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Determinants of Savings and Loan Cooperative Development: The Role of Member Participation and Financial Literacy

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ABSTRACT

Despite their vital role in community empowerment, many cooperatives encounter challenges arising from low levels of member participation and inadequate financial literacy. These issues often hinder the effectiveness and sustainability of cooperative operations. As such, the purpose of this study was to determine the extent of the Influence of Member Participation and Financial Literacy on Cooperative Development at the Ibu Mandiri Berprestasi Cooperative, Palangki Village, Sijunjung Regency. This quantitative study involved a population consisting of 48 cooperative members. The study employed a total sampling approach for participant selection and collected data through questionnaires. The finding showed that Member Participation (X1) significantly influences Cooperative Development. Similarly, Financial Literacy (X2) demonstrated a significant impact on Cooperative Development. The F-test results indicated that both Member Participation and Financial Literacy collectively influence Cooperative Development in a statistically significant manner. The findings emphasize the need to increase member participation as well as financial literacy in order to reinforce cooperative development and guarantee durability.

Keywords: Member Participation, Financial Literacy, Cooperative Development

1. Introduction

Savings and credit cooperatives are a type of cooperative that plays an important role in the community's economy, particularly in providing financial access to their members. One cooperative that is active in improving the welfare of its members is the Ibu Mandiri Berprestasi Savings and Credit Cooperative located in Nagari Palangki. This cooperative plays an important role in community economic empowerment, especially by providing affordable financial services to its members. However, to ensure the sustainability and development of the cooperative, there are two main factors that greatly influence it: member participation and financial literacy.

Member participation reflects the extent to which members are involved in cooperative activities, such as making deposits, using loan services, and contributing to decision-making (Carmela et al., 2023). Without high participation from members, cooperatives will face difficulties in developing and achieving the social and economic goals that have been set (Zen & Lestari, 2022). In addition, financial literacy becomes an important aspect in cooperative financial management. Members who have knowledge and skills in managing personal finances, understanding financial products, and making wise financial decisions will be more likely to utilize cooperative services optimally. Conversely, low financial literacy can cause members to not maximize available services or even get trapped in detrimental financial practices.

At the Ibu Mandiri Berprestasi Savings and Credit Cooperative, this phenomenon is very important to research further. Although this cooperative has many active members, not all members have a good understanding of the financial products and services offered. Despite progress in several areas, the level of member participation and financial literacy remains an issue that needs deeper exploration. Many members do not fully understand how cooperatives work, existing financial products, and the long-term benefits they can obtain. Limited participation in cooperative activities can hinder the development and sustainability of the cooperative itself.

Based on the background above, this study intends to examine the effect of member participation and financial literacy in the Ibu Mandiri Berprestasi cooperative in Palangki Village, Sijunjung Regency. The results are anticipated to inform approaches to improving sustainable cooperative engagement and success through a renewed focus on encouraging active participation from members or enhancing financial literacy as pervasive enablers of cooperative development and empowerment of any community economically.

2. Literature Review

2.1. Member Participation

Member participation refers to all activities carried out by members to fulfill their obligations and utilize their rights in the organization. Based on this understanding, it can be concluded that cooperative member participation includes active involvement in programs implemented by the cooperative, both in carrying out obligations and receiving available rights (Rahman, 2022). In addition, member participation also involves mental and emotional involvement of individuals that encourages them to contribute and cooperate in the cooperative to achieve desired goals (Carmela et al., 2023).

2.1.1. Factors Affecting Member Participation

Member participation in cooperatives is influenced by several interrelated factors. First, education about cooperatives or the level of member understanding plays a crucial role in enhancing members' operational skills and engagement within the organization. In addition, the quality of services provided by the cooperative significantly affects member involvement, as better services tend to attract and retain active members. Motivation to gain benefits, whether economic or social, also drives members to participate more actively. Furthermore, member satisfaction tends to increase in line with the cooperative's progress, fostering a stronger sense of belonging. The level of trust members place in the cooperative is another key determinant, as high trust encourages consistent participation. Lastly, the broader business environment in which the cooperative operates can either support or hinder member engagement, depending on how favorable or challenging the external conditions are.

2.1.2. Benefits of Member Participation in Cooperatives

Active member participation brings various benefits to cooperatives and their members. Firstly, it contributes to improved cooperative performance, as engaged members are more likely to support cooperative activities, provide input, and ensure operational sustainability. Participation also leads to member empowerment, where individuals gain knowledge, skills, and confidence through involvement in decision-making processes. In turn, this fosters satisfaction and loyalty among members, as they feel their voices are heard and their interests are represented. Lastly, strong participation reinforces democratic leadership within the cooperative, ensuring that governance remains transparent, accountable, and aligned with collective goals.

