MODEL OF SHARIA GOVERNANCE AND ESCALATION OF PERFORMANCE OF SHARIA COOPERATIVES

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ABSTRACT

Purpose: This study aims to analyze a sharia governance model and its impact on the efficiency, information asymmetry, risk, and performance of sharia cooperatives.

Theoretical framework: The purpose of the sharia cooperative is to improve the welfare of its members and the community's interest and participate in building the economy of Indonesia based on sharia principles (Sudjana and Rizkison, 2020).

Design/methodology/approach: The type of research used is explanatory research to test the hypothesis. This study uses data analysis techniques using the smartPLS program. The research uses purposive sampling with sharia cooperatives located in 4 districts in Indonesia with a total sample of 165 cooperatives.

Findings: The study's results found that the efficiency variable has a significant positive effect on the performance of the sharia cooperative. Information asymmetry has a nonsignificant negative impact on efficiency and the performance of sharia cooperatives. Information asymmetry has a significant positive effect on the risk of financing. The risk of financing has a nonsignificant negative effect on the performance of the sharia cooperative. Sharia governance has a significant positive impact on efficiency, information asymmetry, and the performance of sharia cooperatives but has a nonsignificant positive effect on the risk of financing.

Research, Practical & Social implications: Further research is necessary to expand the research location, multiply the study's sample and variables and involve the cooperative members as respondents.

Originality/value: The management of the sharia cooperative needs to apply sharia governance to improve efficiency and follow sharia provisions to maximize the performance of sharia cooperatives.

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MODELO DE GOVERNANÇA DA SHARIA E ESCALAÇÃO DE DESEMPENHO DAS COOPERATIVAS DA SHARIA

RESUMO

Objetivo: Este estudo tem como objetivo analisar um modelo de governança da sharia e seu impacto na eficiência, assimetria de informações, risco e desempenho das cooperativas da sharia.


Desenho/metodologia/abordagem: O tipo de pesquisa utilizada é a pesquisa explicativa para testar a hipótese. Este estudo utiliza técnicas de análise de dados utilizando o programa smartPLS. A pesquisa usa amostragem intencional com cooperativas da sharia localizadas em 4 distritos na Indonésia com uma amostra total de 165 cooperativas.

Resultados: Os resultados do estudo constataram que a variável eficiência tem um efeito positivo significativo no desempenho da cooperativa sharia. A assimetria de informação tem um efeito positivo significativo no risco de financiamento. O risco de financiamento tem um efeito negativo não significativo no desempenho da cooperativa sharia. A governança da sharia tem um impacto positivo significativo na eficiência, assimetria de informações e no desempenho das cooperativas da sharia, mas tem um efeito positivo não significativo no risco de financiamento.

Pesquisa, implicações práticas e sociais: Mais pesquisas são necessárias para ampliar o local da pesquisa, multiplicar a amostra e as variáveis do estudo e envolver os cooperados como respondentes.

Originalidade/valor: A gestão da cooperativa da sharia precisa aplicar a governança da sharia para melhorar a eficiência e seguir as disposições da sharia para maximizar o desempenho das cooperativas da sharia.

Palavras-chave: Cooperativa Sharia, Eficiência, Risco, Atuação, Governança.

MODELO DE GOBERNANZA DE LA SHARIA Y ESCALADA DEL DESEMPEÑO DE LAS COOPERATIVAS DE LA SHARIA

RESUMEN

Propósito: Este estudio tiene como objetivo analizar un modelo de gobernanza de la sharia y su impacto en la eficiencia, la asimetría de la información, el riesgo y el desempeño de las cooperativas de la sharia.

Marco teórico: El propósito de la cooperativa de la sharia es mejorar el bienestar de sus miembros y el interés de la comunidad y participar en la construcción de la economía de Indonesia basada en los principios de la sharia (Sudjana y Rizkison, 2020).

