



## Preventive Revitalization Based on Good Cooperative Governance in the Cooperative of Progressive Farmer/Livestock Groups in Pari Village, Pantai Cermin District, Sei Rampah Regency, Indonesia

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### ABSTRAK

The purpose of this activity is the implementation of Community Service in the form of Socialization on "Preventive Revitalization Based on Good Cooperative Governance at the Maju Bersama Farmers/Livestock Farmers Group Cooperative in Pari Village, Pantai Cermin Subdistrict, Sei Rampah Regency, Indonesia," funded independently by myself, Adv. Dr. Hj. Maysarah, SH, MH, Lecturer at the Faculty of Law, Pembinaan Masyarakat Indonesia University. The urgency of this activity is that Preventive Revitalization Based on Good Cooperative Governance at the Maju Bersama Farmers/Livestock Farmers Group Cooperative provides education on Good Cooperative Governance, trains the cooperative in internal-external audits, and offers understanding of Criminal, Civil, and preventive Bankruptcy law, so that the material being socialized will be beneficial for the cooperative's management and members. Cooperative groups of farmers/livestock breeders are one of the pillars of the village community economy. They are family-based business entities as regulated in Law No. 25 of 1992, functioning as a means for distributing fertilizers, seeds, livestock feed, marketing harvest results, and distributing the remaining business profits (SHU)

## **INTRODUCTION**

Overview of the Pari Village Area, Pantai Cermin Subdistrict, Sei Rampah Regency, is a coastal village that directly borders the Malacca Strait, thus having great potential in the fisheries and marine products sector, marine/beach tourism, agriculture/plantation, and MSMEs processing marine products and coconut. This area is known as a tourist area with several beaches and garden ecotourism. 2. Demographic Condition: the population of Pari Village is around 7,306 people (2022 data), making it one of the largest villages in Pantai Cermin Subdistrict. This indicates – a fairly large human resource for the development of cooperatives/MSMEs, a sufficiently large internal village market, and high potential labor in the farming, fishing, and trading sectors. 3. Community Livelihoods Most of the community works as: - Fishermen, Farmers/plantation workers, - Small-scale livestock farmers, - Traders/MSMEs, - Daily laborers. This situation is suitable to be established or strengthened: - Farmers' cooperatives, - Fishermen's cooperatives, - Livestock farmers' cooperatives, - Savings and loan cooperatives. 4. Main Village Potentials of Kota Pari Village: a. Tourism potential has beach tourist attractions such as: - Pondok Permai Beach, - Woong Rame Beach, - Mutiara 88 Beach, - Kuala Dewi Indah Beach. b. Agricultural/Plantation Potentials; - Honey guava, - Pandan coconut, - Community plantation crops. c. MSME Potentials Local products: - Palm sugar, - Shrimp paste, - Processed seafood products. 5. Common Problems. Field analysis for PKM usually finds the following problems; a. Cooperative Problems. - Cooperative management is not professional, - Has not implemented Good Cooperative Governance, - SHU is not transparent, - commission distribution is unclear, - financial administration is manual, - risk of fund misuse/fraud. b. Economic Problems; - harvest/sea products are sold cheaply to middlemen, - limited access to capital, - digital marketing is still low. c. Human Resources Problems; - low understanding of cooperative law, - low digital literacy, - minimal business management training. d. Legal Problems. If the cooperative faces issues, it can result in; - default, embezzlement, internal corruption, - profit-sharing disputes. 6. SWOT Analysis; - Strengths: - strategic coastal location, - abundant natural resources, - large productive population, - tourism potential. Weaknesses: - weak cooperative management, limited capital, - low management human resources. Opportunities: - development of marine tourism, - digital marketing of home industry products, - government/CSR assistance, - strengthening modern cooperatives. Threats: - middlemen control prices, - internal cooperative conflicts, - corruption/misuse of funds, - extreme weather changes affecting fishermen. Suitable PKM solution: "Preventive Revitalization based on Good Cooperative Governance for the advanced farmer/livestock cooperative group in Kota Pari Village." Possible solutions: 1. Cooperative legal counseling, 2. Cooperative management training, 3. Creating cooperative SOPs, financial report digitization, 5. Cooperative anti-corruption education, 6. Marketing strategy for farmer/livestock products, 7. Establishment of cooperative business units.

