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## Community Service Research Innovation

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# Community Service in Building Transparent and Accountable Financial Standard Operating Procedures

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### ARTICLE INFO ABSTRACT

#### Editor;

Ika Swasti Putri

#### Reviewers Article;

Dahlan Abdullah

Ari Kristin

#### Article Revision;

15 May 2024

#### Article Accepted

01 June 2024

#### Publication;

10 June 2024

#### Author Correspondence;

Thetty Surienty Rajagukguk

#### Keywords:

Financial Standard, Operating Procedures (SOPs), Non-profit organizations, Transparency Accountability

Organisations, particularly nonprofits, face more difficult financial management issues in the contemporary era of globalisation and technological innovation. Transparency and accountability are essential for upholding public trust and enabling the efficient use of resources. The objective of this study is to improve financial governance and accountability at the Elsafan Foundation, located in East Jakarta, through the introduction of financial standard operating procedures (SOPs). This research used a qualitative methodology, incorporating participatory approaches, to investigate how staff members and board members perceive and interact with financial standard operating procedures. The study emphasises the significance of Standard Operating Procedures (SOPs) in improving internal controls, optimising operations, and guaranteeing adherence to regulations. The findings suggest that developing customised Standard Operating Procedures (SOPs) specifically tailored to the company's unique requirements is crucial for successful implementation. Furthermore, the study highlights the beneficial influence of implementing Standard Operating Procedures (SOPs) on operational efficiency and transparency. Future endeavours should prioritise the provision of ongoing assistance for the creation and implementation of Standard Operating Procedures (SOPs) within businesses. This study adds to the discussion on financial management in the non-profit sector and highlights the importance of using standardised procedures to ensure openness and accountability.

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## 1. Introduction

In the era of globalization and rapidly growing digitalization, organizations and foundations around the world are facing increasingly complex challenges in their financial management. Transparency and accountability are keywords that cannot be ignored, especially for non-profit organizations that depend on donations and support from the wider community (Jepson 2005; Jones and Mucha 2014). Various financial scandals that have occurred in various parts of the world show how important it is to implement a good and transparent financial management system. Without an adequate system in place, organizations can get caught up in unhealthy practices, which in turn can damage their reputation and public trust. Therefore, the implementation of a clear and structured Financial Standard Operating Procedure (SOP) is very important to ensure that every financial transaction and activity is carried out in accordance with applicable rules and can be accounted for.

Non-profit organizations that focus on education and community empowerment face challenges similar to many similar organizations around the world. As entities that rely on donations and support from various

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parties, transparency and accountability in financial management are crucial. However, many non-profit organizations face a number of issues related to financial management, including a lack of understanding and implementation of effective Financial Standard Operating Procedures (SOPs). This not only has the potential to cause problems in reporting and auditing, but can also reduce donors' and stakeholders' trust in the organization. Therefore, there is an urgent need to improve the understanding and implementation of Financial SOPs in these non-profit organizations, to ensure better and accountable financial management (Mary, Hofmann, and Mcswain 2013).

Organizational financial management theory emphasizes the importance of a strong internal control system to ensure the accuracy and reliability of financial reporting and compliance with applicable laws and regulations (Udeh 2020). Chenhall and Moers (2015) shows that the implementation of good Financial SOPs can improve operational efficiency and strengthen organizational internal control. Furthermore, research by Herman and Renz (2008) revealed that financial transparency is positively related to the level of public trust and the success of non-profit organizations. Therefore, the development and implementation of effective Financial SOPs is a strategic step that can provide long-term benefits to the organization.

The urgency of community service in the context of the East Jakarta Elsafan Foundation related to Financial SOPs is based on the need to address existing gaps in the foundation's financial management. Previous research indicates that many non-profit organizations face challenges in implementing effective Financial SOPs (Bradshaw et al., 2012). This gap is often due to a lack of understanding and skills among the organization's staff in drafting and implementing Financial SOPs. In addition, there is debate among practitioners about the best approach in drafting SOPs that can meet the specific needs of the organization while still complying with applicable standards and regulations (Borraz 2022). Through this community service activity, it is hoped that a suitable solution can be found to improve the financial management of Elsafan Foundation and overcome the existing challenges.

