



RESEARCH ARTICLE

Analysis of BMI Sharia Cooperatives Using the Perspective of Agency Theory and Islamic Economic Law

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ARTICLE INFO

Received: Dec 14, 2024

Accepted: Jan 29, 2025

Keywords

Islamic Economic Law

Economic Sociology

Agency Theory

Sharia Cooperatives

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ABSTRACT

This study discusses the success of BMI Sharia Cooperatives by using an Islamic economic law approach, and an agency approach. These two approaches complement each other. The agency approach governs its mechanisms, while Islamic economic law governs its morality. This study discusses the relationship between the regulation of the relationship mechanism between the parties involved in the economic field which is a characteristic of agency theory and the morality of the economy regulated in Islamic economic law. The researcher used a qualitative research method with the BMI Sharia Cooperative research subject. Primary data was collected directly from BMI leaders, while secondary data was obtained from the parties involved. The result of this study is that the application of agency theory by the BMI Sharia Cooperative does not contradict the basic principles of Islamic economic law at all. The conclusion is based on the compatibility between the agency theory run by the BMI Sharia Cooperative and the five basic principles of Islamic economic law, namely the principles of tawheed, caliphate, 'is, tazkiyah and al-Falah. The researcher suggests that the agency theory that has been applied by the BMI Sharia Cooperative can be adapted by other Sharia Cooperatives:

INTRODUCTION

The United Nations Economic and Social Agency states that the world economy is currently mired in a severe financial and economic crisis and continues to threaten the ability of many countries to deal with the problems of poverty, hunger, disease, unemployment and rising prices (United Nations Department Economic, 2021). Indonesia is no exception. The poverty rate in Indonesia is getting worse. The poverty index continues to increase. The Central Statistics Agency (BPS) in March 2023 recorded that the national poverty rate was still 9.36 percent. In fact, the poverty target in the 2020-2024 National Medium-Term Development Plan (RPJMN) that has been set by the government is 6.5 – 7.5 percent.

Humphreys (2003) stated that economic problems are the trigger for many violent conflicts in the world (Humphreys, 2003). Poverty and economic inequality can easily be encountered in the majority of conflict locations. On the contrary, economic prosperity is able to reduce the potential for conflict. The poor performance of the world economy creates fragile social conditions and is vulnerable to political instability. If left unchecked, the economic crisis will result in bigger problems. Therefore, broad economic development needs to be promoted, side by side with efforts to create world peace (Institute for Economics Peace, 2016).

Adel Ahmed and M. Munawir stated that one of the causes of the economic crisis is because the

economic activities carried out are contrary to the universal values of humanity which are also contained in the values of Islamic economic law such as usury, monopoly, corruption, and other acts of malpractice. If economic actors have become accustomed to acting outside of the universal values of humanity which are also contained in the values of Islamic economic law, then it is not an exaggeration if the economic crisis that strikes becomes a catastrophe (Zahir et al., 2023).

LITERATURE REVIEW

Based on the author's research, until now there have been no articles or books that discuss the application of one of the specific economic sociology theories, including agency theory in the sharia economy. The author found several articles on economic sociology related to Islamic economic law, but the discussion is still general in nature, not specific about the application of one of the economic sociology theories, including agency theory in the sharia economy. One of the articles that is close to discussing this theme is an article written by Nurjannah, et al. with the title "The Concept of Economic Sociology Based on Islamic Perspective". As the author explains, the article published in 2023 by the Scientific Journal of Islamic Economics UIN Bandung still discusses in general the views of Islamic economic law on economic sociology. Another similar article is an article entitled "Economic Sociology Models in the Perspective of the Qur'an". The article, written by Musthofa et al and published by the Journal of Qur'an Science and STAI Darunnajah Bogor in 2023, actually discusses economic sociology with an approach to Qur'an interpretation. There is also a book that discusses economic sociology in relation to Islamic economic law, namely a book entitled "Economic Sociology; A Review of Islamic Economics". The book, written by Sirajuddin in 2022 and published by Widina Bhakti Persada Bandung Publisher, although in one of the chapters, namely chapter 3, discusses theories in economic sociology, but because it is only an introduction, instead of discussing the application of agency theory in Islamic economics, the connection between other theories in economic sociology and Islamic economic law feels shallow and like passing by.

