well as the level of profitability in Amertanadi Farmer Cooperative and Lumbung Sari Farmer Cooperative. The data collection method uses the interview method with a questionnaire as the main instrument in the research. The sample used in this study were members or family members of the Amertandi Tani Cooperative totalling 81 respondents and members of the Lumbung Sari Tani Cooperative totalling 86 respondents. The research data were obtained from the results of filling out the questionnaire and analysed using SEM analysis techniques with the help of the SmartPLS program. The results of this study indicate that service quality (tangible, reliability, responsiveness, assurance and empathy) has a positive and significant effect on financial performance and financial performance has a positive and significant effect on member satisfaction, based on the results of the study, it is hoped that the Amertandi Farmer Cooperative and Lumbung Sari Farmer Cooperative will be able to improve service quality so that members feel very satisfied.

Keywords: *Financial Performance, Member Satisfaction, SEM, Service Quality*

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1. INTRODUCTION

Agriculture is an activity that utilizes natural resources carried out by farmers to produce raw materials and food (Koib and Liska, 2022). According to Sidharta *et al.,* (2022) farmers have a very important role in meeting the food needs of a country. The agricultural sector also has an important role in national economic development for the Indonesian nation. Agriculture has a major contribution to the development and development of the Indonesian economy because it is able to influence the development and growth of the nation's economy (Masykur, 2020).

Farmers in Indonesia have various problems in developing agriculture. According to Putra *et al.,* (2020) the problems faced by farmers in general are capital, fertilizer and marketing of agricultural products. Limited capital is one of the main factors inhibiting progress in agricultural management which is one of the causes of low productivity in agricultural activities (Wahyuni *et al.,* 2019). One way to overcome farmers' problems is by

presenting an agricultural cooperative institution (Koib and Liska, 2022). According to data from the Bali Province Central Statistics Agency for the last three years, namely from 2020-2022, Gianyar Regency is the district with the largest number of cooperatives in Bali Province.

According to the Head of the Gianyar Regency Cooperatives and Small Micro Enterprises (UKM) Service, cooperatives in Gianyar Regency face many serious challenges so that many cooperatives have collapsed, or there are many cooperatives whose names still exist, but do not function at all. Although in the last three years the number of cooperatives in Gianyar Regency has increased, there are many inactive cooperatives spread across Gianyar Regency. One of the cooperatives experiencing these problems is an agricultural cooperative. One of the factors causing many cooperatives to be inactive is because managers lack or do not have the skills and competence to run cooperatives, as well as a lack of participation from their members (Kakisina and Ngutra, 2020). Cooperative members are a very valuable asset, because members are the main factor determining whether the cooperative can run well or not (Kansrini *et al.,* 2021).

In this research, apart from examining service quality on financial performance and financial performance on member satisfaction. Cooperatives as business units should pay attention to the satisfaction of their members. Member satisfaction is the level of feelings of happiness or disappointment from members after comparing the services or products received and those expected (Lailiyah, 2020). Member satisfaction is

influenced by the financial performance of a company (Winarno, 2019). According to Marlindasari and Vera (2023), a company's financial performance can be influenced by the quality of the services provided. Service quality is the level of how good the service can be provided to interpret customer expectations (Tjiptono, 2012).

2. METHODS

This research was conducted at the Amertanadi Farmers' Cooperative and Lumbung Sari Farmers' Cooperative. The selection of this research location was carried out purposively. The data collection method uses an in-depth interview method with a questionnaire as the research instrument. Respondents in this research were members of the Amertanadi Farmers' Cooperative and Lumbung Sari Farmers' Cooperative with a total of 81 respondents and 86 people. Sampling in this research used the accidental sampling method and then the model was designed based on the well-known variance-based Structural Equation Modeling (SEM) approach called Smart PLS.

3. RESULT AND DISCUSSION

3.1. Respondent Characteristics

The research results showed that the majority of respondents in the two cooperatives, both Amertanadi and Lumbung Sari, were men. In the Amertanadi Farming Cooperative, the proportion of men is very high, reaching more than 97%, while women only account for 2.5% of the total respondents. Meanwhile, in the Lumbung Sari Farmers Cooperative, although the number of men still dominates, the proportion of women

is slightly higher, namely around 14%. the majority of respondents in this study were in the productive age group in the two cooperatives, Amertanadi and Lumbung Sari. In the Amertanadi Farming Cooperative, 67 people (82.7%) of the total respondents were in the productive age group, while in the Lumbung Sari Farming Cooperative, the number reached 81 people (94%).

