

Building public trust in cooperatives through digitalization

Dorothea Ririn Indriastuti, Rina Susanti, Rina Wulandari*, Juliana Intan
Faculty of Economics, Slamet Riyadi University, Surakarta, Indonesia

*) Corresponding Author (e-mail: wulandaririna45@gmail.com)

Abstract

The Digital Economy is the implementation of computers and communication technology through the Internet to facilitate business processes. The digital economy allows many activities that previously had to be done offline to be converted online through the help of information technology. The economic sector in Indonesia that is affected by digitalization is cooperatives. Cooperatives are business entities known as pro-people and have legal entities in Indonesia. This explanatory research study aims to test and explain the causal relationship between research variables through hypothesis testing. The approach taken in this study is a quantitative research approach. This research focuses on discussing the factors that improve the welfare of cooperative members, namely digitalization and trust. In this study, the researcher used 214 respondents who were members of savings and loan cooperatives in the Greater area of Surakarta. This study uses structural equation modeling (SEM) to test the hypothesis. The results of this study show that digitalization and trust can affect the welfare of cooperative members. In addition, trust can mediate the relationship between digitalization and the welfare of cooperative members.

Keywords: Savings and Loan Cooperatives, Digitalization, Trust, Welfare of Cooperative Members

Abstrak

Ekonomi Digital adalah implementasi penggunaan komputer dan teknologi komunikasi melalui internet untuk mempermudah proses bisnis. Ekonomi digital memungkinkan banyak kegiatan yang sebelumnya harus dilakukan secara offline untuk dikonversi menjadi online melalui bantuan teknologi informasi. Sektor ekonomi di Indonesia yang terpengaruh oleh digitalisasi adalah koperasi. Koperasi adalah badan usaha yang selama ini dikenal sebagai pro-rakyat dan memiliki badan hukum di Indonesia. Penelitian ini merupakan penelitian explanatory research yang bertujuan untuk menguji dan menjelaskan hubungan kausal antara variabel penelitian melalui pengujian hipotesis. Pendekatan yang dilakukan pada penelitian ini adalah pendekatan penelitian kuantitatif. Penelitian ini berfokus pada pembahasan mengenai faktor yang meningkatkan kesejahteraan anggota koperasi yaitu digitalisasi dan kepercayaan. Dalam penelitian ini, peneliti menggunakan 214 responden yang merupakan anggota koperasi simpan pinjam di wilayah Karasidenan Surakarta. Penelitian ini menggunakan *structural equation modeling* (SEM) untuk menguji hipotesis. Hasil penelitian ini menunjukkan bahwa digitalisasi dan kepercayaan mampu mempengaruhi kesejahteraan anggota koperasi. Selain itu, kepercayaan mampu memediasi hubungan antara digitalisasi dengan kesejahteraan anggota koperasi.

Kata kunci: Koperasi Simpan Pinjam, Digitalisasi, Kepercayaan, Kesejahteraan Anggota Koperasi

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1. Introduction

The industrial revolution 5.0 that has occurred since the beginning of the 21st century is a revolution when humans have found a new pattern with technological changes that occur so quickly. These changes have had a major impact in various fields such as the economy, employment, culture and others (Rashid & Kausik, 2024). Various forms of change in the era of the 5.0 revolution include artificial intelligence, digital trade, big data, financial technology, and the use of robots in various industries (Piccarozzi et al., 2024). Then, in this process, the digitalization process occurs.

Digitalization is the use of digital technology to change a business model to be more efficient and effective using the help of technology (Gbadegeshin, 2019). Digitalization is able to simplify the flow of economic transactions and cut a lot of time spent by many people. This shows that with digitalization, business processes will become more efficient (Nurdany & Prajasari, 2020). In addition, with digitalization, companies or business entities can store all data in digital form and develop systems and services that can be used to attract customers at a lower cost compared to conventional methods so that business processes will become more effective.

The implementation of the use of computers and communication technology through the internet to simplify business processes can be defined as the economy (Qizi, 2023). The digital economy allows many activities that previously had to be done offline to be converted to online through the help of information technology. These are things like paying bills, transferring money, and selling or buying goods. The digital economy is also predicted to have a lot of impact on the economic sector, especially in Indonesia (Nurdany & Prajasari, 2020).