Field research on the BMI Sharia Cooperative has also been carried out. For example, research conducted by Adzhani et al in 2020. The research with the title "Analysis of the Performance of Sharia Cooperatives Based on Regulation Number: 07/Per/Dep.6/IV/2016 (Study on Sharia Cooperatives Benteng Mikro Indonesia for the Period 2015-2019)" does not involve a discussion of economic sociology in it at all. There is also a research in the form of a thesis conducted by Maulana in 2022. The research entitled "Murābahah Financing Practice in Sharia Savings and Loan Cooperatives Benteng Mikro Indonesia Serang Region", as in previous research, also does not involve a discussion of economic sociology in it.

Originality of the Work

The research that the author pours out in the article entitled "Analysis of Sharia Cooperatives BMI Using the Perspective of Agency Theory and Islamic Economic Law" is a truly original and new research in the field of Islamic economic law in relation to economic sociology. The novelty in this study is a critical analysis of the application of one of the theories in economic sociology, namely the agency theory in the perspective of Islamic economic law. This novelty is expected to be able to fill the gap in the discourse on economic sociology from the perspective of Islamic economic law.

This research aims to contribute ideas in the form of analysis results of sharia cooperatives using the perspective of agency theory and Islamic economic law, which although it needs to be slightly adjusted, it does not contradict the basic principles of Islamic economic law.

Agency Perspective in Cooperatives

One of the disciplines needed in unraveling problems arising from economic problems is economic sociology. Since the beginning of economic sociology, it has been expected to be a solution to conflicts of economic problems (Koniordos & Sokratis, 2008). The birth of economic sociology was triggered by the great changes that hit Europe. Among them are the fading of feudalism, the development of capitalism and industrialization. This has caused sociologists from the beginning to be interested in sociological problems in economic activities (Sunarto, 2004).

One of the several sociological problems in the economy that is always recurring and in the spotlight is the question of how to deal with behaviors driven by interests and institutional change (Beckert, 2010). In Indonesia, there are Sharia Cooperatives that have succeeded in overcoming the classic sociological questions in the economy. The cooperative is the BMI Sharia Cooperative (Benteng Mikro Indonesia). Sharia Cooperatives, whose business activities include deposits, loans and financing in accordance with sharia principles, including managing zakat, infaq/alms, and waqf, have proven to be successful in solving classic sociological questions in the economy by applying one of the theories in economic sociology, namely agency theory. The problem is whether the agency theory applied by the BMI Sharia Cooperative is in accordance with the basic principles of Islamic economic law that will have a positive economic impact on the economic world so that it can be adopted by all Sharia Cooperatives or vice versa, must it be abandoned because it has a negative impact on the economic world in the future? Or is it necessary to make adjustments between the agency theory applied by the BMI Sharia Cooperative and the basic principles of Islamic economic law so that the application of the agency theory in the BMI Sharia Cooperative is worthy of being adopted by other Sharia Cooperatives? This problem is what motivates the author to analyze further based on the perspective of Islamic economic law on the application of agency theory by the BMI sharia cooperative.

According to Jensen and Meckling (1976), agency theory is a theory that explains the conceptual relationship between principal and agent, namely between two or more people in a group or organization. The principal is the party that has the right to make a decision for the future of the group or organization and assign responsibility to other parties (agents) (Jensen & Meckling, 2019). Although agency theory is rooted in the fields of finance and economics rather than sociology, today agency theory has been applied as an analytical knife in economic sociology considering that the object of study of this theory is certain behaviors or activities carried out by humans and directed by rules in the context in which the interaction occurs (Bastian, 2006).

In agency theory, the relationship between agent and principal is defined as an agency relationship. This agency relationship is a mutual relationship between agents and principals who work hand in hand in realizing common goals (Sharma, 1997). In the application of agency theory in cooperatives, the three elements of cooperatives enshrined in Law 25 of 1992 concerning Cooperatives article 21 are divided into two parts where the first element, namely members, acts as principals while the second and third elements, namely cooperative managers consisting of supervisors, administrators, managers and employees act as agents (Sugiyanto, 2020). Caska (2003: 51) explained that in the application of agency theory to cooperatives, there must be a reciprocal relationship between principal (members) and agents (supervisors, managers, managers and employees) in the sense that each element must complement each other so that no one element can work effectively without being assisted or supported by other elements (Caska, 2003).

METHODOLOGY

The type of research used by the author is field research. The author researched, studied, and conducted a direct field visit to the BMI Sharia Cooperative and related parties. The author conducted interviews with important figures of the BMI Sharia Cooperative, including the Director of Business and Empowerment of BMI, BMI Manager, chairman of the residents' committee, members of the committee, and general members. As a comparative material, the author not only interviewed BMI's internals, the author also conducted interviews with parties from outside BMI, namely Cooperative Observers. In addition, the author also conducted a Focus Group Discussion with the chairman of BMI management, Banten cooperative office officials, and academics. With a qualitative descriptive approach, the results of interviews from various sources are then sorted by the author as the primary data of this research, then the author parses and analyzes by referring to literature reviews on Islamic economic law and agency theory to draw conclusions.