3.2. SEM (Structural Equation Model) Analysis

The structural equation model (SEM) involves six latent variables,

namely tangible is reflected by 5 indicators, reliability is reflected by 5 indicators, responsiveness is reflected by 5 indicators, assurance is reflected by 4 indicators, empathy is reflected by 4 indicators, cooperative performance is reflected by 3 indicators, and satisfaction member 4 is reflected by the indicator. Based on the model framework and hypotheses developed in this research, the structural equation model specifications can be seen in Figure 1 for the Amertanadi Farmers Cooperative and Figure 2 for the Lumbung Sari Farmers Cooperative below.

Fig. 1 Output of the Amertanadi Farmers' Cooperative Structural Equation Model
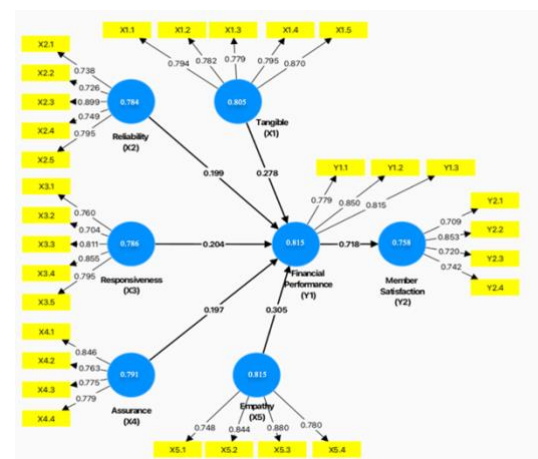

Fig. 2 Output of the Lumbung Sari Farmers' Cooperative Structural Equation Model

3.2.1 Outer Model Testing

Evaluation of measurement models checks the validity and reliability of indicators that measure latent constructs or variables. In research at the Amertanadi Farmers Cooperative and Lumbung Sari Farmers Cooperative, the seven latent variables are physical evidence (X1), reliability (X2), responsiveness (X3), assurance (X4), empathy (X5), financial performance (Y1) and member satisfaction. (Y2) is a measurement model with

reflective indicators so that evaluation of the measurement model is carried out by checking the Convergent and Discriminant validity of the indicators and Composite Reliability.

Based on Convergent Validity measurements, all indicators are valid with a loading value of >0.7. The outer loading value can determine the contribution of each indicator to the latent variable, where the highest value indicates that the

indicator is the strongest measure of the latent variable.

Figure 1 and Figure 2 also show that the discriminant validity evaluation was carried out by comparing the square root of average variance extracted (AVE) value for each latent variable with the correlation between the latent variables in the model. The condition is that if the √AVE value of the latent variable is greater than the AVE value, it indicates that the variable indicators have good discriminant validity. The recommended AVE value is greater than 0.50. Figure 1 and Figure 2 show that the seven variables have AVE values above 0.50 and the AVE root value is higher than the latent variable correlation. This means that discriminant validity testing with the AVE root shows that all the variables above are said to be good/valid.

3.2.2 Inner Model Testing

Analysis of the inner model is aimed at examining the relationship between variables (Ghozali, 2014). The path coefficient values of the relationship between variables in the structural equation model that was built are shown in Table I and Table II. These values show the direct effects of each exogenous variable on the corresponding endogenous variable. Apart from direct effects, in structural equation models that involve relationships between variables, indirect effects from exogenous variables on endogenous variables can also be examined through the mediation of other latent variables. Taking these two types of influence into account, the interpretation of the inner model of the structural equation in this research is differentiated as below.

(1) Direct Effect of Exogenous Variables on Endogenous Variables

TABLE I

Test Results of the Direct Effect of Exogenous Latent on Endogenous Latent
in the Inner Model at the Amertanadi Farmers Cooperative

Hip.	Var. Eksogen		Var. Endogen	Original Sample	St. Dev	T Statistics	P Values
H1	Tangible	->	Financial Performance	0.233	0.083	2.787	0.003
	Reliability	->	Financial Performance	0.194	0.090	2.156	0.016
	Responsiveness	->	Financial Performance	0.299	0.083	3.603	0.000
	Assurance	->	Financial Performance	0.187	0.096	1.966	0.026
	Empathy	->	Financial Performance	0.182	0.090	2.013	0.022
H2	Financial Performance	->	Member Satisfaction	0.458	0.103	4.435	0.000

Source: Processed data (2024)

Paying attention to the T statistical values in Table I, the six hypotheses developed are clearly supported by the results of the structural model analysis carried out. Financial performance is significantly influenced by service quality (tangible, reliability, responsiveness, guarantee and empathy). Among the five

dimensions of service quality, capture capacity with a value of 0.299 is the variable that has the most influence on the financial performance of the Amertanadi Farmers Cooperative, but empathy is the variable that has the lowest influence on financial performance. Furthermore, the financial performance variable has a significant effect on member satisfaction with an influence value of 0.458, the better the financial performance at the Amertanadi Farmers Cooperative, the higher the satisfaction felt by Cooperative members.