2.2. Financial Literacy

Financial literacy is strongly linked to the way finances are managed, with improved financial literacy leading to more effective financial management (Frimpong et al., 2022; Mitchell & Lusardi, 2022). Financial management involves a range of activities such as planning and control that are essential for securing financial well-being (Sudirsa et al., 2023). Research by Azzuhro et al. (2023) explains that the concept of financial literacy involves a set of actions or exercises aimed at enhancing an individual's understanding, abilities, and self-assurance in order to better handle their own finances.

2.2.1. Aspects of Financial Literacy

Financial literacy includes four main aspects: (1) money and transactions, involving daily financial activities; (2) financial planning and management, which refers to budgeting and goal setting; (3) risk and profit, focusing on assessing financial risks and returns; and (4) financial landscape, covering awareness of financial products, institutions, and systems.

2.2.2. Significance of Financial Literacy

Financial literacy is crucial as it enables individuals to manage income wisely, make informed financial decisions, handle debt efficiently, maintain financial stability, and plan for the future. It also helps reduce financial risks, supports economic development, and enhances overall financial well-being.

2.3. Cooperatives

Cooperatives are organizations whose members have economic limitations, where through this cooperation, they hope to obtain economic benefits (Jones & McKenna, 2018). Each member provides services to each other and cooperates openly and voluntarily. In cooperatives, all members have equal rights and obligations, which do not depend on the size of capital contribution as in public companies. Risks and profits in cooperatives are shared and borne fairly (Widodo et al., 2022).

Cooperatives are social institutions involving many individuals engaged in economics, where every person or legal entity can join and leave freely. Cooperative business is run according to cooperative principles and functions as a people's economic movement based on family principles, with the aim of improving member welfare (Moan et al., 2023).

2.3.1. Cooperative Principles

The principles applied in cooperatives include voluntarism, independence, democracy, openness, mutual cooperation, and respect for individuality. These principles guide cooperative operations to ensure inclusive, autonomous, and participatory member involvement.

2.3.2. Types of Cooperatives

Different kinds of cooperatives exist, such as savings and credit cooperatives, consumer cooperatives, producer cooperatives, multi-purpose cooperatives, and service cooperatives. Each type serves different member needs based on their economic activities and shared interests.

3. Methodology

The method applied in this research is a quantitative approach, which is a procedure or technique in solving problems by describing or depicting current phenomena, based on existing facts, and conducting statistical analysis (Sugiyono, 2019). The variables analyzed in this study include the Influence of Member Participation and Financial Literacy on Cooperative Development at Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency. This study took place in Nagari Palangki, Sijunjung Regency, West Sumatra Province, with the research object being members of the Ibu Mandiri Berprestasi Savings and Credit Cooperative. This study consisted of a total of 48 individuals, all of whom were included in the research sample.

4. Results and Discussion

4.1. Multiple Linear Regression Analysis

The equation for multiple regression can be expressed in the following manner:

$$Y = a + b_1X_1 + b_2X_2 + e$$

In this study, a multiple linear regression model was used with the help of SPSS version 22 program with regression analysis results that can be seen as follows:

Table 1. Multiple Linear Regression Analysis Results

Variable	T	Sig.
(Constant)	2.050	.046
Member Participation (X1)	2.400	.021
Financial Literacy (X2)	2.640	.011

a. Dependent Variable: Total_Y

Source: Research Data Processed with SPSS Version 22

With reference to the provided table, the data from the regression coefficients indicates the possibility of formulating a multiple linear regression equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

$$Y = 14,497 + 0.345X_1 + 0.307X_2 + e$$

Where:

Y : Cooperative Development
a : Constant
b : Regression coefficient
X1 : Member Participation
X2 : Financial Literacy
e : Standard error

According to the equation for multiple linear regression provided above, the concept can be interpreted in the following manner:

- 1) A constant of 14.580 indicates that if the values of Member Participation and Financial Literacy remain constant or zero, then Cooperative Development at Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency will increase by 14.580.
- 2) The positive association between Member Participation and Cooperative Development is corroborated by the regression coefficient of 0.345 for X1. This means that every 1-unit increase in Member Participation variable (X1), with other variables remaining constant, will increase Cooperative Development at Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency by 0.345 units.
- 3) The regression coefficient for Financial Literacy variable (X2) of 0.307 units, which is also positive, indicates a positive relationship between Financial Literacy (X2) and Cooperative Development (Y). In other words, every 1-unit increase in Financial Literacy variable (X2), with other variables remaining constant, will increase Cooperative Development at Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency by 0.307 units.

