

ENHANCING COOPERATIVE PERFORMANCE THROUGH GOOD COOPERATIVE GOVERNANCE AND MEMBER PARTICIPATION: IMPLICATIONS FOR INCLUSIVE LOCAL ECONOMIC DEVELOPMENT

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Abstract

Cooperatives are not only business entities but also member-based economic organizations rooted in solidarity, democratic participation, and equitable benefit distribution. In the Indonesian context, cooperatives are expected to contribute to inclusive local economic development by improving members' welfare and strengthening community-based economic activities. However, such contributions depend substantially on the quality of cooperative governance, member participation, and cooperative performance. This study examines the effect of good cooperative governance on cooperative performance and member participation, as well as the effect of member participation on cooperative performance. Using a quantitative explanatory approach, data were collected from cooperative managers and members through a questionnaire measured on a five-point Likert scale. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. The results show that good cooperative governance has a positive and significant effect on cooperative performance and member participation. However, member participation does not significantly affect cooperative performance. These findings indicate that governance is a key factor in improving cooperative performance and encouraging member involvement. Nevertheless, member participation must be substantive rather than merely administrative to contribute meaningfully to cooperative performance. This study contributes to cooperative governance literature by emphasizing the importance of governance quality in strengthening cooperative organizations and provides practical implications for improving cooperatives as instruments of inclusive local economic development.

Keywords: Cooperative governance; cooperative performance; member participation; inclusive local economic development; good governance

INTRODUCTION

Inclusive economic development is a development process that emphasizes not only economic growth but also equal access, participation, opportunity, and benefit distribution among members of society (Ali & Son, 2007; Ali & Zhuang, 2007; Ianchovichina & Lundstrom, 2009). At the local level, economic development becomes meaningful when it improves the welfare of communities, increases income opportunities, strengthens purchasing power, and expands access to productive economic resources (Dogarawa, 2010; Gomathy et al., 2022; Sama et al., 2024). Therefore, local economic development should be understood not merely as an increase in economic output but also as a process of strengthening community welfare and economic resilience.

Cooperatives have a strategic role in supporting inclusive local economic development because they are built on the principles of solidarity, member ownership, democratic control, and

equitable distribution of economic benefits. Unlike conventional business organizations, cooperatives integrate economic and social objectives. They are expected to improve members' welfare, create employment opportunities, support members' businesses, and strengthen community-based economic activities (Dogarawa, 2010; Henderson et al., 2002; Ribas et al., 2022). In Indonesia, cooperatives have long been recognized as an important pillar of the people's economy and a potential instrument for strengthening local economic development.

The cooperative sector in Indonesia showed positive development from 2020 to 2024. Based on the Performance Report of the Deputy for Cooperatives, the number of active cooperatives and cooperative business volume generally increased during this period. Cooperative business volume increased from Rp174,033,134,950 thousand in 2020 to Rp214,011,384,590 thousand in 2024. This development indicates that cooperatives continue to have economic potential in supporting local and national economic activities (as shown in Table 1 below). However, the contribution of cooperatives to economic development remains constrained by managerial weaknesses, insufficient internal supervision, and governance problems.

Table 1. Cooperative Business Volume and Economic Growth, 2020–2024

Year	Active Cooperative	Business Volume (Rp. Ribuan)	Global Economic Growth (%)		Indonesia's Economic Growth (%)	Growth in Business Volume (%)
			Word Bank	IMF		
2020	127.124	174.033.134.950	-3,5	3,5	-2,07	12,48
2021	127.846	182.352.358.990	6,2	6,0	3,69	4,78
2022	130.354	197.875.647.880	3,0	3,2	5,30	8,51
2023	130.119	199.504.949.660	2,3	2,7	5,05	0,03
2024	131.617	214.011.384.590	2,6	4,2	5,03	8,12

Source: Performance Report of the Deputy for Cooperatives (2024)

In addition to the growth in the number of active cooperatives and business volume, the quality of cooperatives also shows an improving trend. Based on the 2024 Performance Report of the Deputy for Cooperatives, the proportion of high-quality cooperatives gradually increased during the 2020–2024 period (as shown in Figure 1). This trend indicates that cooperative quality has improved, although further strengthening is still required to ensure that cooperatives can perform effectively and contribute more substantially to inclusive local economic development.