Diseno/Metodología/Enfoque: El tipo de investigación utilizado es la investigación explicativa para probar la hipótesis. Este estudio utiliza técnicas de análisis de datos utilizando el programa smartPLS. La investigación utiliza un muestreo intencional con cooperativas de la sharia ubicadas en 4 distritos de Indonesia con una muestra total de 165 cooperativas.

Hallazgos: Los resultados del estudio encontraron que la variable eficiencia tiene un efecto positivo significativo en el desempeño de la cooperativa de la sharia. La asimetría de la información tiene un impacto negativo no significativo en la eficiencia y el desempeño de las cooperativas de la sharia. La asimetría de información tiene un efecto positivo significativo sobre el riesgo de financiamiento. El riesgo de financiación tiene un efecto negativo no significativo en el desempeño de la cooperativa de la sharia. La gobernabilidad de la sharia tiene un impacto positivo significativo en la eficiencia, la asimetría de la información y el desempeño de las cooperativas de la sharia, pero tiene un efecto positivo no significativo en el riesgo de financiamiento.

Investigacion, implicaciones practicas y sociales: Es necesario seguir investigando para ampliar el lugar de investigación, multiplicar la muestra y las variables del estudio e involucrar a los cooperativistas como encuestados.

Implicaciones/Originalidad/Valor: La gestión de la cooperativa de la sharia debe aplicar la gobernanza de la sharia para mejorar la eficiencia y seguir las disposiciones de la sharia para maximizar el rendimiento de las cooperativas de la sharia.

Palabras clave: Cooperativa de la Sharia, Eficiencia, Riesgo, Actuación, Gobernanza.
INTRODUCTION

Sharia cooperative is a cooperative that is the principle of activity, purpose, and business activities based on Sharia of Islam, i.e., the Qur'an and Sunnah. Suppose the cooperative has a business unit of productive savings and loans. In the case, the whole product and the operation should be carried out concerning the fatwa of the National Sharia Council (NSC) - Majelis Ulama Indonesia. Sharia cooperatives are not allowed to strive in the fields with elements of riba, maisyir, and gharar. Sharia cooperatives stand with the notion of flexibility in reaching out to the community among the economic institutions of the little people. Sharia cooperatives strive to develop productive efforts and investments in improving the economic activity of small entrepreneurs based on Sharia principles and the principles of the cooperative.

According to data from the Department of Cooperatives and UMKM Kabupaten Jember number of Sharia cooperatives had ups and downs. In 1997 the number of sharia cooperatives in the know of Baitul Maal wat Tanwil numbered 27 grew fast because the sharia cooperative adopted the Islamic banking system. Sharia cooperative (Baitul Maal wat Tanwil) can provide significant advantages following the shariah. Time until 2013, only some sharia cooperatives (Baitul Maal wat Tanwil) still operated and survived as BMT Sido Giri. A large number of others were inactive because of the losers.

According to (Mualim: 2003) the causes of the failure of the management of the BMT, namely, among others: First the lack of preparation of the human resources (HR) manager, both in terms of knowledge or skills in managing BMT, especially the problem of scrolling financing. The real cause is the amount of uncollectable financing that is bad financing. Second, the lack of supervision of the management, especially the management of funds, and lack of a sense of belonging manager of BMT. The first problem is the presence of ambivalence between the sharia concept of the management of BMT with the operations in the field. There is a mismatch (if not arguably deviation) of the Sharia that has been agreed upon. This leads to a lack of trust from the customer community or prospective customers. On the other hand, the guidance to the customer BMT is also a thing that is significant to the sustainability of BMT in the empowerment of people (Mashuri, 2016; Sa'diyah and Arifin, 2016). It is related to the smoothness of the payment of money capital and the results from the customer. Congestion payment of capital and the management of credit have an impact on the health of the BMT (Wulandari and Kassim, 2019).

