

Optimizing the Understanding of Accounting and Tax Obligations in Palm Oil Plantation Cooperatives: An Institutional Theory and Deterrence Theory Perspective

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ABSTRACT

Understanding accounting and tax obligations is a crucial aspect for palm oil plantation partnership cooperatives in maintaining financial health and regulatory compliance. This study examines cooperative managers' understanding of accounting and tax obligations and recommends optimization strategies that can be implemented both internally and externally. The research adopts a qualitative approach through in-depth interviews with four cooperatives in East Kalimantan, core companies, the Cooperative Office, and the Tax Office. The findings indicate that, although cooperatives are aware of their obligations, their implementation remains materially inadequate, largely influenced by external pressures and potential sanctions. The proposed strategies for optimizing understanding include, on the internal side, recruiting accounting and tax experts and improving the governance of plantation recordkeeping. On the external side, collaboration between the Cooperative Office and the Tax Office in providing structured assistance is essential, as well as the establishment of communication channels among core companies, cooperatives, and tax authorities to facilitate continuous support. As a final step, tax audits conducted by the authorities can further enhance material understanding.

Keywords: Cooperative; Oil Palm; Accounting; Tax Liability

Optimalisasi Pemahaman Akuntansi dan Kewajiban Perpajakan pada Koperasi Perkebunan Kelapa Sawit: Perspektif Teori Kelembagaan dan Teori Penjeratan

ABSTRAK

Pemahaman terhadap kewajiban akuntansi dan pajak merupakan aspek penting bagi koperasi kemitraan perkebunan kelapa sawit dalam menjaga kesehatan finansial dan kepatuhan terhadap regulasi. Penelitian ini bertujuan untuk mengkaji sejauh mana pengurus koperasi memahami kewajiban akuntansi dan pajak, serta merumuskan strategi optimalisasi yang dapat diterapkan baik secara internal maupun eksternal. Penelitian ini menggunakan pendekatan kualitatif dengan metode wawancara mendalam terhadap empat koperasi di wilayah Kalimantan Timur, perusahaan inti, Dinas Koperasi dan Kantor Pelayanan Pajak. Hasil penelitian menunjukkan bahwa pengurus koperasi pada dasarnya memahami pentingnya melaksanakan kewajibannya akuntansi dan pajak, namun, dalam praktiknya, pemenuhan kewajiban tersebut masih kurang secara material. Secara internal, diperlukan perekrutan tenaga ahli di bidang akuntansi dan perpajakan serta perbaikan tata kelola pencatatan aset kebun. Secara eksternal, diperlukan kolaborasi antara Dinas Koperasi dan Kantor Pajak dalam program pendampingan, pembukaan saluran komunikasi antara perusahaan inti, koperasi, dan otoritas pajak, serta pelaksanaan pemeriksaan oleh otoritas pajak untuk mendorong peningkatan pemahaman secara material.

Kata Kunci: Koperasi; Perkebunan Kelapa Sawit; Akuntansi; Pajak

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INTRODUCTION

Oil palm is one of the plantation commodities that makes a significant contribution to Indonesia's economy (Barus & Ernah, 2024). It plays a crucial role as a source of national income and serves as a major provider of employment opportunities across the country (Ishak et al., 2017). In the context of global trade, palm oil was Indonesia's top agricultural export commodity in 2023 (Badan Pusat Statistik, 2024a). The area under oil palm cultivation in Indonesia increased by 43.52% over the ten-year period from 2014 to 2023. In 2023, the total cultivated area reached 15.43 million hectares (Badan Pusat Statistik, 2024b), with smallholder plantations accounting for 6.2 million hectares – or 41% of the total plantation area (Badan Pusat Statistik, 2024c). The expansion of oil palm plantations is expected to continue, given the industry's strategic importance to the national economy.

To support this growth, the government of Indonesia – through the Ministry of Agriculture – has enacted a policy requiring all plantation companies managing land areas of 25 hectares or more, and holding a Plantation Business License (IUP) or a Cultivation Plantation Business License (IUP-B), or applying for either license for areas of 250 hectares or more, to allocate at least 20% of the total cultivated land for the development of community plantations. This policy is intended to generate economic value for surrounding communities by increasing household income through the use of community land for oil palm cultivation (Munirudin et al., 2020). In implementing such partnership, local communities are typically organized into cooperative business entities.

Oil palm plantation cooperatives are primary cooperatives engaged in oil palm cultivation activities. In their business operations, these cooperatives enter into formal partnership agreements with designated companies that possess expertise in the oil palm plantation sector. These partnerships are typically implemented under the nucleus-plasma scheme. To initiate operations, cooperatives commonly apply for bank loans, which are repaid through proceeds from the sale of fresh fruit bunches (FFB) to the partner company. This loan application process is carried out in accordance with the terms of partnership agreement to ensure the feasibility and mutual commitment of the collaboration (Munirudin et al., 2020).

Based on the researcher's experience in providing tax-related assistance to cooperatives, it has been observed that cooperative managers face various challenges in financial administration, particularly in implementing accounting practices and fulfilling tax obligations. Internally, cooperative managers are responsible for preparing financial statements as a form of accountability to their members. Externally, cooperatives are subject to tax obligations arising from their income and business activities. Several key issues related to accounting and taxation have been identified. From the accounting perspective, the problems include: (1) some cooperatives do not prepare financial statements, (2) revenue is recorded solely based on service fees, and (3) cooperatives do not report assets in the form of oil palm plantations, nor do they account for related depreciation expenses. From the taxation perspective, the challenges include: (1) failure to submit annual corporate income tax returns, (2) non-compliance with withholding tax obligations on incurred expenses, and (3) failure by cooperatives with FFB sales

exceeding IDR 4.8 billion to register as taxable entrepreneurs (*Pengusaha Kena Pajak* or PKP) within the one-month period required after surpassing the threshold.