One of the economic sectors in Indonesia that is affected by digitalization is cooperatives. Cooperatives are business entities that have been known as pro-people and have legal entities in Indonesia. According to Law Number 25 of 1992, a cooperative is a business entity consisting of one person or a cooperative legal entity based on the principles of cooperatives as well as people's economic movements based on the principle of kinship. Until now, cooperatives continue to grow and can be used as an alternative for the community to turn the wheels of the economy. There are two elements of cooperatives, first, the economic element which shows that the purpose of cooperatives is to achieve the welfare of members. The second social element is the principle of kinship. In addition, cooperatives are often known as the backbone of the Indonesian economy. This shows that cooperatives are the backbone of the economy in Indonesia which is expected to be able to embrace every aspect of life as a whole.

Secretary of the Coordinating Ministry of Cooperatives and SMEs Susiwijono Moegiarso said that the contribution of cooperatives to gross domestic product (GDP) is above 6.2 percent (Moegiarso, 2024). The great potential of cooperatives needs to continue to be optimized in order to be able to provide wider benefits and economic impacts for the community. Cooperatives can play a very important role in developing many business sectors in the region, for example in the agriculture, plantation, and

livestock sectors, so that if managed properly, they will play a greater role in the national economy. For this reason, improving the cooperative ecosystem and good governance is an urgency. Thus, cooperatives can become the main pillar of the economy in Indonesia.

In increasing the role of cooperatives as teachers, of course, there are problems such as bankrupt cooperatives, suboptimal cooperative management, high loan interest rates, no deposit guarantees, and lack of supervision. One of the efforts that can be made to overcome the challenges faced is through the modernization of cooperatives. The cooperative growth target set by the government in 2024 is 500 cooperative units (Moegiarso, 2024). This can be done with digitalization.

In addition to digitalization, another important effort to be made in increasing the growth of cooperatives is to conduct research to evaluate the state of cooperatives as a whole in Indonesia, especially savings and loan cooperatives (Nurdany & Prajasari, 2020). Savings and loan cooperatives are the focus of this research because according to data from the Indonesian Central Statistics Agency, entering 2000 until now, cooperatives in Indonesia are dominated by savings and loan cooperatives (BPS-Statistic Indonesia, 2020).

Savings and loan cooperatives are one type of cooperative that has the main activity of collecting funds from members and then distributing money from each cooperative member (Haykal et al., 2021). The money collected will later be used as capital to be managed by the cooperative management as a loan to members in need. With various problems in cooperatives including capital, funding, product quality, management and human resources, this research needs to be conducted to evaluate the state of cooperatives in Indonesia (Miswanto et al., 2024).

One of the ways that cooperatives can continue to survive and can achieve the goals of cooperatives, namely the welfare of cooperative members, is to build and manage trust between managers and cooperative members so that cooperatives can continue to operate and survive for a long period of time. The term trust used in this study refers to a person's trust that a feature or system will perform as expected in terms of quality and reliability. Trust can certainly be gained by showing ability, reliability, and honesty – in this case, the savings and loan cooperative (Siska, 2022)

Basically, a savings and loan cooperative are institution that must be managed as a business institution. According to Bergeron on Boonlertvanich (2019) said that the key to the success of a business institution is to build and maintain relationships between stakeholders. So, one of the keys to the success of cooperatives in this case is to build and maintain good relationships between cooperative members and cooperative managers. One way that can be done to maintain relationships between members is to build trust between cooperative members. The cooperative problems that have occurred will result in a decrease in the number of cooperatives in Indonesia. So, this research is important to be carried out.

This research will later find out whether digitalization and well-managed trust can improve the welfare of cooperative members. Many papers discussed in the literature try to convince the readers and business managers about the benefit of digitizing business process. For example (Haykal et al., 2021) analyzed the impact of digitalization on cooperatives in Indonesia. (Minzar & Mishra, 2024) studying how digital platform can improve trust of members in cooperative, enabling more transparent decision-making which aligns with the core values of cooperatives. (Taniu et al., 2024) found out the impact of cooperatives on income have been conducted extensively. Miswanto et al., (2024) examined the determinants of digitalization in enhancing member welfare in saving Saving and Loan Cooperatives.

