

**ASSISTANCE TO STRENGTHEN BUSINESS ORGANIZATIONAL
GOVERNANCE AND FINANCIAL REPORTING TOWARDS A
SUSTAINABLE COOPERATIVE BUSINESS PROCESS**

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Abstract

Regency Blitar is one of the districts in East Java province with a high number of SMEs. One sector that is growing rapidly in this area is cooperative production. Cooperatives with production business units have the potential to become key drivers of economic growth on a small scale in the Blitar Regency. However, despite the high potential for business development through cooperatives, the progress of business unit growth under cooperative management is still classified as low. Based on the analysis of this activity, several problems were identified: 1) The majority of cooperatives are developing business units without conducting feasibility analyses, making them very vulnerable to business failure. 2) Cooperative managers lack the ability to diversify their businesses. 3) The cooperative administrators' abilities in financial management and reporting are still low. This activity began with introductory activities that included a literature review, followed by field studies through secondary data. The next stage involved an internal Focus Group Discussion (FGD) aimed at identifying the real conditions of cooperatives in the field, conducted with the Blitar Regency Cooperatives and MSMEs Service. To ensure the smooth running of the activities, the executing team coordinated with the partner institution, namely the Blitar Regency Cooperatives and MSMEs Service, which is the official government body responsible for fostering cooperatives.

Keywords: *Mentoring, Cooperative Governance, Diversification Business, Management Finance, Cooperative*

INTRODUCTION

In the history of economic development in Indonesia, cooperatives have played a significant role. Efforts to establish cooperatives as professional and resilient business entities, thereby accelerating the people's economy, have been made through the promulgation of Law No. 25 of 1992 concerning Cooperatives. Various case studies on cooperatives have shown that the existence of cooperatives not only benefits their members but also plays a role in job creation and improving the prosperity of the communities where these cooperatives operate. However, cooperatives are not without challenges related to business and governance management, which currently contribute to the still low contribution of cooperatives to the national GDP.

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Regency Blitar is one of the districts in East Java province with a high number of SMEs. One of the small business sectors growing in Blitar Regency is cooperative production. Cooperatives with production business units have the potential to become locomotives of small-scale economic growth in the region. However, despite the high potential for business development through cooperatives, the progress of business unit growth under cooperative management is still classified as low. In addition, financial management and reporting are also fundamental problems for the management of production cooperatives in Blitar Regency. The inability to manage finances by cooperative management could lead to potential bankruptcy problems for cooperatives.

Peter & Yoseph (2011), Sopian & Rahayu (2017), and Mengesha et al. (2014) stated that bankruptcy has a strong correlation with a company's uncertainty in its ability to continue its operations. Darsono (2017) asserted that the ability to predict bankruptcy would benefit many parties, especially creditors and investors. Astarina & Hapsila (2015) and Munawir (2004) stated that financial reports are the best tools to provide insight into what may happen in the future. One of the instruments used to predict bankruptcy is financial report analysis (Ambarrani, 2021; Listyarini, 2020). Therefore, mentoring cooperative administrators in strengthening financial governance is an urgent matter to avoid bankruptcy, serving as a foundation for business development.

Through these assistance activities, it is expected to strengthen cooperative administrators in developing business plans within the framework of business diversification. Additionally, it is expected to provide administrators with a proper understanding of financial management and reporting according to the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP).

RESEARCH METHODS

The activity of providing assistance to strengthen organizational governance, business processes, and financial reporting for sustainable business practices in cooperatives in Blitar Regency is depicted in the following activity scenario:

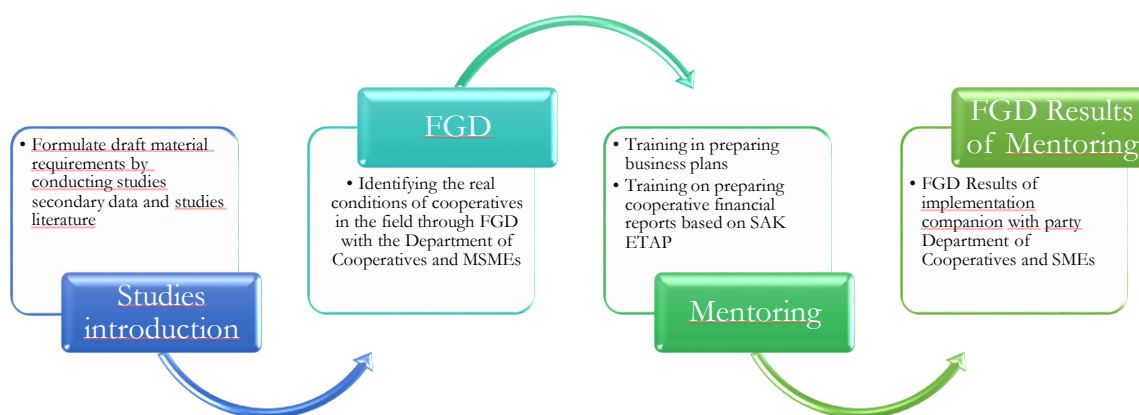


Figure 1. Mentoring activity Design

The introductory stage begins with a literature review, followed by a broad study using secondary data. The activities in this introductory stage are carried out to identify the need for information, which will later serve as the basis for developing the training and mentoring activity plan. The next stage involves an internal FGD aimed at identifying the real conditions of cooperatives in the field, conducted in collaboration with the Department of Cooperatives and MSMEs.

RESULTS AND DISCUSSION

With these steps, it is expected that cooperatives can make a greater contribution to local economic development and the improvement of members' welfare. The activity begins with a participatory approach, involving all cooperative stakeholders. This approach aims to gain support and active involvement from members, administrators, and supervisors. The activity starts with a literature review to gather basic information about the condition of cooperatives and the common problems encountered in this sector. Next, a field study is conducted to obtain secondary data on the condition of cooperatives in Blitar Regency, including the challenges and opportunities they face.

A. Preliminary Study

Based on the results of studies and analyses conducted, several main problems faced by cooperatives in Blitar Regency were identified, including:

1. Lack of Business Feasibility Analysis: Most cooperatives start and run business units without conducting a proper business feasibility analysis beforehand. This makes the cooperatives prone to business failure due to a lack of careful planning.

2. Minimal Business Diversification: Cooperative management generally lacks adequate capabilities to diversify their businesses. This makes it difficult for cooperatives to adapt to changing market conditions and leads to stagnation in their business development.
3. Limitations in Financial Management: The ability of cooperative administrators in financial management and reporting is still low. This not only impacts the sustainability of the cooperative's business but also reduces the cooperative's credibility in the eyes of stakeholders, such as banking institutions and government agencies.

Based on the findings in the field, assistance activities were carried out with the aim of strengthening cooperative administrators in several crucial aspects, namely:

1. Business Diversification: Assistance was provided to help cooperative administrators develop better business diversification plans. This was done through strategic planning focused on new business opportunities that align with local market conditions and the needs of cooperative members.
2. Financial Planning and Management: The implementation team also provided assistance in improving financial planning. Cooperative managers were taught how to prepare transparent and accountable financial reports, as well as how to manage cooperative finances efficiently, in order to enhance liquidity and business stability.
3. Managerial Capacity Improvement: Training was provided to enhance the managerial capabilities of cooperative administrators, particularly in decision-making, business strategy formulation, and financial reporting. It is expected that with this capacity improvement, cooperatives will be able to grow faster and more sustainably.

A. Focus Group Discussion

A Focus Group Discussion (FGD) with the Department of Cooperatives and MSMEs was also conducted to identify the real conditions of cooperatives in the field and to develop more targeted mentoring strategies. Through open discussions with the Cooperative Service and the District MSMEs Service of Blitar, the needs and challenges faced by cooperatives were identified. The following is the documentation of the FGD activities with the administrators of the District Cooperatives and MSMEs Service of Blitar:



Figure 2. FGD with the district Cooperatives and MSMEs Department Blitar

The results of the FGD activities are formulated in a way specific material activity assistance to administrator cooperative as following:

1. Principles of good governance
2. Standard relevant accounting for cooperative
3. Compilation and analysis finance report

B. Mentoring

The assistance activity was carried out in collaboration with the District Cooperatives and MSMEs Service of Blitar, which is the official government agency responsible for developing and supervising cooperatives in the region. The main focus of this collaboration is to ensure that cooperatives in Blitar Regency receive adequate support from the local government in the form of coaching, mentoring, and access to necessary resources for development. Below is the documentation of the assistance activities aimed at strengthening organizational governance, business processes, and financial reporting to ensure sustainable business practices for cooperatives.



Figure 3. Activities assistance with administrator cooperatives in the Blitar district

From this mentoring, it is expected that cooperatives in Blitar Regency will be able to:

1. Increase Transparency and Accountability: Improve the management of their finances, ensuring greater transparency and accountability.
2. Compile Systematic and Understandable Financial Reports: Develop financial reports that are systematic and easy to understand.
3. Build Solid Governance: Establish robust governance structures to support business sustainability.