Bank Indonesia (2003) explains that the governance practices of healthy (good governance) are required to identify, measure, monitor, and control the bank's risks. The need for management of the bank healthy arising from the situation of the external environment and
internal banking has experienced rapid growth and is followed by the increasing complexity of risk for the activities of prestressed banking. Governance of sharia cooperative has five principles, namely transparency, accountability, responsibility, professionalism, and fairness. The fifth principle is necessary clarity of function and responsibility for the management of the cooperative, effective.

Depart from these problems, and the researchers are encouraged to review and examine the variables that have a relationship with direct or indirect influence on the performance of sharia cooperatives. Knowing the variables that affect the performance of sharia cooperatives can solve the problem of gaps /inconsistencies between the theory and the implementation of sharia governance, as well as be able to answer the phenomenon of the low performance of sharia cooperatives. The purpose of this study is to analyze and prove (a) the effect of sharia governance on financing risk, information asymmetry, and efficiency; (b) the effect of information asymmetry on efficiency and financing risk; (c) the effect of information asymmetry, efficiency and financing risk on the performance of sharia cooperatives.

LITERATURE REVIEW

Sharia Enterprise Theory

Sarker (1999a), Yusof and Amin (2004) explained that purpose of a company is the achievement of happiness in world and hereafter. Achieving falah or well-being according to sharia law is a primary focus of human activity worldwide. Sharia manufacturers and sharia consumers will try to maximize the welfare of the world and the hereafter. With the ethics of Sharia and creating the material's welfare, the company should also create mental and spiritual well-being (Triyuwono, 2006b).

Islam is a mercy to all the world (rahmatan lil alamin) (Amirabedini, 2013). This concept requires that the company create and distribute the welfare to the beneficiary, i.e., the stakeholders, in a broad sense. The theory of sharia enterprise cares about the interests of the individual (in this case, the shareholders) and other parties. The theory of sharia enterprise is a significant concern for the area's stakeholders. According to the theory of sharia enterprise, the stakeholders include God, man, and nature (Triyuwono, 2006b). The Lord is the highest and is the only purpose of human life. Stakeholders from the theory of sharia enterprise are composed of two groups: direct and indirect stakeholders.

The theory of sharia enterprise balances egoistic value with altruistic value, the material with spiritual, and individual with congregation. In Sharia, the balance shape is concretely manifested in one form of worship, zakat (Triyuwono, 2006b). In implementing
finance, an institution should focus on economic activities contributing to the common welfare (Usmani, 2012; Majeed and Zainab, 2017). The theory of sharia enterprise has a wider scope of accountability than the entity theory. The accountability question is accountability to God, man, and nature (Triyuwono, 2006a:35).

**Sharia Cooperative**

Sharia cooperative is the principle of activity, purpose, and business activities based on the Sharia of Islam, i.e., the Qur'an and Sunnah. Suppose the cooperative has a business unit of productive savings and loans. In that case, the whole product and the operation should be carried out concerning the fatwa of the National Sharia Council (DSN) Majelis Ulama Indonesia. The purpose of the sharia cooperative is to improve the welfare of its members and the welfare of the community and participate in building the economy of Indonesia based on sharia principles (Sudjana and Rizkison, 2020).

The foundation of sharia cooperation (Muhshodiq, 2009), among others
1. Cooperative Shariasharia-based Islam i.e. the Qur'an and sunnah to help each other (ta'awun) and mutually reinforcing (takaful).
2. Sharia Cooperatives based on Pancasila and the 1945 constitution of Sharia cooperation based on the principle of kinship

The function and role of cooperatives in Indonesia:
1. Build and develop the potential and abilities of members in particular and society in general, to improve the social welfare of the economy;
2. Strengthen the quality of human resources members to become more trustworthy, professional, consistent, and consistent in applying the economic principles of Islam and the principles of sharia law;
3. trying to realize and develop the national economy, which is a joint effort based on the principle of kinship and economic democracy;
4. Develop and expand employment opportunities;

The principles of sharia cooperative (Muhshodiq, 2009), among others;

a. Wealth is the mandate of God that no one in the absolute can own.
b. The man was given the freedom of dealings during a joint with the provisions of Sharia.
c. Man is the vicegerent of God and leader on the face of the earth.
d. Uphold justice and reject every form of usury and the concentration of economic resources on a handful of people or a group of people
METHODOLOGY