However, in practice, many cooperatives experience problems such as;

1. Lack of financial transparency;
2. Absence of internal and external audits;
3. Unequal distribution of commissions/profit shares;
4. Suspected criminal acts of embezzlement, corruption, or fraud;
5. Breach of contract in the procurement of fertilizers or feed;
6. Risk of bankruptcy due to mismanagement.

### **Explanation;**

In practice, cooperatives, which are supposed to be a means of improving members' welfare, often face various managerial and legal problems. Some of these common issues can be explained as follows:

#### **Lack of Financial Transparency**

Financial transparency means that all income, expenses, assets, debts, and profits of the cooperative are recorded and reported openly to the members. In many cases, the management does not prepare regular financial reports or the reports are only known to certain parties. As a result:

- members do not know the financial condition of the cooperative;
- vulnerable to data manipulation;
- triggering internal conflicts and loss of members' trust.

For example: members' savings funds are used for other purposes without the approval of the members' meeting.

#### **Absence of Internal and External Audit**

An audit is an examination of the management of the cooperative's finances and operations.

- Internal audit is conducted by the cooperative's internal supervisor or team to check the appropriateness of fund usage.
- External audit is conducted by a public accountant or independent agency to ensure objective reporting.

If an audit is not conducted, then:

- Irregularities are difficult to detect;
- Fund leakage continues for a long time;
- Administrative errors keep recurring..

#### **Unequal Distribution of Commissions/SHU**

SHU (Remaining Business Results) should be distributed according to the principle of fairness based on:

- The size of members' savings;
- Members' business participation;
- Decisions of the members' meeting.

Problems arise if the management distributes SHU only to certain groups or takes excessive commissions. This causes:

- Social jealousy
- Conflicts among members
- Alleged abuse of authority

### **Alleged Criminal Acts of Embezzlement, Corruption, or Fraud**

In a cooperative, criminal acts can occur if the management or other parties intentionally take or misuse the cooperative's funds. For example:

- Embezzlement: cooperative funds used for personal purposes;
- Corruption: mark-up on procurement of goods or manipulation of the budget;
- Fraud: making false reports so that members provide additional capital.

This action can be prosecuted under:

- The Criminal Code for embezzlement and fraud;
- The Corruption Law if there are elements of state financial losses.

### **Breach of Contract in Fertilizer or Feed Procurement**

Cooperatives often enter into business agreements with third parties for the procurement of fertilizer, seeds, or animal feed. A breach occurs if one of the parties: tidak menyerahkan barang;

- Late in delivering goods
- Goods' quality not according to the agreement
- Not paying as agreed

The legal consequences can include:

- compensation;
- contract cancellation;
- civil lawsuit in court

### **Risk of Bankruptcy Due to Mismanagement**

Mismanagement of a cooperative can cause debts to exceed assets. For example, because:

- Member bad debts;
- Failed investments;
- Uncontrolled spending;
- Internal corruption.

If the cooperative is unable to pay debts that have matured, the cooperative can be petitioned for bankruptcy based on the Bankruptcy Law.

The impact:

- Cooperative assets are seized and sold
- Business stops;
- Members lose their savings or capital

## IMPLEMENTATION AND METHOD

### 1. Report Observation

Reviewing the condition of the cooperative

### 2. Socialization

Legal counseling for cooperatives

### 3. Training

Internal-external audit training.

### 4. Dispute Resolution Simulation

- Criminal Path
- Civil Path
- Administrative Path

### 5. Evaluation

Measuring participants' understanding

## RESULTS AND DISCUSSION

### Participant Profile

No.	Participant Category	Amount
1	Cooperative member	25
2	Cooperative Management	8
3	Farmer/Livestock Group	22
4	Total	55

2022 : Profit Rp50.000.000
2023 : Loss Rp100.000.000
2024 : Loss Rp400.000.000
2025 : Loss Rp650.000.000

This chart shows that the cooperative's losses increase significantly every year due to suspected:

1. Corruption/embezzlement;
  2. Fertilizer mark-up;
  3. Fictitious financial statements;
  4. Excessive commission distribution;
  5. Weak internal auditing.
- "Based on the cooperative loss graph from 2022–2025, there is a clear trend of a significant decline in financial condition, thus requiring internal-external audits and civil/criminal/bankruptcy legal actions."
  - "Based on the cooperative loss graph from 2022–2025, there is a significant downward trend in financial condition, so internal-external audits and civil/criminal/bankruptcy legal measures are needed."

