



## Governance Improvement of Cooperative: The Case of KUD Selikur Makmur Jambi

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### ABSTRACT

The failure of organizations to implement governance effectively allows for various problems, including fraud, that have the potential to bring the organization to destruction. One case of ineffective cooperative governance occurred at KUD Selikur Makmur located in South Bahar District, Muaro Jambi Regency, Jambi Province. The purpose of this community service is to assist KUD Selikur Makmur in improving its governance and financial management. The Plan Do Check Act (PDCA) method, which is divided into three stages-preparation, implementation, and evaluation-was used to carry out the activities. This community service activity resulted in a governance model for KUD Selikur Makmur and improved the knowledge and skills of financial staff in carrying out their activities.

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## **INTRODUCTION**

The cooperative is a group of people who voluntarily unite to fulfill their needs, develop themselves, and express their opinions in the economic, social, and cultural fields. The cooperative is a family-based business and its management is organized in a fair, open, and democratic manner, in accordance with economic principles (Akhmad Nazaruddin et al., 2021). The cooperative is an organization formed to embody the spirit of gotong royong of the Indonesian people. Based on data from the Ministry of Cooperatives and SMEs, in 2022 active cooperatives in Indonesia amounted to 130,354. The data increased by 0.019% from 2021. The volume of cooperative businesses in Indonesia amounted to 197,875,648, and showed an increasing trend in the last four years (BPS, 2024).

During 2019-2022, the number of active cooperatives in Jambi Province was 2,540; 2,190; 2,046; 2,042, respectively. The data shows a decrease in the number of active cooperatives in Jambi Province, which is inversely proportional to the data on active cooperatives in Indonesia. Although the data shows that there was a decrease in the number of active cooperatives in Jambi Province, this had no impact on the volume of cooperative businesses, which continued to increase from 2019-2021. However, in 2022, the volume of cooperative business in Jambi Province decreased by 0.094% from 2021.

Cooperative governance issues are often an obstacle for cooperative businesses to progress and eventually have to be shut down. The ineffectiveness of governance in cooperatives has an impact on the management of cooperatives that are vulnerable to fraudulent practices, as happened in KUD Selikur Makmur. The ex chairman of KUD Selikur Makmur proved to embezzle which caused the cooperative to suffer losses of more than Rp 5 billion (Hasbi Sabirin, 2020).

Fraudulent behavior by managers ranks first based on the perpetrators according to the fraud survey in Indonesia (ACFE, 2020). The opportunity possessed by the manager is one of the factors that cause fraud, as stated in the fraud triangle theory (Awang et al., 2020; Cheliatsidou et al., 2023; Harpan & Kuntadi, 2023; Homer, 2019; Kagias et al., 2022; Rinaldo et al., 2022; Van Akkeren, 2018). The motivation to commit fraud will be even greater if the perpetrator has the opportunity, especially if it is attached to the perpetrator's position. To minimize opportunities for fraud, good governance and effective supervision are needed in an organization.

The purpose of this community service activity is to realize village building activities as a form of implementation of one of the activities of Merdeka Belajar Kurikulum Merdeka (MBKM). In addition, this community service activity also supports the implementation of Key Performance Indicator number 5, by developing the outcomes of lecturers' work that can be used by the community to improve people's lives.

KUD Selikur Makmur is a cooperative located in South Bahar District, Muaro Jambi Regency, Jambi Province. Implementation of cooperative governance has not been running well as evidenced by the abuse of position by the ex-chairman. In addition, KUD Selikur Makmur in performing its financial administration activities are still constrained by several problems, including:

1. There is no computerization system for financial records and recording is still made manually by handwriting, thus increasing the possibility of errors due to human error.
2. There are still errors when recording cash receipts and disbursements.
3. Recording purchase and sales transactions that are not always synchronized with actual purchase and sales transactions.
4. Record archive documentation is not well organized.
5. Resources that carry out the financial administration process have not been properly trained.
6. Governance principles have not been implemented effectively.
7. The supervisory function has not been running properly.