Trihatmoko & Mubaraq (2020) suggest that accounting understanding does not significantly influence tax compliance. This is because most taxpayers merely engage in basic recordkeeping without identifying or categorizing transactions according to proper accounting classifications. These findings underscore the importance of developing a comprehensive understanding of both accounting and taxation within cooperatives.

In fulfilling their accountability obligations, pursuant to Law Number 25 of 1992 as partially amended by Law Number 6 of 2023, cooperative management is required to prepare an annual report that includes, at a minimum, the annual financial statements and a calculation of business results, accompanied by explanations of both. The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) has issued guidelines on cooperative accounting standards, as stipulated in Ministerial Regulation Number 2 of 2024 concerning Cooperative Accounting Policies. This regulation governs and provides guidance on the implementation of accounting standards for cooperatives throughout Indonesia, based on the scope of their business activities. Figure 1 presents the classification of cooperative financial accounting standards, detailing the applicable standards for different types of cooperatives depending on their operational scale and complexity.

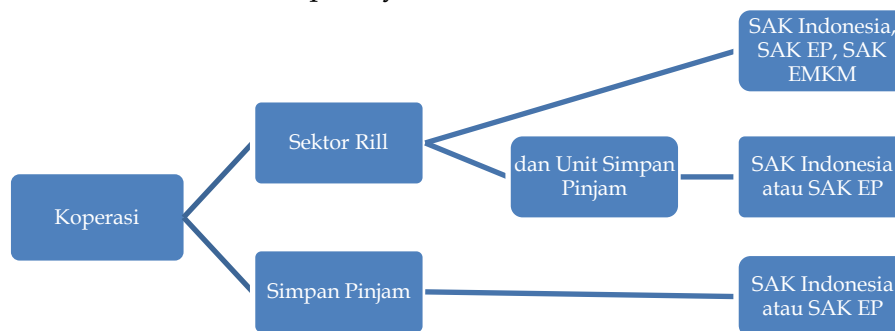


Figure 1. Cooperative Financial Accounting Standards

Source: Regulation of the Ministry of Cooperatives and SMEs No. 2 of 2024

In implementing accounting standards, oil palm plantation cooperatives are most appropriately aligned with the Indonesian Financial Accounting Standards for Private Entities (*Standar Akuntansi Keuangan Entitas Privat*, or SAK EP). SAK EP is designed for private entities or those without public accountability that meet specific criteria as stipulated. These standards will come into effect on January 1, 2025 (Indonesian Institute of Accountants, 2024). Compared to the general IFRS-based standards, SAK EP offers a more simplified framework. In adopting this standard, cooperatives must cultivate an understanding of the significance of agricultural accounting principles.

In fulfilling their tax obligations, oil palm plantation cooperatives are classified as corporate taxpayers under Indonesian tax law. Therefore, cooperative management must possess a solid understanding of relevant tax regulations. Cooperatives are required to pay corporate income tax, withhold income taxes (withholding tax), and collect Value Added Tax (VAT) if their sales of fresh fruit

bunches (FFB) to plantation companies exceed IDR 4.8 billion. For corporate income tax purposes, cooperatives with gross revenues above IDR 4.8 billion are subject to the general income tax rates. In contrast, those with gross revenues below this threshold may choose between the general income tax regime and a final income tax scheme. According to Government Regulation No. 55 of 2022, cooperatives with gross revenues under IDR 4.8 billion are eligible to apply a final income tax rate of 0.5% of gross turnover. This preferential rate may only be applied for a maximum of four years, either from the enactment of the regulation or from the date the cooperative is first registered as a taxpayer.

With regard to withholding tax obligations, cooperatives are required to withhold Article 21 Income Tax on salary and wage payments, in accordance with Government Regulation No. 58 of 2023. For payments made to third parties for services or rentals, cooperatives must withhold Article 23 Income Tax, as regulated by Minister of Finance Regulation No. 141/PMK.03/2015. Furthermore, for expenditures related to construction activities and the lease of land and buildings, cooperatives are obligated to withhold Article 4(2) Income Tax. VAT obligations apply to cooperatives whose annual sales of FFB exceed IDR 4.8 billion. Such cooperatives are required to register as Taxable Entrepreneurs (*Pengusaha Kena Pajak* or PKP) and must collect report VAT monthly from the sale of FFB to palm oil mills (Pabrik Kelapa Sawit or PKS).

The interview questions in this study were guided by Institutional Theory and Deterrence Theory. According to DiMaggio and Powell (1983), organizations tend to conform to institutional pressures through three mechanisms: coercive, normative, and mimetic isomorphism. Institutional theory is applied in this study to understand how cooperatives respond to regulations issued by the Ministry of Cooperatives and SMEs, particularly those concerning accounting standards, as well as laws and derivative regulations related to taxation. This theoretical lens aims to explore the extent to which cooperative managers and members comprehend and implement regulatory requirements. Meanwhile, Deterrence Theory posits that the threat of punishment affects compliance through three primary elements: severity, certainty, and celerity (Beccaria, 1764, as cited in Afrizon, 2018). This theory is used to examine the extent to which cooperatives are motivated to understand and fulfill their accounting and tax obligations due to the existence of potential sanctions. The integration of these two theoretical frameworks allows the study to assess how cooperative managers respond to external pressures in fulfilling their financial and regulatory responsibilities.