This study uses a quantitative approach with the type of research that is explanatory research. The explanatory research is used to analyze and test the effect of variable sharia governance, financing risk, information asymmetry, efficiency, and performance of sharia cooperatives. This study uses primary data where the information or data obtained is based on views, comments, perceptions, or judgment of management of the sharia cooperatives located in 4 districts in Indonesia. The research used purposive sampling to determine a representative sample of the research population, namely sharia cooperatives located in 4 districts in Indonesia, namely Jember, Banyuwangi, Bondowoso, and Situbondo, with a total sample of 165 cooperatives.

The quantitative analysis used in this research consisted of descriptive analysis to see the picture of the characteristics of the population and path analysis. Path analysis was used for hypothesis testing using Partial Least Squares (PLS). Ghozali(2006:19) states formal model PLS defines a variable notching as a linear aggregate of the indicators. The estimated weight that is used to create the components of the score variables is obtained based on the specifications against the inner and outer models.

Hypothesis testing is done by performing the following steps. First, the outer model with reflective indicator is evaluated based on the content of the base, i.e., by comparing the magnitude of the relative weight and seeing the significance of these weights. Second, the model's inner workings are evaluated by looking at the percentage variance explained by looking at the value of R2 to construct endogenous and also to see the magnitude of the structural path coefficients.

DATA ANALYSIS

Measurement Model

In this study, the outer model or measurement model with reflective indicators is evaluated using the indicators' convergent validity and discriminant validity tests and composite reliability for the indicator block. Each test of the outer model is analyzed and described in Figure 1.
Convergent Validity

Convergent validity of the measurement model with reflective indicator is assessed based on the correlation between the item score/component score with the construct score calculated by PLS. The size of the reflective individual is said to be high if the correlation is more than 0.70 with the construct to be measured (Widodo, 2006). By looking at the correlation between the indicators with construct output, as shown in Figure 2 and Table 1.
Table 1 shows that all indicators of efficiency construct meet convergent validity because the value of factor loading Ef.1 of 0.909 > 0.7 and significant with the value of t-statistic of 19.445 and value of factor loading Ef.2 of 0.911 > 0.7 with significant value of t-statistic of 9.555. It shows that all indicators of asymmetry information construct meet convergent validity because the value of factor loading IA.1 of 0.918 > 0.7 and significant with value of t-statistic of 3.981 and value of factor loading IA.2 of 0.889 > 0.7 with significant value of t-statistic of 3.975.
On the other hand, Table 1 shows that none of the indicators of the construct of performance of sharia cooperative, risk of financing, and sharia governance fulfill convergent validity. The construct of performance of sharia cooperative has five indicators, but only two indicators of the construct of performance of Sharia cooperative that meet the convergent validity of the PSC.3 has a value of factor loading of $0.948 > 0.7$ and significant with the value of $t$-statistic of 31.978, and PSC.4 has a value of factor loading of $0.909 > 0.7$ and significant with the value of $t$-statistic of 18.698. The construct of risk of financing has four indicators, but only two indicators of the construct of risk of financing that meets the convergent validity of the RF.2 has a value of factor loading of $0.941 > 0.7$ and significant with the value of $t$-statistic of 11.571, and RF.3 has a value of factor loading of $0.843 > 0.7$ and significant with the value of $t$-statistic of 5.786. The construct of Sharia governance has five indicators, but only two indicators of the construct of Sharia governance that meets the convergent validity SG.2 have a value of factor loading of $0.914 > 0.7$ and is signed with the value of $t$-statistic of 14.726 and SG.5 has a value of factor loading of $0.956 > 0.7$ and significant with the value of $t$-statistic of 20.734. Table 2 brings the average variance extracted (AVE).

