

## Research article

# Capacity Building with Human Resource Development, Strengthening Organizations, and Institutional Reform to Achieve Cooperative Success in Sukabumi During the COVID-19 Pandemic

Wawan Ruswandi\* and Heri Patandung

Sekolah Tinggi Ilmu Ekonomi PGRI Sukabumi, Indonesia

**Abstract.**

The government of Indonesia, through the Cooperative Recovery Section and Small and Medium Enterprises, continued to carry out its policies during the COVID-19 pandemic, one of which was increasing the quality, health, independence, and resilience of modern cooperatives in the community. However, to realize this, all parties are required to work together for increasing existing resources to further increase the success of cooperatives. One way to do that is to implement a capacity-building strategy, which is a series of strategies aimed at increasing organizational success that is efficient, effective, and responsive. This research determines the effect of capacity building on the success of cooperatives in the city of Sukabumi. The method used was causality associative analysis, and the population was cooperatives in the Sukabumi area. Data were analyzed using the covariance-based SEM analysis.

**Keywords:** human resources development, organizational strengthening, institutional reform, cooperative success

Corresponding Author: Wawan Ruswandi; email: wawan.mini75@gmail.com

Published: 28 September 2022

Publishing services provided by Knowledge E

© Wawan Ruswandi and Heri Patandung. This article is distributed under the terms of the [Creative Commons Attribution License](#), which permits unrestricted use and redistribution provided that the original author and source are credited.

Selection and Peer-review under the responsibility of the ICESRE 2021 Conference Committee.

## 1. Introduction

Cooperatives are institutions that are expected to be able to accelerate the health of the community's economy, especially during the COVID-19 pandemic. The existence of cooperatives as a self-supporting community economic movement based on the will, strength, and participation of the community to realize mutual prosperity, As mandated by the 1945 Constitution Article 33 paragraph 1 concerning the economy built on the basis of kinship for a joint effort, it is not easy to achieve the success of cooperatives and is very far from expectations. Although government regulations through the Cooperatives and Small and Medium Enterprises Recovery Section (Ministry of Cooperatives and SMEs) continue to be rolled out to improve the existence of cooperatives to be more qualified and competitive.

 OPEN ACCESS

The success of cooperatives in the Sukabumi area in achieving their goals is still stagnant, as evidenced by the number of cooperatives in the Sukabumi city area of 325 units, but 192 active cooperatives. This happens because it is constrained by factors of business efficiency, profitability, member participation is still low, and the image of cooperatives is still considered as a small and limited business entity, and cooperative programs are still dependent on government programs, the competence of human resources is still relatively low.

Responding to the low level of success of cooperatives and in order for cooperatives to survive and develop competitively, activities that can strengthen the capacity of cooperatives themselves are needed, namely the ability of cooperatives to carry out and organize their resources in order to achieve the success of cooperative goals. One of the ways to strengthen the potential of cooperatives in achieving their goals is to build capacity [1].

The purpose of this research was to analyze the effect of implementing capacity building through the development of human resources, Organizational Strengthening, and institutional reform partially on the success of cooperatives.

## 2. Literature Review

### 2.1. Cooperative Success

The success of cooperatives is the ability of cooperatives to realize their predetermined goals, namely to prosper all members together, improve the economic quality of members and independence. As a business entity, cooperatives must be able and successful in realizing the goals and targets that have been set through the Members' Meeting [2,3].

For the success of cooperatives in this study, efficiency is used as a benchmark [3,4], namely:

1. Operational efficiency, namely efficiency related to the achievement of cooperative goals as an economic institution.
2. Efficiency is related to development, namely in achieving economic development, and it has an impact either directly or indirectly on cooperatives.
3. The efficiency of members, namely efficiency related to the needs of its members which can be met through various cooperative services.

## 2.2. Capacity Building

In essence, capacity building is carried out by the organization in order to improve its ability to realize the goals to be achieved.

Capacity building is an implementation process in improving the skills, traits, abilities, procedures, and resources needed by individuals, organizations, and communities to address needs and be able to cope with challenges that are rapidly changing continuously and unpredictably [5-7].