In addition, with this research, it is hoped that it can help cooperative administrators to identify specific factors that have an impact on the welfare of cooperative members. Then, the management and members of the cooperative can take advantage of the research results to improve professionalism and business excellence. Good cooperative management will have a socio-economic impact on cooperative members and the community as well as the Indonesian economy.

2. Literature Review

Cooperatives

According to Law No. 25/1992, a cooperative is a business entity consisting of individuals or a cooperative legal entity based on its activities based on the principle of cooperatives as well as people's economic movements based on the principle of kinship. Based on Indonesia legal association perspective, a cooperative represented a group of collaboration containing entities that provided freedom to the economic development of members (Haykal et al., 2021). In the nation's economic life, cooperatives can become a means to support the progress and prosperity of the people of Indonesia. Cooperatives as an association or economic organization consisting of people or bodies that give freedom of entry and exit as members according to existing regulations, by cooperating in a family-run business to enhance the physical well-being of its members (Ningsih et al., 2019). In Indonesia, the first cooperative that was established was a savings and loan cooperative because it adjusted to the situation of the people at that time who were entangled in land leeches (Siregar, 2020).

However, nowadays, the types of cooperatives have become more and more. Some forms of cooperatives include savings and loan cooperatives, employee cooperatives, women's cooperatives, village unit cooperatives, student cooperatives, fishermen's cooperatives, and so on. There are four types of cooperatives, including consumption cooperatives that are established to provide for the daily needs of the community, production cooperatives that function to help production process activities, savings and loan cooperatives that are providers and institutions where money is stored, and finally, multi-business cooperatives that run more than one business such as production and consumption or consumption and savings and loans. According to Law Number 25/1992 Article 4, there are four functions and roles of cooperatives, namely building

and developing the economic potential and ability of members in particular and society in general to improve their economic and social welfare, actively participating in efforts to improve the quality of human life and society, strengthening the people's economy as the basis for the strength and resilience of the national economy with cooperatives as its pillars. and strive to realize and develop the national economy which is a joint effort based on the principle of kinship and economic democracy.

Savings and Loan Cooperatives

A savings and loan cooperative are a cooperative whose business activities collect and distribute funds to its members with low interest. Savings and loan cooperatives were established to provide opportunities for their members to obtain loans easily and lightly so as to reduce the risk of members being trapped by adverse loan sharks. Members of savings and loan cooperatives can deposit their money in the cooperative and then the cooperative management will manage the money to be distributed back to its members. Savings and loan cooperatives have the purpose of educating members to live frugally and also increase members' knowledge of the world of cooperatives. In achieving this goal, savings and loan cooperatives must implement rules regarding the role of administrators, supervisors, managers, and member meetings.

Digitalization

Digitalization is part of the era of network intelligence to advance communication and computing with modernization (Nurdany & Prajasari, 2020). According to Gbadegeshin (2019) The term digitalization is the term closest to the industrial revolution 4.0 which has affected the industry as a whole. In addition, digital systems can be used by industry players to commercialize information sources, make big data, and assessment.

Digitalization has a great impact on changes in the business sector where there are no difficulties in geographical access due to the Internet and the development of digital technology that has removed geographical restrictions (Pajaria, 2021). The digital system can be used by cooperative management to make it easier for cooperative members to access products in the cooperative anytime and anywhere. So, with the use of digital technology, it can facilitate and increase transactions by cooperative members so that cooperative members can take advantage of products in cooperatives to improve their livelihood. This is like the use of applications for deposit transactions, loans, and account management, which has increased transparency, accountability, and ease of access to information for members. Therefore, with this explanation, the author draws a provisional conclusion about the influence between these variables and the following hypothesis is prepared:

H1: Digitalization has a positive effect on the welfare of savings and loan cooperative members.