**Discriminant Validity**

<table>
<thead>
<tr>
<th>Table 2. Average Variance Extracted (AVE)</th>
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<tbody>
<tr>
<td>Average Variance Extracted (AVE)</td>
</tr>
<tr>
<td>Efficiency</td>
</tr>
<tr>
<td>Information Asymmetry</td>
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<tr>
<td>Performance of Sharia Cooperative</td>
</tr>
<tr>
<td>Risk of Financing</td>
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<tr>
<td>Sharia Governance</td>
</tr>
</tbody>
</table>

Source: Field Data, 2021 and SmartPLS Result

To assess the discriminant validity, look at the value of average variance extracted (AVE). Fornel and Lareker (1981) recommend a value of AVE should be greater than 0.50. Based on table 2, the average variance extracted (AVE) note that the value of the AVE of a constructing efficiency of 0.829. The value of the AVE of a construct information asymmetry of 0.816. The value of the AVE of a construct performance of Sharia cooperative of 0.862. The value of the AVE of a construct risk of financing amounted to 798. The value of the AVE of a construct sharia governance of 0.975. Based on the value of the AVE of each construct above 0.50 can be concluded that the entire construct meets discriminant validity.
Composite Reliability

The reliability test used in this study is the composite reliability (pc). A research instrument to measure a composite reliability variable is good if it has a composite reliability ≥ 0,7) See Table 3. Composite reliability of the measurement model with reflective indicator can be seen here in the output of PLS.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Composite Reliability</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency</td>
<td>0.906</td>
<td>0.793</td>
</tr>
<tr>
<td>Information Asymmetry</td>
<td>0.896</td>
<td>0.776</td>
</tr>
<tr>
<td>Performance of Sharia Cooperative</td>
<td>0.926</td>
<td>0.843</td>
</tr>
<tr>
<td>Risk of Financing</td>
<td>0.887</td>
<td>0.759</td>
</tr>
<tr>
<td>Sharia Governance</td>
<td>0.933</td>
<td>0.860</td>
</tr>
</tbody>
</table>

Source: Field Data, 2021 and SmartPLS Result

The Table 3 shows that the value of the composite reliability of the constructs efficiency of 0.906. The value of composite reliability of the constructs of information asymmetry of 0.896. The value of composite reliability of the constructs performance of Sharia cooperative of 0.894. The value of composite reliability of the constructs risk of financing of 0.887. While the value of the composite reliability of the constructs Sharia governance of 0.933. All constructs have a value of composite reliability greater than 0.70.

The value of Cronbach's alpha constructs an efficiency of 0.793. The value of Cronbach's alpha construct of information asymmetry of 0.776. The value of Cronbach's alpha constructs performance of Sharia cooperative of 0.843 the value of Cronbach's alpha construct risk of financing of 0.769. While the value of Cronbach's alpha construct of Sharia governance of 0.860. All constructs have a value of Cronbach's alpha greater than 0.70. This suggests that the efficiency, information asymmetry, performance of Sharia cooperative, risk of financing, and Sharia governance have good reliability.

Test of The Goodness-Fit of The Model

Testing of the structural model is done by looking at the value of R-square as a test of the best fit of the model. From Table 4, it is known that the model of the effect of the sharia governance variable on the efficiency variable gives the R-square value of 0.180, which can be interpreted that the variability of the sharia governance can explain the variability of efficiency.
Model 1 explains that the sharia governance variable influences the variability of information asymmetry, giving the R-square value of 0.012. It can be interpreted that the variability of the sharia governance can explain the variability of information asymmetry by 10.2%. In comparison, the rest, equal to 89.8%, described other variables that were not used in this study. Model 2 explains that the sharia governance and information asymmetry influence the efficiency variability, giving the value of R-square adjusted by 0.125. It can be interpreted that the efficiency variability can be explained by the variability of the sharia governance and information asymmetry by 12.5%. In comparison, the remaining 87.5% described other variables that are not used in this study. Model 3 explains that the sharia governance and information asymmetry variables influence the variability of risk of financing, giving the value of R-square adjusted by 0.262. It can be interpreted that the variability of the risk of financing can be explained by the variability of the sharia governance and information asymmetry by 26.2%. In comparison, the remaining 73.8% described other variables not used in this study. Model 4 explains that the sharia governance, information asymmetry, and risk of financing variables influence the performance of sharia cooperative variability, giving the value of R-square adjusted by 0.426. It can be interpreted that the variability of the performance of the Sharia cooperative can be explained by the variability of the sharia governance variable, information asymmetry, and risk of financing amounted to 42.6%. In comparison, the rest, 57.4%, described other variables that were not used in this study.