This chart shows that the cooperative's losses have increased significantly every year due to suspected:

1. Corruption/embezzlement
2. Fertilizer markup
3. Fictitious financial reports
4. Excessive commission distribution
5. Weak internal auditing

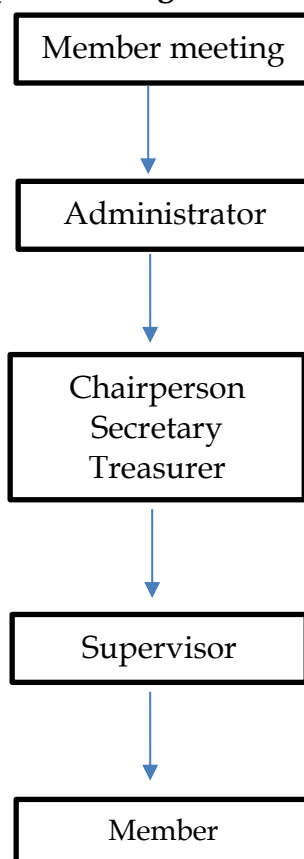
### Real Case Example / Case Simulation

Table 1. Financial Balance Sheet Simulation

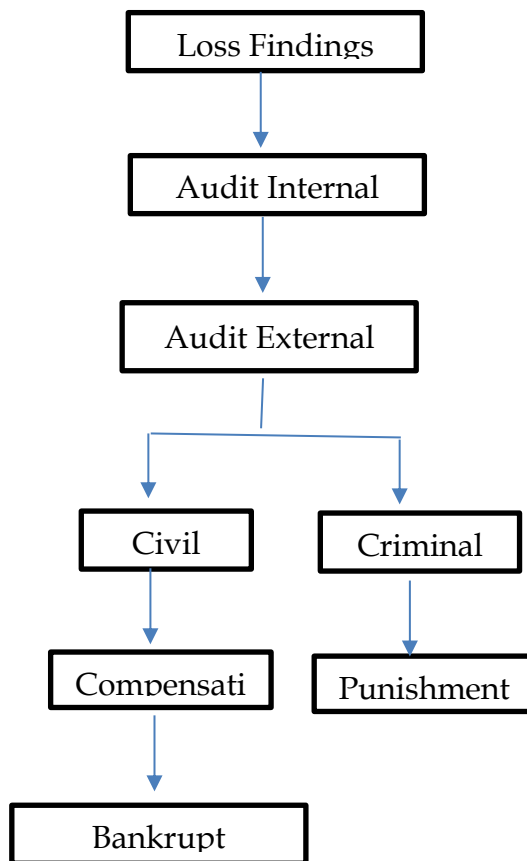
Year	Ccapital	Income	Expenditure	Profit/loss
2022	500.000.000	700.000.000	650.000.000	50.000.000
2023	700.000.000	900.000.000	1.000.000.000	-100.000.000
2024	1.000.000.000	1.200.000.000	1.600.000.000	-400.000.000

(Must be signed by the head of finance and all management as well as the audit team, every (closure of the annual books)

### Appendix 2. Cooperative Organizational Structure



### Appendix 3. Legal Resolution Flowchart



#### Novelty

This research has novelty because:

#### Combining analysis

##### a. Cooperative Law

The legal basis of cooperatives in Indonesia refers to Law Number 25 of 1992 concerning Cooperatives. Focus of analysisn whether the cooperative implements cooperative principles. Voluntary membership, Democratic management. Equitable distribution of surplus/higher returns (SHU) Transparency of financial reports

#### Assessing the Role

Annual General Meeting (AGM)

Management

Supervisory Board

Example case: If the management does not distribute the SHU for 3 years, there is an indication of a violation of cooperative principles.

##### b. Criminal Law

Used if elements of a criminal act are found such as: Embezzlement of cooperative funds; Corruption of government aid funds; Financial statement fraud.

Legal basis: The Criminal Code and Law Number 31 of 1999 concerning the Eradication of Corruption Crimes

**Analysis**

Embezzlement article

Fraud article

Corruption article if the funds come from the Regional/State budget.

Example: The management used Rp300 million of fertilizer funds for personal purposes.

c. Civil Law;

Used for Breach of fertilizer/feed contract, member lawsuits against management, claims for damages.

**Legal basis**

Civil Code

**Analysis**

Obligation relationships

Breach of contract

Unlawful acts

Example: Supplier does not deliver fertilizer according to the contract.

d. Bankruptcy Law.