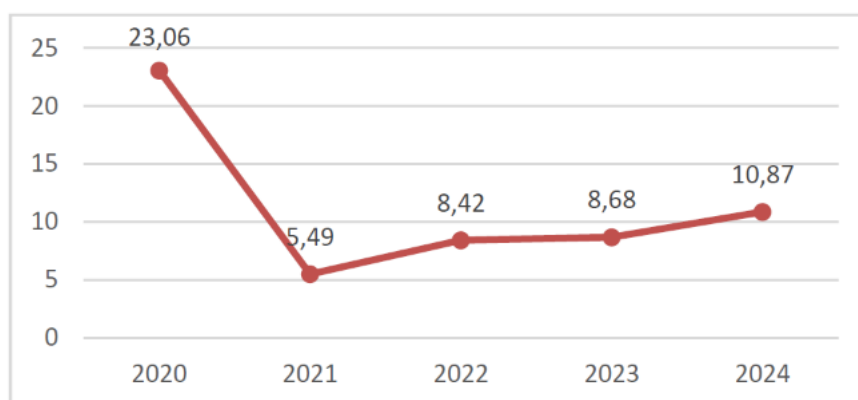


Figure 1. Trends in High-Quality Cooperative Performance, 2020–2024

Source: 2024 Performance Report of the Deputy for Cooperatives

One of the major challenges facing cooperatives is the persistence of weak management practices. Poor decision-making, inadequate internal control, lack of transparency, and weak

accountability may reduce cooperative performance and weaken members' trust. These problems are closely related to the implementation of cooperative governance. Good cooperative governance is expected to improve organizational accountability, strengthen financial management, increase transparency, and enhance the effectiveness of internal control mechanisms (Khouya & Benabdelhadi, 2020; Nikzad, 2021; Atugeba & Acquah-Sam, 2025).

Cooperative performance is an important indicator of the effectiveness of cooperative management. A cooperative that performs well is more capable of distributing surplus to members, providing quality services, supporting members' businesses, and contributing to the surrounding community. Thus, improving cooperative performance is an important step toward strengthening the role of cooperatives in inclusive local economic development. Nevertheless, cooperative performance does not depend solely on formal governance mechanisms. Member participation is also a distinctive and essential element of cooperatives.

Member participation reflects the dual identity of cooperative members as both owners and users of cooperative services. Members are expected to participate not only in business transactions but also in decision-making, supervision, and organizational control. In theory, active member participation can strengthen accountability, improve the quality of decisions, and increase the legitimacy of cooperative management. However, participation may not automatically improve cooperative performance if it remains formal, symbolic, or limited to attendance at annual meetings without meaningful involvement in strategic decision-making.

Previous studies on governance have largely focused on corporate governance in investor-owned firms, while studies on cooperative governance remain relatively limited. In addition, the relationship among cooperative governance, member participation, and cooperative performance requires further empirical investigation, particularly in the context of cooperatives as instruments of inclusive local economic development. Therefore, this study aims to examine the effect of good cooperative governance on cooperative performance and member participation, as well as the effect of member participation on cooperative performance. The findings are expected to provide theoretical and practical insights into how cooperative governance can strengthen cooperative organizations and support inclusive local economic development.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Stakeholder Theory and Cooperative Governance

Stakeholder Theory argues that organizations are accountable not only to shareholders but also to all parties affected by organizational activities (Freeman, 1984; Freeman et al., 2004; Parmar et al., 2010). In the context of cooperatives, members are the most important stakeholders because they function simultaneously as owners, users, beneficiaries, and supervisors of the cooperative. Therefore, cooperative governance must be designed to protect members' interests, ensure transparency, and strengthen accountability.

Good cooperative governance can reduce information asymmetry between management and members. It can also improve members' trust because management decisions become more transparent and accountable. In community-based organizations such as cooperatives, governance is not only a formal control mechanism but also a means of maintaining legitimacy and collective trust. When governance is implemented effectively, cooperatives are more likely to be managed professionally and responsibly, which in turn can improve performance.

Stewardship Theory and Cooperative Management

Stewardship Theory views organizational leaders as stewards who prioritize collective organizational interests rather than personal interests. In cooperatives, this theory is relevant because cooperative managers and boards are expected to serve the collective interests of members. Good governance supports stewardship behavior by creating clear responsibilities, transparent reporting, effective supervision, and accountability mechanisms.