4.2. Coefficient of Determination Test (R²)

Table 2. Coefficient of Determination Test Results (R²)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515 ^a	.265	.232	3.669

a. Predictors: (Constant), Financial Literacy, Member Participation

Source: Research Data Processed with SPSS Version 22

Based on the table above, the R value of 0.515 shows a fairly strong relationship between the dependent variable (Cooperative Development) and independent variables (Member Participation), with a correlation level of 51.5%. In addition, the R Square value of 0.265 indicates that only 26.5% of the dependent variable is impacted by the independent variables. The other factors, like member competence and performance, contribute to the remaining 73.5% of influence that was not explored in this research.

4.3. t-Test (Partial)

Table 3. t-Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.497	7.073		2.050	.046
	Total_X1	.345	.144	.314	2.400	.021
	Total_X2	.307	.116	.346	2.640	.011

a. Dependent Variable: Cooperative Development Source: Research Data Processed with SPSS Version 22

Source: Research Data Processed with SPSS Version 22

As demonstrated in Table 3, the t-value for the variable of Member Participation (X1) is 2.400, which is greater than the t-table of 2.014 and the significance value of 0.021 is less than 0.05. This indicates that the alternative hypothesis (Ha) is accepted while the null hypothesis (H0) is rejected. Thus, it can be inferred that the Member Participation variable plays a significant role in the development of cooperation at the Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency (Y).

Given the t-value of 2.640 and p-value of 0.011, Financial Literacy (X2) has a statistically significant impact, leading to the acceptance of Ha and the rejection of H0. This proves that Financial Literacy variable significantly influences Cooperative Development at Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency (Y).

4.4. F-Test (Simultaneous)

Table 4. F-Test Results

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	218.302	2	109.151	8.110	.001b
Residual	605.677	45	13.459		
Total	823.979	47			

a. Dependent Variable: Cooperative Development

b. Predictors: (Constant), Financial Literacy, Member Participation

Source: Research Data Processed with SPSS Version 22

Based on the table 4, F-value of 8.110 with significance level 0.001 was obtained. F-table value at 5% significance level is 3.20 (see F table). Therefore, since F-value $8.110 > F\text{-table} (3.20)$ and significance level $0.001 < 0.05$, then H0 is rejected and Ha is accepted. This shows that independent variables (Member Participation and Financial Literacy) have significant and simultaneous influence on the dependent variable (Cooperative Development at Ibu Mandiri Berprestasi Savings and Credit Cooperative in Nagari Palangki, Sijunjung Regency).

5. Conclusion

The study confirms that Cooperative Development (Y) at the Ibu Mandiri Berprestasi Savings and Credit Cooperative is affected by Member Participation (X1) and Financial Literacy (X2). The findings reveal a multiple linear regression equation: $Y = 14.497 + 0.345X_1 + 0.307X_2 + e$. The t-value for Member Participation was 2.400, exceeding the t-table of 2.014, with significance at 0.021, below 0.05. This means H_a is accepted and H_0 is rejected, demonstrating that Member Participation significantly affects Cooperative Development. For Financial Literacy (X2), the t-value was 2.640, surpassing the t-table of 2.014, with significance at 0.011, also below 0.05. This shows H_a is accepted and H_0 is rejected, confirming that Financial Literacy significantly impacts Cooperative Development. The F-test reveals an F-value of 8.110, exceeding the F-table of 3.20, with significance at 0.001, below 0.05. Thus, H_0 is rejected and H_a is accepted, showing that both independent variables (Member Participation and Financial Literacy) jointly influence the dependent variable (Cooperative Development) significantly. The combined effect is evidenced by the R Square coefficient of determination at 0.265, indicating that the independent variables account for 26.5% of the influence on the dependent variable, while 73.5% comes from other factors not examined in this research, including member competence and member performance.

In light of these findings, several recommendations are proposed to support the future development of cooperatives in Nagari Palangki, Sijunjung Regency. First, the Ibu Mandiri Berprestasi Savings and Credit Cooperative is encouraged to routinely conduct training and outreach programs aimed at enhancing member awareness and understanding of the importance of active participation, which can be facilitated through regular meetings, seminars, or workshops. Second, it is important to provide Financial Literacy training covering topics such as personal financial management, financial product comprehension, and investment strategies, potentially in collaboration with financial institutions or advisors. Third, organizing regular discussion forums involving all members is advisable to foster a sense of engagement and collective motivation. Fourth, the cooperative is encouraged to implement a reward system for members who actively participate and demonstrate strong financial literacy, as this may inspire broader participation. Lastly, it is recommended to carry out regular evaluations to assess the impact of both member participation and financial literacy on cooperative development, thereby identifying areas for continuous improvement.

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