Dimensions of the capacity building consist of (8-11): human development resource; organizational strengthening; and institutional reform.

## 2.3. Human Resources Development

Human resource development is the development of attitudes, knowledge, and skills of individuals and groups of people that are meaningful in the regulation, management, development, and maintenance of infrastructure and institutional processes and mechanisms that are useful for carrying out appropriate tasks in a set of standards. broader organizational performance [12].

The dimensions of human resource development include education and training, hands-on practice, working climate conditions, and recruitment [13,14].

## 2.4. Organizational Strengthening

Organizational strengthening is very important in order to create a strong, dynamic, and independent organization. The strengthening of the organization is expected to move the parties to participate actively in the organization. In addition, the division of roles becomes clearer, and each party knows the duties and authorities so that the management system for organizing the organization can be carried out optimally.

Dimensions of organizational strengthening include activities such as intensive systems, leadership, organizational culture, communication, and managerial structure [10,14].

## 2.5. Institutional Reform

This institutional reform needs to be carried out to create good relationships in various lines and create a comfortable work culture to encourage better organizational capacity

development. The purpose of institutional reform is related to regulations and policies within an organization, for example, regulations made by organizations to be obeyed and implemented in a sustainable and consistent manner.

Dimensions of institutional reform include economic and political rules of the game and policy changes and system reform [13,14].

### 3. Methodology

The method used in this study is to use causal associative analysis to know the effect of implementing building capacity with the development of a human resource, organizational strengthening, and institutional reform on the success of cooperatives. The population of this research is cooperatives in the Sukabumi area. To measure the psychological meaning associated with the research objectives, the sample used was 192 respondents from representatives of cooperatives active in the Sukabumi city area. The sampling technique used was Random Sampling Technique, and the primary data source from cooperative representatives was collected through a questionnaire. The measurement scale used was the Likert scale to measure variable indicators.

The data analysis technique to examine the effect of capacity building on the success of cooperatives is using SEM analysis based on covariance [15].

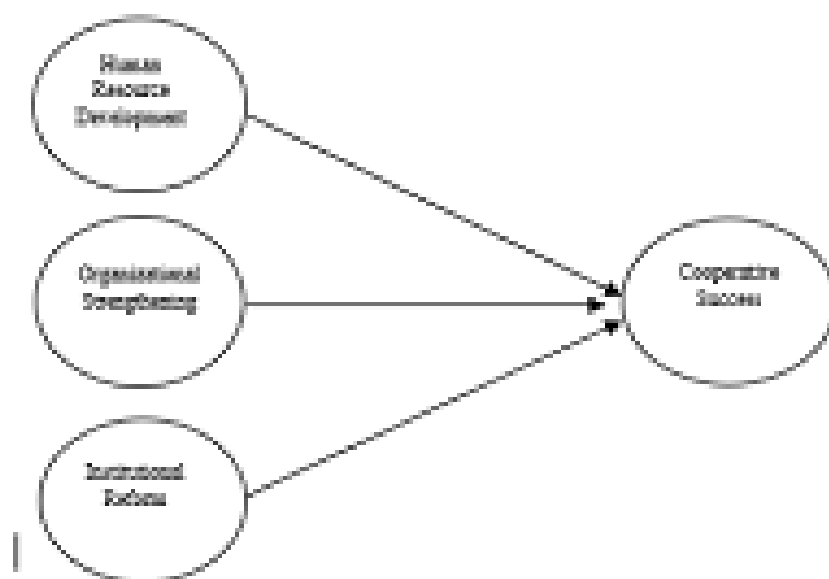


Figure 1: Research Model.

Hypothesis:

H1: Human Resource Development has an effect on the success of cooperatives.

H2: Organizational strengthening affects the success of cooperatives.

H3: Institutional Reform affects the success of cooperatives.

### 4. Research Result

Respondents in this research are cooperatives in the city of Sukabumi, with a sample of 192 respondents. The returned questionnaire was 192 copies (100%). Questionnaires distributed to respondents first need to be tested for indicator constructs using confirmatory factor analysis.