RESULTS

Description of BMI Sharia Cooperative

The BMI Sharia Cooperative (Benteng Mikro Indonesia) is a sharia cooperative that was born and headquartered in Tangerang. This sharia-based cooperative was born as a defense for micro businesses whose services cover all regions of Indonesia with the type of savings, loans and financing businesses using the sharia pattern service system. Initially, the BMI Sharia Cooperative (Benteng Mikro Indonesia) was a Micro, Small and Medium Enterprises Financing and Development Institution (LPP-MSME) which was an articulation of the conclusion of the study on the identification of financing schemes for MSME actors. These financing schemes were carried out by the Regional Planning and Development Agency (BAPPEDA) of Tangerang Regency and the Information Resources Institute of the Bogor Agricultural University (LSI-IPB) in 2002. The first branch is LPP-MSMEs Sukadiri which was established in June 2003 with the working areas of Pekayon Village and Sukadiri Village, Sukadiri District, in collaboration with the Regional Investment Coordinating Board (BKPM) of Tangerang Regency with the Resources Institute of the Bogor Agricultural University (LSI-IPB) (Batubara, 2020).

Through the Member Meeting on March 20, 2013, LPP-MSMEs changed their Legal Entity to a Sharia Financial Services Cooperative under the name of KPP-MSMEs Sharia with Deed of Incorporation Number: 03 dated April 05, 2013 with a Legal Entity on April 12, 2013 Number: 518/11/BH/XI.3/KUMKM/2013. In April 2014, it underwent an amendment to the Articles of Association and changed its name to the Sharia KPP-MSME Cooperative with Deed of Establishment Number: 326 dated April 11, 2014 with a Legal Entity dated October 10, 2014 Number: 518/11A/PAD/XI.3/KUMKM/2014. In November 2015, it underwent an amendment to the Articles of Association and changed its name to the Sharia Savings and Loan and Financing Cooperative BENTENG MIKRO INDONESIA with the Deed of Establishment Number: 01 dated September 14, 2015 with a Legal Entity dated November 4, 2015 Number: 213/PAD/M. KUMKM.2/XI/2015. Furthermore, on March 26, 2018, the latest change in legal entity was due to the change of the address of the head office from Citra Raya Cikupa to The Times Square Gading Serpong Shophouse with the PAD Endorsement Letter Number at 00256/PAD/Dep.1/VII/2018. Thanks to its success in convincing the hearts of the community to become its members, currently the BMI Sharia Cooperative (Benteng Mikro Indonesia) has succeeded in establishing 100 branches in various provinces.

In general, the organizational structure of the BMI Sharia Cooperative consists of a Meeting of Members, Supervisors and Administrators. The organizational structure of the BMI Sharia Cooperative can be clearly seen in the following chart:

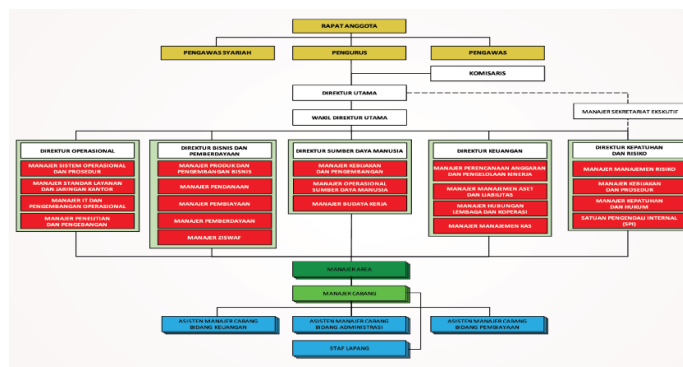


Figure 1. Organizational structure of the BMI Sharia Cooperative

The table below presents the key findings from 10 selected articles, identified through a rigorous screening process. These articles were chosen based on their relevance to the topic "Aligning Brand Values with Consumer Demand for Environmental Responsibility." The selection criteria included publication within the last decade, significant contributions to the field of sustainable marketing, and

a focus on consumer expectations and brand alignment. These studies offer insights into how brands can effectively integrate environmental responsibility into their values to meet the growing demand for sustainability among consumers.