Empirical support for these frameworks can be found in various studies. Schiavi et al. (2024) demonstrate that institutional pressures—coercive, mimetic, and normative—influence corporate decisions to adopt International Financial Reporting Standards (IFRS). From a regulatory enforcement perspective, Abbas and Johnson (2022) found that stricter enforcement mechanisms encourage organizations to comply with their obligations. In the Indonesian taxation context, Rosid and Romadhaniah (2023) show that tax audits significantly enhance taxpayer compliance.

This study aims to examine how oil palm plantation partnership cooperatives understand and fulfill their accounting and tax obligations, and to provide recommendations for optimizing the enhancement of such understanding

through both internal and external strategies. The analysis is framed within the theoretical perspectives of Institutional Theory and Deterrence Theory. The findings are expected to offer insights into how these cooperatives implement accounting and taxation practices, and to propose actionable recommendations for addressing ongoing internal and external challenges related to regulatory compliance.

RESEARCH METHODS

This study employs a qualitative case study approach with a problem-solving orientation. A problem-solving case study aims to identify the root causes of organizational challenges and examine the actions taken to address them (Ellet, 2018). The research questions are framed through the lenses of Institutional Theory and Deterrence Theory to explore how cooperatives understand and fulfill their accounting and tax obligations.

The subjects of this study are plasma or partnership-based oil palm plantation cooperatives – hereinafter referred to as oil palm plantation partnership cooperatives – whose plantation operations are managed by partner companies. The research was conducted over the period from January to April 2025. Data were collected from four (4) cooperatives that met the following criteria:

Table 1. Cooperative Characteristics

Cooperative	Gross Income	Nucleus Company	Tax Audit History	Code
AAA	More than IDR 20 billion	PT ABC	-	K1
BBB	Below IDR 4.8 billion	PT ABC	-	K2
CCC	Between IDR 4.8–20 billion	PT HIJ	Ever	K3
DDD	More than IDR 20 billion	PT DEF	-	K4

Source: Research Data, 2025

The research process consisted of three main stages: research planning, data collection, and data analysis. Interview data were analyzed using the qualitative data analysis framework proposed by Miles et al. (2014), which comprises three core components: data reduction, data display, and conclusion drawing. To formulate optimization recommendations, this study adopted the Bridge Model framework proposed by Adair (2007), which involves defining the problem, generating multiple feasible options, and selecting the most appropriate solution. A cost-benefit analysis was employed to evaluate the advantages and disadvantages of each proposed strategy in determining the optimal course of action.

In addition to cooperative managers, key informants included representatives from nucleus companies (PT1 and PT2), tax authorities (AR1 and FP1), and the local cooperative and trade office (Dkop). To enhance the validity of the findings, source triangulation was employed by comparing information obtained from different informants. The overall research framework is presented in Figure 2.

RESULTS AND DISCUSSION

The implementation of accounting practices in oil palm plantation partnership cooperatives is mandated by regulation; however, research findings indicate a

limited awareness among cooperative managers regarding the applicable accounting standards. This is evidenced by several key deficiencies in financial reporting, including the omission of biological assets from financial statements, the recognition of income solely based on cash inflows, and the misclassification of the cooperative's surplus as an expense. Statements from informants further highlight this limited understanding: "When asked in detail about which accounting model or standard we use, we don't have anything to refer to. What matters is that we follow the rules from the Cooperative Office" (K1, 2025); "Until now, we've never been shown what the standard for plantation accounting should be" (K2, 2025); "We... don't understand, Sir" (K3, 2025); and "We don't understand yet because of our own limitations" (K4, 2025). These responses clearly illustrate the knowledge gap in accounting practices among cooperative administrators.