TABLE II
Test Results of the Direct Effect of Exogenous Latent on Endogenous Latent
in the Inner Model at the Lumbung Sari Cooperative

Hip.	Exogenous		Endogenous	Original Sample	St. Dev	T Statistics	P Values
H1	Tangible	->	Financial Performance	0.278	0.094	2.951	0.002
	Reliability	->	Financial Performance	0.199	0.083	2.389	0.008
	Responsiveness	->	Financial Performance	0.204	0.097	2.092	0.018
	Assurance	->	Financial Performance	0.197	0.093	2.123	0.017
	Empathy	->	Financial Performance	0.305	0.098	3.104	0.001
H2	Financial Performance	->	Member Satisfaction	0.718	0.067	10.710	0.000

Source: Processed data (2024)

Meanwhile, in the Lumbung Sari Farmers Cooperative, among the five service qualities, empathy with a value of 0.305 is the variable that has the most influence on the financial performance of the Lumbung Sari Farmers Cooperative, but guarantee is the variable that has the lowest influence on financial performance. Furthermore, the financial performance variable has a significant effect on member satisfaction with an influence value of 0.718, the better the financial performance at the Amertanadi Farming Cooperative, the higher the satisfaction felt by Cooperative members.

(2) Indirect Effect of Exogenous Variables on Endogenous Variables

There are several paths in which an exogenous variable also has an indirect influence on the corresponding endogenous variable through the mediation of other latent variables. In this research, the financial performance variable acts as a mediator in the influence of all dimensions of service quality on member satisfaction. This indicates that there is an indirect influence of service quality dimensions on member satisfaction mediated by financial performance variables, so an indirect influence test was carried out using Table III and Table IV.

TABLE III
Indirect Effect of Exogenous Latent on Endogenous Latent in
Inner Model at the Amertanadi Farmers Cooperative

Variabel					Outer Loading	St. Dev	T Statistics	P Values
Exogenous		**Mediating**		**Endogenous**				
Tangible	->	Financial Performance	->	Kepuasan Anggota	0.107	0.041	2.626	0.004
Reliability	->	Financial Performance	->	Kepuasan Anggota	0.137	0.053	2.588	0.005
Responsiveness	->	Financial Performance	->	Kepuasan Anggota	0.083	0.051	1.979	0.044
Assurance	->	Financial Performance	->	Kepuasan Anggota	0.086	0.046	1.970	0.031
Empathy	->	Financial Performance	->	Kepuasan Anggota	0.089	0.051	1.990	0.042

Source: Processed data (2024)

Table IV
Indirect Effect of Exogenous Latent on Endogenous Latent in
Inner Model at the Lumbung Sari Farmers Cooperative

Variabel					Outer Loading	St. Dev	T Statistics	P Values
Exogenous		**Mediating**		**Endogenous**				
Tangible	->	Financial Performance	->	Kepuasan Anggota	0.200	0.073	2.732	0.003
Reliability	->	Financial Performance	->	Kepuasan Anggota	0.143	0.060	2.387	0.009
Responsiveness	->	Financial Performance	->	Kepuasan Anggota	0.146	0.073	2.000	0.023
Assurance	->	Financial Performance	->	Kepuasan Anggota	0.142	0.068	2.070	0.019
Empathy	->	Financial Performance	->	Kepuasan Anggota	0.219	0.076	2.889	0.002

Source: Processed data (2024)

In the research model, there are five indirect relationships as shown in table III and table IV shows all indirect relationships. Five indirect effects, each of which is the indirect effect of physical evidence, reliability, responsiveness, assurance and empathy on member satisfaction, through the mediation of the latent variable financial performance, show a significant effect with a path coefficient for the Amertanadi Farmers Cooperative of 0.107; 0.137; 0.083; 0.086 and 0.089. Meanwhile in the Lumbung Sari Cooperative it is 0.200; 0.143; 0.146; 0.142 and 0.219.

4. CONCLUSIONS

Based on the results of the research carried out in this study, it can be concluded below.

1. The influence of service quality (tangible, reliability, responsiveness, assurance and empathy) has a positive and significant effect on the financial performance of cooperatives. This means that the better the quality of the farmer cooperative's services, the higher the financial performance of the farmer cooperative, and vice versa, the worse the service quality, the lower the financial performance will be.

2. Financial performance has a positive and significant effect on member satisfaction. This means that the higher the financial performance in the farmer cooperative, the higher the satisfaction of the farmer cooperative members, and vice versa, the lower the financial performance, the lower the member satisfaction.

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