

# Cooperation Management Amidst the Issues of Commercialization of the Business Field: A Study of Cooperative Business Management in Batu City

Hendrisson Nadeak<sup>1</sup>, Sumartono<sup>2</sup>, Siswidyanto<sup>3</sup>, Fadillah Amin<sup>4</sup>  
{hendrissonnadeak@student.ub.ac.id<sup>1</sup>, Sumartono\_fia@ub.ac.id<sup>2</sup>, [siswidyanto@ub.ac.id](mailto:siswidyanto@ub.ac.id)<sup>3</sup>,  
fadillahamin@ub.ac.id<sup>4</sup>}

Universitas Brawijaya, Indonesia<sup>1,2,3,4</sup>

**Abstract.** This research aims to describe and analyze cooperative business management in the Brosem and Mitra Bhakti Makmur cooperatives. Describe and analyze the role of government in fostering and supervising cooperatives in Batu City. The research uses a descriptive method with a qualitative approach. Many cooperatives in Indonesia today do not apply cooperative principles, so they have metamorphosed into other economic institutions that tend to be commercial. Members as cooperative owners are not much involved in the management of the Brosem and Mitra Bhakti Makmur cooperatives. The role of the Batu City government has not been optimal in increasing the role of members to be involved in cooperative management

**Keywords:** commercialization, cooperation, the role of government, member welfare

## 1 Introduction

Since the New Order era, cooperatives have always had their own place in the economic structure and received attention from the government. The government's attention can be seen from the existence of special institutions dealing with cooperatives starting from the central to regional levels, from the Ministry of Cooperatives to the Department of Cooperatives.

Cooperatives in Indonesia no longer implement cooperative principles, so they have metamorphosed into other economic institutions. The name and legal entity are cooperatives, but the management and administration are Limited Liability Companies (PTs), so capital is the determining factor. Cooperative businesses have been commercialized by eliminating their social identity. This means that cooperatives have been used as business fields without paying attention to the social values contained therein.

Cooperatives as economic organizations with a social character are based on democratic business management, realized through togetherness, kinship and openness when managing their business [1]. Therefore, cooperatives are known as business entities that have the characteristics of from, by, and for members. This means that cooperative profits are obtained from cooperative members as owners, which is managed by cooperative members themselves, and for the interests of the cooperative members themselves.

Regulations made by the government show that cooperatives should be in accordance with the constitutional mandate, namely as a joint venture based on the principle of kinship [2]. Cooperatives remain in accordance with the corridors of social-shaped economic bodies that improve the welfare of members by operationalizing integrated social values in business aspects under cooperative law [3].

The strength of capital itself in the form of member participation in principal, mandatory and voluntary savings is very weak. More members borrow than save their money in cooperatives, so many cooperatives are found to be established only to seek assistance or grants from the government so that cooperative independence is not realized. Members do not receive information that the cooperative receives assistance, so only the management knows about and enjoys the assistance.

The many problems above show that cooperatives are no longer managed according to law and tend to be more commercial. So the question arises: how is the management of cooperative businesses in Batu City? Starting from this assumption, this research wants to know how cooperative businesses are managed in Batu City. The research questions are: (1) How do cooperative business management practices conform to regulations? (2) What is the role of the government in developing and supervising cooperatives in Batu City?

## **2 Literature Review**

Cooperatives are business entities, just like bodies of other businesses such as CVs and Limited Liability Companies (PT), whose aim is to make a profit. But profit is not the main goal of cooperatives, the main goal of cooperatives is the welfare of all its members, who are also owners and customers of the cooperative [4]. This is what differentiates the two business entities. [5] [6] differentiates between cooperative forms and other forms of companies, as follows:

1. The purpose of its establishment: The aim of establishing a cooperative is to improve the economic welfare of its members and the surrounding community. While the goal of other companies is to obtain maximum profits
2. Its membership: The relationship between the cooperative and its members is direct and they are actively involved in the management and supervision of the cooperative's business. In other companies, the relationship between the company and the company owners (shareholders) is indirect and unclear. The interests of shareholders are measured based on the relative amount of share ownership, so that people who own a larger number of shares will have a stronger position.
3. Capital: The initial capital in a cooperative is obtained from the basic and mandatory savings of members of the same size and other sources of capital both from within and outside the cooperative. In other companies, the initial capital comes from the initial investment which has been determined and does not change unless changes are required in the deed of establishment. Along the way, the company can increase its capital by selling some of its shares to the public through the capital market
4. Holder of supreme power: The highest power in a cooperative lies in the hands of the member meeting, each member has the same rights and position in expressing his opinion in the formulation of important policies pursued by the cooperative. The highest power in a company is in the hands of the owner (shareholder). The amount of share ownership will greatly determine the dominance of shareholders in determining the policies that will be implemented by company management.
5. Sharing the profits: Cooperatives do not recognize the term profit to indicate the difference between the income received during a certain period and the sacrifices made to obtain that income. This difference in cooperatives is known as Remaining Business Results (SHU). SHU is distributed to members according to the balance of their respective services and contributions. Meanwhile, the distribution of profits obtained by the company is determined

based on the number of shares owned by each holder. Those who hold large amounts of shares will get a large share.