When cooperative managers act as stewards, they are expected to manage resources efficiently, make decisions that benefit members, and improve organizational performance. Therefore, good governance can strengthen stewardship orientation and reduce opportunistic behavior. This is particularly important in cooperatives, where the separation between ownership and control may create agency problems if members do not have adequate access to information or oversight mechanisms.

Social Capital Theory and Member Participation

Social Capital Theory emphasizes the role of trust, networks, norms, and participation in improving the effectiveness of community-based organizations (Putnam, 1993). Cooperatives depend heavily on social capital because their sustainability is shaped by collective action, mutual trust, and member involvement (Iliopoulos & Valentinov, 2022; Zeng et al., 2023). Member participation can improve organizational oversight, enhance transparency, strengthen communication between management and members, and increase members' sense of ownership.

However, participation must be substantive to have a meaningful impact on performance. Formal participation, such as attending meetings without active involvement in decision-making or supervision, may not be sufficient to improve cooperative performance. Therefore, it is important to distinguish between administrative participation and meaningful participation. Cooperatives require active, informed, and continuous participation from members to strengthen governance and performance.

Good Cooperative Governance and Cooperative Performance

Good cooperative governance refers to the implementation of governance principles in cooperative management, including transparency, accountability, responsibility, independence, and fairness. These principles help cooperatives improve the quality of decision-making, strengthen internal control, ensure reliable reporting, and increase members' trust. A cooperative with good governance is more likely to manage resources effectively and provide better services to members.

Previous studies suggest that governance quality is associated with organizational accountability, institutional legitimacy, and organizational performance (Cornforth, 2004; Birchall, 2013; Jamaluddin et al., 2023; Nikzad, 2021). In cooperatives, governance provides a framework for ensuring that the board and management work in accordance with members' interests. Therefore, good cooperative governance is expected to improve cooperative performance.

H1: Good cooperative governance has a positive effect on cooperative performance.

Good Cooperative Governance and Member Participation

Good governance may also encourage member participation. Transparency in reporting, accountability in decision-making, and fairness in benefit distribution can increase members' trust in the cooperative (Zeng et al., 2023; Mohd-Saleh et al., 2025). When members trust the cooperative's management, they are more likely to participate in meetings, supervision, decision-making, and cooperative business activities.

Member participation is closely related to the democratic nature of cooperatives. However, participation requires a supportive governance environment. If governance is weak, members may lose trust and become passive. Conversely, good governance can create confidence among members and encourage them to be more actively involved in cooperative activities.

H2: Good cooperative governance has a positive effect on member participation.

Member Participation and Cooperative Performance

Member participation is one of the defining characteristics of cooperatives (Iliopoulos & Valentinov, 2022). Members are expected to contribute to cooperative performance through their involvement in business transactions, capital contribution, decision-making, and supervision

(Mohd-Saleh et al., 2025). Active participation can improve communication, enhance accountability, and support cooperative sustainability.

Nevertheless, the effect of member participation on performance may depend on the quality of participation. Participation that is limited to formal attendance or administrative compliance may not directly improve performance. Meaningful participation requires members to understand cooperative operations, engage in oversight, provide constructive input, and support cooperative business activities. Therefore, member participation is expected to influence cooperative performance, although the strength of this effect may depend on the substance and quality of member involvement.

H3: Member participation has a positive effect on cooperative performance.

Research Model

Based on the theoretical framework and hypotheses, this study examines three main relationships: the effect of good cooperative governance on cooperative performance, the effect of good cooperative governance on member participation, and the effect of member participation on cooperative performance. Inclusive local economic development is positioned as a broader practical implication of improved cooperative performance, rather than as an empirically tested dependent variable in the present model. Based on the theoretical framework and the hypotheses developed, the research model is presented in Figure 2.

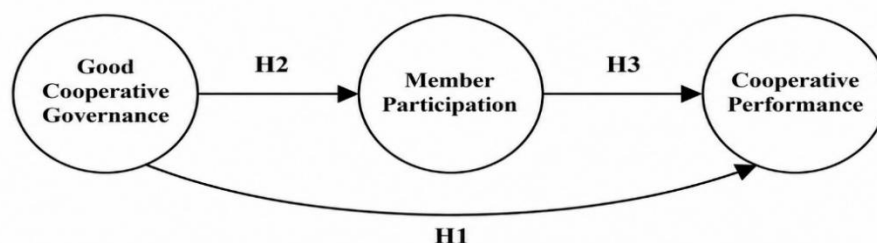


Figure 2. Research Model
 Source: Develop by the author

RESEARCH METHODS

Research Design

This study employs a quantitative explanatory research design. The purpose of this approach is to test causal relationships among latent variables through hypothesis testing. The variables examined in this study are good cooperative governance, member participation, and cooperative performance.