If a cooperative is no longer able to pay its debts.

**Legal basis**

Law Number 37 of 2004 concerning Bankruptcy and Suspension of Debt Payment Obligations (PKPU)

**Analysis**

At least two creditors;

There is a debt that is due.

Example: The cooperative has fertilizer debt, bank debt, and is unable to pay.

**Using an internal-external audit model**

To identify sources of loss and prevent recurring corruption.

Internal Audit

Conducted by Cooperative supervisors

RAT (Internal investigation team)

Function:

Examine financial statements

Check SHU

Check cash

Example: Cash should be Rp500 million, actually only Rp100 million.

### External Audit

Conducted by public accountants, Cooperative office, inspectorate, Law enforcement officers.

### Function:

To test the accuracy of internal audits

To determine criminal/civil elements

Flow model: Loss Findings → Internal Audit → External Audit → Mediation / Civil Lawsuit / Criminal Report / Bankruptcy

### Focus on Preventing Recurring Corruption

The main goal is not only to punish, but to prevent repeated incidents.

### Prevention methods:

1. Digitization of cooperative finances;
2. SOP for fund disbursement;
3. Dual approval;
4. Regular audits;
5. Mandatory annual RAT;
6. Transparency to members;
7. Blacklisting former administrators.

### Theories used:

Good Cooperative Governance

Fraud Triangle Theory

Pressure

Opportunity

Rationalization

Based on real cases of the farmer/livestock cooperative 'Maju Bersama' in Pantai Cermin Subdistrict, Sei Rampah Regency.

### Research object:

Pantai Cermin Subdistrict and Sei Rampah

### Research object:

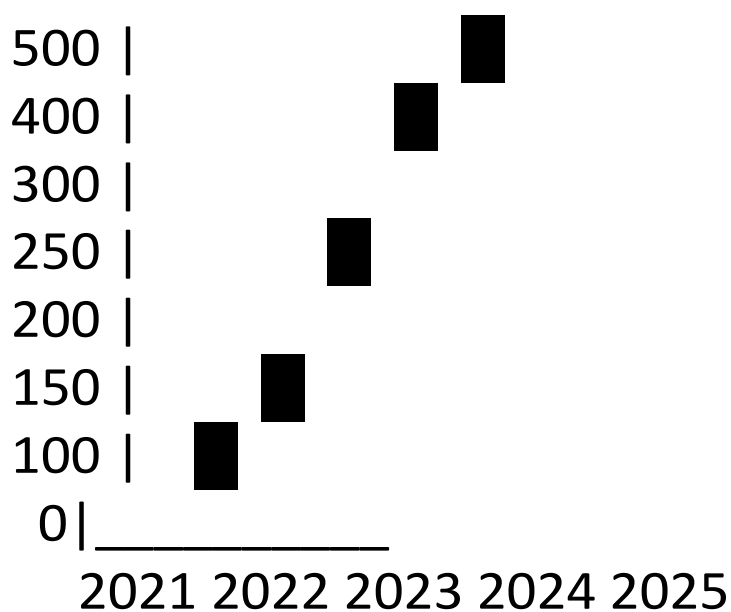
### Example of a real problem:

Year	loss	Cause
2021	Rp 100.000.000	SHU is not distributed
2022	Rp 150.000.000	Allegation of embezzlement
2023	Rp 250.000.000	Crop failure + mismanagement
2024	Rp 400.000.000	Non-performing loan
2025	Rp 500.000.000	Allegation of aid fund corruption

Bar Chart of Losses of the Advanced Joint Farmer/Livestock Cooperative  
Data on cooperative losses over the past five years:

Year	Loss
2021	Rp 100.000.000
2022	Rp 150.000.000
2023	Rp 250.000.000
2024	Rp 400.000.000
2025	Rp 500.000.000

Grafik batang



Interpretation: Losses have experienced a significant increase, especially in 2024–2025, which is suspected to be due to:

- bad loans;
- misuse of funds;
- weak oversight.

### Material Presented

The following is a systematic explanation of these topics that can be used for proposals, journals, or PKM reports.

### Definition of a Healthy Cooperative

The Ministry of Cooperatives and SMEs of the Republic of Indonesia defines a healthy cooperative as a cooperative that operates according to cooperative principles, has good management, stable financial conditions, and provides real benefits to its members.