According to the problems that exist in KUD Selikur Makmur, it is necessary to strengthen governance and the utilization of technology and information systems related to administration and finance, so that cooperative activities may run in accordance with its objectives for the welfare of members. Based on previous studies, there is evidence that strengthening governance can increase knowledge and understanding of the principles of good governance and effective financial management (Arum et al., 2022). The implementation of technology and information systems can also help simplify the administrative and financial management of an organization (Faizal et al., 2021).

Good Cooperative Governance is a structure that facilitates the determination of the vision and mission of the cooperative and serves as a way to select monitoring techniques (Marlina, 2019). Agency theory underlies the concept of good cooperative governance. Agency theory in cooperative governance explains the relationship between owners (cooperative members) and managers (management) in the context of decision-making and resource management. This theory focuses on problems that arise due to differences in interests between agents (managers) and principals (members), and how governance mechanisms can reduce these conflicts. Agency theory also supports the implementation of good cooperative governance principles, such as: 1) openness by providing clear and accurate information to members regarding performance and decisions taken, 2) accountability which refers to the concept that the board must be responsible for their decisions and actions to members, and 3) independence where the cooperative must be managed professionally without outside intervention that can interfere with the interests of members (Chandra, 2019; Titin & Wahyudin, 2021).

Several studies have shown that good cooperative governance can improve cooperative performance (Dasuki, 2018; Saputra & Noviyari, 2018; Titin & Wahyudin, 2021). But other studies have found that the implementation of good governance principles cannot fully improve the performance of cooperatives (Chandra, 2019; Titin & Wahyudin, 2021). While other study concluded that to build good governance based on the principles and values of cooperative values, is through education and character building of all stakeholders (Nainggolan et al., 2016).

This community service activity in tends to provide solutions to governance, especially administration and finance in KUD Selikur Makmur. The solution offered from this community service activity is to provide feedback and recommendations related to governance in KUD Selikur Makmur, South Bahar District, Muaro Jambi Regency as follows:

1. Establishment of a computerized and integrated financial recording system.
2. Minimizing recording errors related to cash receipts and disbursements.
3. Accurately record purchase and sales transactions.
4. Documenting archives properly.
5. Provide training to the resources that perform the financial administration process.
6. Improve the cooperative board's understanding of the principles of good and effective governance.
7. Improve the supervisory function of cooperatives.

The outcomes of this community service activity are expected to contribute to the development of knowledge about the importance of good cooperative governance. The results of this activity are also expected to contribute theoretically in strengthening the insight of cooperatives that are closely related to agency theory.

## **IMPLEMENTATION AND METHODS**

In this section the author needs to explain the method of implementation and the method of service carried out. The description of the implementation of the activities includes the location, time, background of the participants and the number of participants. Meanwhile, the description of the activity method includes the methods and materials presented.

The community service activities were held in the field of administrative and financial governance training for the management of KUD Selikur Makmur. Activities using the Plan, Do, Check and Act (PDCA) method are carried out in three stages, namely: preparation, implementation, and evaluation. In the preparation stage, the "plan" method was carried out by identifying problems in KUD Selikur Makmur through field observations to develop an activity plan. Furthermore, at the implementation stage, the "do" method was carried out by first carrying out a focus group discussion (FGD) with the management of KUD Selikur Makmur related to financial governance issues. After the FGD, training on administrative and financial governance was conducted for the management of KUD Selikur Makmur. Finally, the evaluation stage is carried out by the "check" method to assess whether there is an increase in the effectiveness of governance in KUD Selikur Makmur after training, and then the "act" method is carried out based on the assessment, whether or not further assistance is needed to ensure the objectives of community service activities have been achieved. A summary of the community service activity stages can be seen in table 1.

Table 1. Community Service Activity Stages at KUD Selikur Makmur

Stages	Methods	Activities
Preparation	<i>Plan</i>	Site observations to identify problems at KUD Selikur Makmur.
Implementation	<i>Do</i>	a. Focus Group Discussion (FGD) with the management of KUD Selikur Makmur. b. Governance and financial training to the management of KUD Selikur Makmur.
Evaluation	<i>Check</i>	Activity evaluation.
	<i>Act</i>	Provide advanced assistance if needed.