One of the things inherent in digitalization is the use of technology in the cooperative operational system which will later have an impact on the efficiency and effectiveness of cooperative members in conducting transactions (Minzar & Mishra, 2024). The facilities offered such as transactions that are not limited by place and time can be used by cooperative members in making transactions. With this convenience, it is

hoped that cooperatives can provide good service, and can package cooperative products as attractive as possible by utilizing digitalization (Burhanuddin & Pharmacista, 2023). So that later, to advance cooperatives to continue to grow and survive in the era of the industrial revolution 5.0, it is important for cooperative management to focus on the use of digital technology in maximizing their services and products. With digitalization, members can monitor their financial activities in real-time, receive clearer and timely reports, and have direct access to various cooperative services without having to come to the office (Khatib et al., 2024). The existence of this digital system also reduces the potential for human error in recording transactions, thereby increasing the accuracy and reliability of data managed by cooperatives. This increase in transparency directly increases members' confidence in the management of the cooperative (Matheus et al., 2023). Therefore, with this explanation, the author draws a provisional conclusion about the influence between these variables and the following hypothesis is prepared:

H2: Digitalization has a positive effect on members' trust in savings and loan cooperatives.

Trust

Trust is divided into two, namely Behavioral Trust and cognitive trust. Behavioral trust It is a person's willingness to depend on an exchange partner in which the person puts full trust. While cognitive trust It is a person's trust that the other party will act responsibly and that they have no potential to do harm. In general, trust is defined as defined as the consumer's trust that the service provider will meet his or her needs and not take unexpected actions that result in undesirable results or harm the consumer (Boonlertvanich, 2019). Trust is a business transaction that can be carried out between two or more parties if each party trusts each other (Miswanto & Sirait, 2022) . In addition, trust can be interpreted as confidence in a certain party to another in carrying out a transaction where the party who is believed to be fulfilling what he promises and in accordance with expectations.

One of the activities in the savings and loan cooperative is to provide loans to cooperative members. Therefore, trust will occur when one can obtain a loan in a responsible, reliable, competent, and non-harmful manner just to pursue one's own interests. If cooperative members put full trust in the cooperative management to manage their money, then of course the cooperative can survive for a long period of time (Hidayat & Akhmad, 2015). This happens because cooperative members who put full trust in the cooperative can keep their money then the money will be managed by the cooperative management as credit for members in need. According to Djojohadikusumo in Arifianto (2015), credit or loans provided by a financial institution are not the cause of dynamic economic activities, however, well-organized loans are a condition for the dynamism of economic activities. Thus, loans provided by savings and loan cooperatives can be dynamic credit that is effective in improving the welfare of cooperative members if accompanied by cooperative efforts to realize the expectations of members who have put full trust in cooperative managers. Therefore,

with this explanation, the author draws a provisional conclusion about the influence between these variables and the following hypothesis is prepared:

H3: Trust has a positive effect on the welfare of cooperative members in savings and loan cooperatives.

Cooperatives can take advantage of digital technology in redesigning their products and providing more efficient and effective services so that they can provide the best experience for cooperative members (Syamsiah et al., 2024). Then, cooperative management can educate and familiarize cooperative members with the digital world. This aims to build a strong digital atmosphere in savings and loan cooperative activities. One of the redesigns of cooperative products is the creation of an online application that can be used by management to make it easier for cooperative members to choose savings and loan cooperative products according to their needs (Jean et al., 2024). These facilities can later increase the transactions of cooperative members which has an impact on improving the financial performance of the cooperative so that the cooperative can continue its business. If the cooperative continues to survive, it is hoped that the cooperative will be able to innovate by utilizing digitalization in improving products and services so that it can be used by cooperative members for the sustainability and welfare of cooperative members (Miswanto et al., 2024). Therefore, with this explanation, the author draws a provisional conclusion about the influence between these variables and the following hypothesis is prepared:

H4: Digitalization has a positive effect on the welfare of cooperative members in savings and loan cooperatives with trust as a mediating variable.

3. Research Method

This study is explanatory research that aims to test and explain the causal relationship between research variables through hypothesis testing. The approach taken in this study is a quantitative research approach. This research will focus on discussing factors that will improve the welfare of cooperative members, including digitalization and trust. The purposive sampling method was chosen as the sample selection technique. The specifics sample selection of the research lead to members of the Savings and Loan cooperative in Greater Solo Area who are active in 2023. This study used a questionnaire with 20 question that respondents must fill out. Determination of the number os samples based on (Hair et al., 2019), the number of indicator multiplied by 5-10, then $20 \times 5 = 100$ samples. Thus, the sample needed in this study is at least 100 respondents. The questionnaire that has been created is distributed to respondents through google form.