Population and Sample

The population of this study consists of managers and members of active cooperatives. Respondents were selected using purposive sampling. The criteria for respondents include cooperative managers, such as chairpersons, secretaries, and treasurers, and cooperative members who have actively participated in cooperative activities for at least the past two years. These criteria were used to ensure that respondents had sufficient knowledge of cooperative governance, participation, and performance. The minimum sample size used in this study was 40 respondents. Although PLS-SEM can be used for relatively small samples, future studies are encouraged to use a larger sample size and conduct power analysis to improve statistical robustness and generalizability.

Data Collection

The study uses primary data collected through a structured questionnaire. The questionnaire was distributed using Google Forms through WhatsApp and direct surveys at cooperatives. Respondents were asked to evaluate each statement using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree.

Variable Measurement

Good cooperative governance was measured using indicators reflecting transparency, accountability, responsibility, independence, and fairness. Member participation was measured using indicators related to members' involvement in meetings, decision-making, supervision, and cooperative business activities. Cooperative performance was measured using indicators related to management effectiveness, service quality, financial performance, member welfare, and cooperative sustainability.

Data Analysis Technique

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. PLS-SEM is appropriate for explanatory models involving latent variables and can be used when the research objective is prediction and theory development (Hair et al., 2022). The analysis consisted of two stages. First, the measurement model was evaluated using reliability and convergent validity tests, including Cronbach's Alpha, rho_A, Composite Reliability, and Average Variance Extracted (AVE). Second, the structural model was evaluated using path coefficients, t-statistics, and p-values obtained through bootstrapping.

RESULTS AND DISCUSSION

Measurement Model Evaluation

The results of the data analysis presented in Table 2 show that all indicators for each variable have outer loadings greater than 0.70. An outer loading greater than 0.70 indicates that the indicators for that variable meet the criteria for convergent validity in the adequate and good categories; therefore, this study can proceed to the next stage of validity testing.

Table 2. Outer Loadings

	Governance	Participation	Performance
G1	0.853		
G2	0.941		
G3	0.952		
G4	0.860		
G5	0.837		
M1		0.757	
M2		0.718	
M3		0.853	
M4		0.885	
M5		0.767	
P1			0.875
P2			0.925
P3			0.901
P4			0.895
P5			0.929

Source: SmartPLS output

The test of discriminant validity using the Fornell-Lacker Criteria in Table 3 shows that the square root of the AVE for the Governance, Participation, and Performance variables is greater than the correlations among the variables. The results of the Fornell-Lacker Criterion show that the lowest value is for Participation at 0.798, while the highest value is for Performance at 0.905. These data indicate that the existing model possesses good discriminant validity.

Table 3. Fornell-Lacker Criteria (Discriminant Validity)

	Governance	Participation	Performance
Governance	0.890		
Participation	0.733	0.798	
Performance	0.760	0.585	0.905

Source: SmartPLS output

The above conclusion is also supported by the results of the Heterotrait-Monotrait Ratio (HTMT) analysis, in which each variable had a value of < 0.85, indicating that discriminant validity was achieved, meaning that respondents were able to distinguish between the indicators within each variable.

Table 4. HTMT (Heterotrait-Monotrait Ratio)

	Governance	Participation	Performance
Governance			
Participation	0.762		
Performance	0.781	0.575	

Source: SmartPLS output

The results of the reliability and construct validity tests show that all constructs meet the required criteria for reliability and convergent validity. The Cronbach's Alpha values for Governance, Participation, and Performance were 0.934, 0.864, and 0.945 respectively. These values are above the recommended threshold of 0.70, indicating strong internal consistency (Hair et al., 2022).