Table 5 explains that the efficiency variable has a significant positive influence on the performance of the sharia cooperative. The information asymmetry variable affects negatively, not significantly, the efficiency variable. Information asymmetry negative effect is not significant to the performance of sharia cooperative. Information asymmetry has a positive impact significantly on the risk of financing. The risk of financing variable affects negatively, not significantly, the performance of the sharia cooperative. Sharia governance has a positive effect significant against efficiency. Sharia governance has no significant positive impact on information asymmetry. Sharia governance has a significant positive effect on the performance
of the sharia cooperative. Sharia governance has a positive influence but is not significant against the risk of financing.

**Significance Test**

<table>
<thead>
<tr>
<th>Model of Sharia Governance and Escalation of Performance of Sharia Cooperatives</th>
<th>Table 5. Path Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency -&gt; Performance of Sharia Cooperative</td>
<td>Original sample estimate</td>
</tr>
<tr>
<td>0.538</td>
<td>0.504</td>
</tr>
<tr>
<td>Information Asymmetry -&gt; Efficiency</td>
<td>0.102</td>
</tr>
<tr>
<td>Information Asymmetry -&gt; Performance of Sharia Cooperative</td>
<td>0.059</td>
</tr>
<tr>
<td>Information Asymmetry -&gt; Risk of Financing</td>
<td>0.558</td>
</tr>
<tr>
<td>Risk of Financing -&gt; Performance of Sharia Cooperative</td>
<td>-0.271</td>
</tr>
<tr>
<td>Sharia Governance -&gt; Efficiency</td>
<td>0.401</td>
</tr>
<tr>
<td>Sharia Governance -&gt; Information Asymmetry</td>
<td>0.109</td>
</tr>
<tr>
<td>Sharia Governance -&gt; Performance of Sharia Cooperative</td>
<td>0.266</td>
</tr>
<tr>
<td>Sharia Governance -&gt; Risk of Financing</td>
<td>-0.032</td>
</tr>
</tbody>
</table>

Source: Field Data, 2021 and SmartPLS Result

**DISCUSSION**

The test results of the path coefficient against the first hypothesis (H1) indicate that sharia governance has a positive effect not significant against the risk of financing with a coefficient of -0.060 and T statistics 0.300 and P-value 0.765. The result of research suggests that the high and low of sharia governance will not affect the financing risk. Slamet and Hascaryo (2008) explained that Islamic banks and sharia financial institutions such as sharia cooperatives also require procedures and governance to identify, measure, monitor, and control the risks arising from the business activities that he does, which is referred to as risk management.

The test results of the path coefficient to the second hypothesis (H2) show that sharia governance has no significant positive effect on information asymmetry with a coefficient of 0.120, T statistics of 0.486, and P-value of 0.627. The result of research suggests that the high and low of sharia governance will not affect information asymmetry. The influence of
disclosure in the financial statements will help users understand the content and the numbers reported in the financial statements. Utami (2003) explains that if the company has a high level of disclosure, then the investor believes that any transactions occur at a reasonable price level; thus, the bid-ask spread is small, and the liquidity of the stock in the market also increases. Veronica (2003) said that the market's liquidity would increase with increased levels of disclosure and then reduce the information asymmetry.

