

## Participatory and Culture-Based Approach to Assess Cooperative Health

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### ARTICLE INFO

### ABSTRACT

#### Article history

Received 24 August 2024  
Revised 20 November 2024  
Accepted 1 December 2024

#### Keywords

Capitalization;  
Cooperative Health;  
Financial Performance;  
Operational Efficiency.

This study aims to analyze the health level of a *Baitul Mal wa Tamwil* (BMT) or an Islamic financing institution of Baranangsiang Cooperative by assessing aspects of financial performance and capital in accordance with the technical guidelines of the Deputy for Cooperatives No. 15 of 2021. This research focuses on identifying the causes of declining cooperative health predictions and providing strategic solutions to improve performance and public trust. This research uses quantitative methods with secondary data in the form of financial statements such as balance sheets, statements of business results, and cooperative health assessment working papers. The results show that the cooperative's health score in the financial performance aspect was classified as quite healthy with the capital aspect still in the healthy category. The decline in health scores was caused by the high ratio of operating costs to operating income, the increase in non-performing receivables, and the suboptimal risk management of receivables. A participatory and culture-based approach can improve the financial performance and capital of BMT Baranangsiang Cooperative, by creating a more inclusive and sustainable management

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## 1. Introduction

In business activities in Indonesia, there are various forms of legal entities of companies, one of which is cooperatives. As one of the components of the national economy, cooperatives are expected to develop into a means of business that can contribute to economic democracy in all fields. Cooperatives as one of the pillars of the economy in Indonesia must adopt a culture-based and participatory approach to maintain its relevance in the dynamics of modern society. Based on Law Number 25 of 1992 concerning cooperatives in Indonesia, it is considered that cooperatives as a people's economic movement or as a business entity that plays a role in realizing an advanced, just, and prosperous society based on Pancasila and the 1945 Constitution in the national economic system which is structured as a joint effort based on the principle of family and economic democracy.

A cooperative is an organization owned and operated by members to meet their economic, social, and cultural needs and desires together. Cooperatives prioritize the principles of justice, transparency, and active participation of their members in decision-making [1]. Cooperatives as business entities formed based on the principles of family and mutual cooperation, which aim to improve the economic welfare of their members by sharing profits and risks [2]. The main purpose of establishing a cooperative is to create a just, prosperous, prosperous, and independent society based on Pancasila and the 1945 Constitution [3]. The purpose of cooperatives is stated in Law No. 25 of 1992 concerning cooperatives, in Chapter II Article 3 states that the purpose of cooperatives is: "To advance the welfare of members in particular and society in general and to participate in building a national economic order in order to create an advanced, just and prosperous society based on Pancasila and the 1945 Constitution".

Savings and loan cooperatives are funds that must be paid by members to the cooperative within a certain time and opportunity which of course cannot be withdrawn as long as the person concerned is still a member [4]. The savings collected and distributed are principal savings which means the same amount of money that members must pay to the cooperative and cannot be withdrawn as long as the person concerned is a member. Furthermore, there are mandatory savings, which are a certain amount of savings that do not have to be the same for each cooperative.

Previous research states that as many as 21 cooperatives have been analyzed based on the capital aspect referring to the Technical Instructions of the Deputy for Cooperatives of the Ministry of Cooperatives and SMEs of the Republic of Indonesia No. 15 of 2021 concerning the Guidelines for the Cooperative Health Examination Working Paper [5]. This shows that the capital aspect of Cooperatives in Banjarmasin City in the 2022 financial year obtained an aspect of 82.5 with a healthy category. This score is represented by the capital adequacy indicator, namely the equity ratio to total assets, the capital adequacy ratio, and the capital management adequacy indicator, namely the ratio of member loan capital to total assets, and the ratio of long-term liabilities to equity. With the results of financial performance at the Sawit Makmur Cooperative which is reviewed from 3 aspects, financial performance evaluation, financial management and financial sustainability, the health level of the Sawit Makmur Cooperative is categorized as quite healthy [6].

Regulation of the Minister of State for Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, is released concerning Technical Instructions for the Deputy for Cooperatives Number 15 of 2021, which is Guidelines for the Cooperative Health Examination Working Paper (KKPKK). The classification of cooperative health assessment aspects is divided into 4 (four) points which include governance, risk profile, financial performance, and finally the capital aspect [7]. The purpose of the cooperative health assessment is to provide guidelines to assessors, cooperative movements, and the community so that cooperatives can carry out financing, investment, and savings business activities based on the cooperative's identity professionally in accordance with the principles of prudence and health, so that it can increase trust as much as possible and provide great benefits to members and prospective members [8].

The “BMT Baranangsiang” cooperative whose business is collecting funds and distributing loans to members needs to be managed professionally to increase trust and provide maximum benefits to members and the surrounding community. Assessment of capital aspects is also very necessary so that cooperative management is carried out professionally, effectively, and efficiently. Good cooperative management will produce policies that are in accordance with the objectives and support the progress of the cooperative. Therefore, to see the health of the cooperative, one should not only look at its financial aspects but also assess the capital aspects.