## Characteristics of a healthy cooperative

### 1. Orderly administration

Having a membership book, financial reports, meeting minutes, and complete legal documents

### 2. Healthy finances

- Balanced balance sheet
- Not many bad debts
- Positive net income
- Controlled cash

### 3. Regular Annual Member Meeting (RAT)

RAT is the highest authority of the cooperative.

### 4. Active management and supervisors

The management runs the business, the supervisors oversee.

### 5. Business is running and profitable

For example, a farming cooperative sells fertilizer, harvests, or animal feed.

### 6. Active members participate

In savings, transactions, and decision-making

## CONCLUSION AND RECOMMENDATIONS

A healthy cooperative is a cooperative that:

- Transparent,
- Profitable,
- Routine GMS,
- SHU distributed fairly,
- Free from corruption,
- Has a clear dispute mechanism.

If this is applied to farmer/livestock cooperatives like in Pari Village, Pantai Cermin District, Sei Rampah Regency, then the risk of repeated corruption can be reduced and the welfare of the members increased.

No	Material	Speaker
1	Cooperative governance	PKM Team
2	Legal aspects of cooperatives	PKM Team
3	SOP for SHU distribution	PKM Team

### Participant Enthusiasm and Participation

Participants appeared to be active until the end of the event, during discussion and Q&A sessions. Many participants expressed complaints regarding the distribution of commissions and the transparency of financial reports, especially the annual lucky draw which reached IDR 1,000,000,000 (One billion rupiah) from customer savings amounting to only IDR 10,000,000 per

customer, resulting in capital turnover losses due to the large commission distributions to members, which led to suspicions that the management committed corruption, while covering up the very large annual member commission costs.

### **Problems found in the field based on the results of discussions**

Here is an explanation of the five main problems that often occur in cooperatives, especially in farmer/livestock group cooperatives

#### **The Absence of Routine Financial Reports**

Routine financial reports are a form of accountability of the management to the cooperative members. If there is no financial report, then:

- Members do not know the condition of cash, assets, debts, and profits of the cooperative.
- It is difficult to detect any misuse of funds or corruption.
- It lowers members' trust in the management.
- It hinders the process of internal and external audits.

Legally, this contradicts the principle of transparency in Law Number 25 of 1992 on Cooperatives, which requires the management to present accountability reports at the Annual Members Meeting (RAT).

Solution:

- Prepare monthly, quarterly, and annual reports.
- Use a cash book/manual or simple accounting application.
- Conduct periodic audits.

#### **SHU Not Distributed Transparently**

Cooperative Surplus (SHU) is the profit of a cooperative that is distributed to members according to their business/service or capital contribution.

If the SHU distribution is not transparent:

- It raises suspicions of manipulation.
- Members feel disadvantaged.
- It causes internal conflict.
- It has the potential to become a civil or criminal dispute if there is an element of embezzlement.

Example:

A profit of Rp100 million, but members do not know the basis for the distribution.

Solution :

- The SHU formula must be clearly written in the Articles of Association/Bylaws.
- Announced publicly at the General Meeting of Members.
- Distributed based on actual member transaction data.

#### **The Absence of Cooperative SOP**

SOP (Standard Operating Procedure) is a written work guideline. Without an SOP:

- Management works arbitrarily/inconsistently.
- The processes of loans and savings, fertilizer purchases, commission distribution, and financial recording become chaotic.
- It makes the abuse of authority easier.

Examples of required SOPs:

- Savings and loan SOP
- Goods/fertilizer purchasing SOP
- Profit sharing SOP
- Audit and reporting SOP
- Conflict resolution SOP

Solution: Prepare written SOPs and approve them through a members' meeting.

### **Lack of Legal Understanding of the Management**

Many cooperative managers only understand the technical aspects of business, but lack understanding of legal aspects, such as:

- Cooperative law
- Civil law (breach of contract, debts)
- Criminal law (embezzlement, fraud, corruption)
- Bankruptcy law

As a result:

- Mistakes in making contracts/agreements.
- Mistakes in making decisions regarding the use of funds.
- Potentially at risk of criminal liability.

Example: Management uses cooperative funds for personal purposes → can be categorized as embezzlement according to the Criminal Code.

Solution:

- Legal counseling for management.
- Good Cooperative Governance training.

Assistance from academics/notaries/legal consultants.

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Kitab Undang-Undang Hukum Pidana.

*Maysarah*

Kitab Undang-Undang Hukum Perdata.

Undang-Undang Tindak Pidana Korupsi.

Undang-Undang Kepailitan dan PKPU.