Based on the author's interview with one of BMI's administrators, namely the Director of Business and Empowerment of BMI, the obligations of BMI Sharia Cooperative members are in accordance with the law on cooperatives, Law No. 25 of 1992 concerning Cooperatives, namely complying with the Articles of Association and Bylaws as well as decisions that have been agreed upon in the Member Meeting, participating in business activities organized by the Cooperative, and develop and maintain togetherness based on the principle of kinship. The rights of the members are also the same based on Law No. 25 of 1992 concerning Cooperatives, namely attending, expressing opinions, and voting in the Members' Meeting, electing and/or being elected as a member of the Board of Directors or Supervisors, requesting the holding of a Members' Meeting in accordance with the provisions of the Articles of Association, expressing opinions or suggestions to the Management outside the Members' Meeting whether requested or unrequested, utilize the Cooperative and receive the same service among fellow members, and obtain information on the development of the Cooperative according to the provisions of the Articles of Association. This also applies to the administrators and supervisors of the BMI Sharia Cooperative, in the sense that it is subject to Law No. 25 of 1992 concerning Cooperatives.

Based on the research conducted by the author on the BMI Sharia Cooperative, the BMI Sharia Cooperative has achieved several successes with the following indicators:

- a. A year after the establishment of the BMI Sharia Cooperative in 2002, in 2003 the BMI Sharia Cooperative succeeded in establishing its first branch through a joint collaboration between the Tangerang Regency Regional Investment Coordinating Board (BKPM) and the Bogor Agricultural University Resource Institute (LSI-IPB) with the working areas of Sukadiri Village and Pekayon Village, Sukadiri District. This number then grew year by year until now it is recorded that the BMI Sharia Cooperative has 100 branches.
- b. On July 12, 2018, in the peak event of the 71st Harkopnas at ICE BSD Tangerang, Kamaruddin Batubara as the President Director of the BMI Sharia Cooperative received the Satyalancana Wira Karya award from the President of the Republic of Indonesia because he was considered very meritorious and devoted to the nation, especially in developing cooperatives.
- c. BMI Sharia Cooperative received an award from the Ministry of Cooperatives and SMEs as the best Waqf Nazhir with a fundraising value of IDR 7.2 billion. The award was given directly by the Minister of Cooperatives and SMEs of the Republic of Indonesia, Teten Masduki, to the President Director of the BMI Cooperative, Kamaruddin Batubara, in Jakarta, November 28, 2019.
- d. On July 31, 2017, the Minister of Development Planning/National Development Planning Agency Bambang Brodjonegoro handed over a certificate of appreciation to Kopsyah BMI as a savings and loan cooperative with professional management and making a real contribution to development. This award, which marks the first time that cooperatives have begun to be recognized in the realm of national economic development.
- e. On April 29, 2021, BMI Cooperative's work to erode economic disparities through the ready-to-live housing grant (HRSH) program continues to yield achievements. The hard work recorded two records from the Indonesian World Record Museum (MURI) for the BMI Cooperative. The two records were given to the Benteng Mikro Indonesia Sharia Cooperative (Kopsyah BMI) as the Pioneer Cooperative of the HRSH Program and the Chairman of the Board of Kopsyah BMI Kamaruddin Batubara as the Initiator of the HRSH Program Through Cooperatives.
- f. The amount of capital, assets, financing, receivables, and deposits of BMI Syariah Cooperative from year to year has also increased, which can be summarized from the following table:

NO.	INDIKATOR	DESEMBER 2023	MARET 2024	KENAIKAN (%)
1	2	3	4	5
I	PERMUDALAN	318.182.962.677	303.070.200.421	1,54%
	a. Simpanan Pokok	2.309.170.000	2.473.180.000	3,08%
	b. Simpanan Wajib	306.523.168.000	312.478.633.000	1,92%
	c. Cadangan Mula	6.350.624.677	8.118.496.421	23,75%
II	JUMLAH ASSET	1.247.541.080.388	1.279.500.092.382	2,56%
III	PEMBIAYAAN			
	a. Akumulasi Penyisihan Pembayaran Berjangka	1.053.735.000.000	338.350.000.000	-68,09%
	b. Akumulasi Penyisihan Pembayaran	7.573.054.400.000	8.309.414.000.000	4,22%
	c. Pembayaran Elektif	1.131.240.200.000	1.299.657.900.000	14,89%
IV	PUTANG	696.363.733.446	771.446.591.822	10,78%
	a. Mikro Mitra Usaha (MMU)	485.453.217.200	534.486.854.900	10,10%
	b. Mikro Mitra Mandiri (MIMM)	87.855.177.550	104.481.248.560	18,92%
	c. Mikro Tata Griya (MTG)	16.309.170.000	16.057.094.000	-1,55%
	d. Mikro Tata Candika (MTC)	4.545.456.000	4.610.036.000	1,43%
	e. Mikro Tata Serba (MTS)	871.213.000	922.880.000	3,64%
	f. Mikro Tata Air (MTA)	3.754.566.500	3.588.208.500	-4,43%
	g. KPR Non DP	9.699.874.000	9.976.750.000	2,85%
	h. Qardil Hasan	23.994.800.191	22.932.396.363	-4,43%
	i. Mikro Mitra Tumbuh (MMT)	545.000.000	1.845.500.000	236,77%
	j. Pinjaman Karyawan	13.123.526.005	12.672.890.529	-3,44%
	k. Talangan Umum	951.053.000	1.289.036.000	33,30%
	l. Talangan Haji	230.752.000	304.500.000	37,89%
	m. Mikro Mitra Multi Guna	49.035.905.000	58.318.946.000	18,93%
V	SIMPANAN	492.908.788.857	365.626.218.686	-11,74%
	a. Sukaraja	170.859.168.000	140.041.038.004	-22,19%
	b. Berjangka	160.322.400.000	154.146.000.000	-3,85%
	c. Qurban	2.512.301.849	2.933.986.887	16,78%
	d. Serba	498.455.200	424.271.147	-14,67%
	e. Umum	1.728.871.091	1.869.250.418	8,12%
	f. Haji	604.067.214	697.738.103	15,30%
	g. Siskam	7.838.085.057	7.251.221.568	-8,09%
	h. Sihartha	1.918.094.002	1.772.591.116	-7,59%
	i. Sitasya	903.036.621	854.452.130	-8,42%
	j. Sufid	10.029.648.381	5.978.056.293	-40,59%
	k. Siskam	27.765.000.000	30.605.400.000	42,83%
VI	Pinjaman Pihak Ke-3	444.586.999.199	513.387.626.862	15,48%
	a. Bank Umum	163.252.199.761	181.243.602.618	11,02%
	b. Kewajiban Non Bank	281.333.999.438	332.144.023.434	18,08%
VII	JANGKAUAN PELAYANAN			
	a. Aras	14	14	0,00%
	b. Cabang	100	100	0,00%
	c. Kelurahan Terlayani (Kelurahan)	190	190	0,00%
	d. Desa Terlayani (Desa)	1.120	1.158	3,39%
	e. Jumlah Rombong Pasar (RP)	12.461	12.652	1,53%
	f. Jumlah Anggota (Orang)	250.917	247.318	3,08%
VIII	JUMLAH KARYAWAN	1.254	1.178	-6,06%
IX	SEBU SETELAH PAJAK	7.789.208.721	9.621.980.863	15,83%

Figure 2. Development of the Performance of the Benteng Micro Indonesia Sharia Cooperative

Analysis of Agency Theory in BMI Sharia Cooperative

Agency theory in cooperatives places agents (supervisors, managers, managers and employees) as representatives of the principal (members) who are elected by the principal (members) in the members' meeting to run or represent the principal (members) in running the cooperative company. Agents (supervisors, administrators, managers and employees) are responsible to the principal (members) regarding all activities of managing the cooperative and its business (Sumarsono, 2003). As a trusted party in running the wheels of the organization and business, agents (supervisors, administrators, managers and employees) are obliged to carry out the expectations and mandates received from the principal (members) in the members' meeting. Agents (supervisors, administrators, managers and employees) must be able to explain the will of the principal (members) in a more technical work program (Sugiyanto, 2020).

In addition to having obligations to principals (members), agents (supervisors, administrators, managers and employees) also acquire authority and power in implementing all decisions of member meetings to provide benefits to cooperative members. On that basis, agents (supervisors, administrators, managers and employees) have the right to formulate various policies in accordance with article 30 of Law No. 25 concerning Cooperatives.

Meanwhile, for principals (members), they have obligations as stipulated in Law No. 25 of 1992 concerning Cooperatives to comply with the Articles of Association and Bylaws as well as decisions that have been agreed upon in the Members' Meeting, participate in business activities organized by the Cooperative, and develop and maintain togetherness based on the principle of kinship. The rights of principals (members) are to attend, express opinions, and vote in the Members' Meeting. elect and/or be elected as a member of the Board of Directors or Supervisors, request the holding of a Members' Meeting in accordance with the provisions of the Articles of Association. submit opinions or suggestions to the Management outside the Members' Meeting whether requested or unrequested, utilize the Cooperative and receive the same services among fellow members, and obtain information on the development of the Cooperative according to the provisions of the Articles of Association.