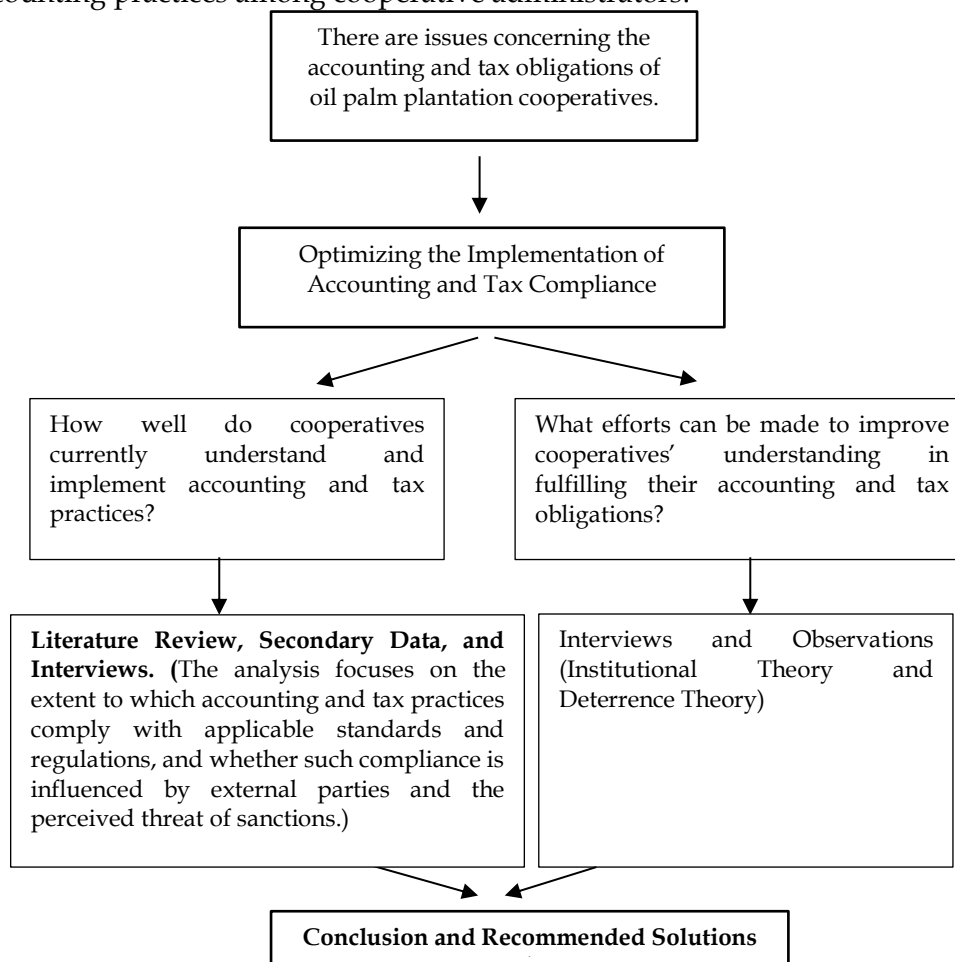


Figure 2. Research Framework

Source: Research Data, 2025

From the perspective of Institutional Theory, coercive pressures on cooperatives arise from formal government regulations, specifically those requiring compliance with financial accounting standards and the submission of accountability reports (RAT reports) to the local Cooperative Office. The Office of Cooperatives and Trade (Dinas Koperindag) regularly issues formal notices urging cooperatives to hold their annual meetings and submit financial statements at the

beginning of each year. As one official explained: “We issue a formal letter from the Regent. At the beginning of the year, we distribute it through the cooperative WhatsApp group and directly to cooperative managers” (Dkop, 2025). This statement reflects the presence of coercive institutional pressure aimed at encouraging cooperatives to fulfill their annual reporting obligations. Figure 3 presents a thematic analysis of how external pressures influence the implementation of accounting obligations as reflected in cooperative financial reporting practices.

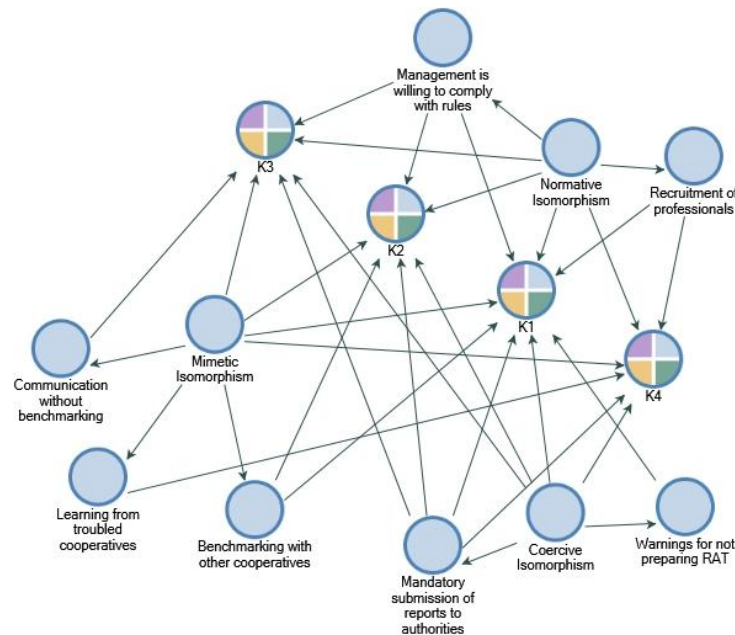


Figure 3. Isomorphism Analysis of Cooperative Managers' Accounting Understanding Based on Interview Findings

Source: Research Data, 2025

From perspective of normative pressure, cooperative managers tend to rely on their own knowledge or seek assistance from external experts to fulfill their accounting obligations. As one informant stated, “That’s why we brought in that person as an employee to handle the financial reports, accounting, and taxation – all of it” (K4, 2025). Mimetic pressure also plays a significant role, as cooperatives often emulate accounting practices perceived to be successful or commonly used by their peers. One manager remarked, “Yes, we compare – meaning we look for something equivalent” (K1, 2025), while another added, “We once did a benchmarking visit to another cooperative outside our region” (K2, 2025). As a result of such mimetic behavior, two cooperatives (AAA and BBB) simultaneously adopted the practice of classifying profit distributions to members as expenses, following the example of other cooperatives.

The findings of this study are consistent with those of Schiavi et al. (2024), who assert that regulatory pressure, especially regulatory ones, encourage organizations to comply with established standards. However, in the absence of strong normative support, compliance tends to be superficial, limited to fulfilling minimal formal requirements. Within the institutional theory framework, it can be argued that cooperatives seek legitimacy primarily through coercive isomorphism, in which compliance is driven by regulatory mandates and the desire for formal

recognition (DiMaggio & Powell, 1983). Nonetheless, mechanisms to ensure substantive compliance remain weak, leading to a gap between formal adherence and actual understanding or application of accounting standards.

