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Operational Risk Control Strategy in Sharia Cooperatives

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ABSTRACT

This research aims to identify risk management strategies in the LKS Al Yasini sharia cooperative. LKS Al Yasini is a sharia-based financial institution located in Pasuruan, East Java. This study is important to carry out because operational risks still occur frequently and will always occur, although in different and new forms. Therefore, sharia cooperatives need to improve their operational risk management to maintain their existence and increase member trust. The research method used in this research is descriptive with a field research approach. The results of this research indicate that implementing security system improvements and enhancements is very important for sharia cooperatives to control potential risks that may arise. The implications of this research provide an important contribution in increasing understanding of operational risk management in the context of Islamic financial institutions and can serve as a guide for improvements and enhancements in the future.

Keyword: *Strategy, Operational Risk Control, Sharia Cooperatives*

Paper type: *Literature Review*

A. INTRODUCTION

Operational risk is a loss that arises as a result of inadequacy or failure of internal or external processes in an organization, including sharia cooperatives. Operational risks can stem from a variety of factors, such as human error, technology failure, regulatory changes, external disruption, or internal control deficiencies. When operational risks are not managed properly, this can result in financial losses, damaged reputation, legal violations, or even threats to the operational continuity of the sharia cooperative itself (Rizka et al., 2019).

Risk control is the most important part of running a sharia cooperative. Because if it is not handled well, it is a risk that will cause big problems, and can even cause sharia cooperatives to collapse. Meanwhile, we know that sharia cooperatives are institutions that operate in the financial services sector. Businesses in the service sector certainly prioritize service and comfort as the main thing to highlight. This service and comfort will affect the trust in the eyes of the public towards a sharia cooperative. So, this trust is the main capital in business in the financial sector.

Reporting from Kompas.com, some time ago the public was shocked by the news that one of the state-owned sharia banks experienced disruption to its services, allegedly due to a cyber attack. As a result of the disruption, services at the bank were down for almost a day. This certainly causes many bank customers to feel disappointed because they cannot make transactions. The disruption experienced by the Bank is one of the operational risks that can occur in a financial institution, including sharia cooperatives. If something like this happens to a sharia cooperative, it will result in decreased public trust and the reputation of the sharia cooperative will fall. Because they feel uncomfortable and unsafe being members of a sharia cooperative. Sharia cooperative members will switch to other financial institutions that can provide security and comfort for them.

The operational risks faced by sharia cooperatives will continue to grow over time. These risks can be fraud risks, legal risks, reputation risks, human resource management risks, environmental change risks, and technological risks. Technological sophistication and digitalization are things that cannot be avoided today. On the one hand, technological developments can encourage progress in sharia cooperatives. However, on the other hand, this is a loophole that could pose a serious threat to the sustainability of a sharia cooperative. Because at this time, operational risks that often arise are precisely by utilizing sophisticated technology. In principle, all business activities have risks, but these risks can be minimized to the lowest point if handled in an appropriate and appropriate manner. The existence of operational risk management is to guarantee the existence of sharia cooperatives in the long term. In carrying out business activities, risk is something that naturally occurs in a financial institution (Husen Sobana et al., 2021).

One of the risks faced by financial institutions in their business activities is operational risk. This risk can cause losses both directly and indirectly. It can also result in losses due to lost opportunities to gain profits. Operational risk is a concept that is not clearly defined because its scope is too broad. This risk arises due to errors made by humans (human error), or it could also be a technical error (Murwadji et al., 2018). The goal of implementing risk management is to control and reduce different risks related to a field in a way that is acceptable to society. Risks here can be various types of threats caused by the environment, technology, humans, organizations and politics (Husen Sobana et al., 2021). On the other hand, implementing risk management involves all methods that can minimize risk to the lowest level. The aim of implementing risk management by a sharia cooperative is to avoid threats, failures, increase profits, reduce operational costs, and so on.