The rho_A values were also above 0.70, with Governance at 0.948, Participation at 0.893, and Performance at 0.950. Similarly, the Composite Reliability values were 0.950 for Governance, 0.897 for Participation, and 0.958 for Performance. These results confirm that all constructs have strong reliability. The measurement model was evaluated using Cronbach's Alpha, rho_A, Composite Reliability, and Average Variance Extracted (AVE). The results are presented in Table 5.

Table 5. Construct Validity and Reliability

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Performance	0.945	0.950	0.958	0.819
Participation	0.864	0.893	0.897	0.637
Governance	0.934	0.948	0.950	0.792

Source: SmartPLS output

As shown in Table 5, all constructs have Cronbach's Alpha and Composite Reliability values above 0.70, indicating adequate internal consistency. In addition, all AVE values exceed 0.50, confirming convergent validity.

The Average Variance Extracted values were 0.792 for Governance, 0.637 for Participation, and 0.819 for Performance. Since all AVE values exceed the minimum threshold of 0.50, the constructs satisfy convergent validity requirements (Hair et al., 2022). Therefore, the measurement model is considered suitable for further structural model analysis. After the measurement model met the reliability and validity criteria, the structural model was evaluated to examine the

relationships among good cooperative governance, member participation, and cooperative performance. The structural model results are presented in Figure 3.

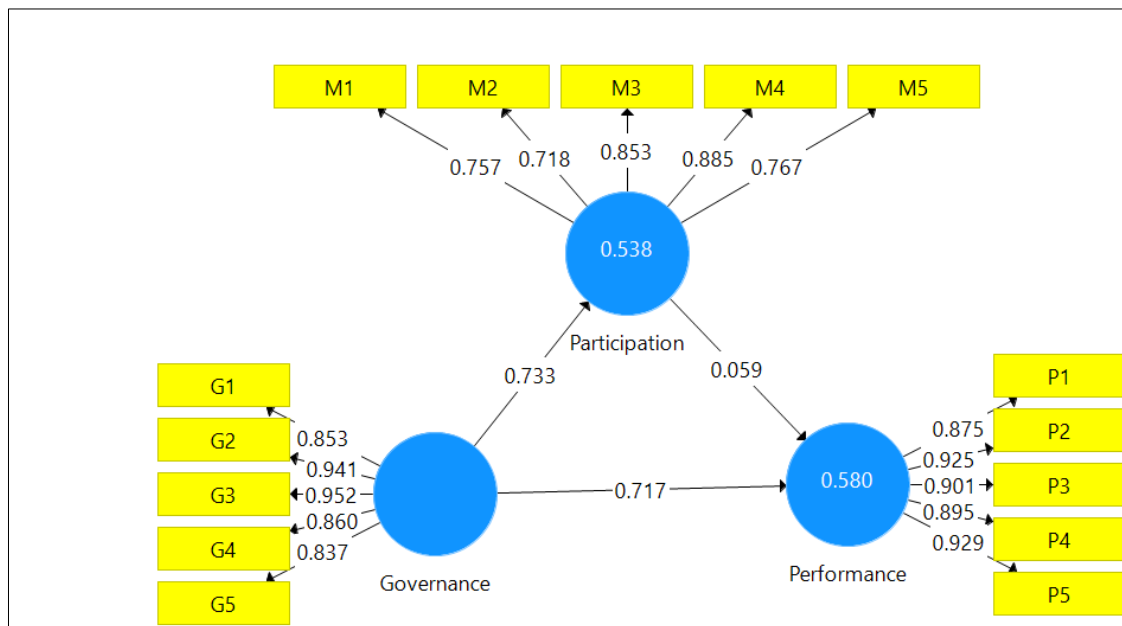


Figure 3. Structural Model Results of Governance, Participation, and Performance (SmartPLS 2026)

Structural Model Evaluation

Based on the results of the data analysis presented in Table 6, the R-Square value indicates the degree of influence of the Governance variable on the other variables. For the Participation variable, an R-Square value of 0.538 indicates that the effect of the Governance variable on the Participation variable is moderate (R-Square > 0.5), while the R-Square value for the Performance variable is 0.580, indicating that the effect of the Governance variable is also moderate (R-Square > 0.5).