## RESULTS AND DISCUSSION

The community service activity was initiated by conducting preparations in field observations to capture the picture of the problems encountered by KUD Selikur Makmur. Based on problem identification, it was found that administrative and financial governance was not properly in accordance with the cooperative governance policy guidelines set by the Coordinating Ministry for Economic Affairs and the National Committee for Governance Policy in 2022 (KNKG, 2022). At the implementation stage, FGDs were conducted with the management of KUD Selikur Makmur to explore the strategies to be implemented related to the governance issues faced. Based on the results of FGDs with the management of KUD Selikur Makmur, an agreement was reached to conduct training on administrative and financial governance to the management of KUD Selikur Makmur on July 25, 2024 in South Bahar District, Muaro Jambi Regency, Jambi Province.

The governance training materials were developed based on the General Guidelines for the Governance of Indonesian Cooperatives (PUG-KOPIN) in 2022 (KNKG, 2022). The main objective of PUG-KOPIN is to improve cooperative governance practices in Indonesia with the legal basis of the 1945 Constitution Article 33: members as owners, member involvement and participation, and transparency and accountability. There are three main stages in the governance process of Indonesian cooperatives: (1) policy planning and implementation; (2) compliance with norms and ethics; and (3) performance monitoring and evaluation. The development of the governance concepts and standards presented in chapters 1, 2, 3, and 4 is based on the first of these cooperative governance processes-policy planning and implementation. The second set of governance procedures-compliance with norms and ethics-is described in chapters 6, 8, and 9. Performance measurement and evaluation is the third governance process, and is further elaborated in chapters 5 and 7. A summary of each chapter in PUG-KOPIN is as follows:

1. Chapter 1: Cooperative Members, explains the role and rights of members as owners of cooperatives, as well as the importance of active participation in decision-making.

2. Chapter 2: Cooperative Objectives and Cooperative Leadership, outlines the objectives of cooperatives in improving the welfare of members and society, and the importance of effective leadership.
3. Chapter 3: Roles and Responsibilities of Supervisors and Management, detailing the roles and responsibilities of each organ, including the supervision and management of cooperatives.
4. Chapter 4: Composition, Success, and Evaluation of Supervisors and Management, explains the importance of a balanced composition and periodic evaluation to ensure effective supervision and management.
5. Chapter 5: Risk, Financial Management, and Internal Control, outlines risk management, internal control, and the importance of performance reporting to maintain the financial health of the cooperative.
6. Chapter 6: Remuneration of Supervisors, Management, and Managers, discusses a fair and transparent remuneration system for management and supervisors, as well as the criteria for determining it.
7. Chapter 7: Ethical Conduct, Disclosure, and Transparency, emphasizes the importance of ethical conduct, disclosure, and transparency in cooperative operations.
8. Chapter 8: Other Stakeholders, discusses the cooperative's social and environmental responsibilities and the application of ethical standards in interactions with stakeholders.
9. Chapter 9: Closing, affirms the cooperative's commitment to applying the principles of good governance for the sake of sustainability.

The financial governance materials are prepared in accordance with the Indonesian Financial Accounting Standards for Private Entities (SAK EP). Based on SAK EP, the components of cooperative financial statements consist of: statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes to the financial statements. The financial governance training was also carried out with accounting practices using Zahir Accounting software. The utilization of accounting software helps the accounting process to be more effective and efficient. Financial statements can be viewed in real time as soon as transactions are inputted into the system.

The result of this community service activity is the development of a governance model in accordance with PUG-KOPIN and based on the needs of KUD Selikur Makmur which can be seen in Figure 1. Another result of this community service activity is a change in insight and additional skills of KUD Selikur Makmur administrators related to good administrative and financial management of cooperatives.

Based on the evaluation after training, participants were capable of implementing good governance in accordance with PUG-KOPIN and SAK EP. Participants realize the importance of the role of supervisors in cooperative activities and the importance of running good governance. Participants who served as financial managers of KUD Selikur Makmur, have been able to use a simple accounting system with the assistance of Zahir Accounting software.

Accompaniment continues until participants are capable of solving their own problems related to cooperative governance.

