

The Role Of Cooperations In The Development Of MSMEs In Indonesia

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Abstract. Cooperatives are joint business entity that struggles in the economic field by taking the right and steady path to liberate their members from the economic difficulties that they generally suffer. This research is a type of descriptive-exploration research. The research is focused to discuss MSME cooperatives as an alternative to solving MSME capital problems. The role of savings and loan cooperatives (KSP) in developing MSMEs in Indonesia is as a business capital provider, improving economic growth, and saving money other than banks. In MSME activities. Capital is one of the main elements in carrying out business activities, with sufficient or large capital, entrepreneurs can develop their businesses even bigger. Capital is provided to MSME actors in the form of loans for a certain period.

Keywords: Cooperatives; MSMEs; Capital

1. Background

Development in the economic field in Indonesia is based on Pancasila as the basis of the state.[1] In an economic system structured as a joint effort based on the principle of kinship, the implementation of the fifth precept, which includes justice for all Indonesians, is an effort to develop the economy and increase economic growth associated with equitable distribution of development. Its results lead to the creation of just prosperity for all Indonesians. One form of development initiated by the government in order to improve the Indonesian economy is the establishment of cooperatives in Indonesia.[2]

Cooperatives are joint business entities that struggle in the economy by taking the correct and steady route to free their members from the usual economic difficulties. A cooperative is a joint economic entity made up of economically disadvantaged individuals who join voluntarily and with equal rights and are obligated to run a business that serves its members' needs.[3]

In accordance with No. According to Article 4 of Law No. 25 of 1992, cooperatives perform the following functions and roles:[4]

1. improving members' and society as a whole's economic potential and capabilities to enhance their economic and social well-being.
2. Actively participate in efforts to improve society and human life
3. Cooperatives as the foundation for strengthening the people's economy as the foundation for the strength and resilience of the national economy
4. Attempting to realize and expand the national economy, a collaborative effort guided by economic democracy and kinship principles

Cooperative Purpose

1. As the lifeblood of Indonesian economic activity
2. As an effort to democratize Indonesia's social economy
3. To improve the well-being of Indonesian citizens
4. Strengthening the economy of the Indonesian people by fostering cooperatives

Cooperative Roles and Duties

- Improving the modest living standard of the Indonesian people
- Developing economic democracy in Indonesia
- Realizing a just and equitable public income by uniting, fostering, and developing every existing potential

Starting from a common goal that we want to realize with the support of the participation of all elements of the Agency, input from the community, and with due regard to the values espoused to increase productivity in addition to increasing the capacity to absorb labor. With the government's poverty alleviation policy through savings and loan cooperatives, efforts have been made to build and empower MSMEs in Indonesia.[5]

MSMEs are one of the solutions to alleviating poverty in Indonesia. A sign of community involvement in various economic activities is the presence of MSMEs, which make up the majority of the national economy. Through the mechanism of creating employment opportunities and added value, MSMEs have so far demonstrated their reliability as a safety valve during times of crisis. Success in increasing the ability of MSMEs means strengthening the community's economic business. This will help speed up the process of national economic recovery, as well as a real source of support for regional governments in implementing governmental autonomy.

The development of MSMEs is a very good process to bring society toward prosperity. The development of MSMEs can reduce the unemployment rate in Indonesia and expand employment, besides that they also take advantage of the potential of natural resources and human resources so that they can increase a country's economic growth. Cooperatives play a crucial role in the expansion of the economy, particularly in facilitating the growth of micro, small, and medium-sized businesses. This is on the grounds that the vast majority are associated with independent venture exercises from both the conventional and present day areas. To support small business actors to thrive, it is necessary to have a business capital program to increase market access.

The development and progress of MSMEs are largely determined by the MSME stakeholders themselves, but support from external parties still plays an important role due to limited capacity and other factors that affect their existence and sustainability. Various limitations that become obstacles for MSMEs to carry out their activities and development include weak capital, lack of entrepreneurship, simple production techniques, and limited management and marketing capabilities.[6] Lack of capital capability is one of the many factors hindering the progress of MSMEs which should be reduced or even eliminated with the support of various parties such as the government and financial institutions in addition to the efforts of the MSME actors themselves.

The government and financial institutions play an important role in providing practical solutions so that capital is no longer a problem for this business activity. The form of this solution is the provision of a Financing Program for MSMEs as a source of capital in carrying out business activities and their development. One of the financial institutions that can carry out this role is a financial institution that can provide financing programs, one of which is the

Savings and Loans Cooperative. As an organization that runs a Financing Program and raises money from the community and gives it to the community.

