



## THE CONTRIBUTION OF COOPERATIVES TO THE INDONESIAN ECONOMY

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**Abstract:** The number of cooperatives in Indonesia reaches hundreds of thousands, but 40% of cooperatives in Indonesia are not active for various reasons. This study aims to evaluate descriptively the contribution of cooperatives in the Indonesian economy, especially in terms of employment and economic growth. This study uses descriptive analysis using data sourced from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia and the Central Bureau of Statistics. The results showed that as much as 9.2 % of the total population of Indonesia are members of cooperatives. The percentage of cooperatives' contribution to Indonesia's *gross domestic product* is still below 5%. As for employment, cooperatives are only able to absorb 0.5 % of the entire working population of Indonesia.

**Keywords:** Cooperatives; Economic Growth; Employment

### INTRODUCTION

Cooperative values such as independence, personal responsibility, democracy, solidarity, equality, justice and Solidarity can grow social capital from cooperative members (Faedlulloh, 2015). Cooperatives in carrying out their business are more concerned with their members than seeking the maximum profit that is usually done by business entities other than cooperatives. However, far from the goal of seeking profit or profit, cooperatives have a main goal, namely the welfare of members in particular and society in general. Cooperatives run their business in accordance with the needs and economic efforts of their members. Laurinkari (2014), stated that the purpose of cooperatives is empowerment not only in the economic field, but also socially and psychologically for their activities. This means that cooperatives are not solely aimed at making profits but far from achieving mutual prosperity. Cooperatives prioritize the strength of members rather than the strength of capital. Cooperative is a membership organization that can determine its business. It can be understood that members of a cooperative are run by members as users of services/goods and as owners of these businesses.

Cooperatives in Indonesia were first established in 1896 by a Regent in Purwokerto. The establishment of the cooperative at that time was to protect residents from being ensnared by moneylenders. The type of cooperative established is savings and loan. This business entity is developing into cooperatives in the agricultural sector. Then in 1908 and 1911 Boedi Oetomo and Sharekat Islam advocated the establishment of cooperatives as a means of economic struggle at that time. After Indonesia's independence in 1945, cooperatives were explicitly included as the basis of the nation's economy based on kinship, which was stated in Article 33 paragraph one of the 1945 Constitution.

Until now, the number of cooperatives in Indonesia has reached 127,124 units with 9.2 % of the total population of Indonesia (Ministry of Cooperatives and SMEs, 2022). Of the many cooperatives, 40% are inactive for various reasons. There are several factors that trigger cooperatives to become inactive, including low human resources of cooperative personnel, unprofessional management of cooperatives, less participation of cooperative members and inadequate technology mastery. In addition, there are several cases of cooperatives committing irregularities in the management of cooperatives, so that public distrust of cooperatives is increasing.

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Looking at the release issued in 2016 by the *International Cooperative Alliance* (ICA) at [www.monitor.coop](http://www.monitor.coop), cooperatives in the United States fill many lists of large cooperatives. Especially for the 300 large cooperatives in the world, the first rank is the *Zenykoren cooperative* from Japan which is engaged in insurance. Followed by *French Acdlec Electric Coop*, in the trade and service sector, and ranked third, United States *State Farm* which is engaged in the insurance sector. Indonesia succeeded in sending the Gresik citizen cement cooperative which was ranked 232 in 2013 and ranked 210 in 2012. Meanwhile, according to the Minister of Cooperatives and SMEs, (Ministry of Cooperatives and SMEs, 2022), Indonesia succeeded in penetrating the world's cooperatives, namely the Telkomse Cooperative (Kisel). which ranks 123 out of 300 cooperatives in the world. Of the top 300 cooperatives in the world, Indonesia has only one cooperative, while the United States has the best 100 cooperatives out of the top 300 cooperatives in the world.

Based on the above background, this study aims to see how cooperatives contribute to the economy in Indonesia, especially employment and economic growth. This research is feasible because cooperatives also contribute to reducing poverty, unemployment and improving people's welfare (DeVilleville et al., 2017). In addition, cooperatives in Indonesia are only able to absorb labor by 0.5 % of the total working population (Ministry of Cooperatives and SMEs, 2022).