Table 6. R-Square

	R Square	R Square Adjusted
Participation	0.538	0.526
Performance	0.580	0.557

Source: SmartPLS output

The substantive impact between variables at the structural level presented in Table 7 shows that the f-square value for the relationship between the Governance variable and the Participation variable is 1.164, which is > 0.35, indicating a strong influence of the Governance variable. The f-square value between the Governance variable and the Performance variable is 0.566, which is also > 0.35, indicating that the influence of the Governance variable is strong. Meanwhile, the f-square value between the Participation variable and the Performance variable is 0.004, which is < 0.02, indicating that the influence of the Participation variable is weak.

Table 7. f-Square

	Governance	Participation	Performance
Governance		1.164	0.566
Participation			0.004
Performance			

Source: SmartPLS output

When using the blindfolding procedure, the Q^2 value for the Participation variable is 0.207 and the Q^2 value for the Performance variable is 0.428. Since both Q^2 values for Participation and Performance are greater than 0, this indicates that the model has relevant and accurate predictive power.

Table 8. Construct Crossvalidated Redundancy (Q^2)

Variables	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Governance	200.000	200.000	
Participation	200.000	158.516	0.207
Performance	200.000	114.463	0.428

Source: SmartPLS output

A multicollinearity test was also conducted to assess the presence of multicollinearity in the structural model. The results of the data analysis showed in Table 9, that all Inner VIF (Variance Inflation Factor) values were < 5 , indicating that there is no multicollinearity issue in the current model.

Table 9. Inner VIF Values

	Governance	Participation	Performance
Governance		1.000	2.164
Participation			2.164
Performance			

Source: SmartPLS output

Model fit analysis was also conducted to test how well the structural model (inner model) fits the available sample data. In Table 10, the model fit summary results show an SRMR (Standardized Root Mean Square Residual) value of 0.134, which is > 0.10 , meaning the model is relatively unsuitable. This is further supported by an NFI (Normed Fit Index) value of 0.507, which is < 0.90 , indicating that the model fit is relatively poor.

Table 10. Model Fit Summary

	Saturated Model	Estimated Model
Chi-Square	473.962	473.962
d_G	4.325	4.325
d_ULS	2.153	2.153
NFI	0.507	0.507
SRMR	0.134	0.134

Source: SmartPLS output

The structural model was evaluated by examining the path coefficients, t-statistics, and p-values. The results show that good cooperative governance has a significant effect on cooperative performance and member participation. However, member participation does not have a significant effect on cooperative performance. After confirming that the measurement model met the reliability and validity criteria, the structural model was evaluated to test the proposed hypotheses. The results of the hypothesis testing are presented in Table 11.

Table 11. Hypothesis Testing

Relationship		Original Sample	Sample Mean	Standard Deviation	T-Statistics	P-Values	Decision
Governance → Performance		0.717	0.768	0.249	2.876	0.004	Supported

Governance	→	0.733	0.741	0.139	5.258	0.000	Supported
Participation							
Participation	→	0.059	0.028	0.294	0.201	0.841	Not
Performance							supported

Source: SmartPLS output

The Effect of Good Cooperative Governance on Cooperative Performance

The results show that good cooperative governance has a positive and significant effect on cooperative performance, with a path coefficient of 0.717, a t-statistic of 2.876, and a p-value of 0.004. This finding supports H1. The result indicates that better implementation of governance principles leads to better cooperative performance.

This finding is consistent with the argument that transparency, accountability, responsibility, independence, and fairness improve the quality of cooperative management (Cornforth, 2004; Jamaluddin et al., 2023). Good governance helps cooperatives strengthen internal control, improve decision-making, and build members' trust. In practical terms, cooperatives that implement good governance are more likely to manage resources efficiently, provide reliable reports, and improve services for members. Therefore, governance is a fundamental factor in strengthening cooperative performance.

The Effect of Good Cooperative Governance on Member Participation

The results show that good cooperative governance has a positive and significant effect on member participation, with a path coefficient of 0.733, a t-statistic of 5.258, and a p-value of 0.000. Thus, H2 is supported. This finding indicates that transparent and accountable governance encourages members to participate more actively in cooperative activities.

Good governance increases members' trust in the board and management (Zeng et al., 2023). When members perceive that cooperative management is transparent, fair, and accountable, they are more willing to participate in meetings, provide input, engage in supervision, and support cooperative activities. This result supports the view that governance is not only a control mechanism but also a trust-building mechanism in member-based organizations.