From the perspective of Deterrence Theory, the lack of legal enforcement related to accounting practices appears to be a major factor contributing to the limited motivation among cooperatives to deepen their understanding. Unlike tax obligations, which are actively monitored and enforced by tax authorities, cooperative accounting obligations are subject to minimal oversight. Violations typically incur only administrative consequences, such as warnings or advisory guidance from the cooperative office. In the absence of concrete sanctions, most cooperatives limit their efforts to submitting reports during the Annual Member Meeting (RAT), assuming that once accepted, the reports meet compliance standards. This perception is reflected in the statements from two cooperatives: *"We were never asked by the office for something like that – biological asset reports and such never came up"* (K1, 2025); *"We submitted our report to the cooperative office, and it was fine – no corrections have been made so far"* (K2, 2025).

The low level of accounting understanding among cooperatives is consistent with findings from previous studies in the cooperative context. Warno (2014), in his study conducted in Semarang City, found that cooperatives demonstrated low compliance with the Financial Accounting Standards for Entities Without Public Accountability (*Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik* or SAK ETAP). Poor substantive compliance with accounting standards presents a potential risk of future financial instability. Moreover, research suggests that limited accounting knowledge and inadequate recordkeeping may increase the vulnerability of cooperatives to tax sanctions or audits. Therefore, it can be concluded that the level of accounting comprehension among oil palm plantation partnership cooperatives remains materially insufficient.

Regarding tax obligations, the cooperatives studied generally demonstrated a reasonable understanding of corporate income tax (*PPh Badan*). However, for VAT, interventions from nucleus companies were often necessary, while withholding tax obligations were largely overlooked. From an institutional perspective, particularly coercive pressure, all cooperatives acknowledged that tax penalties and formal warnings from the Tax Office (*Kantor Pelayanan Pajak* or KPP) served as motivating factors to improve their understanding and improve. Cooperatives AAA and BBB only began fulfilling their tax obligations after receiving official letters or being subjected to administrative fines. Managers are aware that delays in fulfilling tax obligations inevitably result to penalties. As one cooperative leader stated: *"What I worry about the most is taxation... the rest doesn't really concern me"* (K4, 2025). This concern arises from uncertainty about whether their current practices align with applicable tax regulations.

From a mimetic perspective, cooperatives tend to observe and imitate tax related practices adopted by other cooperatives. One informant noted that, in other regions, profit-sharing from plantation operations was treated as a deductible expense in corporate income tax calculations. However, in their own region, the local tax office did not permit this approach. The resulting inconsistency in regulatory interpretation led the cooperative to imitate the practice from other

regions, which they perceived to be more advantageous. This mimetic behavior underscores a lack of in-depth understanding of tax regulations. Rather than relying on authoritative guidance, cooperative managers often follow external examples—practices that may be inaccurate or pose legal risks. **Figure 4** presents an isomorphism analysis related to the tax obligations of oil palm plantation cooperatives.

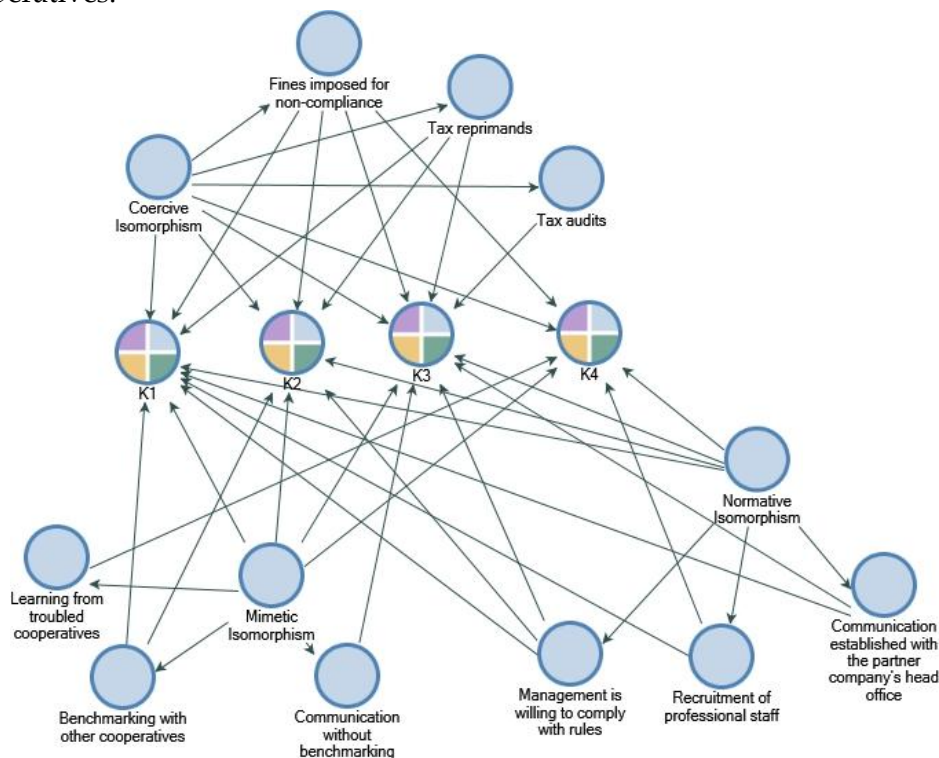


Figure 4. Thematic Isomorphism Analysis of Cooperative Managers' Tax Understanding Based on Interview Findings