The test results of the path coefficient to the third hypothesis (H3) show that sharia governance has a significant positive effect on efficiency with a coefficient of 0.397 and T statistics of 2.267, as well as the P-value of 0.002. The research results show that the higher the level of sharia governance, the better the efficiency level. On the contrary, the lower the sharia governance level, the lower the efficiency. According to Nur'ainy, regression testing results show that the implementation of GCG does not affect the stock return significantly. The results of the hypothesis testing the Implementation of GCG has no direct influence on stock returns through the efficiency of operations of the company, a proxy of profitability, leverage, and liquidity.

The test results of the path coefficient to the fourth hypothesis (H4) show that information asymmetry has a significant positive impact on the risk of financing with a coefficient of 0.547, T statistics of 3.041, and a P-value of 0.002. This relationship shows that the higher the information asymmetry the risk of financing higher on the contrary, the lower the level of information asymmetry than the risk of financing the low. The findings of this study do not support the existence of a relationship of influence between information asymmetry with the risk of mudharabah financing described by Sarker (1999a) that in the contract of mudharabah and musyarakah, the uncertainty of the rate of return on capital is very high caused by information asymmetry. The contract of mudharabah, which the Islamic banks run, constitutes a contract of investment opportunities terms with the information asymmetry that contains a high risk (Muhammad, 2004). Jarhi (2005) explained that the bank is open or not protected from the action of moral hazard when companies get financing and use such funds for other activities when the funding lasts.

The test results of the path coefficient against the fifth hypothesis (H5) show that information asymmetry has a negative impact and is not significant to efficiency with a coefficient of 0.108 and a value of T statistics of 0.464, and a P-value of 0.643. This relationship indicates that high and low levels of information asymmetry will not affect efficiency. Muhammad (2004:182) states that the problem of information asymmetry is associated with financial issues. Primarily if it is associated with the mudharabah financing contract. Harri and
Raviv (1990) examine the relationship between information asymmetry and model agency. His findings concluded that the emergence of information asymmetry could affect the size of the investment income earned. At the same time, the research of Rahmawati et al. (2006) showed that the independent variables in information asymmetry have a positive significance and can explain the dependent variable of earnings management.

The test results of the path coefficient against the sixth hypothesis (H6) show that the risk of financing has a nonsignificant negative impact on the performance of sharia cooperatives with a coefficient of -0.372 and T statistics of 1.508 and a P-value of 0.132. The research results suggest that the high and low risks of financing will not affect any of the levels. The contract of mudharabah, return is not guaranteed in the system for results and financial loss borne in full by the lender. Employers only lose time and energy invested in the company (Suleiman:2002). Sharia banks also face the risk of business because of the nature of the transaction (Noman:2002). The sustainability and growth of Sharia banks depend in part on the ability of banks to manage risks associated with the business of the bank (Khan:2001).

The test results of the path coefficient of hypothesis seven (H7) showed that information asymmetry has a negative impact and is not significant to the performance of Shariacooperative with a coefficient of 0.229 and the value of T statistics of 0.744 and P-value of 0.457. This relationship shows that the high and low information asymmetry will not affect the level of performance of Shariacooperative. Muhammad (2004:182) states that the problem of information asymmetry is associated with financial problems. Especially if it is associated with the financial contract of mudarabah. Harri and Raviv (1990) examine the relationship between information asymmetry and model agency. His findings concluded that the emergence of information asymmetry could affect the size of the investment income earned. At the same time, the research of Rahmawati et al. (2006) showed that the independent variables in information asymmetry have a positive significance and can explain the dependent variable of earnings management.

The test results of the path coefficient of hypothesis eight (H8) showed variable efficiency significantly positive effect on the performance of sharia cooperative with a coefficient of 0.672 and the value of T statistics of 3.979 as well as the P-value is 0.000. This relationship shows that the higher efficiency of the performance of the sharia cooperative, the better. On the contrary, the lower the efficiency level, the lower the sharia cooperative performance. Efficiency is a characteristic that indicates the degree to which the process produces the required output at a minimum cost. In its support to the efficiency approach, Brozen, Smirlock, Evanoff, and Fortier (1988) in Mudrajat (2003) find that the efficiency of
certain banking seems variable and dominant in explaining the profitability of the banking industry.