6. Interest on capital: In cooperatives, provisions apply regarding limiting interest on capital so that cooperatives can improve their business so that they can provide better services to members. Meanwhile, interest expenses on company capital will follow market interest rates
7. Business management: Cooperative business management is more open because all members of the cooperative will be actively involved in planning the activities to be carried out by the cooperative, carrying out main tasks in order to fulfill the functions and objectives of the cooperative, and actively participating in supervising the running of the cooperative's business activities. Company management tends to be closed, because there is a separation between owners and management. Not all owners have sufficient access to know the ins and outs of the company's business except for certain people
8. Business orientation: Cooperatives try to meet the needs of their members so that there is a direct link between the business field that the cooperative will enter and efforts to fulfill the economic needs of its members. In companies, what is important is multiplying shareholders' capital. As for the type of business that will be carried out, it has absolutely nothing to do with meeting the consumption needs of the owners.

The government's role in fostering and supervising cooperatives so that they do not deviate from existing regulations:

1. Education: Providing guidance in the form of counseling, education, cooperative research and consulting assistance on cooperative problems.
2. Regulation: Carrying out supervision includes providing protection and encouraging the growth and promotion of cooperatives.
3. Economy: Provides convenience to strengthen cooperative capital and helps develop cooperative business networks and cooperation.

### **3 Methodology**

The article uses descriptive research methods with a qualitative approach. The type of cooperative studied is a producer cooperative. This type of cooperative carries out many activities that involve people, including administrators, supervisors and members. With active involvement, it is hoped that business management can run and be researched. Based on these criteria, researchers determined there were two research locations, namely the Brosem cooperative and the Mitra Bhakti Makmur cooperative.

### **4 Results and Discussion**

Management in cooperatives requires member involvement in business management because members are the owners and users of cooperative services [6]. However, the purpose of establishing a cooperative has not been understood by members. The management is more concerned about increasing the sales proceeds of the cooperative business without thinking about the sales proceeds to improve the welfare of members.

The use of shares in the Brosem cooperative is a minimum of 1 share per person, making members only wait for the profits obtained from share ownership. Member activity in utilizing cooperative services is reduced, such as not paying mandatory deposits regularly. Many milk suppliers in the Mitra Bhakti Makmur cooperative are not recognized as members, there is no member participation as cooperative owners, and there is no capital for the cooperative in the

form of mandatory savings and principal savings. Cooperative capital only comes from a few people. So the milk supplier does not receive the remaining business proceeds (SHU)

Cooperative members are not involved or are not involved in making plans. If members are not involved in planning, only the wishes of the management will be carried out in developing the business. So the orientation is always to seek maximum profit.

Members are not involved in organizing. Cooperative management appoints more employees to manage the business. Regeneration to replace cooperative management is not going well. In the supervision of cooperatives, members are also not involved. The non-involvement of members in cooperative management means that only the interests of the cooperative management are carried out, namely seeking maximum profits. The management has commercialized the cooperative.

Even though cooperative principles have not been implemented in cooperative management, the cooperative business of Brosem and Mitra Bhakti Makmur is growing rapidly. The wealth and profits of cooperatives always increase every year, except during the Covid-19 pandemic. Members' low knowledge about cooperatives means members do not know their role as owners and users of cooperative services. Members cannot do anything about the management's treatment in running the cooperative business

The role of the Batu City government in fostering and supervising cooperatives in accordance with regulatory mandates has not yet increased the role of members. For this reason, the Batu City Government must impose sanctions in the form of a warning to the Brosem cooperative regarding the use of shares. The use of shares is not included in cooperative regulations. Give a warning sanction to the Mitra Bhakti Makmur cooperative to appoint farmers to become members of the cooperative. The Batu City Government provides more training and education for members so that members' cooperative knowledge increases. Increased knowledge of members will be able to play a role in cooperative management

## 5 Conclusion

There is a gap between cooperative management practices and the theory and regulations implemented by the Brosem Cooperative and Mitra Bhakti Makmur. The name and legal entity is a cooperative but the management and management are like PT and CV so that capital is the determining factor.

Management in running a business only seeks profit without being able to improve the welfare of members. Low cooperative knowledge among members means members cannot control the running of the cooperative business. The government has not taken action against irregularities committed by administrators, especially producer cooperatives

## References

- [1] E. Kusmiati, "The People Power: Identifying the Key Success Factors of Cooperative in Indonesia," vol. 8, pp. 157–168, May 2021.
- [2] M. Kader, "PERAN UKM DAN KOPERASI DALAM MEWUJUDKAN EKONOMI KERAKYATAN DI INDONESIA," *JURISMA : Jurnal Riset Bisnis & Manajemen*, vol. 8, Oct. 2018, doi: 10.34010/jurisma.v8i1.995.
- [3] Mohammad Hatta, *Membangun Koperasi dan Koperasi Membangun: Kumpulan Pidato*. Jakarta: Inti Idayu Press, 1987.

- [4] A. Aref, "Rural Cooperatives for Poverty Alleviation in Iran," *Life Science Journal Life Science Journal*, vol. 8, Jan. 2011.
- [5] R. Baswir, *Koperasi Indonesia*. Yogyakarta: BPFE, 2010.
- [6] A. Hannel, *Organisasi Koperasi: Pokok - Pokok Pikiran Mengenai Organisasi Koperasi dan Kebijakan Pengembangannya di Negara - Negara Berkembang*. Yogyakarta: Graha Ilmu, 2005.