Given that the agency relationship between principal and agent is a human behavior in which there are often various problems in it, in the agency relationship, the agency theory also discusses the problem of agency (moral hazard) that may arise in the agency relationship and efforts to reduce it.

One of the agency problems that may arise in the use of cooperative services is conflict of interest and cost participation (Röpke & Xia, 1989). This happens where cooperative members have a dual role, namely as a principal (member) as well as a service user. The position of cooperative members as principals as well as service users makes it flexible so that it is difficult to supervise the implementation of the main task of the agent, which is to serve the economic needs of all its members by providing the most optimal benefits possible. The non-optimality of the agent in carrying out its main duties will have an impact on the reduction of the weight of member participation due to the dissatisfaction of members with the performance of the agent (Chabachib, 2001).

The problem of agency in cooperatives also arises, for example, in savings and loan cooperatives, namely between the management of savings and loan cooperatives and members who have a dual function, namely as principal (owner) as well as customers (borrowers and/or savers) (Brigham & Houston, 2013). This will cause agency problems, as long as there is some possibility of failure (return from the borrower) or the possibility of failure to comply with the savings contract (taking money by the saver) either due to lack of cash or misappropriation of customer money. The problem of agency will increase because money is a very flexible/fluid asset and can be used for things that are not planned. In the savings and loan business, agency problems also occur between management and creditors as givers and the government, both as trustees and as providers of funds (grants and revolving fund loans) (Röpke & Xia, 1989).

The agency relationship between the principal and the agent that raises interests between them can be resolved by making the agents as participants in enjoying the company's results/benefits (profit sharing for workers and managers). Jensen and Meckling argue that agency problems can be mitigated by insider ownership (management) assuming that management will feel the direct consequences of the decisions it makes it impossible for management to act opportunistically. This is in accordance with the condition of the cooperative so far that the management and supervisors are elected and appointed by the members and they come from the members themselves, while the management/employees can be appointed from outside the members, but after becoming managers/employees usually the person concerned also becomes a member (Jensen & Meckling, 2019).

Agency conflicts between principals and agents in cooperatives can be reduced if members can actively participate in their cooperatives both as owners and as service users. Hollenbeck & Wagner stated that active participation in cooperatives includes involvement, contribution and accountability for cooperatives. As owners, in addition to having to deposit capital, members must also actively participate in the return of decisions and supervision of the cooperative's activities. Decision-making can be carried out by the board as a deputy member and the supervisory function can be represented by a supervisor appointed by the member (Wagner III & Hollenbeck, 2020). Member participation is expected to solve the agency problem as Ropke J stated that the main tool to solve the principal-agent problem is member participation controlled by democratic participation tools (vote, voice, exit).

The problem of conflict of interest between management and owners can be minimized with a supervision mechanism that can align interests, although the supervision mechanism will incur costs called agency fees (Wahidahwati, 2002). This supervisory mechanism must be carried out directly by a supervisor appointed by the member and selected from among the members present at the time of the RAT.

The approach of labor market controls, capital controls and the threat of takeover is used to reduce agency conflicts. In labor market controls, the provision of compensation to management called insiders is associated with the company's performance and value, management that has good performance will get better compensation and it will be easier to get another job if it leaves, on the other hand, management with poor performance will have difficulty getting a job if the company is taken over by another party (Faisal, 2000). Armstrong and Murils stated that high-performing organizations need highly competent people and need to reward them highly according to their level

of competence and their contribution to business success. Rewarding according to the level of competence means conveying the message that competence is important (Armstrong & Murlis, 2007).

The approach of capital market controls through the General Meeting of Shareholders can also be used to reduce agency problems in creation. Supervision is carried out through the Annual Member Meeting (RAT). Supervision through takeover will discipline management so that it acts according to the wishes of the owner (principal member) and other parties who have an agency relationship with management, as a consequence management with poor performance will be eliminated in the event of a takeover (Masdupi, 2005).

The essence of the agency theory in cooperatives is that this theory seeks to emphasize the importance of balance between principal and agent where the function of cooperative management as an agent must be able to carry out the mandate given by the members and on the other hand the members as the principal must participate in decision-making, financing (capital) of the cooperative and in utilizing cooperative services. In other words, the agency theory in cooperatives tries to balance between members as owners and at the same time service users and management so that they can go hand in hand in achieving common prosperity.