Source: Research Data, 2025

From a normative perspective, nucleus companies are expected to act as sources of positive normative pressure by providing guidance or administrative support to partner cooperatives in fulfilling their tax obligations. However, the findings reveal a general lack of such involvement, which may negatively affect cooperative compliance. For example, Cooperative CCC failed to issue tax invoices due to the absence of guidance from its nucleus company. According to the Tax Office (KPP), there is a possibility that some nucleus companies deliberately allow cooperatives to neglect their withholding tax (Article 23) and VAT invoicing obligations, in order to prevent sales data from plasma cooperatives from appearing as external income in the companies' financial records. As stated by one tax official: *"Sometimes, the cooperative managers' lack of knowledge is taken advantage of by the nucleus companies"* (FP, 2025). This statement suggests a potential conflict of interest and illustrates the weakness of normative pressure, which ideally should encourage compliance through shared values and professional norms. In the absence of such support, cooperative managers' understanding of withholding and VAT obligations largely depends on their individual knowledge and initiative.

From the Deterrence Theory perspective, improvements in tax understanding among cooperatives tend to occur when there is active intervention from the Tax Office. The experience of Cooperative CCC supports this assertion, as the cooperative became aware that significant penalties resulting from audits could seriously threaten its operations. This realization prompted the management to adopt preventive measures, including seeking consultations and improving their knowledge of tax regulations. Similarly, Cooperative DDD reported a noticeable improvement after assigning someone to handle tax matters. As one informant stated: *"Alhamdulillah... now that someone is handling the taxes, we understand better and are more aware"* (K4, 2025). This reflects the positive impact of hiring or designating personnel with taxation expertise, highlighting the importance of internal capacity building in ensuring tax compliance.

Severe financial sanctions clearly impose direct losses on cooperatives. In the case of Cooperative CCC, the severity of the penalty served as a pivotal lesson, prompting the management to become more disciplined and cautious in understanding and fulfilling their tax obligations. This experience reflects a behavioral shift—from previous negligence to a more proactive stance in improving tax administration in order to avoid future penalties. The imposition of sanctions heightened their perception of the certainty and severity of tax enforcement, thereby encouraging greater compliance in subsequent reporting periods (Nagin, 2013).

The experience of Cooperative CCC is consistent with findings by Rosid and Romadhaniah (2023), who demonstrated that tax audits have a positive and significant effect on improving tax compliance in Indonesia. Similarly, Abbas and Johnson (2022) found that regulatory enforcement in the financial sector effectively enhances reporting compliance. These findings underscore the critical role of enforcement as a central element of deterrence. However, enforcement alone is insufficient in achieving sustained compliance without being accompanied by institutional reform. The case of Cooperative CCC illustrates that once enforcement mechanisms—such as warnings, fines, or audits—are triggered, they must be followed by knowledge transfer and capacity-building efforts within the cooperative. This reinforces the argument put forth by Timothy and Abbas (2021) and Nuryanah et al. (2023), who emphasized that a sound understanding of taxation is positively correlated with voluntary taxpayer compliance.

This study finds that cooperative managers' understanding of accounting and tax obligations is shaped by a combination of internal and external factors, which interact to influence the overall level of comprehension and compliance within the cooperative. These influencing factors are summarized in the following table.

Table 2. Factors affecting Accounting and Tax Understanding

Code	Factor	Source	Impact
F1	Capacity of the Management: Age and Educational Background of Management	Profile data of the cooperative under study	It will be difficult to receive and accept new knowledge and technology
F2	Poor management of the cooperative	Interview Excerpts from Partner Company and KPP	Unorganized management of cooperative management makes knowledge of accounting and tax obligations unsustainable.
F3	Lack of training and socialization	Cooperative interview excerpt	Implementation of obligations depends on the understanding of the management and may not be aware of new standards or rules
F4	Dependence of farm records on nucleus or partner companies	Cooperative interview excerpt	Cooperatives are passive in recording farm yields
F5	Management focuses on SHU or farm profit sharing	Interview excerpts Cooperative and Cooperative Office	Neglect of reporting standards and potential tax penalties

Source: Research Data, 2025

The research findings indicate that cooperative boards' understanding of accounting and taxation remains limited, primarily focused on fulfilling formal requirements. Within the framework of Institutional Theory, this condition reflects coercive compliance—where cooperatives maintain financial records merely to satisfy regulatory demands, rather than as part of a substantive internal governance practice. In terms of taxation, cooperative understanding of tax obligations also requires improvement, particularly given that low tax compliance can lead to penalties or legal consequences. From an Institutional Theory perspective, cooperative tax compliance is largely driven by coercive pressures in the form of statutory tax obligations and oversight by the Tax Office (KPP). However, achieving a higher level of compliance necessitates proactive efforts to enhance the tax literacy of cooperative administrators. To this end, a thematic analysis was conducted based on interviews with cooperative managers, partner companies, representatives from the Tax Office, and the Office of Cooperatives and Trade (Dinas Koperindag). The results of this analysis, which outline strategic approaches for improving accounting and tax understanding, are presented in the following section.