The main objective of implementing operational risk management is to protect sharia cooperatives from losses that may arise due to errors in operations. Sharia cooperatives manage risk by balancing business strategy with risk mitigation so that sharia cooperatives will get optimal business results (Yanuar Dharma Putra & Imron Mawardi, 2019). Research related to operational risks in sharia cooperatives has actually been carried out a lot. However, what is interesting in research on operational risks is that these risks always develop along with advances in technology. So the strategy needed to control the risks that arise must also be balanced with the risks that occur. For example, currently many bank customers complain that their account balances have suddenly disappeared. Another example is the increasing number of frauds via social media which will ultimately lead to account break-ins.

These two examples are part of the operational risks faced by banks, but they also have the potential to occur in sharia cooperatives because currently many sharia cooperatives use online-based information systems. Well, these two risks are currently increasingly common because they use technological sophistication as their main weapon. A hacker, for example, just sits at his computer and can break into as many accounts as he wants. So this kind of risk threat must be captured intelligently by sharia cooperatives by strengthening their security systems.

The formulation in this research is how to control operational risk strategies at the Al Yasini Sharia Financial Institution (LKS) sharia cooperative. LKS Al Yasini is a savings and loan cooperative owned by the Al Yasini Pasuruan Islamic Boarding School. As an institution operating in the financial sector, LKS Al Yasini certainly has several factors that are susceptible to risk in its operations. These factors include policies, operational procedures, information systems, and employee competency. By understanding these factors, sharia cooperatives can identify areas that need to be improved and developed in order to increase the effectiveness of operational risk control. Apart from that, this research will also explore the factors that need to be implemented in operational risk control strategies in the context of sharia cooperatives. These factors include management commitment, member participation, understanding of sharia, and the risk control culture that exists in the LKS Al Yasini sharia cooperative.

B. THEORETICAL STUDY

1. Sharia Cooperatives

Sharia cooperatives are a form of cooperative that operates in accordance with Islamic sharia principles. These sharia principles include the prohibition of usury, the prohibition of gambling, the prohibition of transactions involving ambiguity (gharar), the prohibition of transactions involving haram or prohibited goods in Islam (maysir), and the principle of justice. Sharia cooperatives strive to create an economic system based on Islamic values, with a focus on the welfare of members and society as a whole. Sharia cooperative activities include collecting funds, disbursing financing, investment, as well as various financial and social services which are carried out by observing sharia principles in every aspect of their operations.

Sharia cooperatives have two significant aspects, namely social and economic aspects. Sharia cooperatives contain social aspects because humans need each other to fulfill their life needs. Sharia cooperatives in the economic aspect, namely in terms of their activities which carry out transaction activities, therefore sharia cooperatives contain economic elements. If a sharia cooperative is run in the right way, it will produce a stable economic increase (Batubara, 2021).

Sharia cooperatives have been the subject of significant attention in the study of Islamic economics and finance. As an alternative to conventional financial institutions, sharia cooperatives offer a model based on sharia principles, such as fairness, risk sharing, and the prohibition of usury. Sharia cooperatives have broader goals than simply seeking financial profits, namely improving the welfare of members and society as a whole. Through a participatory and inclusive approach, sharia cooperatives strive to create a sustainable and just economic system (Moh. Musfiq Arifqi, 2020).

However, the development of sharia cooperatives is also faced with challenges and obstacles. Some of these include the complexity of understanding sharia concepts, difficulties in carrying out effective governance, and operational risks that need to be managed well. Therefore, this article aims to dig deeper into sharia cooperatives, as well as the risk management strategies that can be implemented (Pambudi, 2021).

2. Management

Management is a scientific discipline and practice that involves knowledge and skills in organizing, coordinating and managing various aspects of an organization, including human resources and other resources, with the aim of achieving predetermined goals. In this context, management not only involves the use of appropriate knowledge and methods, but also requires sensitivity to aspects of art, which involves creativity, wisdom and contextual understanding (Jessy Angelliza Chantica et al., 2021).

Management is a process of planning, organizing, coordinating and controlling resources to achieve goals effectively and efficiently. Effective means that goals can be achieved according to planning, while efficient means that existing tasks are carried out correctly, organized and according to schedule (Hidayat, 2019). The management function is a series of activities carried out by managers in organizing and directing organizational resources to achieve predetermined goals. There are four main functions in management, namely planning, organizing, directing and controlling (Juhji, 2020).

