

# Mapping of Village Potential and The Application of Audit in Red and White Cooperatives: A Literature Review

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## Abstract

This study aims to analyze the role of the Red and White Cooperative in strengthening village economic development through the identification of village potential and the application of audit as a governance instrument. The study was conducted using the literature study method by searching national and international journals related to cooperatives, village potential, and audit practices in community-based businesses. The results of the study show that the existence of the Red and White Cooperative has the potential to be a local economic driver based on mutual cooperation, in line with village community empowerment efforts and the national development agenda. Identification of village potential includes mapping natural resources, human resources, local wisdom, infrastructure, and market opportunities that can be directed to become village superior products. In addition, audits in cooperatives have an important role in assessing performance, identifying risks, strengthening accountability, and increasing public trust in cooperative management. These findings confirm that the success of the Red and White Cooperative in supporting village economic development is highly dependent on the ability to comprehensively map local potential as well as the implementation of systematic and professional supervision and audit mechanisms.

**Keywords:** Village Potential, Audit, Cooperatives, Economy

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2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

<https://proceeding.pancabudi.ac.id/index.php/ICIE/index>

## Introduction

Cooperatives are a form of economic institution that has a strategic role in the economic development of the community, especially in rural areas. Good development is a development that is carried out with reliable planning. Regional development planning requires accurate and precise data and information about the region's superior potential. The availability of data will provide an overview of the regional economic potential so that policies for economic development patterns can be determined, sectorally and multi-sectorally. [1] In the Indonesian context, cooperatives are expected to be the pillars of the people's economy because of their inclusive, participatory, and aimed at improving the welfare of members. In contrast to conventional corporations, cooperatives combine economic and social goals so as to allow people with limited resources to collaborate, access capital, increase bargaining power, and improve their position in the value chain.

Cooperatives are recognized as an important pillar in economic development, not only in Indonesia but also in several countries. Cooperatives as socio-economic oriented business entities offer opportunities for all members of the community to grow and develop together as members or not as members. Cooperatives open up the convenience of the community to access capital, markets, and other services for the economic development of the community, which has been difficult to access individually. National studies show that cooperatives have been proven to help increase the income of farmers, fishermen, and small businesses through reducing transaction costs, strengthening marketing access, and distributing profits more fairly. Research on agricultural cooperatives in Indonesia found that cooperative membership can increase business efficiency and provide income stability for small-scale farmers (Misbahuddin et al., 2023). In addition, cooperatives also function as a means of economic education, strengthen social solidarity, and encourage the empowerment of village communities. However, not all cooperatives can achieve their goals optimally. Many cooperatives in Indonesia face management challenges, weak financial literacy of members, lack of business model innovation, and lack of effective supervision systems. This condition causes some cooperatives to not develop, even to fail. Therefore, a new approach based on theoretical studies is needed, including designing the right business model, accurate methods of identifying village potential, and professional cooperative supervision and audit mechanisms. [2]

The problem and potential of cooperatives does not only occur in Indonesia but also in various countries in the world. International experience shows that cooperatives have a significant contribution to economic and social development, especially in rural communities. Research in Zimbabwe's Shurugwi District shows that cooperatives play a vital role in sustaining the livelihoods of rural communities: creating jobs, reducing poverty, strengthening food security, and improving social cohesion. The research confirms that cooperatives are able to increase community empowerment and become a bulwark against economic uncertainty. In many other developing countries, cooperatives are also used as a tool to alleviate poverty and improve the welfare of vulnerable people. The results of international studies show that cooperatives facilitate access to capital, strengthen bargaining positions in the market, and increase household income in ways that are difficult to achieve individually. In addition to developing countries, developed countries with strong cooperative traditions such as Finland, South Korea, Canada, and Italy show that cooperatives can be a pillar of the national economy. A global study released by the International Co-operative Alliance (ICA) shows that cooperatives in several countries contribute a significant percentage of national GDP, with adaptive, efficient, and community-based business models. Cooperatives are not only economic tools, but also social and educational institutions, which help strengthen economic democracy, equitable distribution of welfare, and social stability. This experience shows that the success of cooperatives depends heavily on: business models, mapping and utilization of local potential, as well as governance and auditing systems[3][4]

## Literature Review

### 2.1 Cooperation

The Merah Putih Cooperative was formed on the basis of the spirit of independence and mutual cooperation to strengthen the welfare of its members, especially in overcoming economic problems at the grassroots community level. The establishment of this cooperative stemmed from the community's need to have an economic institution that is transparent, inclusive, and able to provide access to capital and business services that cannot always be fulfilled by formal financial institutions. By carrying the values of togetherness, trust, and empowerment, the Merah Putih Cooperative is designed as a forum for members to support each other, increase business capacity, and create sustainable economic stability through democratic and common interest-oriented cooperative principles. The red and white cooperative was officially launched by President Prabowo as a form and part of the realization of ASTA CITA. The red and white cooperative is expected to become an economic pillar starting from the village and then developing continuously into a pillar of the country's economy.