#### Confirmatory Factor Analysis Results

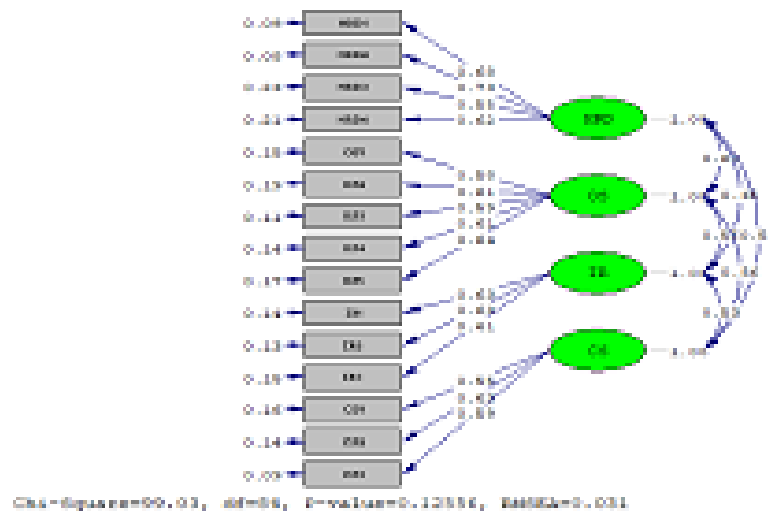


Figure 2: CFA.

From the results of the CFA that all indicators were forming the construct of human resource development (HRD1-HRD4), the construct of Organizational Development (OS1-OS5), the construct of Institutional Reform (IR1-IR3), and the construct of Cooperative Success (CS1-CS3) have a loading factor value of >0.50, so it can be concluded that all indicators are valid. And the measure of the accuracy of the model has met the minimum threshold.

Before proceeding to the measurement of the structural model and hypothesis testing, here are the results of the reliability test.

From the results above, it is found that the SLf of each loading factor indicator value greater than 50 meets the requirements of convergent validity. Convergent validity at the construct level seen from the composite reliability has met the minimum requirements greater than 070, so the evaluation results of the measurement model have met the

TABLE 1: Results of Validity Test and Reliability Test.

Construct	Indicators	Standard Loading	CR	VE	AVE
Human Resource Development	HRD1	0.68	0.95	0.82	0.90
	HRD2	0.73			
	HRD3	0.55			
	HRD4	0.62			
Organizational Strengthening	OS1	0.58	0.94	0.76	0.87
	OS2	0.61			
	OS3	0.59			
	OS4	0.61			
	OS5	0.64			
Institutional reform	IR1	0.63	0.95	0.87	0.93
	IR2	0.63			
	IR3	0.61			
Cooperative Success	CS1	0.55	0.95	0.87	0.93
	CS2	0.63			
	CS3	0.59			

convergent validity and composite reliability. Discriminant validity can be seen with the average variance extracted value with a minimum of 0.70.

### 4.1. Structural Model

The structural equation model used is a recursive model, which is to determine the relationship of one construct to another that has a one-way reflective causality relationship.

The following are the results of the structural model estimation:

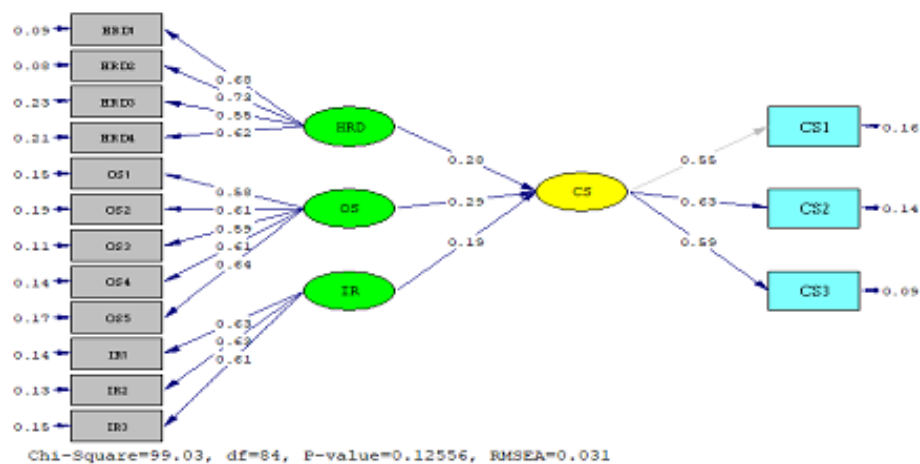


Figure 3: Structural model Estimation.