Planning is a management function that involves the process of determining organizational goals, developing strategies, and formulating action plans that will be taken to achieve these goals. In planning, managers conduct situation analysis, identify opportunities and challenges, and make appropriate decisions. Good planning helps organizations to direct efforts and resources effectively, minimize risks, and increase the chances of success in achieving goals (Moh. Musfiq Arifqi, 2020)..

Organizing is a management function related to managing resources and organizational structure. In organizing, managers determine individual duties and responsibilities, form work teams, and group activities into organized work units. Direction is a management function that involves the manager's efforts to influence, inspire, and motivate organizational members to work effectively towards achieving goals (Juhji, 2020). Through direction, managers guide and provide direction to employees in carrying out their duties, build a solid team, and create a positive work environment. Control is a management function related to monitoring and evaluating the implementation of plans and measuring organizational performance to ensure goal achievement. In controlling, managers collect data, conduct analysis, and compare actual results with established plans (Hidayat, 2019).

3. Operational Risk

Operational risk is a type of risk that originates from human resources, procedures and systems developed within the company. This risk can arise due to several factors, both from outside and within the company itself. External factors may include changes in regulations, government policies, market changes, or unstable economic conditions. Meanwhile, internal factors include human error, system failure, less effective procedures, or lack of understanding of duties and responsibilities (Muhammad Fahmul Iltiham, 2020). Operational risk is a major concern for companies because it can impact efficiency, operational sustainability, reputation and the company's final results. Therefore, it is important for companies to recognize and manage operational risks effectively in order to maintain the continuity and success of their operations (Husen Sobana et al., 2021).

Risk Management includes a complete set of policies and procedures that an organization has with the aim of managing, monitoring and controlling the organization's exposure to risk. Risk can be defined as uncertainty that arises as a result of changes, and is a deviation from expected results. This uncertainty factor is ultimately the cause of risk in an activity (Husna et al., 2022).

Operational risk arises as a result of deficiencies or failures in internal processes in the cooperative, errors made by human resources, system failures used in the cooperative, or external problems that have an impact on cooperative operations. Operational risks can be found in various activities such as credit, use of information system technology and management information systems, as well as human resource management in cooperatives (Murwadji et al., 2018).

Operational risks in sharia cooperatives include various aspects that can disrupt efficiency, sustainability and affect member trust. Some operational risks that can occur in sharia cooperatives include (Murwadji et al., 2018).:

a. Operational failure risk: Includes risks related to information technology system failure, inadequate infrastructure, or failure in transaction processing which could disrupt the daily operations of sharia cooperatives.
b. Risk of fraud and unethical actions: Includes risks related to internal fraud by employees or management, misuse of cooperative funds or assets, or unethical actions that could harm sharia cooperative members.
c. Legal and compliance risks: Includes risks of violations of applicable laws and regulations, failure to comply with sharia principles, or risks related to legal disputes that can affect the operations and reputation of sharia cooperatives.
d. Reputation risk: Covers risks related to the image and reputation of sharia cooperatives in the eyes of members, the public and other related parties. Reputation risks can arise due to various operational problems or actions that are not in accordance with sharia values.
e. Human resource management risks: Includes risks related to lack of employee skills and knowledge, lack of motivation or loyalty, or failure in human resource management which can affect the operations and performance of sharia cooperatives.
f. Risk of changes in the economic and regulatory environment: Includes risks related to changes in economic conditions, policies or regulations that can affect the operations and business strategy of sharia cooperatives.