Principles of Good Governance

Good governance ensures that an organization operates in a transparent, accountable, and efficient manner. The principles of good governance are crucial for increasing trust among members and other stakeholders:

1. Transparency
 - a. Explanation: All processes and decisions should be clearly communicated to members and stakeholders.
 - b. Implementation: Publish annual reports, conduct discussion forums, and use open communication channels.
2. Accountability
 - a. Explanation: Every member and administrator must be responsible for their actions and decisions.
 - b. Implementation: Develop mechanisms for internal and external audits and provide clear financial reports.
3. Participation
 - a. Explanation: All members should have the opportunity to be involved in the decision-making process.
 - b. Implementation: Hold regular meetings with members and provide effective channels for input.
4. Justice
 - a. Explanation: Every member must be treated fairly and equally, without discrimination.
 - b. Implementation: Formulate policies that guarantee members' rights and obligations in a proportional manner.

5. Efficiency and Effectiveness
 - a. Explanation: Resources should be used optimally to achieve organizational objectives.
 - b. Implementation: Develop performance indicators to evaluate the results and impact of programs or activities.
6. Compliance with Laws
 - a. Explanation: The organization must comply with all applicable regulations and legislation.
 - b. Implementation: Regularly monitor policy changes and participate in compliance training.
7. Openness of Information
 - a. Explanation: Important information should be accessible to members and the public.
 - b. Implementation: Use digital platforms to provide information such as financial reports, policies, and the latest news.
8. Management of Risk
 - a. Explanation: Identify and mitigate potential risks that could impact the organization's operations.
 - b. Implementation: Develop a risk management plan and conduct periodic evaluations.

Standard Relevant Accounting

1. Statement of Financial Accounting Standards (PSAK)
 - a. Explanation: PSAK is a collection of accounting standards prepared by the Indonesian Institute of Accountants (IAI) and applies to all entities in Indonesia, including cooperatives.
 - b. Relevance for Cooperatives: Adopting PSAK helps cooperatives prepare financial reports in accordance with applicable accounting principles.
2. PSAK 45: Accounting for Cooperatives
 - a. Explanation: PSAK 45 provides specific accounting arrangements for cooperatives, including recognition, measurement, presentation, and disclosure.

- b. Important Points:
 - Separate financial reports for members and cooperatives.
 - Prepare cash flow reports to provide a clear description of actual cash flow.
3. Recognition of Income
 - a. Explanation: Income must be recognized at the time the cooperative produces goods or services, not when cash is received.
 - b. Example: In a cooperative that sells products, revenue is recognized when the goods are sent, even if payment is received later.
4. Asset and Liability Management
 - a. Assets: Cooperatives must record assets at their measurable value and present a clear balance sheet.
 - b. Liabilities: Manage obligations and debts accurately to ensure the financial health of the cooperative.
5. Financial Reports: Cooperatives must prepare several key financial reports, including:
 - Balance Sheet: Shows assets, liabilities, and equity.
 - Profit and Loss Statement: Shows income and expenses for a specific period.
 - Cash Flow Statement: Describes cash inflows and outflows.
6. Notes on Financial Reports
 - a. Explanation: Cooperatives need to include explanatory notes on accounting policies, types of transactions, and other important details.
 - b. Goal: To enable members and stakeholders to better understand the financial reports

C. FGD Results of mentoring

The focus of this FGD was to explore members' experiences, challenges, and expectations related to strengthening organizational governance, business processes, and financial reporting in cooperatives. This mentoring is a strategic step to enhance cooperative performance and ensure the sustainability of its operations. The discussion was conducted in an interactive format with small group discussions to address key issues. The results of the FGD include:

1. Governance Challenges

- a. Many administrators find it difficult to comply with the principles of good governance.
 - b. There is a lack of adequate knowledge and training for administrators and members.
2. Financial Reporting
- a. Several members complained that financial reporting is not transparent and is difficult to understand.
 - b. The discussion highlighted the need for additional training on preparing clear financial reports.
3. Hopes and Action Plan
- a. Members expect improved involvement in decision-making processes.
 - b. There is a desire for periodic training on governance and accounting.
 - c. A recommendation was made to develop clear and measurable internal policies.
4. Commitment
- a. Managers demonstrated a commitment to implementing the results of the FGD through concrete action plans.
 - b. Support from local government is highly anticipated to strengthen the implementation of proposed policies.

This FGD highlighted a collective awareness of the importance of strengthening governance and transparency in financial reporting. In the future, it is expected that cooperatives in Blitar Regency will apply the results of this discussion to create more sustainable and efficient business processes, as well as to increase trust among members and the community.

CONCLUSION

The activity of assisting in strengthening organizational governance, business processes, and financial reporting for cooperatives in Blitar Regency has shown positive results. Through discussion forums, training, and workshops, participants—particularly administrators and cooperative members—have gained a better understanding of good governance principles and financial report preparation techniques. Challenges such as a lack of knowledge and understanding of accounting standards were identified as important areas that need resolution. However, there is a strong commitment from administrators to apply the training results and feedback from members to improve cooperative performance.

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