The results of the estimation of the structural model show a good structural model fit test. The following table shows a summary of the explanation of the results of the fittest of the structural model.

Structural Equations

$$CS = 0.28*HRD + 0.29*OS + 0.19*IS, Errorvar.= 0.58, R^2 = 0.42$$

(0.097)	(0.088)	(0.094)	(0.093)
2.67	3.36	1.98	6.18

From the figure, the estimation of the structural model shows a good structural model fit test. The following table shows a summary of the explanation of the suitability test of the structural model.

TABLE 2: Structural Model Fit Test.

Criteria	Value	Note
Chi-Square	99.03 and P= 0.13	Good
GFI	0.94	Good Fit
NNFI	1.00	Good Fit
NFI	0.98	Good Fit
AGFI	0.91	Good Fit
RFI	0.98	Good Fit
IFI	1.00	Good Fit
CFI	1.00	Good Fit
RMSR	0.033	Good Fit
RMSEA	0.031	Good Fit

The model fit results have met the model fit criteria, with a chi-square value of 99.03 with a probability of 0.13. Other criteria values GFI 0.94, NNFI 1.00, NFI 0.98, AGFI 0.91, RFI 0.98, IFI 1.00 and CFI 1.00 indicate that they meet the cut-off value of 0.90 and RMSR 0.033 which is smaller 0.05 RMSEA 0.031 meets the required criteria < 0.08, so it can be concluded that the structural equation model has met the fit criteria.

## 4.2. Coefficient of Determination Test Results

The coefficient of determination (R<sup>2</sup>) is used to determine the percentage contribution of the influence of the independent variable on the dependent variable, this coefficient of determination can be seen in the Structural Equations picture as follows:

### Figure ??. Structural Equations

The coefficient of determination (R<sup>2</sup>) between human development resources, institutional reform, and organizational strengthening on the success of cooperatives is 0.42 or 42%.

### 4.3. Hypothesis Test Results

The results of hypothesis testing with the Lisrel program have a positive effect indicated by the t-value greater than the t-table. (t-value 1.96). The following table shows a summary of the results of hypothesis testing.

TABLE 3: Hypothesis Testing Results.

	Hyphothesis	t-Value	Koefieien	Note
H1	CS < -HRD	2.87	0.28	accepted
H2	CS < -OS	3.36	0.29	accepted
H3	CS < -IR	1.98	0.19	accepted

Hypothesis test results:

1. Human resource development has a significant effect on the success of cooperatives with a t-value of  $2.87 > 1.96$  with an unstandardized coefficient of 0.28.
2. Organizational strengthening has a significant effect on the success of cooperatives with a t-value of  $3.36 > 1.96$  with an unstandardized coefficient of 0.29.
3. Institutional reform has a significant effect on the success of cooperatives with a t-value of  $1.98 > 1.96$  with an unstandardized coefficient of 0.19.

The results of hypothesis testing support the research of Nwankwo, Frank; Olabisi, Taiwo Abdulahi; and Onwuchekwa[1] that capacity building influences Cooperative Performance

### Authors' Contributions

The authors contributed equally to the creation of this article.

### Acknowledgments

The author thanks the chairman of the Center for Research and Empowerment of the Community STIE PGRI Sukabumi for in-depth comments and suggestions, and this research was supported by a grant from the Ministry of Education, Culture, Research and Technology