Variable used in this research are digitalization, trust, and welfare of Saving and Loan Cooperatives members. Digitalization simplifies the flow of economic transactions and cuts much of the time people spend (Haykal et al., 2021). Trust is a business transaction that can be carried out between two or more parties if each party trusts each other (Miswanto & Sirait, 2022). welfare of Saving and Loan Cooperatives members is the satisfaction a person gets from consuming the income received (Legi

& Nilla, 2023). Based on the description of hypotheses based on previous theories and studies, The model in this study can be illustrated in Figure 1 below. The Figure consists of elliptical, continuous arrows and broken breaks. The oval circle shows variables. Continuous arrows show the direct influence from one variable to another. Intermittent arrows indicate mediating or indirect effects from one variable to another.

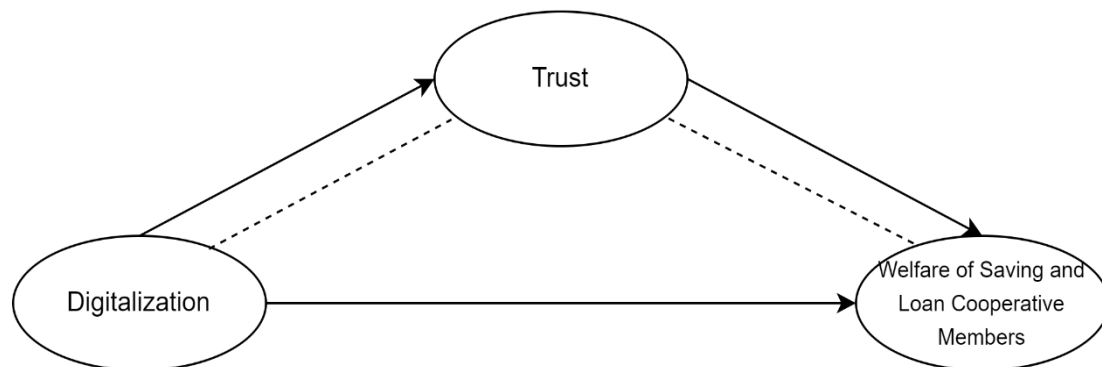


Figure 1: Reseach Model

This study uses SPSS 15 and Warp PLS 7.0 to analyze the data. This study tested the results of data quality using validity and reliability tests conducted using the SPSS 15 statistical tool. The validity test uses the value of the loading factor on each item of that statement to measure the variable. Reliability test using Cronbach's Alpha values. Furthermore, the author conducted a Structure Equation Modelling (SEM) analysis using the Warp PLS 7.0 statistical tool. Warp PLS 7.0 used in this research because Warp PLS can be applied to non-normal distributions. SPSS does not offer PLS-SEM alogaritm. SEM is a multivariate analysis technique that can test relatively complex and simultaneous relationships, allowing researchers to test models of mediated effects simultaneously in one test. In addition, this study conducted a path analysis test. The path analysis test aims to test the research path/model. Then, to test the model's fit, this study uses the goodness-of-fit index by looking at the average path coefficient (APC) criteria to assess the magnitude of the relationship between variables (Hair et al., 2019).

4. Results and Discussion

4.1. Results

This study uses SPSS 15 and warpPLS 7.0 to analyze the data. This study tested the results of data quality using validity and reliability tests conducted using the SPSS 15 statistical tool. Furthermore, the author conducted a Partial Least Square (PLS) analysis using the warpPLS 7.0 statistical tool. The sample in this study is 214 respondents. The following are the characteristics of the respondents in this study:

Table 1. Characteristics of Respondents

Items	Frequency	Percentage
Gender		
Man	110	51,4%
Woman	104	48,6%
Domicile		
Boyolali	29	13,6%
Karanganyar	27	12,6%
Klaten	18	8,4%
Surakarta City	41	19,2%
Sragen	29	13,6%
Sukoharjo	36	16,8%
Wonogiri	34	15,9%
Age		
< 17 Years	3	1,4%
17 Years – 20 Years	41	19,2%
21 Years – 24 Years	58	27,1%
25 Years – 28 Years	26	12,1%
29 Years – 32 Years	15	7,0%
> 32 Years	71	33,2%
Work		
Civil Servants	18	8,4%
Private Employees	98	45,8%
Entrepreneurship/Entrepreneurship	26	12,1%
Students/Students	64	29,9%
Other	8	3,7%
Revenue/Month		
< IDR 1,500,000	68	31,8%
IDR 1,500.00 - IDR 3,000,000	48	22,4%
IDR 3,000,000 - IDR 4,500,000	34	15,9%
> IDR 4,500.00	64	29,9%
Involvement in Cooperatives		
Members of the Cooperative	179	83,6%
Manager, Head of Section, or Staff of Cooperative Employees	14	6,5%
Supervisor	21	9,8%
Total	224	

Validity Test

Validity tests are used to measure accuracy Instrument on the questionnaire statement item by looking at the factor loading. For the value criteria factor loading viewed based on the number of samples, for samples 200 to 250 values factor loading minimum is 0.40 (Hair et al., 2019). The software used in validity testing is SPSS version 15. Based on the validity test table, it can be seen that each question item in the questionnaire has a value of factor loading greater than 0.40 so that any question on the questionnaire can be stated valid.

Table 2. Validity Test

Variable	Code	Kaiser - Mayer - Olkin Measure of Sampling Adequacy	Factor loading value	cut off value	Information
Digitization	X1	0,923	0,839	>0.40	Valid
	X2		0,891		Valid
	X3		0,898		Valid
	X4		0,912		Valid
	X5		0,869		Valid
	X6		0,846		Valid
	X7		0,835		Valid
Trust	M1	0,846	0,767	>0.40	Valid
	M2		0,788		Valid
	M3		0,843		Valid
	M4		0,852		Valid
	M5		0,817		Valid
Welfare of Cooperative Members	Y1	0,877	0,763	> 0.40	Valid
	Y2		0,796		Valid
	Y3		0,775		Valid
	Y4		0,797		Valid
	Y5		0,813		Valid
	Y6		0,699		Valid
	Y7		0,716		Valid
	Y8		0,758		Valid

Reliability Test

The reliability testing method in this study uses Cronbach's Alpha. The questionnaire used can be said to be reliable if the Cronbach's Alpha value of each variable used is greater than or equal to 0.6 (≥ 0.6). Table 3 shows that all questions have a Cronbach's Alpha value greater than or equal to 0.6 (≥ 0.6). From this explanation, it can be seen that all questions in the questionnaire are acceptable or reliable.

Table 3. Reliability Test

Variable	Cronbach's Alpha	N of Items	Information
Digitization	0,946	7	Reliable
Trust	0,872	5	
Welfare of Cooperative Members	0,896	8	

Partial Least Square Analysis

Table 4. Inner Model Test Results (R-Square)

Inner Model Test (R-Square)	
	R-Square
Digitization	-
Trust	0,41
Welfare of Cooperative Members	0,59

Table 4 explains that the value of the determination coefficient (R-Square) of the confidence variable is 0.41. This shows that trust can affect the digitalization variable

by 41 percent and the rest is influenced by other variables. The Cooperative Member Welfare variable has a determination coefficient value of 0.59, which means that the digitalization and trust variables can affect the welfare of cooperative members by 59 percent, while the rest is influenced by other variables outside the variables studied.

Goodness of Fit Model Test

Table 5. Goodness of Fit Model Test Results

Indicators	P-Value	Condition	Information
APC=0.497	P<0,001	P<0.05	Models Accepted
ARS=0.503	P<0,001	P<0.05	
AVIF=1,679		P≤5	

The fit index model is a very important measure in data analysis using warpPLS. Testing inner models and hypotheses using WarpPLS. In this study, inner model testing is goodness fit model testing and determination coefficient analysis. Hypothesis testing is testing path coefficients on each hypothesis. Table 5 represents the results of testing the goodness of fit model. The significance level used is 0.05 (5 percent). The fit index model is an essential measure in data analysis using WarpPLS. The fit index shows the model's suitability to the data and describes the quality of the model being studied. APC is said to be good if the p-value < 0.05. ARS is said to be good when the p-value < 0.05. AVIF is said to be good if the AVIF value < 5. Based on the results in Table 5, this research model can be used to test hypotheses.

