

**ABSTRACT**  
**THE EFFECT OF BUSINESS STRUCTURE ON THE PERFORMANCE OF  
COOPERATIVE THROUGH THE BEHAVIOR OF BUSINESS AND  
TRANSACTION COSTS OF THE MILK-COOPERATIVE IN EAST JAVA**  
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The study on institutional economic conducted on the milk-cooperative in East Java, employed the interrelation between the business structure-behavior and performance (S-C-P) and the transaction costs. Previous studies usually use the S-C-P concept is applied in the case of business organizations. From the institutional economic perspective, business organization is viewed as rule of conduct an organization that have spesific hierarchical pattern. The function of the business organization is to organize and allocate resource administratively. The importance of the resource allocation administratively by business organization is in the response of the market failure in the resource allocation. Which mechanism is better depend on the efficiency result. The method used for the analysis is determined by the of transaction cost characterised of the manpower and market properties. These transaction cost include the cost of obtaining information, negoitation, and monitoring.

In analyzing the inter-relation between S-C-P and transaction cost, this study used the econometric model, that is a linier equation with two groups of intervening variables which were categorized as the behavior of business and the transaction costs. Weresas the indicator variables included in business structure is so called the independent variables the while indicator variables included in the performance is the dependent variables.

The study shows that the business structure of milk-cooperatives in East Java consists of the non-member orientation. In terms of financial strategy they consider on large external capital ratio and diversification but not on strengthening the members. The business behavior of cooperatives do not reflect characteristics of milk-cooperative business, which were conceptually the vertical integration among the member business. This condition business produce these performance of the cooperatives should be optimal some establishment of the milk-cooperative vision.

The structure and behavior of the milk-cooperative have been enlarging the transaction cost, lowering cooperative performance and making more distance for members, involve on the cooperative business. Moreover, the transaction cost increase performance, but become do between for members. It can be interpreted that the management of resources in milk-cooperative increases the transaction cost, there as proper management of members will make the transaction cost more efficient. Its other words, members contribute to the cooperatives performance significantly, but the structure of business behavior might does not member oriented.

The policy implication rekomendasi for are followed : a) rationalization for the business structure, both for the fixed assets and the number of members, b) member business orientation, c) balances external capital ratio, and business diversification, in order to strengthen the integral vertical vision member business performance, that is the milk-cow. Theoretically, to achieve on the optional of an analysis transaction costs in order to coordinate market and organize the business participation of members is needed.

**Keywords :** Business structure, business conduct, cooperative performance, transaction cost.