### 2.2 Village Development and Village Potential

Village development is a strategic effort to improve the quality of life of the community through strengthening economic, social, and institutional capacity at the local level. Villages are seen as the smallest unit in the governance structure, but they have a large role in driving national growth because the majority of Indonesians live and work in rural areas. Through the development of basic infrastructure, the improvement of public services, the digitization of village administration, and the strengthening of community participation, village development is directed to create sustainable socio-economic independence. The government also emphasizes the importance of transparent and accountable village governance so that all development programs can run effectively and have a direct impact on the welfare of residents.

The potential of the village is the main foundation in designing development directions that are in accordance with local characteristics and needs. Each village has different potentials, ranging from the potential of natural resources, such as agriculture, fisheries, forestry, and natural tourism, to the potential of human resources, culture, and the creative economy. Identifying village potential helps the government and the community determine more appropriate development priorities, such as the development of village superior products, strengthening BUMDes, or the establishment of village cooperatives. By optimizing existing potential and combining it with innovation and strategic partnerships, villages can become centers of new economic growth that are independent and competitive.

### 2.3 Supervision and Audit Process

The monitoring and audit process is a series of systematic activities that aim to ensure that each program, activity, and use of resources has run according to the plan, rules, and standards set. Supervision is carried out on an ongoing basis to monitor operational implementation, detect irregularities early, and provide direction so that activities remain on the right track. Supervision can be carried out by internal parties, such as management or supervisors of the organization, or by independent external parties to provide objectivity in the assessment. Through effective supervision, organizations can improve work discipline, strengthen governance, and ensure that goals are achieved efficiently and transparently.

Meanwhile, audit is a more in-depth and structured examination process, carried out based on objective evidence to assess the truthfulness, fairness, and compliance of a report or activity with predetermined standards. Audits not only evaluate financial aspects, but also assess the effectiveness of internal control systems, risk management, and regulatory compliance. The implementation of audits usually includes the planning stage, evidence collection, analysis, and reporting of findings and recommendations for improvement. With audits, organizations gain a clearer picture of performance, potential risks, and areas that need improvement, thereby encouraging accountable, efficient, and continuous improvement-oriented management.

## Research methods

This research uses a literature study approach, which is research conducted through searching, collecting, and analyzing various scientific sources such as national and international journals, books, research reports, and documents related to cooperatives and village development. The purpose of this research is to collect data and information through Pustaka materials (online) without conducting direct field research. The focus of the research is on a conceptual study of village potential, and a simple audit of cooperatives. The data source was obtained from national and international journal articles, which were searched on the google scholar, Garuda and Researchgate journal databases. Article selection uses the keywords village potential, audit, red and white cooperatives. The articles that appear are screened for content to ensure that the selected articles are articles that are in accordance with the research theme. The analysis technique carried out is content analysis, which is the process of studying, interpreting, and synthesizing the content of the literature to find patterns, themes, and concepts related to the research. The analysis stages include the following steps: data reduction, theme categories, theoretical synthesis, conclusion drawn.

### 3.1 Research Results

The formation of red and white cooperatives as a driver of economic development at the village level and encourage the strengthening of the economy of the village community. The red and white cooperative was also established based on the principle of mutual cooperation and kinship. And this idea arose because there was a demand for the needs of the village community for the presence of economic institutions that could strengthen food security and the welfare of villagers in a sustainable manner [5]

### 3.2 Identification of Village Potential

Village potential is all resources owned by the village, both natural resources and human resources. Village potential can also be said to be all visible and invisible resources, then village potential is natural resources, capital resources, human resources, culture, social, and local wisdom of the village community. Identification of village potential refers to a comprehensive search with various methods or ways to give confidence that these resources are actually owned by the village. One of the final directions of this activity is to produce superior products. A superior product if it has competitiveness that is able to ward off competitor products in the market. According to Cahyana Ahmadjayadi, regional superior products are regional products that have characteristics and uniqueness that other regions do not have, as well as are reliable competitive, open up job opportunities, environmentally friendly and oriented to local, national, and regional markets. Mapping the potential of local economic excellence can be done by identifying the superior potential of the economic sector. Sectoral identification of economic potential includes human resources, culture, tourism and other sectors. Mahardika et al: the identification of village potential is carried out thoroughly and accurately, leading to various sectors, including primary sectors such as agriculture, livestock, and plantations. Putri et al: Identification of village potential in secondary sectors such as processing industry, trade, and tourism.[6][1][7]