C. METHODOLOGY

The research method used in this research is qualitative research in the nature of field research. Qualitative research is research that produces descriptive data in the form of written or spoken words from people and observable behavior (Muhammad Fahmul Iltiham, 2020). In this research, there are two types of data, namely primary data and secondary data. Primary Data is a source that directly provides data to data collectors. In this research, what is meant by primary data is data obtained directly from the research site, namely the LKS Al Yasini sharia cooperative, either by observation or interviews. Observations were carried out in more detail because the researchers included employees at the LKS Al Yasini sharia cooperative. Interviews were conducted with people involved in risk control at the LKS Al Yasini sharia cooperative, including the Cooperative Chair, Manager and Sharia Supervisory Board. Secondary data is a data source that does not directly provide data to data collectors. In this research, the secondary data referred to is data taken from the LKS Al Yasini sharia cooperative documents, books, journals and websites that are in accordance with the research theme raised (Riyantono & Hatmawan, 2020).

The data analysis techniques used in this research are data reduction or simplification, data presentation or exposure, and drawing conclusions. The first step is data reduction or simplification, which involves the process of collecting data from the field and then simplifying it through data selection and concentration. The aim of this step is to obtain relevant and significant data for operational risk analysis. After the data has been reduced, the next step is presentation or exposure of the data. In this step, data that has been systematically arranged is presented to draw conclusions and evaluate operational risk control strategies that occur. The process of presenting this data is important so that management can clearly understand the overall picture of operational risks faced by the company (Ridlo, 2023).

Finally, after the data is presented, the step of drawing conclusions is carried out. This step is the final stage of the data management process, where the results of research and data analysis are used to draw conclusions related to operational risk control strategies. By using appropriate data analysis techniques, this research is expected to provide a comprehensive and in-depth picture of risk control in the LKS Al Yasini sharia cooperative.

D. DISCUSSION

Risk control is a very important aspect in the operations of sharia cooperatives in order to maintain their existence and increase member trust. An effective risk control strategy can help sharia cooperatives identify, measure and manage risks that may arise. First, cooperatives need to comprehensively identify risks, including operational, financial, legal, reputational and other risks specific to sharia cooperatives. Furthermore, cooperatives must apply appropriate risk assessment methods to measure the level of risk and its potential impact. This allows cooperatives to determine the risk control priorities that need to be taken. Furthermore, cooperatives can design and implement appropriate risk control measures, including improving systems, procedures, policies, as well as implementing strong internal controls. Apart from that, sharia cooperatives must also monitor and evaluate the effectiveness of the risk control strategies that have been implemented, as well as make regular adjustments or improvements to maintain reliability and efficiency.

In controlling risks in sharia cooperatives, it is important to integrate sharia principles in the risk control strategy. Sharia cooperatives must ensure that the risk control measures taken are in accordance with sharia principles which prohibit riba, gharar (excessive uncertainty), maysir (gambling), and other haram activities. This involves a deep understanding of sharia principles and their application in the context of risk control. Cooperatives also need to involve a sharia board that can provide guidance and assessment regarding sharia compliance in risk control strategies (Ana Nurwakhidah, 2020).

In implementing risk control strategies, sharia cooperatives must also pay attention to sustainability and flexibility, as well as considering the social and economic impact on cooperative members and the surrounding community. By adopting a risk control strategy that is holistic and based on sharia principles, sharia cooperatives can strengthen operational resilience and maintain members' trust in the long term. Below we will discuss things that often occur related to operational risks in sharia cooperatives:

a. Risk of Operational Failure

The risk of operational failure is one of the significant risks faced by sharia cooperatives. This risk covers various aspects that can disrupt the smooth daily operations of sharia cooperatives. One of the risks that may occur is information technology system failure. In the current digital era, sharia cooperatives rely on information technology systems to carry out various activities such as data processing, transactions and reporting. If a failure occurs in the information technology system, such as hardware damage or network disruption, the operations of the sharia cooperative may be disrupted.

The risk of operational failure can also be related to inadequate infrastructure. Sharia cooperatives need good and reliable infrastructure to support their operational activities. Inadequate infrastructure, such as frequent power outages, unstable internet connections, or lack of adequate physical facilities, can hamper the operational processes of sharia cooperatives. The inability to meet adequate infrastructure needs can affect the productivity and efficiency of sharia cooperatives, and has the potential to harm cooperative members.