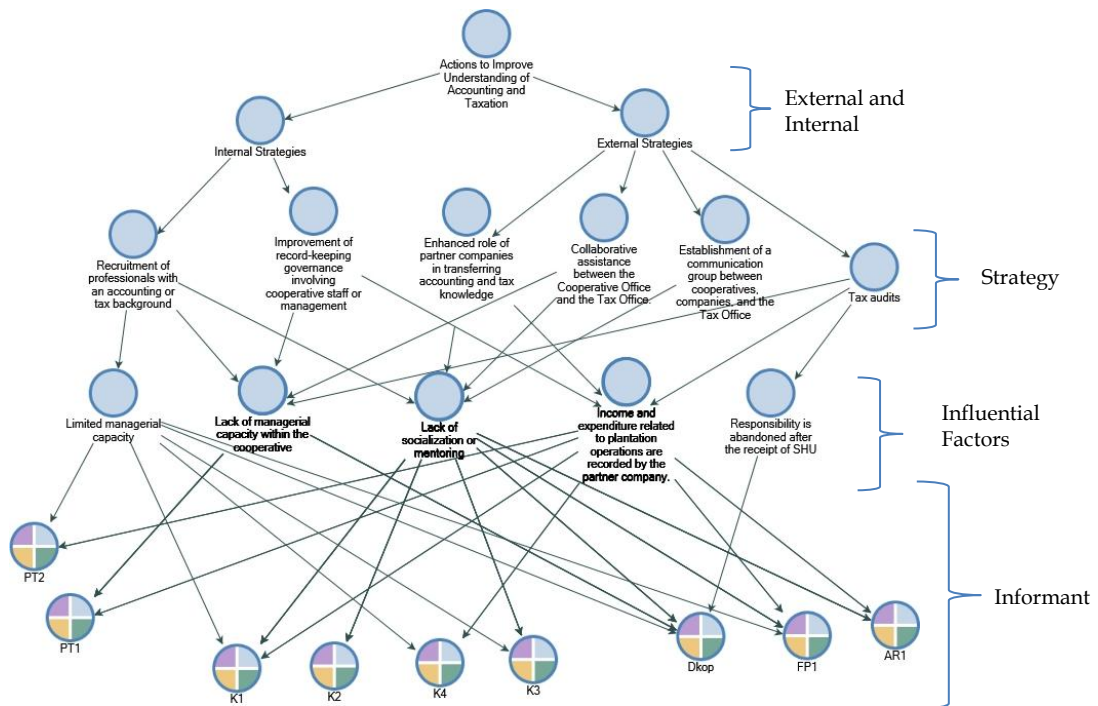


Figure 5. Thematic Analysis of Efforts to Improve Cooperative Management's Tax Understanding

Source: Research Data, 2025

The analysis was conducted by identifying influential factors (F1-F5) affecting cooperatives' understanding of accounting and tax obligations and linking these with responses aligned to the stages of the *problem-solving* process outlined by Adair (2007). Various strategies, developed in reference to previous research, resulted in the identification of the following key recommendations: (S1) Collaborative assistance to cooperatives by the Cooperative Office and the Tax Office, (S2) Recruitment of employees or experts with an accounting background, (S3) Involvement of cooperative management or employees in plantation recordkeeping with the core company. (S4) Transfer of accounting knowledge by the core company (S5) Enforcement certainty and sanctions for non-compliance with financial reporting obligations, (S6) Establishment of a regular communication channel between the Cooperative, the core company and the Tax Office, (S7) Recruitment of tax-savvy employees and (S8) implementation of tax audits. The strategies were then evaluated based on their advantages and feasibility in practice, as well as their ability to enhance key influencing factors. The following sections explain each effort in detail:

Local governments play a pivotal role in supporting palm oil plantation partnerships. The Office of Cooperatives and Trade (*Dinas Koperindag*), which is responsible for the supervision and development of cooperatives, can collaborate with local accounting practitioners or coordinate with the Tax Office (KPP) to provide technical guidance on tax and accounting practices, particularly those related to corporate income tax (PPh Badan). This strategy is supported by research conducted by Sulistanawati (2010) and Putra et al. (2020), which emphasize the critical role of local government support in enhancing partnerships

within the oil palm plantation sector. Joint assistance from the Cooperative Office and the Tax Office would also help clarify the distinctions between commercial and fiscal accounting practices, enabling more accurate financial reporting and tax compliance.

Recruiting professionals with expertise in accounting is one of the most effective strategies for cooperatives that lack internal resources to fulfill their financial obligations. These professionals can ensure that accounting responsibilities are met accurately and consistently, while also mentoring board members to improve their understanding of financial standards. This step is normative in nature, as it involves introducing professionals capable of transferring knowledge and promoting best practices in financial reporting. The effectiveness of this strategy is supported by Sofyani et al. (2020), whose study on Badan Usaha Milik Desa (Bumdes) governance found that external recruitment of individuals with business and accounting expertise – such as consultants – significantly enhanced institutional compliance and accountability.

The cooperative's reliance on partner company records must be addressed. While partner companies currently exert significant influence over plantation data and financial reporting, increased participation by cooperatives in plantation-level recordkeeping would enhance their understanding of production and financial activities. Active involvement in this process is also expected to improve communication and transparency between cooperatives and partner companies. The implementation of this strategy should align with the partner company's broader goal of achieving a profitable and sustainable business model. As highlighted in previous research by companies must take an active role in educating and training cooperative administrators and farmers on financial matters, while also ensuring transparency in critical areas such as land performance, detailed cost structures, debt information, and work plans.

To enhance tax literacy among cooperative managers, a regular communication forum involving three key stakeholders – the cooperative, the core company, and the Tax Office – should be established. This forum may take the form of a WhatsApp group or other digital communication platform, connecting the Tax Office (e.g., account representatives or extension officers) with cooperative managers to enable informal, real-time interactions such as question-and-answer exchanges. From an Institutional Theory standpoint, this initiative strengthens normative pressure by normalizing routine interactions between cooperatives and tax authorities. Research by Timothy and Abbas (2021) and Putra Afuan Fajrian (2020) shows that enhanced tax knowledge has a significant positive effect on tax compliance. Furthermore, Nuryanah et al. (2023) emphasize that tax understanding mediates the relationship between tax administration reform and compliance. Legitimacy, in this context, is achieved through sustained interactions between regulators and stakeholders, reinforcing the idea that regulatory compliance is a dynamic, ongoing process (Burdon & Sorour, 2018).