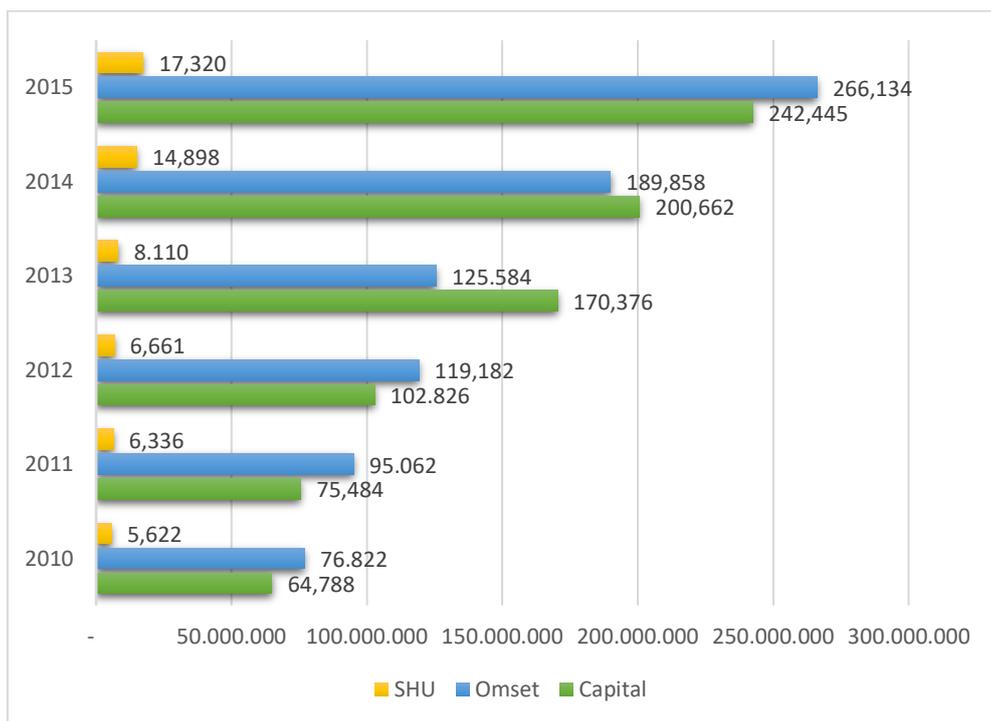
To achieve the objectives of this study, the research used was descriptive analysis. This study focuses on the existing data in cooperatives, such as capital, turnover, SHU, and cooperative workforce in Indonesia. The systematics of this research is divided into several parts, where part 1 contains an introduction, part 2 describes the research method used and part 3 contains the results of the study and conclusions.

## METHODS

The method used is descriptive qualitative analysis. This research is an analytical study using secondary data obtained from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia and the Central Bureau of Statistics. Some of the data used include the number of cooperative turnover, the remaining operating results (SHU), the number of workers and economic growth. This study uses secondary data by comparing existing data from 2010 to 2016.

## RESULTS AND DISCUSSION

The data shows that during the period 2010-2015, the turnover and SHU of cooperatives have increased. In 2010 cooperatives in Indonesia earned a profit/SHU of IDR 5.6 trillion with a business volume of IDR 76.8 trillion, SHU and a cooperative business volume of IDR 6.3 trillion and in 2011 of IDR 95 trillion. Then in 2012 the cooperative's profit reached Rp. 6.6 trillion and the turnover of the cooperative was Rp. 119.2 trillion. Profit and operating volume in 2013 amounted to Rp8.1 trillion with a total profit of Rp125.5 trillion. In 2014 the business volume and profits of the cooperatives reached Rp. 189.8 Trillion and Profits of Rp. 14.8 Trillion, lastly in 2015 the total profits and business volumes obtained by the cooperatives were Rp. 17.3 Trillion and Rp. 266.1 Trillion, respectively. The average percentage increase from 2010 to 2015 reached 5-7%. This identifies that cooperatives can contribute to the Indonesian economy.