Hypothesis Testing

The hypothesis testing in this study was processed using warpPLS 7.0 by looking at the test results on the estimate value and the P value.

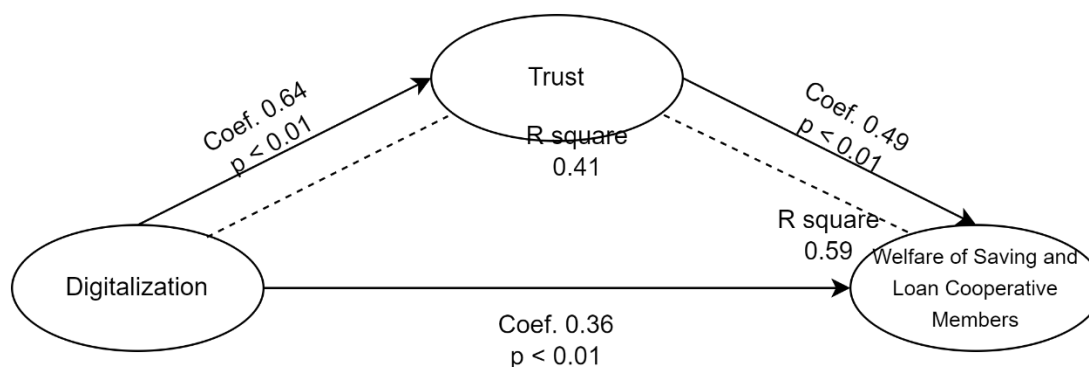


Figure 2. Hypothesis Testing Results

The results of data processing showed that the relationship of digitalization had a positive and significant effect on the welfare of cooperative members, as seen from the β value of 0.36, which means that the influence between digitalization and the welfare of cooperative members was 36% and the p-value of <0.01 was smaller than 0.05, so that H1 was proven. Furthermore, the relationship of digitalization to trust has a positive and significant effect. Based on the hypothesis test, it is known that the β value is 0.64 which means that the influence between digitalization on trust is 64% and the p-value of <0.01 is smaller than 0.05 so that H2 is proven. Then for the relationship of trust in the welfare of cooperative members has a positive and significant effect with a β value

of 0.59 which means that the influence between trust in the welfare of cooperative members is 59% and the p-value of <0.01 is smaller than 0.05 so that H3 is proven. Furthermore, to better understand this study, the authors tested the effect of mediation on the trust variable. As a result, trust was able to mediate the relationship between digitalization and the welfare of cooperative members with a β value of 0.32, which means that trust was able to mediate the relationship between digitalization and the welfare of cooperative members by 32% and the p-value of <0.01 was smaller than 0.05, indicating that H4 was proven.

Table 6. Summary of Hypothesis Test Results

Hypothesis	P Value	Estimate	Direction	Information
Digitalization has a positive effect on the welfare of savings and loan cooperative members.	$P<0.01$	0,36	+	Supported
Digitalization has a positive effect on members' trust in savings and loan cooperatives.	$P<0.01$	0,64	+	Supported
Trust has a positive effect on the welfare of cooperative members in savings and loan cooperatives.	$P<0.01$	0,49	+	Supported
Digitalization has a positive effect on the welfare of cooperative members in savings and loan cooperatives with trust as a mediating variable.	$P<0.01$	0,32	+	Supported

4.2. Discussion

This research explores the impact of digitalization and trust on the welfare of savings and loan cooperative members. Furthermore, this study examines the effect of digitalization on the welfare of cooperative members with trust as a mediating variable. The results show that the four hypotheses in this study are proven.

Digitalization and Welfare of Savings and Loan Cooperative Members

Based on the results of the research conducted, digitalization has a positive influence on the welfare of savings and loan cooperative members. These finding are supported by results showing that digitalization presents a unique opportunity for cooperatives to enhance their operational efficiency, expand market access and improve member engagement. The implementation of digital technology in cooperative operations, such as the use of applications for deposits, loans, and other services, has been proven to improve the accessibility and efficiency of services for members. Digitalization allows members to make transactions anytime and anywhere, which in turn increases their convenience and satisfaction.