Savings and loan cooperatives are expected to be able to assist the community in meeting capital needs, especially for productive activities.[7] This must be supported by appropriate policies from the government. Since the publication of Government Regulation Number 9 of 1995 pertaining to the Implementation of Savings and Loans Business Activities by Cooperatives, it has become increasingly apparent that Savings and Loans Business Activities must be developed so that Savings and Loans Cooperatives or Savings and Loans Units.[8]

Cooperatives can complete their capabilities to gather Helpful Reserve funds and Agreeable Time Investment funds, as well as give advances to individuals, planned individuals, and different Cooperatives or potentially their individuals. Cooperative assistance in MSME capital can support the productive activities carried out. Capital assistance in the form of this Financing Program is certainly expected to be utilized as best as possible to increase the productivity of MSMEs.

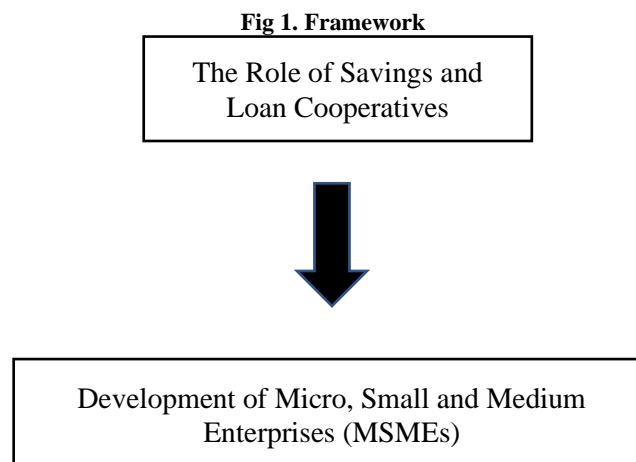
The Savings and Loans Cooperative is the formal financial institution that is closest to MSME activities, it is expected to answer the obstacles experienced by MSMEs in accessing financing from banks due to the lack of adequate collateral. Therefore, KSP and USP should have a big role in empowering MSMEs, especially in providing capital for MSMEs. Non-bank formal financial institutions are needed to support the acceleration of MSME empowerment, especially for MSMEs in rural areas.

2. Method

The study falls under the category of descriptive-exploration research. As indicated by Soegiono, distinct exploration is research led to figure out free factors, possibly one variable or more (autonomous) without making examinations, or connecting one variable to another. Furthermore, trying to find a solution to the problem by exploring the perceptions of research subjects.[9]

The focus of this research is to discuss MSME cooperatives as an alternative to solving MSME capital problems. The purpose of the descriptive research here is to describe the facts about problems in accessing MSME capital that can be supported by cooperatives, as well as to provide an overview of the phenomena faced by the two institutions.

The framework in this study is shown below:



3. Result and Discussion

3.1 The Role of Cooperatives in Participating in Community Economic Empowerment

Cooperatives are defined by Law No. 12 of 1967 as "people's economic organizations with a social character," and they are made up of legal persons or entities.[10] Cooperatives are monetary plans as joint endeavors in light of the standards of family relationship and participation. Cooperatives exist to improve the well-being of their members and society as a whole.

In empowering micro, small and medium enterprises (MSMEs), which results in increasing every year the activities of MSMEs in the community, many people have unlimited creativity to make works that can produce materials, but usually, these small entrepreneurs have limitations in providing funds. as capital. Capital is one of the main elements in carrying out business activities, with sufficient or large capital, entrepreneurs can develop their businesses even bigger.

Efforts made by the Savings and Loans Cooperative in helping empower the community's economy are by providing counseling and business assistance regularly.

The establishment of a cooperative assists business actors, especially MSME business actors. Based on the results of the interview with Mr. Agusdi explained that "the short-term goal that will be achieved by cooperatives in assisting is to empower and increase business for MSMEs"

Cooperatives play an important role in society, especially in the ongoing process of the economy in society. Almost all levels of society are familiar with cooperatives, although the definition of cooperatives is understood differently, in general cooperatives are known as a banking system that has a close relationship with the people's economy.