**Figure 1. Number of SHU, Turnover and Capital of Cooperatives in Indonesia**  
 Source: Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2022)

Meanwhile, cooperative capital in Indonesia over the last six years has also increased. In 2010 the total capital of cooperatives was Rp. 64.7 trillion, then in 2011 and 2012, the total capital raised by cooperatives was Rp. 75.4 and Rp. 102.8 trillion, respectively. Capital in 2013 reached Rp170.3 trillion, an increase of 40% from the previous year. Total capital in 2014 and 2015 amounted to Rp200.6 and Rp242.4 trillion, respectively. Broadly speaking, the amount of capital from 2010 to 2015 has increased quantitatively. In 2013 the rate of increase in capital reached 40% from 2012. Whereas in the years before and after 2013, the rate of increase in capital only ranged from 14% to 26%. This is because in 2013 the number of active cooperatives reached more than 143 thousand with a total of 203,701 cooperative units. In addition, in 2013 there was a cooperative society movement launched by the ministry of cooperatives, at the international level the UN World Organization declared 2012 as the year of cooperatives, thus affecting the development of cooperatives in 2013. The impact of this policy is that people are interested in joining cooperatives. And this will have implications for the growth of the value of the capital invested by cooperative members in the cooperative.

### Cooperatives and Indonesia's Economic Growth

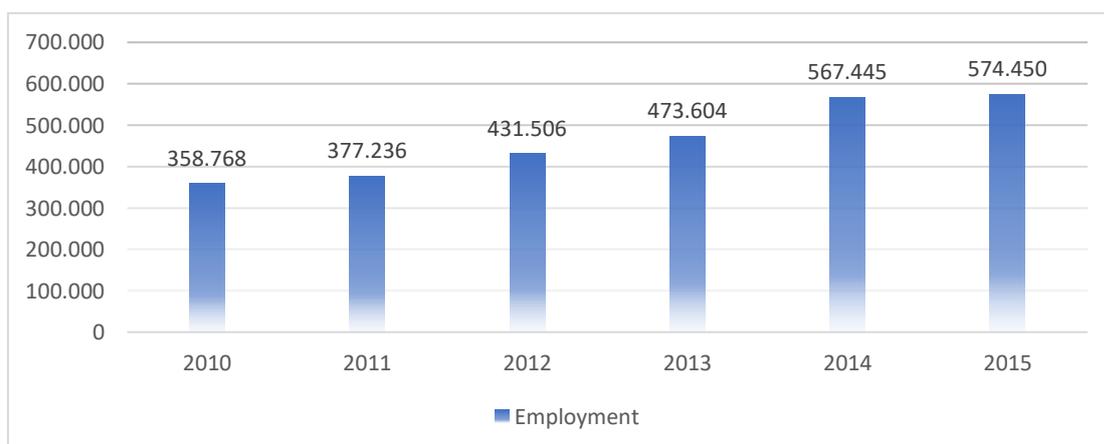
Article 33 of the 1945 Constitution states the basis of Indonesia's economic democracy. The prosperity of the community is prioritized, not the prosperity of the class or group. Therefore, the economy is structured as a joint effort based on the principle of kinship. The 1945 Constitution Article 33 Paragraph 1 states that the economy is structured as a joint effort based on the principle of kinship. This means that every member of society participates in controlling the wheels of the national economy. Activities carried out by the community are joint efforts. Losses and profits are shared together as a principle on the principle of kinship (Efendi & Bakhri, 2018).

Building a company in accordance with it is a cooperative. However, until now the role of cooperatives has not been very visible in the Indonesian economy. In its journey, Indonesian cooperatives, apart from relying on community initiatives and self-reliance, are also encouraged by the state by incorporating them into instruments for developing the economic sector, especially agricultural production and distribution of community needs, improving employee welfare and then expanding to encourage medium and large companies to develop cooperatives for employees. . Burhanuddin (2013) states that until now we are not too happy with the role of cooperatives in the Indonesian economy. We may tend to wonder how big a role cooperatives play in our economy. We need data. The available information tends to be less accurate and may not be careful. What is clear is that the role of cooperatives in the formation of our GDP is very small. (Prof. Mubyarto once estimated around 2%, Bambang Ismawan once mentioned 5%). Compare for example with Finland 21%, New Zealand 22%, Switzerland 16.4% and Sweden 13%, even in emerging Kenya, cooperatives have a share of GDP of 45%.