Therefore, with digitalization the sustainability of Saving and Load Cooperative will be guaranteed. Sustainable cooperatives will continue to provide profitable services and improve the quality of life of their members. The sustainability of cooperatives supports the achievement of members' welfare through effective management, the provision of good financial services, the empowerment of members welfare.

Digitalization and Trust

The results of the study show that digitalization plays a key role in building and strengthening members' trust in savings and loan cooperatives, which in turn has the potential to increase member participation and the growth of the cooperatives themselves. Members' trust in cooperatives is an important factor that affects their active participation in various cooperative activities, including making deposits, loans, and the use of other cooperative services. This study shows that the higher the level of trust of members in cooperatives, the more likely they are to make the most of cooperative services. This trust is created from the transparency of cooperative management, the integrity of the management, and consistency in providing benefits to members, such as reasonable interest rates, responsive services, and safe and effective fund management.

Strong trust between cooperatives and members has a direct impact on the welfare of members, both in financial and social aspects. Members who believe that the cooperative will manage their funds well and provide fair services tend to feel safer in investing or borrowing from the cooperative. This increases member engagement and strengthens solidarity within the cooperative, which in turn helps members achieve their financial goals, both for daily needs and business development.

Trust and Welfare of Cooperative Members

This study also confirms that trust is one of the key factors that can improve the welfare of savings and loan cooperative members. These findings are supported. Therefore, it is important for cooperatives to continue to build and maintain member trust through professional, transparent, and responsive management to member needs. These findings show that the application of digital technology in cooperative services, such as financial transaction applications, deposit management, loans, and online cooperative information, not only improves operational efficiency, but also strengthens the relationship of trust between cooperatives and their members.

Digitalization allows members to access cooperative services more easily and transparently, which in turn increases their level of trust in cooperative management. The existence of this digital system also reduces the potential for human error in recording transactions, thereby increasing the accuracy and reliability of data managed by cooperatives. With the ease of monitoring transactions in real-time, obtaining more accurate information, and reducing the potential for administrative errors, members feel more confident that their funds and information are being managed properly.

Digitalization and Welfare of Cooperative Members: The Trust as a Mediating Variable.

The trust formed through digitalization then becomes a significant mediating factor in improving the welfare of members. The higher the level of trust of members in the cooperative, the more likely they are to be more actively involved in cooperative activities, such as saving, borrowing, or utilizing other cooperative products. This higher participation contributes to members' financial stability, facilitates access to more affordable financing, and creates a sense of security in managing their finances.

This research emphasizes that digitalization is able to increase members' trust in cooperatives, and plays an important role in improving the economic welfare of cooperative members. Therefore, Save and Loan Cooperative need to maximize the use of digital technology to build and maintain the trust of members which is ultimately able to improve the quality of life of cooperative members.

5. Conclusion

This study examines the factors that affect the welfare of savings and loan cooperative members. Based on the findings of the study, it was concluded that digitalization is a significant predictor of the welfare of savings and loan cooperative members. Then, trust is also a significant predictor that can improve the welfare of cooperative members. Thus, digitalization in savings and loan cooperatives has great potential to increase the trust of cooperative members and the welfare of cooperative members. This can be done by implementing a transparent financial information system by providing an application or digital platform to monitor balances, deposits, loans, and transactions in real time. Then, ensure a secure and practical payment system so that cooperative members do not need to carry cash which reduces the risk of theft or loss. As well as actively holding counseling and digital financial education to increase members' understanding of cooperative products and financial technology which can ultimately help cooperative members in making better financial decisions.

This study has several limitations that can hinder the generalization of results. First, this research was only conducted in Solo Raya so the results of the research could not be generalized. Therefore, future research may focus on other countries of wider reach to see more varied results. Second, this study adopts empirical research through a questionnaire survey that only provides cross-sectional data so that future research can be carried out with longitudinal studies. Further research should add other supporting variables that can affect the welfare of cooperative members such as financial performance, product quality, or service quality. Finally, we hope that the results of this research will be useful for researchers, academics, and practitioners, as well as contribute to future research as a reference.

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