The author finds that in its operational activities, the BMI Sharia Cooperative is able to clearly distinguish between agents (in this case supervisors, administrators, managers and employees) and principals (in this case cooperative members). This is concretely reflected in the organizational structure of the BMI Sharia Cooperative which clearly distinguishes between the Members, Supervisors and Management Meetings (BMI Sharia Cooperative, 2024). In addition to being able to clearly distinguish between agents and principals, BMI Syariah Cooperative is also able to realize a mutual relationship between agents and principals who work hand in hand in realizing common goals. According to one of the cooperative members, one of the reasons why he, who is a non-Muslim, decided to become a general member of the BMI Sharia Cooperative, is because of its good management and prioritizing cooperation that goes hand in hand.

From the perspective of agency theory, BMI Sharia Cooperative has implemented an agency relationship between agents and principals. The agency relationship in the BMI Sharia Cooperative is a reciprocal relationship between agents and principals who work hand in hand in realizing common goals (Sharma, 1997). In the BMI Sharia Cooperative, the three elements of the cooperative as enshrined in Law 25 of 1992 concerning Cooperatives article 21 are divided into two parts where the first element, namely members, acts as principals while the second and third elements, namely cooperative managers consisting of supervisors, administrators, managers and employees, act as agents. Caska (2003: 51) explained that in the application of agency theory into cooperatives, there must be a reciprocal relationship between principal (members) and agents (supervisors, managers, managers and employees) in the sense that each element must complement each other so that no one element can work effectively without being assisted or supported by other elements.

As a trusted party in running the wheels of the organization and business, the agents in the BMI Sharia Cooperative (supervisors, administrators, managers and employees) based on the author's observation have been able to carry out the expectations and mandates received from the principal (members) in the member meeting. Agents (supervisors, administrators, managers and employees) in the author's observation have been able to describe the will of the principal (member) in a more technical work program.

Meanwhile, on the other hand, the principal (member) in the BMI Sharia Cooperative who has obligations as stipulated in Law No. 25 of 1992 concerning Cooperatives, in the observation of the majority of the authors have complied with the Articles of Association and Bylaws as well as the decisions that have been agreed upon in the Members' Meeting. They also participate in business activities organized by the Cooperative, and develop and maintain togetherness based on the principle of kinship. The rights of the principal (members) are in the form of attending, expressing opinions, and voting in the Members' Meeting, electing and/or being elected as a member of the

Board of Directors or Supervisors, requesting the holding of the Members' Meeting in accordance with the provisions of the Articles of Association, expressing opinions or suggestions to the Management outside the Members' Meeting whether requested or unrequested, utilizing the Cooperative and receiving the same services among fellow members, and obtain information on the development of the Cooperative according to the provisions in the Articles of Association has been fully fulfilled.

The problem of agency in the BMI Sharia Cooperative that arises, based on the author's observation, is in the savings and loan cooperative, namely between the management of the savings and loan cooperative and its members who have a dual function, namely as principal (owner) as well as as customers (borrowers and/or savers) (Brigham & Houston, 2006). This raises agency problems. However, this agency problem has been successfully handled with the hard efforts of the management to increase the active participation of members in the cooperative both as owners and as service users. As Hollenbeck & Wagner argues, active participation in cooperatives includes involvement, members' contribution to cooperatives will be able to overcome crucial agency problems, so the efforts made by the BMI Sharia Cooperative have really paid off. In the realm of theory, as owners, in addition to having to deposit capital, members must also actively participate in the return of decisions and supervision of the course of cooperative activities. In the agency theory, member participation is indeed expected to solve the problem of agency as Ropke J stated that the main tool to solve the principal-agent problem is member participation controlled by democratic means of participation (vote, voice, exit).

DISCUSSION AND ANALYSIS

The author found that in the implementation of its activities, the BMI Sharia Cooperative is in accordance with the principles of agency theory and the principles of Islamic Economic Law which are summarized in twelve points, namely the principle of monotheism, the principle of 'is (justice), the principle of al-maslahah, the principle of caliph (representative), the principle of amar ma'ruf nahy munkar, the principle of tazkiyah, the principle of falah, the principle of honesty and truth, the principle of ihsan (goodness), the principle of al-Mas'uliyah (responsibility), the principle of kifayah (adequacy), and finally the principle of wasathiyah/i'tidal (balance) (Rahmani et al., 2023).