### 3.3 Supervision and Audit at the Red and White Cooperative

Audit in cooperatives is a step to check the suitability of financial recording and reporting that has been prepared with financial accounting standards/MSME SAK or other regulations, to provide superior value. Audits can also provide stakeholders with insight into the operations that have been carried out by the cooperative. Audits conducted by cooperatives are not much different from the audit process conducted by MSMEs. Audits conducted by MSMEs are often voluntary, factors such as the size of the business getting bigger, pressure from owners/stakeholders, and the existence of a good internal control system will significantly affect the decision of MSMEs in conducting audits, especially external audits. Internal audit is a control tool and strategic decision-making. MSME actors implement more systematic financial recording, identify potential risks, and evaluate the business that has been running.

Self-audit conducted by MSMEs can encourage operational efficiency and business resilience. Auditing or the supervision process is still a scary thing, how to find management errors in cooperative management, or not infrequently auditing or auditing is still a routine thing that has not been optimally carried out. Sometimes this process is carried out by those who do not have an accounting background or expertise that is in accordance with the scope of the cooperative's business. Audits are essentially an avenue for a more structured evaluation and feedback process. Errors that arise must be corrected in the future within the grace period that has been determined by the auditor. The difficulty in implementing audits in cooperatives is none other than one of them is because there are still no business financial records and financial statements that are in accordance with financial accounting standards. The results of the study show that accounting is still carried out manually, simply, and has not applied accounting principles (accounting standards) [8][9][10].

## Discussion

Steps to identify village potential:

1. Conducting an initial survey of natural resources and local wisdom of the village community  
The initial stage is to capture all natural resources owned by the village, such as agriculture, livestock, produce, handicrafts, and cultural potential and local wisdom. This survey provides an overview of the main potential that can be developed into a business base for red and white cooperatives.
2. Identify the human resources, skills, and experiences of villagers  
Human resource mapping is carried out by looking at education levels, competencies, training, work experience, and community groups such as craftsmen, farmers, stepmothers, or youth. This identification determines what type of business is most likely to be managed by villagers through businesses in red and white cooperatives
3. Assessing the internal and external factors of the village using SWOT analysis  
This analysis is done to identify strengths, weaknesses, opportunities, and threats. Internal factors include natural potential, human resources, social capital, and village institutions. Meanwhile, external factors include market opportunities, government policies, infrastructure, and external risks.
4. Identify key figures and village professionals  
Community leaders, local business actors, village cadres, and professionals play an important role as the initial movers. They are the motor for the formation of cooperatives and ensure that the process runs effectively and receives community support
5. Exploring the aspirations and participation of the community through interviews/FGDs  
Involving the community through in-depth interviews, group discussions, and village deliberations is important to explore the aspirations, needs, and social readiness. This stage builds collective awareness and ensures that the program is in accordance with the wishes of the community.
6. Analyze village infrastructure and institutional support  
The analysis includes road access, transportation, electricity, internet, distribution facilities, as well as the existence of BUMDes, farmer groups, women's groups, or microfinance institutions. Infrastructure readiness has a direct impact on the success of Merha Putih cooperative businesses
7. Examine market access and the value chain of village products (use Value Chain analysis)  
Assess market potential, consumer needs, marketing channels, and partnership opportunities. This analysis ensures that the selected potential is not only available, but also has clear market demand and can be marketed on an ongoing basis

8. Determine the best potential that is easiest to develop  
From all the mapping, the most realistic potential was chosen, widely available (e.g. raw materials, special skills), did not require large capital, and received community support. This potential is the basis for the preparation of the red and white cooperative business plan.

Audits in red and white cooperatives can play a role as:

- 1) Diagnostics is assessing the current condition of the cooperative, financial, operational conditions and other matters related to technical and non-technical problems
- 2) Risk and vulnerability mapping. Audits can help find areas prone to errors, or operational inefficiencies that can cause losses
- 3) Performance measurement. At this point, special audits can be used, namely performance audits or operational audits that provide objective metrics and indicators to assess how far red and white cooperatives have utilized the potential of the village.
- 4) Preparation of improvement roadmap based on the results of the audit conducted. Audits that are consistently carried out will have a positive influence on the continuous and systematic improvement of cooperatives.
- 5) Increase credibility and trust. The red and white cooperative built and run in the village is a form of government attention to village development, especially in the economic sector, it is necessary to have a tangible manifestation of the management responsibility for the operations that have been running.

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