Process		
Policy Design and Implementation	Ethical and Regulatory Compliance	Performance Measurement and Evaluation
Organs		
Members Meeting	Management	Supervisor
Principle		

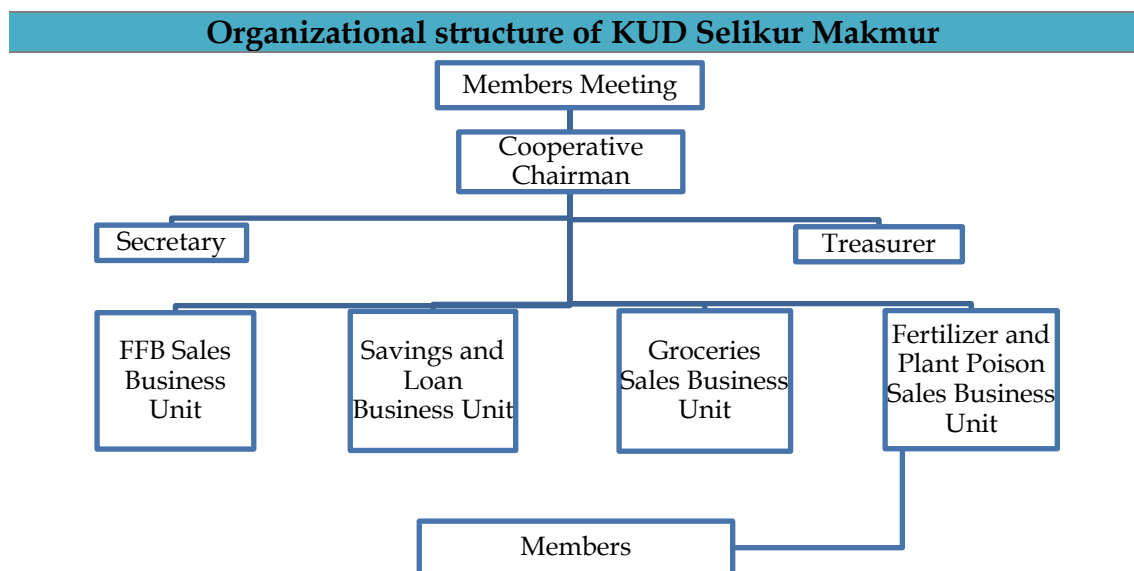
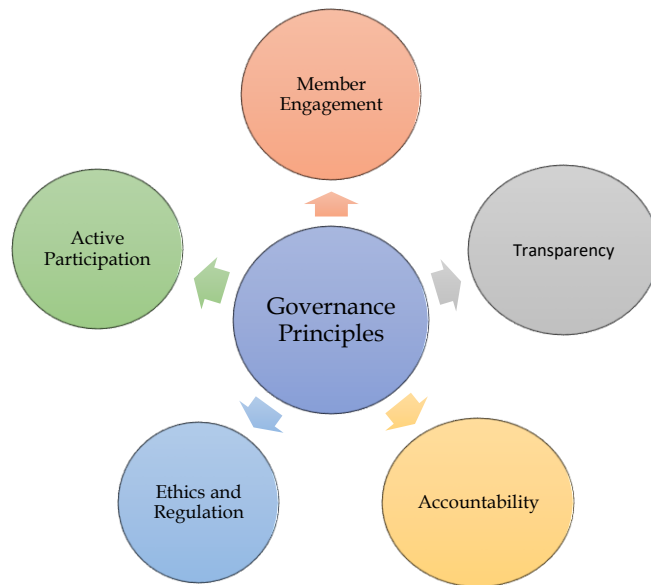


Figure 1. Governance Model of KUD Selikur Makmur

## CONCLUSIONS AND RECOMMENDATIONS

The activities of this community service can meet the output targets that have been planned previously, which is developing a model of governance of KUD Selikur Makmur and increasing the knowledge and skills of KUD Selikur Makmur administrators related to good administrative and financial management of the cooperative. Strengthening of administrative and financial governance is expected to improve the performance of KUD Selikur Makmur and the welfare of its members. The next recommendation is the improvement of documents and reports to be more orderly which will be carried out in the next service activity.

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