This study aims to analyze the health level of the BMT Baranangsiang Cooperative by assessing aspects of financial performance and capital according to the technical instructions of the Deputy for Cooperatives No. 15 of 2021 using a participatory and cultural-based approach since cooperative principles and practices often have roots in specific cultural values and traditions. A culture-based approach ensures that the assessment framework is aligned with the community's understanding of cooperation, fairness, and collective well-being. Cooperatives operate within diverse social and economic contexts. A culture-based approach helps to understand the local challenges, opportunities, and constraints faced by the cooperative, leading to more accurate and relevant assessments.

## **2. Method**

The approach used by researchers is quantitative descriptive research and uses formulas to help analyze the data and facts obtained. This research method is by means of observation, interviews, documentation and literature studies at the BMT Baranangsiang Cooperative [9]. This study focuses on the analysis of the health assessment of the BMT Baranangsiang Cooperative from the aspect of financial performance and capital based on the Technical Instructions of the Deputy for Cooperatives No. 15 of 2021. The 2 (two) aspects being investigated are the financial performance aspect and the capital aspect. The years of observation are 2022 and 2023.

## **3. Results and Discussions**

This research collected quantitative data from the financial report of the "BMT Baranangsiang" Cooperative which includes the Balance Sheet and Calculation of Business Results in 2023 and other supporting quantitative data are the results of the cooperative's health assessment (KKPKK) in 2023. The results of the ratio calculation analysis include aspects based on the Technical Instructions of the Deputy for Cooperatives No. 15 of 2021, but in this case the researcher focuses on 2 (two) aspects, namely, the financial performance aspect and the capital aspect. In years of 2022-2023 the "BMT Baranangsiang" Cooperative has conducted a cooperative health assessment based on Deputy Technical Instructions No. 15 of 2021.

BMT Baranangsiang prepared cooperative health assessment working paper (KKPKK) according to the Technical Instructions of the Deputy for Cooperatives No. 15 of 2023, and the results are described as follows.

The analysis of improving the health level of the "BMT Baranangsiang" Cooperative conducted by researchers focuses on two aspects, namely financial performance and capital aspects. Based on the Technical Instructions of the Deputy for Cooperatives No. 15 of 2021, the aspects assessed are given an assessment weight and score according to the magnitude of the influence on the health of the cooperative. The aspect assessment is carried out in numbers from 0 (zero) to 100 (one hundred).

The results of the BMT Baranangsiang cooperative health assessment found a ratio of only 1.23%, with a score of 1, which is included in the "unhealthy" category. As a comparison, this category uses an assessment where the BMT Baranangsiang cooperative still found a ratio of 5.24% with a score of 3, included in the "fairly healthy" category. Researchers found a drastic decrease in the ROA ratio of 4.01%. So from its total assets, the "BMT Baranangsiang" Cooperative must be able to achieve income higher than 1.23%. This can be achieved, among others, by adding new members and creating more diverse products.

The standard value of Deputy Technical Instruction No. 15 of 2021, if categorized as healthy, the ratio must be above 10%. Compared to the results of the 2022 health assessment, the "BMT Baranangsiang" cooperative found a ratio of 13.89% with a score of 4 "Healthy" predicates, this is one of the researchers' concerns because the comparison ratio decreased drastically from the "healthy" category to the "unhealthy" category, with a decrease ratio of 10.58%.

The results of the research on the financial performance of the operational independence aspect both showed a "healthy" predicate with a score of 4 with a ratio achievement above 120%. The research results on Operating Expenses to Operating Income show a ratio of 77.63% where operational costs to operational income are quite balanced.

Operating Costs to Gross SHU (profit sharing) Cooperatives of 79.97%, BMT Baranangsiang cooperative still gets the predicate "Less Healthy". Because in the last 2 years because of business costs, one of which is seen as a large amount, can be made efficient. This is due to the lack of operational income, and the existence of members who are not disciplined in saving mandatory savings every month, with business costs that continue to increase.

The research results of the category value of the "BMT Baranangsiang" cooperative on Loan Receivables and Financing to Members Against Total Loan Receivables found a perfect ratio of 100% with the "Healthy" category, so there were no problems found in the cooperative.

The results of the study on Non-Performing Loans to Total Receivables obtained a ratio of 180.49% with the predicate "Unhealthy" increased by 24.57% to 205.06% with the same predicate, namely "Less Healthy". This is a concern for researchers in the category of "BMT Baranangsiang" cooperatives there is no decrease in the ratio, after analysis it was found that the "BMT Baranangsiang" cooperative was less able to resolve problematic financing.

The results of the cash and bank category against short-term liabilities increased by 6.87% to 51.38% and obtained the predicate "Healthy". This is certainly a concern for researchers because the "BMT Baranangsiang" cooperative is able to recognize the use of services/interest correctly, and has strengthened the SOP on fundraising.

