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Local Government Action for Developing Primary Cooperatives in Indonesia

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Abstract

Cooperative have played critical roles in socio-economic development although their failures are still existed in several countries. Therefore, the role of the government in developing cooperative should focused on empowering cooperatives by meeting cooperative development with the cooperative values and principles. This paper focused on the appropriateness of local government action in developing primary cooperatives with cooperative values and principles. The study relied heavily on descriptive research method. The result showed that strategy of local government – especially Malang District local government – focused on strengthening individual member businesses and cooperative's financial capacity that was not meet with cooperative values and principles.

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Keywords: Cooperative; cooperative principles; cooperative values; government action; local government; primary cooperatives.

1. Introduction

International Cooperative Alliance (ICA) define cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and culture needs and aspirations through a jointly owned and democratically controlled enterprise. The cooperatives have important roles and become an instrument in socio-economic development of the community by enhancing social protection through job creation, generating income for

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the members, reducing poverty and exclusion, providing social protection to the members, and representing groups in civic engagements (Emana & International Labour Office, 2009, pp. 8 – 10; Hlatshwako, 2010, pp. 15 – 21; Nembhard, 2004, pp. 1 – 15).

However, cooperative movements still face several inherent limitations that become the problem of the cooperatives in the world. Baswir explained that cooperative movements still face some problems especially related to the lack of institutional capacity, quality of human resources and finance (Nasution, 2008, p. 171).

Therefore, strengthening the cooperatives from outside parties, especially the government is still necessary. According to Merza's opinion, the existence of cooperatives still need the serious efforts to be upgraded to be able to follow the demands of the business, living environment and welfare of its members (Tambunan, 2008). While, Baswir argued that the government can develop and promote cooperatives by using three efforts, namely **institutional strengthening, human resources development, and financial strengthening**.

The supporting efforts conducted by government have positive impact to the growth of the cooperatives. The growth of cooperatives – particularly in quantity – has increased periodically. That is happened not only in developed countries, but also in developing ones such as Indonesia.

Uniquely, its quality is always debatable because *it is often used out of its nature*. In the macro level the most fundamental questions is related to the contribution of cooperatives to the Gross Domestic Product (GDP), poverty alleviation and job creation. While in micro level, the fundamental question is related to the contribution of cooperatives to increase income and welfare of its members.

Therefore, cooperative development should aim to empower cooperatives so that they can make key decisions with minimum or without external support (Emana & International Labour Office, 2009, p. viii). Cooperative development should aim to create independence and autonomous of cooperatives based on self-help and mutual assistance. In another word, cooperative development should be relevant and appropriate with the cooperative values namely self-help and mutual assistance described into principles of cooperatives. According to International Cooperative Alliance (ICA) cooperative principles consist of *voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information, co-operation among co-operatives; concern for community*. This has been proved by the implementation of cooperatives in many countries around the world. In California, the main factor of Rice Grower Association (RGA) failure was caused by the managerial system that was inappropriate with the cooperative values and principles (Bond, Carter, Sexton, & others, 2009, pp. 73 – 76).

Accordingly, this paper focus to the cooperative development conducted by local government in Indonesia, especially Malang District Local Government and the appropriateness of the development with cooperative values and principles. It conducted in local government at district level because the development of primary cooperatives was responsibility of the local government in district level.

2. Research methodology

The study relied heavily on *descriptive research method*. Consequently, the data was generated from semi-structured interview, observation, and documentary analysis. In order to collect data by semi-structure, the researcher engaged in interviews and discussion with key informants. Accordingly, interviews and discussion were held in Department of Cooperative and MSMEs of Malang District, Indonesia who had responsibility to promote cooperatives in each area. The researcher developed and used an 'interview guide' that contained a list of questions and topics for interviewing. In documentary analysis, the researcher collected materials from various sources, such as book reports, research results, reference books, and other written documents related to the research focus.

3. Cooperative movements and development in Indonesia

Cooperative movements in Indonesia was established since colonialism era (Dutch and Japan) and categorized into five types, namely: Saving and credit cooperative; Consumer cooperative; Producer cooperative; Marketing cooperative; Service cooperative. All types of cooperatives in Indonesia are affiliated into the Board of Indonesia Cooperative as the national organization. The Board of Indonesia Cooperative has objective to develop and promote the ability of cooperatives as a system and agent of national economic in order to achieve national economic

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