In addition, the risk of operational failure may also arise due to failure in transaction processing. Sharia cooperatives are involved in various financial transactions such as collecting funds (funding), distributing financing (lending), and transferring funds between members. If there is a failure in transaction processing, such as an error in data input, transaction validation failure, or payment system failure, this can result in inaccuracies and inaccuracies in the management of member funds. This can cause financial losses, loss of members' trust, and damage the reputation of the sharia cooperative as a whole. Therefore, it is important for sharia cooperatives to have reliable systems and procedures for processing transactions to reduce the risk of operational failure.

Finance Manager of the LKS Al Yasini sharia cooperative, Sukron Mustajib, said that to minimize the risk of transaction processing failure, members are required to activate the LKS Al Yasini Mobile application. This is very useful for controlling if an error occurs in processing transactions, members will immediately know about it. Because there will always be a notification that appears when there is a transaction carried out by the LKS Al Yasini sharia cooperative.

Furthermore, in terms of distributing funds, for example, sharia cooperatives must also be careful in knowing the quality of financing and carry out a strong analysis of members who will be given loans, this aims to ensure that the funds are right on target and there are no financing problems in the future. However, in reality, there are still many problems with financing. These financing problems arise due to many factors, starting from internal factors and external factors (Nizar & Moh. Mukhsinin Syu'aibi, 2020).

In an interview with LKS Al Yasini Risk Manager, M. Ali Shodiqin explained that the starting point for problematic financing was an incorrect initial analysis process. For example, the survey process for prospective financing members is inaccurate. This has the potential to cause financing problems because the initial procedures have not been carried out properly. So when financing is provided to members, the risk of default can increase. Apart from that, Ali Shodiqin also highlighted the importance of continuous monitoring of the financing that has been distributed. If there is no effective monitoring system, sharia cooperatives will not be able to identify changes in financial conditions or members' inability to fulfill their obligations on time. As a result, the risk of default can increase and affect the liquidity and financial health of the cooperative.

Furthermore, LKS risk manager Al Yasini emphasized the need to implement proactive risk control measures. One of the steps they implemented was training and improving the quality of human resources involved in the financing analysis and monitoring process. This involves a deep understanding of sharia principles, comprehensive risk analysis methods, as well as an understanding of early warning signs in identifying potentially problematic financing. LKS Al Yasini also implements an integrated information system to support more efficient data collection and monitoring. Thus, sharia cooperatives can proactively identify possible financing risks and take appropriate preventive measures. In dealing with financing risks, effective and sustainable risk control measures are the key to maintaining the financial health and trust of sharia cooperative members.

b. Risk of Fraud

The risk of fraud and unethical actions is a serious threat that can disrupt the integrity and sustainability of sharia cooperatives. This risk involves various forms of internal fraud committed by employees or management of sharia cooperatives. One form of this risk is fraud in the management of cooperative funds or assets (fraud). Dishonest employees or management can misuse cooperative funds or assets for personal interests, such as misusing members' savings or committing fraud or embezzlement in financial transactions. This risk can harm sharia cooperative members financially and destroy the trust that has been built.

Sharia cooperatives are required to be able to manage their liquidity safely in order to maintain public trust, especially the trust of their members. For this reason, sharia cooperatives need to increase the security of funds in managing them. This is contained in Law Number 17 of 2012 article 94 paragraph 1, which states that Sharia Savings and Loans Cooperatives are obliged to guarantee the savings of their members. By applying the principle of prudence (prudential) in managing funds (Bakhri et al., 2021).

Apart from fraud, the risk of unethical actions can also have a negative impact on sharia cooperatives. Unethical actions may include abuse of authority, violation of sharia principles, or unfair treatment of cooperative members. For example, employees or management who abuse their authority for personal gain, or accept fees from members to facilitate loan disbursement. This kind of unethical action can damage the reputation of sharia cooperatives and affect members' trust and relationships with other related parties. Therefore, strict control and supervision measures are needed in sharia cooperatives to prevent the risk of fraud and unethical actions in order to maintain the integrity and trust of members.