The Effect of Member Participation on Cooperative Performance

The results show that member participation does not have a significant effect on cooperative performance, with a path coefficient of 0.059, a t-statistic of 0.201, and a p-value of 0.841. Therefore, H3 is not supported. This finding suggests that the existing level of member participation has not been able to make a meaningful contribution to cooperative performance.

This result does not necessarily mean that member participation is unimportant. Rather, it indicates that participation may still be formal or administrative. Members may attend meetings or participate in routine activities, but such participation may not directly influence strategic decision-making, supervision, or business development. In other words, participation must be substantive, informed, and continuous to affect cooperative performance.

There are several possible explanations for this finding. First, member participation may be limited to attendance at annual member meetings without active involvement in governance or oversight. Second, members may lack sufficient financial literacy or managerial knowledge to influence cooperative performance. Third, decision-making may still be dominated by cooperative boards and managers, reducing the practical impact of member participation. Fourth, cooperative performance may be more strongly influenced by managerial competence, financial capacity, innovation, and market conditions than by formal participation alone.

This finding provides an important implication for cooperative management. Cooperatives should not only encourage members to participate but also improve the quality of participation. Member education, transparent reporting, participatory decision-making, and accessible

communication channels are needed to transform member participation from a formal obligation into a meaningful governance mechanism.

CONCLUSION

This study examines the effect of good cooperative governance on cooperative performance and member participation, as well as the effect of member participation on cooperative performance. The results show that good cooperative governance has a positive and significant effect on cooperative performance. This indicates that the implementation of governance principles such as transparency, accountability, responsibility, independence, and fairness can improve the effectiveness of cooperative management and strengthen cooperative performance.

The study also finds that good cooperative governance has a positive and significant effect on member participation. This means that governance quality plays an important role in building members' trust and encouraging their involvement in cooperative activities. Transparent and accountable management can increase members' willingness to participate in meetings, supervision, and cooperative business activities.

However, member participation does not have a significant effect on cooperative performance. This result suggests that participation in the observed cooperatives may still be formal or administrative and has not yet become a substantive mechanism for improving performance. Therefore, cooperatives need to improve not only the level of member participation but also the quality of participation.

This study concludes that good cooperative governance is a key factor in strengthening cooperative performance and encouraging member participation. Although inclusive local economic development is not directly tested in the structural model, improved cooperative performance can be understood as an important organizational foundation for cooperatives to contribute to broader local economic development. Cooperatives that are well governed and perform effectively are more likely to improve member welfare, support members' businesses, and strengthen community-based economic resilience.

THEORETICAL IMPLICATIONS

This study contributes to the literature on cooperative governance by showing that governance quality is important not only for performance but also for member participation. The findings support Stakeholder Theory and Stewardship Theory by demonstrating that governance mechanisms can strengthen accountability, trust, and organizational effectiveness in cooperatives. The non-significant effect of member participation on performance also provides an important contribution by suggesting that participation must be examined not only in terms of quantity but also in terms of quality and substance.

PRACTICAL IMPLICATIONS

The findings provide several practical implications for cooperative managers, boards, and policymakers. First, cooperatives need to strengthen governance practices through transparent reporting, accountable decision-making, effective internal control, and fair distribution of benefits. Second, cooperative boards should improve communication with members to build trust and encourage active participation. Third, member participation should be strengthened through education, financial literacy programs, and participatory forums that allow members to contribute meaningfully to decision-making and supervision. Fourth, policymakers should support governance capacity-building programs for cooperatives to improve their contribution to inclusive local economic development.

LIMITATIONS AND FUTURE RESEARCH

This study has several limitations. First, the empirical model only examines the relationships among good cooperative governance, member participation, and cooperative performance. Inclusive local economic development is discussed as a broader implication but is not directly tested as a dependent variable. Future research should include inclusive local economic development as a measured construct and examine whether cooperative performance mediates the relationship between governance and local economic development.

Second, the study uses a relatively small minimum sample size. Future studies should use a larger sample and conduct power analysis to strengthen statistical validity. Third, this study does not test mediation or moderation effects. Future research may examine whether cooperative performance mediates the effect of governance on inclusive local economic development and whether member participation moderates the relationship between governance and performance or between performance and local economic development.

Fourth, future studies may include additional variables such as board financial literacy, managerial competence, cooperative innovation, digitalization, internal control quality, and member trust. These variables may provide a more comprehensive explanation of cooperative performance and its contribution to inclusive local economic development

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