

ISBN: 2548 -7965

PROCEEDINGS



THE 5th GADJAH MADA INTERNATIONAL CONFERENCE ON ECONOMICS AND BUSINESS

*SUSTAINABLE DEVELOPMENT:
CHALLENGE AND OPPORTUNITY IN DEVELOPING COUNTRIES*



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PREFERENCE

Thanks to God, with the almighty grace.

We are really grateful that the 5th Gadjah Mada International Conference of Economics and Business 2017 had been held successfully on September 14-15, 2017 by Publication Unit, Faculty of Economics and Business Universitas Gadjah Mada at Master of Science and Doctorate Building Faculty of Economics and Business, Universitas Gadjah Mada, Yogyakarta. Tokens of appreciation should be rendered to our presenters, participants and all of you that made the event could be organized and carried out with the highest quality, comfort, and precision that we could give. Even though there are some mistakes that we did during the event, we apologize deeply for that. These Proceedings are compiled as a collection of all presenter's abstracts. Showing the creativity of ideas that could also be seen as an art inside the field of science.

The theme of this year conference is "Sustainable Development: Challenge and Opportunity in Developing Countries," and this theme is manifested in the presented papers that are compiled in these proceedings, comprised of the scholarly work from this global environment and as well as the honorary speakers.

Therefore, we would like to express our gratitude and credits to Journal of Indonesian Economy and Business, Faculty of Economics and Business, Universitas Gadjah Mada: Professor Juliet Willets, Ph.D. (University of Technology Sydney), Dr. Salmi Mohd. Isa, MBA. (Universiti Sains Malaysia), and Dr. A. Tony Prasetyantono, M.Sc. (Universitas Gadjah Mada) for taking the time to contribute and share their expertise and experiences to the conference that have enriched our knowledge in this field; all the scientists and researchers for contributing their research, ideas, results, and encouraging one another to learn more by sharing, learning, and discussion sessions; PT. Pertamina (Persero), PT. Waskita Karya (Persero), TBK., and PT. Bank Central Asia, TBK. for sponsoring this conference.

There were 60 papers presented in the conference. The best 6 papers were selected for The 5th GAMAICEB Best Paper Award. Those papers will be published on *Journal of Indonesian Economy and Business* (JIEB).

We sincerely hope that these proceedings and the conference in particular will grant benefits to all of the participants and also the readers. Especially as a reference for further Economics and Business development in Indonesia and all over the world. We welcome and will receive any suggestions and constructive feedback to improve the organizing strategy for the betterment and development of Gadjah Mada International Conference of Economics and Business conferences and proceedings. We look forward to see you again in our next event.

Yogyakarta, 15 September 2017
The 5th GAMAICEB Committee

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IMPLEMENTATION OF RISK MANAGEMENT AND ITS EFFECT ON GOOD COOPERATIVE GOVERNANCE AND COOPERATIVE PERFORMANCE

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ABSTRACT

Risk management in Indonesia's cooperative organization is still rarely implemented, and most of cooperative managers still view that risk management is only implemented for large-scale enterprises. As a form of responsibility of cooperative management (agent) to members as an owner of cooperative organization (principle), cooperative management must be operated by good cooperative governance and cooperative performance.

The purposes of this study are to implement and identify risk management especially in saving and loan cooperative, and the final study to test and prove empirically about the directly and indirectly effect of implementation of risk management in cooperative organization on good cooperative governance and cooperative performance.

The research method of this study use descriptive quantitative analysis, population in this study is smaller than 100, so saturation sampling technique used in this study, the size of population are 73 persons consist of board of directors, supervisors, manager, administrators, and members of the cooperative, primary data needed in this study by using survey method conducting questionnaires and structured interviews. This study uses a statistical approach by using path analysis so that it can be known the amount of direct and indirect effect between independent variables and dependent variable.

The result of this study shows that it can be identified two categories of risks that are minor and insignificant risks. Minor risk includes credit risk and strategic risk, and insignificant risks remaining of six risks include market risk, liquidity risk, operational risk, legal risk, reputation risk and compliance risk. Result of this study based on statistical analysis indicate that the magnitude directly effect of implementation of risk management on cooperative performance by correlation coefficient (r) = 0,053 insignificant effect, the effect of implementation of risk management on good cooperative governance by correlation coefficient (r) = 0,209, significant, and the effect of good cooperative governance on cooperative performance by correlation coefficient (r) = 0,576, significant. Indirectly, implementation of risk management effect on cooperative performance through good cooperative governance as an intervening variable by correlation coefficient (r) = 0,346, significant.

The conclusions of the study indicate that directly there is not effect of implementation of risk management on cooperative performance, but there is effect of implementation of risk management on good cooperative governance and good cooperative governance has effect on cooperative performance. Indirectly, Cooperative performance is not influenced by implementation of risk management, but influenced by implementation of risk management through good cooperative governance as an intervening variable.

Keywords: *implementation of risk management, good cooperative governance, cooperative performance*

The 5th Gadjah Mada International Conference on Economics and Business
is organized by Publication Unit, Faculty of Economics and Business, Universitas Gadjah Mada
Jl. Socio Humaniora No. 1, Yogyakarta 55281. Phone: +62 (274) 5485010 Ext. 127, 551209.
Email: publications.feb@ugm.ac.id Website: <http://publications.feb.ugm.ac.id>