The final strategy for materially improving cooperatives' understanding of tax obligations involve the implementation of tax audits. Despite previous interventions, enforcement remains necessary to create a deterrent effect that compels cooperatives to take their obligations seriously. Tax audits provide comprehensive insights into the cooperatives' financial records and their

fulfillment of tax responsibilities. This strategy aligns with the findings of Rosid and Romadhaniah (2023), who demonstrated that tax audits significantly enhance tax compliance. In the context of oil palm plantation cooperatives, audits are expected not only to enforce compliance but also to serve as educational tools that materially improve cooperative managers' understanding of their tax duties.

Through the implementation of the above strategies, it is expected that the accounting and tax knowledge and awareness of cooperative boards will increase. In the long term, institutional strategies such as education and collaboration will help establish a culture of tax compliance among cooperatives. The enforcement of sanctions serves to prevent *moral hazard* among those who may attempt to evade their obligations. This balance between persuasive and coercive approaches is in line with government recommendations for improving cooperative tax compliance. Thus, institutional (persuasive) and deterrence-based strategies can work in tandem to sustainably optimize cooperatives' understanding and compliance with accounting and tax obligations.

Table 3. Strategies for Improving Cooperative Accounting and Tax Understanding

Approach	Strategy	Factors that Influence
Accounting understanding		
Coercive	Collaborative in providing assistance	F2 and F3
Institutional-Isomorphism	between the Office of Koperindag and KPP	
Normative	Recruitment of employees with	F1, F2, F3, and F4
Institutional-Isomorphism	accounting and tax backgrounds	
	Improved governance of cooperative	F4
	farm records involving cooperative	
	administrators or employees	
Tax understanding		
Institutional-Coercive	Establishment of a communication	F2 and F3
Isomorphism	group channel between cooperatives,	
	partner companies and tax authorities	
Deterrence-effect of sanction severity	Tax Audit	F2, F4, F5

Source: Research Data, 2025

CONCLUSIONS

This study concludes that oil palm plantation cooperatives' understanding of accounting and tax obligations remains materially insufficient, particularly in the implementation of accounting practices. Although cooperatives are generally aware of the need to maintain financial records, their practical application of accounting standards is limited. In terms of tax obligations, cooperative management demonstrates a relatively good understanding of corporate income tax and Value Added Tax (VAT); however, their understanding and implementation of income tax withholding and collection obligations remain weak. From an institutional perspective, cooperative managers' understanding is

largely shaped by external pressures – particularly regulatory requirements to prepare annual accountability reports (RAT) and fears of potential sanctions or tax audits that could result in financial penalties (coercive pressure). Under normative and mimetic isomorphism, accounting and tax practices among cooperatives are often influenced by peer imitation (mimetic) and, in some cases, by the recruitment of individuals with specialized expertise in accounting (normative).

Several factors influence cooperatives' understanding of their accounting and tax responsibilities, including the managerial capacity of board members (e.g., age and educational background), the quality of cooperative governance, limited access to accounting and tax training, reliance on plantation records maintained by the core company, and a strong operational focus on the distribution of plantation products to members rather than on administrative compliance.

To optimize cooperatives' understanding of accounting and taxation, a number of strategic recommendations are proposed. From an institutional perspective, internal strategies include recruiting experts in accounting and taxation, and enhancing plantation record management through direct cooperative involvement. Externally, local government assistance – particularly through the Office of Cooperatives and Trade (Dinas Koperindag) – can be enhanced by involving the Tax Office (KPP), and by establishing regular communication channels among cooperatives, partner companies, and tax authorities. From the deterrence perspective, tax audits may serve as a last-resort mechanism to materially improve cooperative compliance and deepen their understanding of tax and accounting obligations.

The results of this study suggest several key recommendations. First, cooperative management should consider recruiting personnel with expertise in accounting and taxation or seek assistance from external professionals. Cooperatives are also advised to engage more actively in plantation recordkeeping in coordination with partner companies. Second, partner companies are encouraged to increase transparency and actively transfer financial administrative knowledge to cooperatives as part of their partnership obligations. Third, the Office of Cooperatives and Trade (Dinas Koperindag) is expected to enhance its support by collaborating with the Tax Office (KPP) to provide targeted assistance. The Tax Office, in turn, should facilitate this process by establishing communication channels, such as group messaging platforms, that connect cooperative management and partner companies for ongoing support and consultation. As a preventive measure, tax audits may be conducted to ensure material understanding and compliance.

This study is subject to several limitations. It focused on only four cooperatives in a single region, and therefore the findings may not fully reflect the broader conditions of oil palm plantation cooperatives in other areas. As a qualitative study relying primarily on interviews and observations, it also carries the inherent risk of confirmation bias or misinterpretation. Future research is recommended to expand the scope to include cooperatives from various regions, provinces, and islands, and to involve a larger sample size. Employing a mixed-methods approach that combines survey data with in-depth interviews could provide a more comprehensive understanding. It is hoped that this research

contributes meaningfully to the strengthening of cooperative governance and regulatory compliance.

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