To help economic growth for MSME actors it is not enough to provide capital loans, MSME actors must also be accompanied by people who understand the business being carried out. MSME improvement is carried out by the government through the Ministry of Cooperatives and MSME. The Department of Cooperatives and SMEs have a strategic role in fostering the development of cooperatives and SMEs. Guidance (technical assistance) is carried out from the submission of the application for the establishment of the Cooperative until the cooperative carries out its business activities.

All coaching activities are aimed at ensuring the empowerment of healthy cooperative institutions so that they can realize the goals of cooperatives, namely increasing the welfare of members.

The Office of Cooperatives and Micro Enterprises empowers MSMEs in terms of providing coaching, entrepreneurship training, online marketing training, and financial management training. This is done so that the quality of the human resources of these MSME entrepreneurs increases in managing their business. As stated by Prasetyo, the idea of strengthening underscores that individuals secure adequate abilities, information, and ability to impact their day to day routines and the existences of others they care about. Because many MSME business actors participated in the training held by the Surabaya City Office of Cooperatives and Micro Enterprises which was useful for adding insight and skills to human resources in developing their businesses. After providing business capital assistance, counseling, and coaching from the Mandiri Jaya cooperative to MSMEs, an evaluation of the business being carried out will be held.

From the results of this evaluation, the Savings and Loans Cooperative will be able to find out how far the development of MSMEs has been given capital loans.

The populist economy is commonly known as an economy that is in favor of the people, namely the poor, of course, the populist economy is in great demand by the lower middle class, the populist economy is pro-poor and cooperatives fight for the economic needs of their members and have the goal of improving the welfare of its members.

The Savings and Loans Cooperative (KSP) is the formal financial institution that is closest to MSME activities, so it is expected to be able to answer the obstacles experienced by MSMEs in accessing financing from banks due to the lack of adequate collateral. Therefore, KSP should have a big role in empowering MSMEs, especially in providing capital for MSMEs. Non-bank formal financial institutions are urgently needed in supporting the accelerated empowerment of SMEs, especially for SMEs in remote and rural areas where access to banking institutions is still limited. The existence of the majority of MSMEs that are spread throughout the country will still not be reached by banking services which are still limited. In the end, MSMEs will continue to switch to formal and informal MFIs.

Therefore, it is necessary to find a breakthrough to empower MSME actors outside BRI Units and BPRs so that MSMEs can access their capital needs easily and inexpensively. The most appropriate microfinance institution to be empowered is KSP (Savings and Loans Cooperative).

In empowering Micro, Small, and Medium Enterprises (MSMEs), Savings and Loan Cooperatives (KSP) apply three ways, namely:[11]

- Financing: the existence of financing products offered by the Savings and Loans Cooperative (KSP) can help and develop the businesses of micro, small, and medium enterprises (MSMEs) who are members of the Savings and Loans Cooperative (KSP)
- Savings: with savings, members will be able to sort out between principal money and profit money, because they will automatically set aside profit money per day from their business for savings. So that it will be able to develop its business little by little.
- Manage, it is hoped that it can help micro, small, and medium enterprises (MSMEs) who lack the capital to develop their businesses.

Under the forms of empowerment by the Savings and Loan Cooperative (KSP) for micro, small, and medium business actors, including:

- Creating industrial centers in an area with industrial objects by the skills or abilities of the surrounding community.
- The alignment of Islamic financial institutions towards MSMEs by providing financing to MSMEs will increase MSMEs to be more advanced than before.
- Utilizing the materials around them to be used as income by MSME actors. The Savings and Loan Cooperative (KSP) has provided financing to MSMEs to make MSMEs more advanced than before. However, the Savings and Loan Cooperative (KSP) has not created an industrial center in an area with industrial objects by the skills or habits of the surrounding community and has not utilized the surrounding materials to generate income for MSME actors. So that the Savings and Loan Cooperative (KSP) has not been optimal in empowering micro, small and medium enterprises

In providing empowerment to MSMEs, Savings and Loans Cooperatives (KSP) has inhibiting factors. The inhibiting factors are divided into two, namely:

- The inhibiting internal factors are: Human resource capacity is not maximized. The Savings and Loans Cooperative (KSP) admits that it cannot properly supervise all its members. The ability to analyze and assist all its members is still very limited so in empowering micro, small, and medium enterprises (MSMEs) Savings and Loans Cooperatives (KSP) have not been maximized in terms of human resources.
- External factors, namely: the number of banks in the area. In these areas, there are now many banks and pawnshops that also provide financing product services so there is a lot of competition between the two, especially in terms of getting customers or members.