CONCLUSION

Sharia governance has a nonsignificant positive effect on the risk of financing. It concludes that the first hypothesis, which states that sharia governance affects financing risk, is rejected. It means that the high and low of sharia governance will not affect the financing risk. Sharia governance has no significant positive effect on information asymmetry. It concludes that the second hypothesis, which states that sharia governance affects information asymmetry, is rejected. It means that the high and low of sharia governance will not affect information asymmetry. Sharia governance has a positive effect significant against efficiency. The third hypothesis, which states that sharia governance affects efficiency, is accepted. It shows that the higher the level of sharia governance, the better the efficiency level. On the contrary, the lower the sharia governance level, the lower the efficiency. Information asymmetry has a positive effect significantly on the risk of financing. It concludes the fourth hypothesis, which states that information asymmetry affects financing risk, is received. This relationship shows that the higher the information asymmetry the risk of financing higher.

On the contrary, the lower the level of information asymmetry than the risk of financing the low. Information asymmetry's negative effect is not significant to efficiency. It concludes that the fifth hypothesis, which states that information asymmetry affects efficiency, is rejected. This relationship indicates that high and low levels of information asymmetry will not affect efficiency. The risk of financing affects negatively, not significantly, the performance of the sharia cooperative. It concludes that the sixth hypothesis, which states that the risk of financing affects the performance of the sharia cooperative, is rejected. It concludes that high and low financing risks will not affect any of the levels. Information asymmetry negative effect is not significant to the performance of sharia cooperative. It concludes that the seventh hypothesis, which states that information asymmetry affects the performance of sharia cooperatives, is rejected. This relationship shows that the high and low information asymmetry will not affect the level of performance of Shariacooperative. Efficiency significantly positive effect on the performance of the sharia cooperative. It shows that the hypothesis is the eighth, which states that efficiency affects the performance of the sharia cooperative is received. This relationship shows that the higher the efficiency of the sharia cooperative, the better. On the contrary, the lower the efficiency level, the lower the sharia cooperative performance.
THEORETICAL IMPLICATIONS

This study uses a new concept of the performance of sharia cooperatives. The performance of sharia cooperatives is the work of sharia cooperatives consisting of; cooperative management by sharia law (avoiding usury, gharar and maisyir), the contribution of financing to services to members, the level of profit, the growth of the number of members, the contribution of profits to zakat. Performance of sharia cooperatives variables use five indicators, namely measure sharia cooperative performance variables: 1. cooperative management by sharia law (avoiding usury, gharar and maisyir), 2. increasing service to members, 3. profit level, 4. growth in the number of members, 5. profit contribution to zakat.

MANAGERIAL IMPLICATIONS

Sharia cooperative management must apply sharia governance to improve efficiency and obtain maximum benefit. They follow the sharia law's provisions to strengthen and enhance the performance of sharia cooperatives. Sharia cooperative management needs to reduce the risk of financing by way of reducing the presence of information that is not balanced. Without the necessary information related to the feasibility of the financing for the sharia cooperative members, the customer is not worth it. Still, getting financing can cause congestion in installment payments.

Sharia cooperative management needs to implement policies to overcome the obstacles faced so that they can improve the performance employing; (a) if the character is a member of the cooperative is good then given murabahah; (b) the financing process carefully; (c) provide education to the members of the cooperative about the sharia financing in the cooperative. Policy supervision of sharia law to any practice of murabahah financing needs to be run to avoid deviating from sharia law.

LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

This research is limited to using only four independent variables, and the research location is only four districts in the province of East Java. Further research is necessary to involve the cooperative members/customers as respondents in providing information data analyzed to enhance and enrich the results of this study. The results of this study still need to be developed by researchers another way to expand the research location, multiply the study sample and the research variables.
REFERENCES