Chairman of the management of the LKS Al Yasini sharia cooperative, Samsul Arifin, always advises his employees that the most important thing at work is good intentions, namely seeking halal fortune (*thalabul halal*). If an employee has good intentions embedded in his heart, then he will naturally avoid anything that is not good. Mr. Samsul Arifin further explained, no matter how sophisticated the security system that is built, if the mental health of the employees is still not good, then the system will be difficult to stem fraud committed by employees. So employee integrity is the main thing to avoid the risk of fraud and unethical actions. To get employees with high integrity, it is necessary to provide scheduled training and coaching. The LKS al Yasini sharia cooperative also holds meetings every three months which are packaged in the form of recitation and prayer with the caretakers of the Al Yasini Integrated Islamic Boarding School. It is felt that this kind of thing is very important to increase employee spirituality, emotional closeness between employees, and build solidarity between employees and their superiors.

c. Reputational Risk

Reputation risk is a very important aspect in managing sharia cooperatives. This risk involves the image and reputation of sharia cooperatives in the eyes of members, the community and other related parties. Sharia cooperatives have a responsibility to maintain and strengthen their reputation as financial institutions based on fair and transparent sharia principles. Reputation risks can arise as a result of various operational problems, such as inappropriate handling of member complaints, and inaccuracies in financial reporting.

Apart from that, actions that are not in accordance with sharia values can also endanger the reputation of sharia cooperatives, for example involving practices that are considered ribawi or not in accordance with the principles of fairness in financial transactions. Therefore, it is very important for sharia cooperatives to actively identify, prevent and manage reputation risks in order to maintain the trust of members and the public and strengthen their position in the sharia financial industry (Sutikno et al., 2021).

Reputation risk management is an important task in managing sharia cooperatives. One important step is to build effective communication with members, the community and other related parties. Sharia cooperatives must be able to communicate clearly and transparently regarding the sharia values they uphold, as well as the operational policies they implement. Apart from that, the use of safe and reliable information technology can also help manage reputation risks, including securing member data and preventing cyber attacks that could damage the cooperative's reputation. Furthermore, sharia cooperatives can also strengthen their reputation by involving members in the decision-making process, adopting good governance practices, and actively participating in social activities. With these steps, sharia cooperatives can minimize reputation risks and build strong relationships with members, the community and other stakeholders.

d. Legal and Compliance Risks

Legal and compliance risks are crucial factors in managing sharia cooperatives. These risks include threats related to violations of applicable laws and regulations, failure to comply with sharia principles, as well as risks related to legal disputes that can affect the operations and reputation of sharia cooperatives. Sharia cooperatives have the responsibility to ensure compliance with applicable rules and regulations in the financial and sharia fields. Violations of laws and regulations can have serious impacts on cooperatives, such as legal sanctions or cancellation of business permits. Apart from that, failure to comply with sharia principles can also damage the cooperative's reputation and members' trust (Ana Nurwakhidah, 2020). The risk of legal disputes can also arise in various operational aspects, such as contracts, insurance claims, or disputes with members or other related parties.

Managing legal and compliance risks in sharia cooperatives involves proactive and sustainable steps. First, cooperatives must have a strong understanding of the applicable laws and regulations in the financial and sharia fields. Cooperatives also need to adopt clear policies and procedures to ensure compliance with these rules. Education and training of employees is also important to increase their understanding of relevant sharia laws and principles. Apart from that, it is also important to build a supervision and monitoring system to identify potential violations or legal risks that may arise.

Ustad Nur Fuad, LKS Al Yasini Sharia Supervisory Board explained that compliance with sharia principles is non-negotiable. According to him, sharia cooperatives must prioritize aspects of sharia compliance as the main basis for controlling operational risks. Every decision and action taken by the cooperative must be in line with sharia values, including implementing risk control strategies.

In the context of operational risk control, compliance with sharia principles involves strict supervision of cooperative operational activities. Ustad Nur Fuad emphasized the importance of having an independent monitoring and inspection mechanism to ensure that cooperative operational activities are carried out in accordance with sharia principles and applicable regulations. This involves a sharia supervisory board or sharia experts who are actively involved in the decision-making process and operational risk monitoring.