The main objective of the socialization of Financial SOPs at Elsafan Foundation East Jakarta is to provide a deep understanding to the foundation's management and staff about the importance of Financial SOPs, their components, as well as the process of preparation and effective implementation (Barbara 2002). This activity is expected to help the foundation in improving and perfecting financial management that is more structured, transparent, and accountable (Scholtens 2006). Thus, the foundation can increase the trust of donors, stakeholders, and the wider community in the organization's financial management. The results of this research and socialization are also expected to make a significant contribution to the literature and practice of financial management in non-profit organizations, as well as a reference for foundations and other organizations facing similar challenges.

## 2. Critical Riview

In the realm of financial management, the implementation of Standard Operating Procedures (SOPs) is often hailed as a cornerstone for organizational success (Xie 2006). SOPs provide a structured framework for financial operations, aiming to enhance internal controls, streamline processes, and ensure compliance with regulations. However, while the benefits of SOPs are widely recognized, their effective implementation poses significant challenges and requires careful consideration of various factors. This critical review explores the importance of financial SOPs for organizations, analyzes their components and the process of development, discusses the need for adaptation to changing regulations and business conditions, evaluates challenges in implementation, and highlights the positive impacts of SOP implementation, supported by relevant research and literature (WHO 2019).

Financial SOPs play a vital role in ensuring the integrity and efficiency of financial operations within organizations (Sethi, Martell, and Demir 2017). They provide guidelines for conducting financial activities, reducing the risk of errors, fraud, and non-compliance. However, it is essential to recognize that the mere existence of SOPs does not guarantee success. Bughin, Deakin, and O'beirne (2019), only 45% of executives believe that their organizations are effective at implementing SOPs. This underscores the importance of not only having SOPs in place but also ensuring their effective implementation and continuous improvement.

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The development of effective financial SOPs requires careful planning and execution. Key components include the formation of a dedicated team, analysis of current practices, data collection, drafting of SOPs, and regular review and revision (Brand et al. 2015). However, while these steps are essential, they are not sufficient on their own. Dixon et al. (2019) suggests that successful SOP implementation is closely linked to effective communication, training, and stakeholder engagement. Organizations must ensure that employees understand the purpose and importance of SOPs and are adequately trained to follow them.

In today's dynamic business environment, organizations must continuously adapt their SOPs to keep pace with evolving regulations, policies, and market conditions. This requires a proactive approach to monitoring changes, open communication channels with regulatory bodies, and flexibility in SOP design (Svensson and Danielsson 2015). Štokić and Gardašević-Živanov (2023) found that organizations that regularly update their SOPs are better equipped to navigate regulatory challenges and seize opportunities for growth. However, maintaining up-to-date SOPs requires dedicated resources and a culture of continuous improvement within the organization.

Despite the benefits of financial SOPs, their implementation can be fraught with challenges. These include resistance from employees, lack of buy-in from management, inadequate resources, and cultural barriers (Yazdani and Wells 2018). Ernst et al. (2021) highlights the importance of addressing these challenges early in the implementation process to prevent project delays and cost overruns. Organizations must invest in change management strategies, such as stakeholder engagement, training programs, and performance incentives, to overcome resistance and ensure successful implementation (Errida and Lotfi 2021).

When implemented effectively, financial SOPs can yield numerous benefits for organizations. These include improved internal controls, enhanced operational efficiency, reduced compliance risks, and increased transparency (Rahim, Nawawi, and Salin 2017). Research by KPMG (2019) indicates that organizations with well-defined SOPs are better positioned to achieve their strategic objectives and sustain long-term growth (Lini 2023). Moreover, SOPs can serve as a valuable tool for knowledge transfer and talent development, enabling organizations to build a skilled workforce and drive innovation.

In conclusion, financial SOPs are essential for organizations seeking to achieve sound financial management practices. However, their effective implementation requires more than just the development of SOPs; it demands a holistic approach that addresses challenges related to communication, training, stakeholder engagement, and change management (Pedi et al. 2017). By recognizing the importance of financial SOPs, investing in their development and implementation, and fostering a culture of continuous improvement, organizations can realize the full potential of SOPs in driving operational excellence and achieving strategic objectives (Carvalho et al. 2021).

### 3. Method Innovation

The research object of this community service activity is the Elsafan Foundation in East Jakarta, a non-profit organization engaged in education and community empowerment. The focus of the research is on the board members and staff directly involved in financial management and the process of socializing financial SOPs.