The principle of tauhid which bases economic activities as an effort to provide worship to Allah SWT., so that the purpose of the business is not solely to seek profit or satisfaction of material and personal interests but to seek the pleasure of Allah SWT., and the spiritual and social satisfaction applied by the BMI Sharia Cooperative can be seen from the explanation of the vision and mission of the BMI Syariah Cooperative, one of which is to provide excellent service for the benefit of members through alms, loans, financing, deposits and investments. Likewise, the 'principle' is the principle of balance where in its implementation, the BMI Syariah Cooperative is not only based on the verses of the Qur'an and the Sunnah of the Prophet but also based on considerations of natural law. We can clearly see this from the first mission of the BMI Sharia Cooperative, which is "to manage Sharia Savings and Loan and Financing Cooperatives in a modern and professional manner in accordance with the principles and identity of the cooperative;". The clause "Sharia Financing" is based on the verses of the Qur'an and the Sunnah of the Prophet, while the clause "in a modern and professional" manner shows that the BMI Sharia Cooperative is managed in a modern manner based on the latest theory, in this case, one of which is the agency theory.

The principle of al-maslahah is in accordance with the concept of problems, namely everything that is useful, brings goodness, and rejects harm for the common good (Sahabi & Baide, 2021). This principle is based on the author's research and is also carried out by the BMI Sharia Cooperative in implementing agency theory. This can be seen from the mission of the BMI Sharia Cooperative point two, which is to make a real contribution to improving the quality of life of members and society in the economic, social, educational, health and spiritual fields. Not just jargon in the form of words, based on the author's observations, this mission has been spelled out by the BMI Sharia Cooperative in the form of performance in the form of programs that always innovate from time to time. These

programs include:

- a. Principal savings with aqad wadi'ah, a savings program under the name GEMA SERI (Movement to Save a Thousand Days).
- b. Productive financing programs with the Micro Business Partner (MMU), Micro Mitra Mandiri (M3), and Micro Mitra Ternak (MMT) schemes, investment financing with the Micro Tata Griya (MTG), Micro Tata Cendikia (MTC), Micro Sanitation System (MTS), Micro Water Management (MTA), Umrah Financing, and Home Financing Without Down Payment schemes.
- c. The micro-scheme program for sanitation and water management, which until 2024, consists of 15,285 units from 14,417 members.

The Ziswaf program (zakat, infaq and waqf) which until 2024 is able to distribute funds of Rp. 2,628,010,898 for its zakat, Rp. 1,589,634,385 for his infaq and a balance of 26,172,221,330 for his waqf.

CONCLUSION

The author concludes that the BMI Sharia Cooperative operates in line with agency theory principles as well as Islamic Economic Law, fulfilling twelve fundamental Islamic principles: monotheism, justice ('is), public benefit (al-maslahah), representation (caliph), encouraging good and forbidding wrong (amar ma'ruf nahi munkar), purification (tazkiyah), prosperity (falah), honesty and truth, benevolence (ihsan), responsibility (al-Mas'uliyah), sufficiency (kifayah), and balance (wasathiyah/i'tidal). Through these principles, the cooperative adheres to ethical and Islamic guidelines effectively.

From the perspective of agency theory, the BMI Sharia Cooperative has achieved several notable successes. One year after its establishment in 2002, the cooperative launched its first branch in 2003 through a partnership between the Tangerang Regency Regional Investment Coordinating Board (BKPM) and the Bogor Agricultural University Resource Institute (LSI-IPB), initially covering Sukadiri and Pekayon villages. Since then, it has expanded significantly and currently operates 100 branches. On July 12, 2018, Kamaruddin Batubara, President Director of the BMI Sharia Cooperative, received the Satyalancana Wira Karya award from the President of Indonesia, recognizing his contributions to cooperative development. Additionally, the Ministry of Cooperatives and SMEs awarded the BMI Sharia Cooperative as the best Waqf Nazhir, having raised IDR 7.2 billion in funds. On November 28, 2019, Minister Teten Masduki presented this award to Kamaruddin Batubara.

Further recognition came on July 31, 2017, when Kopsyah BMI was awarded for its professional management and meaningful contribution to national economic development by the Minister of Development Planning/National Development Planning Agency. This award marked a milestone, acknowledging cooperatives as a key player in economic progress. Moreover, on April 29, 2021, the Indonesian World Record Museum (MURI) awarded BMI Cooperative two records for its "Ready-to-Live Housing Grant Program" (HRSH), recognizing it as a pioneer in this initiative and Kamaruddin Batubara as its initiator. The cooperative's capital, assets, financing, receivables, and deposits have steadily grown each year, reflecting its stability and growth.

In summary, the author concludes that the BMI Sharia Cooperative successfully upholds Islamic economic law principles while aligning with agency theory. By adhering to cooperative and Islamic principles, the BMI Sharia Cooperative has demonstrated sustained success and growth, making a substantial impact in cooperative and Islamic economic development.

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