## References

- [1] F. Nwankwo, T.A. Olabisi, and F. Onwuchekwa, “Effect of capacity building on organizational performance of multipurpose cooperative societies in Osun State of Nigeria.,” *AFRREV IJAH: An International Journal of Arts and Humanities*. vol. 6, no. 2, pp. 141–158, 2017.
- [2] H. Nurranto and F.B. Saputro, “PENGUKURAN TINGKAT PARTISIPASI ANGGOTA DAN PENGARUHNYA TERHADAP KEBERHASILAN KOPERASI.,” *Sosio e-Kons*. vol. 7, no. 2, pp. 111–127, 2015.
- [3] K. Khoiriyah, N. Asriati, and P. Parijo, “PENGARUH PARTISIPASI ANGGOTA TERHADAP KEBERHASILAN KOPERASI.,” *Jurnal Pendidikan dan Pembelajaran Khatulistiwa (JPPK)*. vol. 6, no. 10, p. 2017.
- [4] S. Sugiyanto and A.A. Rahayu, “THE IMPLEMENTATION OF RISK MANAGEMENT AND ITS EFFECT ON GOOD COOPERATIVE GOVERNANCE AND SUCCESS.,” *Journal of Indonesian Economy and Business*. vol. 33, no. 3, p. 243, 2019
- [5] M. Wasseem, S.A. Baig, M. Abrar, et al., “Impact of Capacity Building and Managerial Support on Employees’ Performance: The Moderating Role of Employees’ Retention.,” *SAGE Open*. vol. 9, no. 3, p. 215824401985995, 2019.
- [6] Glock, Jan Peter, van Apeldoorn, Nick, Dazzo, Loredana and Wong, Alan (2020) How effective capacity building allows monitoring and evaluation to improve the delivery of sustainable urban mobility projects: Experience and lessons from the EU Metamorphosis project. In *Transport Research Arena (TRA) 2020*. vol. TRA 2020, Transport Research Arena (TRA)
- [7] J.D. Ratnasari, M. Makmur, and H. Ribawanto, “Pengembangan Kapasitas (Capacity Building) Kelembagaan pada Badan Kepegawaian Daerah Kabupaten Malang | Jurnal Administrasi Publik.,” *Jurnal Administrasi Publik (JAP)*. vol. 1, no. 3, pp. 103–110, 2013.
- [8] T. Prihandono and H. A, “THE EFFECT OF COMPETENCE AND CAPACITY BUILDING ON TEACHING PERFORMANCE IN TEACHER CERTIFICATION PROCESS.,” *International Journal of Advanced Research*. vol. 6, no. 6, pp. 839–845, 2018
- [9] S.R. Arfah, “PENGARUH CAPACITY BUILDING TERHADAP KINERJA SKPD PEMERINTAH KOTA MAKASSAR.,” *Jurnal Administrasi Negara*. vol. 24, no. 2, pp. 115–126, 2018.
- [10] D.P. Diwanti and N. Kandiyah, “PENGARUH CAPACITY BUILDING TERHADAP KINERJA KARYAWAN PERBANKAN SYARIAH.,” *Jurnal Bisnis, Manajemen, dan Akuntansi*. vol. 7, no. 1, pp. 10–30, 2020.

- [11] R. Kasmad, "ANALYSIS OF LOCAL GOVERNMENT CAPACITY BUILDING NETWORK IN EMPOWERING STREET VENDORS POLICY IMPLEMENTATION IN MAKASSAR CITY, INDONESIA.," *European Journal of Research and Reflection in Management Sciences*. vol. 4, no. 4, pp. 41–52, 2016.
- [12] E.E. Yamoah, "The Link between Human Resource Capacity Building and Job Performance.," *International Journal of Human Resource Studies*. vol. 4, no. 3, pp. 139–146, 2014.
- [13] M.A.M. Prasetyo, B. Bashori, and M. Masriani, "Model Capacity Building Pada Pesantren Perbatasan Binaan Dinas Pendidikan Dayah Provinsi Aceh.," *INFERENSI: Jurnal Penelitian Sosial Keagamaan*. vol. 14, no. 1, pp. 71–96, 2020.
- [14] M. Hani and D. Prima Safitri, "Pengembangan Kapasitas Bank Sampah untuk Mereduksi Sampah di Kota Tanjungpinang.," *KEMUDI: Jurnal Ilmu Pemerintahan*. vol. 4, no. 1, pp. 123–143, 2019.
- [15] Y. Sarwono, "Pengertian Dasar Structural Equation Modeling (SEM) .," *Ilmiah Manajemen Bisnis*. vol. 10, no. 3, pp. 1–20, 2010