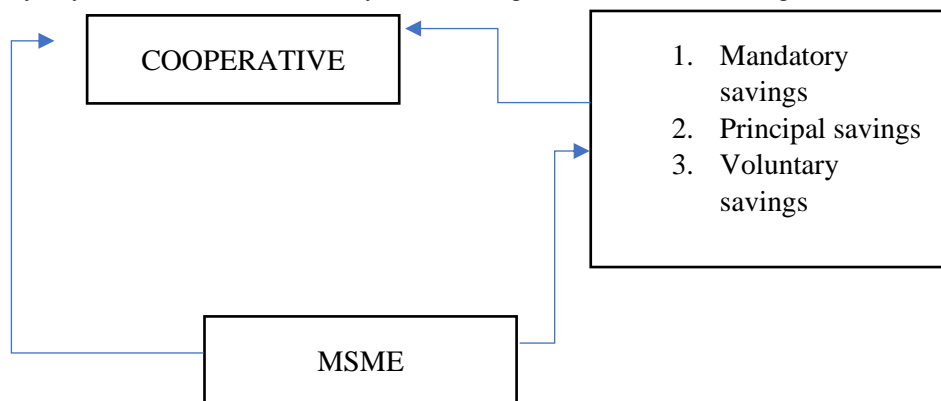
In addition, it is also in line with the results of Wijono's research which states that poverty alleviation efforts, it can be done by expanding access to small and micro enterprises (SMEs) in obtaining capital facilities that do not only come from formal financial institutions, but also from microfinance institutions (LKM).[12]

The existence of cooperatives is still expected because they have a reliable strategic role, especially in providing a positive impact on the businesses of its members, so that they can support and develop the community's economy based on the people's economy. In addition, with the development of cooperatives, it is hoped that they will be able to minimize the income gap that has occurred so far so that equitable distribution of income across society can become a reality.

3.2 Solutions to MSME Capital Problems

As is known from the explanation above, there has been ineffectiveness in SME capital from the bank and non-bank financial institutions, which so far have not been in favor of SMEs. We offer a solution, namely by forming an institution that is estimated to have the potential to become a future business giant and a pillar of the economy, namely Cooperatives. This is because considering the goals, roles, and functions of the cooperatives described above are very suitable for overcoming this MSME capital problem.

The role of cooperatives here is as an institution that is an alternative in dealing with MSME capital. The formation of cooperatives as an institution that houses SMEs here requires business actors to join as members of cooperatives so that they can facilitate sales transactions from the business results produced. Where the SMEs who are members of the cooperative can produce different types of products by establishing the standardization of the products produced. So, when entering the global market by exporting the quality of the products produced can be equal even though the production is from various MSMEs in the area who are members of cooperatives so that the productivity of both cooperatives and MSMEs can be high because if you only rely on one reliable commodity that is wrong one MSME is not enough.



From the picture, the institution is a cooperative whose members are MSMEs with sources of funds originating from Compulsory, Principal, and Voluntary Savings deposited by each MSME. So that these funds can be used to help capitalize other cooperative members (other MSMEs).

It is hoped that with the formation of a joint business group in the form of a cooperative institutional form with the standardization of the products produced, they will be able to compete in the global market. In addition, when exporting products produced abroad it can reduce the export tax burden, which is usually only paid for by one MSME, but here all MSMEs which are members of the joint business group jointly pay the export tax costs so that the tax costs dependent exports that are usually only experienced alone can be slightly reduced.

Cooperatives are used as an institution and/or forum to accommodate and develop production results from MSMEs because cooperatives are more easily accessible to business actors with the main demands of business actors to be solid to produce MSME products with high productivity, quality, and consumer satisfaction with these products. , from that, it can expand its market reach overseas.

Cooperatives that are used as opportunities as an alternative for MSME development also need to study the relationship between cooperatives and MSME members. So in this case one of the interesting aspects to pay attention to is the adhesive factor in cooperatives (between cooperatives and their members who are business actors) is the homogeneity (homogeneity) of the economic interests of its members.

4. Closing

MSMEs' existence cannot be questioned because they have demonstrated their ability to survive and become economic engines, particularly in light of the economic crisis. However, even though the potential is quite large, there are still problems faced by MSMEs, especially in terms of capital. Even though there have been many government policies related to MSME capital, there are still many MSMEs that cannot access these policies due to various factors, such as difficult procedures.

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