According to the data from Ministry of Cooperatives and SMEs (2022), the contribution of the cooperative sector to *Indonesia's Gross Domestic Product* is only 1.7% in 2014, this figure is very small when compared to other sectors. However, cooperatives are an important part of the economy in developing countries because they can generate realistic income, because cooperatives also contribute to reducing poverty, unemployment and improving people's welfare (DeVille et al., 2017).

### Cooperatives and Employment

In terms of employment, the cooperative sector is only able to contribute 0.5 % of the total working population in Indonesia. Based on data from the Central Bureau of Statistics (2016), the number of Indonesians working in 2015 was 186,100,917 people, while the workforce absorbed in the cooperative sector was only 574,451 people. In other words, the number of cooperatives that reach hundreds of thousands is only able to absorb less than 1% of the total workforce in Indonesia. In 2010 the number of workers absorbed in the cooperative was 358,768 people. In 2011 the number of cooperative employees amounted to 377,236 people, there was an increase in the workforce by 5% from 2010. In 2012 and 2013 the absorbed workforce reached 431,506 and 473,604 people, while in 2014 the absorbed workforce was 567,445 people, said, an increase of 16% from 2013.



**Figure 2. Number of Employment of Cooperatives in Indonesia**

Source: Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2022)



From the data released by the Ministry of Cooperatives and SMEs, Indonesian cooperatives have an average annual business volume of around 1.4 billion rupiah per year with the absorption of labor per cooperative is only less than four (4) people per cooperative. This data when using the classification of business scale stipulated in Law No. 20 of 2008 concerning MSMEs, Indonesian cooperatives are included in the classification of small businesses.

Cooperatives have not had an influence on poverty alleviation and reduce unemployment because cooperatives themselves still have problems both internally and externally (Hasan et al., 2020). Although the number of newly established cooperatives continues to grow, community participation in cooperative membership is still relatively low. In general, this is also constrained by the low level of community income which causes the ability of the population to participate in cooperatives according to their identity and cooperative principles. They want to cooperate because they see that cooperatives play a role and are useful, but in the hope that they will be excluded from the requirement for capital participation for their cooperatives. To overcome the problem of unemployment and poverty, the solution that must be done is to empower the community. This community empowerment can be done through the empowerment of cooperatives and micro, small and medium enterprises (Murtyoso, 2018).

### **Strengthening the Role of Cooperatives in the Indonesian Economy**

The development of cooperatives still faces problems both in the institutional field and in the cooperative business sector itself (Sitepu & Hasyim, 2018). These problems can come from within the cooperative itself or from outside. Cooperative institutional problems can also be grouped into internal problems and external problems. Internal problems include problems of membership, management, supervisors, managers, and employees of the cooperative. Meanwhile, external problems include cooperative relationships with banks, with other businesses, and also with government agencies

In quantity, the number of cooperatives in Indonesia reaches hundreds of thousands, but only 40% are active with various problems. Among the problems that arise are the low management resources and member participation. Cooperative members have dual functions, namely as owners and users. Cooperatives are unique, members are users of services provided by cooperatives (Altman, 2015). Therefore, to increase the level of participation of members in cooperatives, it is necessary to conduct counseling to members on an ongoing basis with the hope that the productivity of cooperatives will increase. Likewise, cooperative management does not only pursue a large number of cooperative members, but must be accompanied by member participation.

In the history of the Indonesian economy, Cooperatives and MSMEs are always expected to be pillars of saving the economy when hit by a severe economic crisis. During the economic crisis, Cooperatives and MSMEs also proved resilient from the shocks of the economic crisis, while many large businesses went out of business. The role shown by Cooperatives and MSMEs is mainly in the provision of goods and services for community needs that contribute both from the consumption and production sectors for national economic growth (Indra, 2021).