The ratio on Loan Receivables Against Funds Received results decreased by 5.5% to 66.67% and also obtained the predicate "Less Healthy". From the analysis of the increasing volume of member receivables due to the member verification stage to increase the loan ceiling requires an analysis of total savings, and it was found that there was a lack of member savings in upgrading financing. The Current Assets Against Short Term Liabilities ratio results are 154.60% respectively. This is because the "BMT Baranangsiang" cooperative is able to recognize the service habits (depositors) correctly, and has strengthened the SOP regarding the collection of current liability funds.

The result of the asset growth ratio of -1.81%, this has attracted the attention of researchers because there is a sign of unhealthy criteria with a ratio  $<4$ . From this problem, the researcher's analysis at the "BMT Baranangsiang" cooperative experienced problems in managing cash flow because members were reluctant to pay current credit obligations. The result of the fund growth ratio received was -2.17% with the category "Unhealthy", because it is still difficult to collect member debts that are difficult to contact the office. So that the income is still less than optimal due to being constrained by collection problems.

The result of the equity growth ratio was -6.67% with the category of "Unhealthy". The analysis conducted by the researcher found that the financial performance of the "BMT Baranangsiang" cooperative experienced a very drastic decline with an increase in member debt that was not fully paid to fill the cooperative's services/interest. The net operating income growth ratio decreased by -65% with the category "Unhealthy". This was caused by a decrease in member demand to apply for financing/credit, accompanied by an increase in the operational costs of the "BMT Baranangsiang" cooperative, and influenced by a decrease in service/interest payments by members who were not orderly in paying installments/credit in accordance with the provisions of the "BMT Baranangsiang" cooperative.

In this case, the main income to the total income of the cooperative "BMT Baranangsiang" did not find any problems. The results of the ratio of income to total income were 95.13%, so the management was able to align the main income from member participation and the total income of the cooperative even though the amount of income decreased.

The "BMT Baranangsiang" cooperative experienced a very drastic decline with a ratio of Net SHU to Principal Savings Mandatory Savings which is 12%, this was caused by a drastic decline in net SHU with increasing principal and mandatory savings or it could be that principal and mandatory savings were not managed properly for credit distribution to members. There is no problem with member savings because the income of the "BMT Baranangsiang" cooperative in determining the ratio of decline or increase in the results of

the cooperative health assessment, can maintain the predicate "Healthy" with a ratio of 97.87% in 2022 and get a ratio of 97.53% in 2023.

The result of the ratio of equity to total assets is 35.87%. This is because the "BMT Baranangsiang" cooperative is able to maintain its own capital against total assets. The capital coverage category by the "BMT Baranangsiang" cooperative is quite good with a ratio value of 59.71%, so the category is healthy. This is because the ATMR (Risk Weighted Assets) are included in the calculation of office inventory, researchers found that the "BMT Baranangsiang" cooperative rarely buys inventory items that tend to be expensive. The "BMT Baranangsiang" Cooperative was able to maintain its "Healthy" on the ratio of Member Loan Capital to Total Assets predicate with an increasing ratio, this is because the "BMT Baranangsiang" Cooperative has optimized member loans to finance its assets with a ratio value of 61.38%.

A participatory approach in BMT "Baranangsiang" empowers members and stakeholders by actively involving them in the assessment process. This builds ownership and ensures that the assessment reflects the perspectives and priorities of the community. The members start engaging with other members in the assessment process enhances transparency and builds trust between the cooperative and its stakeholders. A culture-based approach goes beyond simply evaluating financial performance. It considers social, environmental, and cultural dimensions of the cooperative's activities, providing a more holistic picture of its health. By understanding the cultural and social context, the assessment can identify factors that contribute to the long-term sustainability of the cooperative and its ability to serve its members and the community.

#### 4. CONCLUSION

Based on the results of the research conducted, it can be concluded that the health assessment of the "BMT Baranangsiang" cooperative based on the Technical Instructions of the Deputy for Cooperatives No. 15 of 2021, in terms of the overall aspect of the health value of the "BMT Baranangsiang" cooperative fell to 74.80 with the same predicate, namely "fairly healthy".

The financial condition and performance of the "BMT Baranangsiang" cooperative are still in quite good condition, although they have to increase members to fully rise and look for strong prospective members and carry out selection first to achieve a good level. From these conditions, it shows that the management of the "BMT Baranangsiang" cooperative is felt to be quite effective and efficient. A culture-based approach helps build member trust, while active participation increases the effectiveness of capital management. The values of family and mutual cooperation have proven to be the main factors in maintaining the financial stability of the cooperative. The distribution of financing needs to be more aggressive but remains selective and careful, so that the amount of financing increases which is expected to encourage increased income and profits shared.

Finally, insights gained from a participatory and culture-based approach can inform the development of tailored solutions and strategies for strengthening the cooperative's health

and resilience. By involving members in the assessment process, the cooperative can empower them to take action and implement the necessary changes to improve their organization. In essence, a participatory and culture-based approach to assessing cooperative health is essential for ensuring that the evaluation is accurate, relevant, and meaningful for the cooperative and its stakeholders. It fosters a deeper understanding of the cooperative's context, empowers members, and promotes holistic and sustainable development.

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