In order to face operational risks, Ustad Nur Fuad also emphasized the need for collective awareness and active participation from all related parties. Strong involvement and commitment from management, employees and cooperative members in implementing risk control strategies based on sharia principles is very important. In this way, sharia cooperatives can strengthen their operational resilience, maintain a good reputation, and remain a trustworthy choice for members and the general public in supporting economic activities based on sharia principles. Sharia cooperatives must also consider collaborating with legal consultants or sharia experts to strengthen risk management in legal and compliance aspects. By taking these steps, sharia cooperatives can minimize legal and compliance risks, and build a strong reputation as a trusted financial institution with integrity (Ana Nurwakhidah, 2020).

e. Human Resource Management Risks

Human resources are the spearhead of sharia cooperatives. Honesty is the most important thing every employee has in carrying out their duties and responsibilities. Honesty must be a basic principle embedded in the organizational culture of sharia cooperatives. The importance of honesty is also reflected in the human resource management process of sharia cooperatives. Cooperatives must ensure that recruitment, selection and training of employees is carried out strictly to ensure honesty is a quality that is upheld. Apart from that, there needs to be clear policies and procedures for dealing with violations or unethical actions that occur within cooperatives. Strict sanctions must be imposed to protect the interests of cooperatives and maintain a good reputation in the eyes of members and the community (Eny Latifah, 2020).

Human resource management risk is also an important factor in the operational success of sharia cooperatives. This risk includes various aspects related to lack of employee skills and knowledge, as well as lack of motivation or loyalty. Sharia cooperatives depend on the quality and ability of their employees to provide good services to meet members' needs. Lack of employee skills and knowledge can affect the efficiency and quality of services provided. Apart from that, a lack of employee motivation or loyalty can also disrupt the performance of sharia cooperatives, both in terms of productivity and relationships with members. Therefore, effective human resource management is very important in managing this risk, starting from the recruitment process, training, development and rewards for employees who excel. By identifying and managing human resource management risks, sharia cooperatives can ensure the availability of employees who are qualified, motivated and have high loyalty.

Risk management of human resource management in sharia cooperatives involves strategic steps needed to overcome risks that may occur. One important step is to identify the skills and knowledge needed in each position or department in a sharia cooperative. This will enable cooperatives to design appropriate training and development programs to improve employee competency. Apart from that, it is also important to build a work environment that supports employee motivation and loyalty, such as providing fair incentives and appreciating their contributions. Effective performance management also needs to be implemented, including clear performance appraisals and clear career development. In this way, sharia cooperatives can reduce human resource management risks and ensure efficient operational continuity.

f. Risk of Environmental and Regulatory Changes

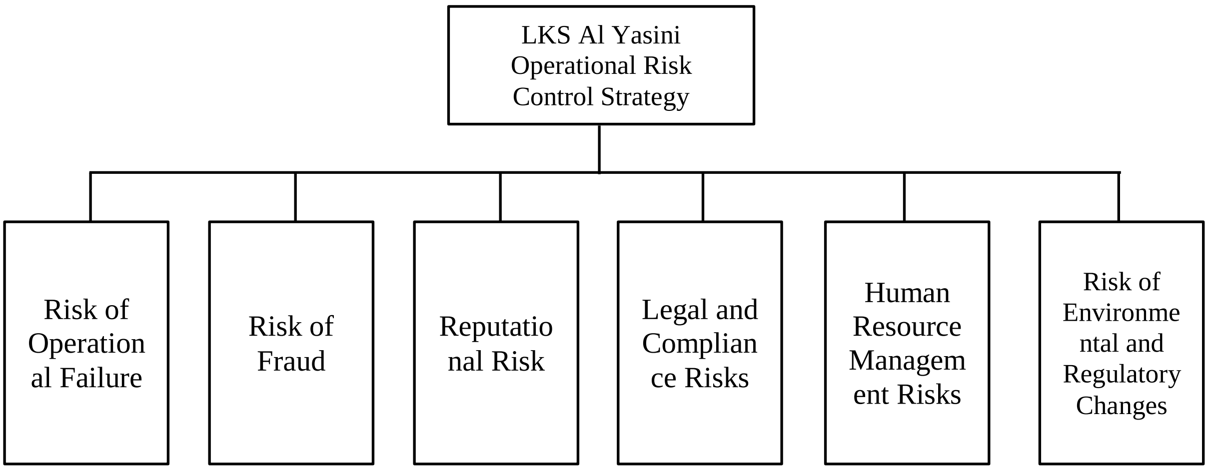
The risk of changes in the economic and regulatory environment is a factor that must also be considered in managing sharia cooperatives. This risk involves threats related to changes in economic conditions, policies or regulations that can impact the cooperative's operations and business strategy. Changes in economic environmental conditions such as fluctuations in interest rates, inflation, economic recession, or it could also be changes in socio-economic conditions such as those caused by the COVID 19 pandemic which occurred some time ago.