Institutionally, cooperatives are more prominent as social vehicles when the role of cooperatives should not only be limited to social roles, but also roles in the economy. Besides that, cooperatives which are identical with a democratic economic system are believed to be an alternative for solving socio-economic problems (Saputra & Ardiansyah, 2021). In running its business, cooperatives develop the economic business of members, not non-members. Because the purpose of cooperatives is basically the welfare of members. However, it is possible for cooperatives to obtain benefits that can



be distributed to their members. Royer & Smith (2017) state that cooperatives will return the income earned by their members, or the number of patrons that will be allocated to members and can also be saved for use as future capital. Cooperatives basically do not aim to seek profit, but to maintain business continuity, cooperatives need to earn profits known as SHU (Profit).

The cooperative movement in Indonesia has been running for a long time, but there is no evidence factual success of cooperatives in Indonesia. As an association of people, capital economy is not the main thing in cooperatives. There are other elements as well more importantly considered, social capital (Faedlulloh, 2015). The role of government is also needed as a catalyst and facilitator for cooperatives. Various classic problems experienced by cooperatives in Indonesia, such as the business climate, capital and financing, and the low human resources of cooperatives. The government can make various efforts to help overcome these problems, including: 1). Provide the widest possible space by creating a conducive climate, easy access to capital for cooperatives and efforts to develop business and business cooperation; 2). Increasing counseling/training and assistance for cooperatives for cooperative management, supervisors, and supervisory officers on an ongoing basis, through pilot projects in several provinces which will later become pilot development projects for cooperatives in Indonesia; and 3). Encouraging Micro, Small and Medium Enterprises (MSMEs) to build cooperatives at the district, provincial and central levels. So that the hope of cooperatives as the pillars of the Indonesian economy is not only limited to jargon.

Efforts to restore the role of cooperatives are not as easy as turning the palm of the hand (Zulkarnain, 2014). This is because there are cooperatives that are successful and able to improve the welfare of their members, but there are more cooperatives whose performance is not as expected. Cooperatives as business entities to help the community's economy are no exception for small people who have low incomes, therefore cooperatives are one form of business entity that deserves to be developed as an important business entity to help the community's economy (Saputra & Ardiansyah, 2021).

Nurlaili (2014) The role of cooperatives that provide many economic benefits for their members will be able to free their members from the poverty trap. Likewise research conducted by Semaun (2018) The model of empowering women's cooperatives through a productive business approach, through revamping the performance and control of savings and loan businesses, is expected to increase women's initiative in taking part in developing self-employment and cooperatives towards shared prosperity.

Of course, every business entity has problems and deficiencies in running its business. so is the case with cooperatives which in fact are community empowerment. Kurniawati et al. (2017) there are four Main Problems of Cooperatives in Subang Regency as a Basis for Strategy Formulation, concluding that the main problems faced by cooperatives in Subang Regency are low human resources, access to finance, access to markets and use of appropriate technology. Furthermore, the problems of cooperatives nationally, according to research conducted by Sitepu & Hasyim (2018) the development of cooperatives in Indonesia faces internal problems which include problems of membership, management, managers and employees of cooperatives and external problems including cooperative relations with banks, with other businesses as well as with government agencies. Likewise with research conducted by Mubarak et al. (2018) the main problems faced by Cooperatives are distrust of members in administrators, limited human resources and management difficulties for each block/limited knowledge.



## CONCLUSION

From the results of the study it can be concluded that many cooperatives are not active for various reasons. In addition, the contribution of cooperatives to *Indonesia's gross domestic product* is still very low when compared to other forms of business. Meanwhile, in terms of employment, cooperatives have not absorbed much of the workforce in Indonesia. For this reason, cooperatives should be able to make breakthroughs, among others, by increasing the participation of cooperative members, providing a conducive climate for cooperatives, access to finance and business development, increasing counseling and training for cooperative management, supervisors and supervisory officers; and encourage Micro, Small and Medium Enterprises (MSMEs) to establish secondary cooperatives.

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