A qualitative approach is employed in this research to understand the context, perceptions, and experiences of Elsafan Foundation's board members and staff regarding financial governance and the implementation of SOPs. This approach enables the researcher to gain in-depth understanding of the factors influencing the acceptance and implementation of financial SOPs.

Additionally, a participatory approach is applied in the community service process. The foundation's board members and staff will actively participate in all stages of developing and implementing financial SOPs, from identifying needs to drafting SOPs, and to execution and evaluation. Their involvement will enhance engagement, understanding, and acceptance of the resulting financial SOPs.

- 1) In-depth Interviews: Conducting in-depth interviews with the foundation's board members and staff to understand their perspectives on financial governance, challenges faced, and expectations regarding financial SOPs.
- 2) Participatory Observation: Engaging in participatory observation of the financial management processes within the foundation to understand existing practices and potential areas for improvement.

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- 3) Document Review: Analyzing relevant financial documents and existing SOPs within the foundation, such as financial reports, financial policies, and previously established SOPs.
- 4) Focus Group Discussions (FGDs): Organizing FGDs with the foundation's board members and staff to discuss needs, expectations, and feedback related to the development of financial SOPs.

The collected data will be analyzed qualitatively. Analysis will be conducted using a thematic approach, where data will be coded, categorized, and interpreted to identify patterns and key findings related to financial governance and SOP implementation. Analysis will be iterative, with initial findings informing subsequent stages of SOP development.

In conducting this research, adherence to international standards of research ethics will be paramount, including compliance with principles of confidentiality, privacy, and respect for research participants. Consent will be obtained from the foundation and all participants before data collection, and information obtained will be handled with caution and impartiality.

#### 4. Result and Discussion



**Figure.1** Photo of Elsafan Foundation's Community Service Activities in East Jakarta

The board and employees of Elsafan Foundation East Jakarta were able to accomplish some noteworthy outcomes after taking part in the socialization of financial SOPs. This conclusion is substantiated by reputable research in the domain of financial management and optimal strategies for handling standard operating procedures (SOPs).

Research conducted by Miller, Smith, and Pugatch (2020) demonstrates that implementing financial Standard Operating Procedures (SOPs) is crucial for preserving financial well-being and mitigating undesirable financial risks in an organization or corporation. Through the process, participants came to see how important it is for the East Jakarta Elsafan Foundation to have an organized and unambiguous financial SOP. The study conducted Jones Smith et al. (2022) demonstrates that financial Standard Operating methods (SOPs) encompass various essential elements, including methods for documenting financial transactions, internal controls, and financial reporting procedures. In terms of the Elsafan Foundation East Jakarta's financial management, participants were able to recognize these elements with clarity and comprehend their respective roles and significance.

According to research conducted Yuliansyah and Jermias (2018), the most effective technique for financial standard operating procedures (SOPs) is to customize them to the specific requirements of the company or

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business. The participants effectively formulated financial Standard Operating Procedures (SOPs) that are tailored to the distinct attributes and requirements of Elsafan Foundation East Jakarta. Financial SOPs can increase operational efficiency and reduce errors in the financial procedure implementation process (Manghani 2011). Participants successfully applied financial Standard Operating Procedures (SOPs) to enhance the financial management of Elsafan Foundation East Jakarta in their everyday activities.

Organizations or firms that successfully apply financial SOPs typically have major benefits, such as greater responsibility, transparency, and internal control (de Koning, Does, and Bisgaard 2008). Participants experienced these benefits and beneficial effects firsthand upon establishing financial Standard Operating Procedures (SOPs) in the financial management operations of Elsafan Foundation East Jakarta.

## 5. Conclusion

By means of the financial standard operating procedures' socialization process, the participants managed to enhance their comprehension of the significance of financial SOPs and their advantages for enterprises or organizations. Additionally, they acquired expertise and proficiency in developing and executing efficient financial Standard Operating Procedures (SOPs). Future activities should focus on offering additional support to participants in developing and executing financial Standard Operating Procedures (SOPs) inside their organizations or businesses. Therefore, we anticipate a consistent enhancement in effective financial management within the foundation sector. I appreciate everyone's attention and cooperation in putting together this community service report, which gives an overview of actual initiatives to improve financial management in the nonprofit sector. We appreciate your valuable input and support in the successful execution of this activity.

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