The risk of environmental changes caused by the COVID-19 pandemic has greatly influenced the performance of sharia cooperatives. This pandemic has presented unprecedented challenges for the economic sector, including sharia cooperatives. In facing this pandemic, sharia cooperatives are faced with various risks including consumer behavior, economic uncertainty and decreased liquidity (Bakhri et al., 2021).

One of the risks faced by sharia cooperatives is changes in consumer behavior. The impact of the COVID-19 pandemic has changed people's consumption patterns significantly. Many members of sharia cooperatives experience a decrease in income or even lose their jobs, resulting in a decrease in purchasing power. Apart from that, social restrictions and changes in habits also influence consumer preferences. Sharia cooperatives must be able to adapt to these changes and adjust business strategies and products or services offered to remain relevant and meet members' needs. In addition, changes in government policies or regulations related to the financial or sharia industry can also have a significant impact. For example, changes in tax regulations or regulations related to sharia financing can affect the income or cost structure of sharia cooperatives. Therefore, risk management of changes in the economic and regulatory environment is important in anticipating and overcoming these risks so that sharia cooperatives can continue to adapt and perform well amidst the changes that occur (Nanang Sobarna, 2021).

Managing the risk of changes in the economic and regulatory environment in sharia cooperatives requires a good understanding of the factors that influence the economic and regulatory environment. Sharia cooperatives need to actively follow economic developments and monitor changes in policies or regulations. With proper monitoring, cooperatives can prepare the necessary mitigation steps to reduce the impact of risks that may arise. Apart from that, it is also important to maintain good relationships with stakeholders, such as regulatory authorities such as the National Sharia Council (DSN), or the sharia community, in order to obtain the latest information. In this way, sharia cooperatives can improve their ability to manage the risks of changes in the economic and regulatory environment, so that they can continue to operate to meet members' needs.

Image 1. LKS Al Yasini Operational Risk Control Strategy



Source: Processed by researchers

E. CONCLUSION

Sharia cooperatives must be better prepared for operational risks that will continue to occur. Improving policies and procedures is an important step that must be taken to deal with these risks. Cooperatives need to conduct a thorough evaluation of existing policies and procedures, identify areas that are vulnerable to operational risks, and implement necessary improvements. By strengthening an effective policy and procedural framework, cooperatives can reduce operational risks that may arise.

Increasing awareness and training for members and employees regarding risk control is also a key factor in overcoming operational risks. Cooperatives need to provide adequate training and education to members and employees regarding the importance of controlling operational risks and implementing relevant policies. By increasing understanding and awareness of operational risks, members and employees will become more responsive and proactive in dealing with risks and can take appropriate action in situations that require it.

Apart from that, the application of appropriate information technology is also absolutely necessary for every sharia cooperative to survive. Information technology can be an effective tool in managing and controlling operational risk. The use of integrated information systems, strong data security and relevant technology can help sharia cooperatives identify, measure and monitor operational risks more efficiently. By adopting the right information technology, cooperatives can increase the effectiveness of risk control, reduce human risk, and improve overall operational performance.

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