

# Supervision Implementation of the Ministry of Co-operatives and Small Medium Enterprises on High-Interest Investments Conducted to Savings and Loan Co-operatives

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**Abstract**—A Co-operatives is a non-banking financial institution known as shadow banking, which has the ability to raise funds from the public, with Savings and Loan Co-operatives (KSP) being one of its types. High interest investment is one of the superior products that are often promoted through this type of Co-operatives. Products that later raise problems such as unpaid profits as well as defaults. This study aims to understand the supervisory mechanism carried out by the government on Savings and Loan Co-operatives that carry out programs to raise funds from the community. The normative legal approach is the method used in this paper. Supervision becomes the starting point in an effort to prevent Savings and Loan Co-operatives from marketing high interest investments that can harm the community, especially members. Supervision that can be carried out with due observance of KUK, governance, financial performance, risk profile and capital, education, independence, and solidarity.

**Keywords**—implementation, supervision, savings and loan co-operatives

## I. INTRODUCTION

Supervision of the Co-operatives's business is in the spotlight after cases of default broke out [1]. Indosurya Cipta Savings and Loan Co-operatives or Indosurya Savings and Loan [2], Five Garuda Co-operatives [3], Joint Prosperity Savings and Loan Co-operatives (KSPSB), [4] are some examples of cases of failed Savings and Loan Co-operatives that run investments by raising funds from the community. Cases of failure to pay Savings and Loan Co-operatives investments that cause losses to customers have a large nominal value. The Indosurya Cipta Savings and Loan Co-operatives (KSP) or Indosurya Savings and Loan (ISP) must pay customers reaching fourteen trillion rupiahs, the Lima

Garuda Co-operatives must pay customers of eighty-five billion, and the Joint Prosperity Savings and Loan Co-operatives (KSPSB) must pay customers with a nominal amount of eight billion four hundred million rupiahs.

Deputy for Supervision of the Ministry of Co-operatives and SMEs, Ahmad Zabadi, admitted that in the implementation of this supervision, there were still some weaknesses. One of them is because some of the supervision is still being carried out [1]. As stated by Carunia Mulya, systematic supervision is needed as an effort to prevent irregularities and fraud in running a Co-operatives business [5]. Supervision is a part or sub-system of KSP organizational management that is necessary as an effort to control or guarantee a job task to achieve the target [6]. KSP needs to implement a system of governance, risk management, and internal control to avoid deviating behavior from the ruling order that has a detrimental impact on the community [7].

The Deputy for Supervision needs to supervise KSP through monitoring, evaluation, analysis, and reporting in the areas of increasing Co-operatives business potential, developing Co-operatives innovation, developing partnerships and Co-operatives business networks, financing Co-operatives as well as developing sharia Co-operatives and another financing [8]. Moreover, the Regulation of the Minister of Co-operatives, Small and Medium Enterprises Number 9 of 2020 concerning Co-operatives Supervision has been issued. This article tries to examine juridically the laws and regulations regarding the supervision of Co-operatives about investment by KSP.

## II. METHODS

The normative legal approach is the method used, with an emphasis on strengthening secondary data related to Savings and Loan Co-operatives, high-interest investment, and investment. The reinforcement is shown by presenting examples that are relevant to the topic of discussion in this paper, to clearly show the legal events that often arise. The research specification is descriptive-analytical by describing the factual conditions of investment activities by KSP and analyzing them with supervisory theory. The focus of this research is on Savings and Loan Co-operatives because this type of Co-operative in practice carries out shadow banking activities and has implications for losses experienced by members or the community in general.

## III. DISCUSSION

### A. *Savings and Loan Co-operatives*

Co-operatives are "cooperation." From the legal aspect, Co-operatives are legal entities that have certain obligations and rights. Anthropological aspects, cooperation is one form of activity carried out to maintain the survival of a society. Aspects of social science, cooperation is an organization which is one of the elements is the dynamics of social life [9]. Co-operatives are business entities as well as individual associations, so Co-operatives must maintain a balance between commercial business practices and the relationships between individuals within them. Ownership and control by members who benefit from the products and services it produces are characteristic of Co-operatives that distinguish them from business entities known as owner-users, user control, and user benefits [10].

Savings and Loan Co-operatives is a financial institution and is included as an intermediary institution like a bank, although this financial institution has a special nature by Co-operatives principles. The principles that encourage KSP managers need to understand the ins and outs of asset and liability management, to optimize the funding structure as stated in the balance sheet to be able to generate maximum profit and at the same time minimize risk, especially outside of loan risk [11]. The principles are then translated into arrangements for raising funds to drive Co-operatives business activities, including Savings and Loan Co-operatives.

In Article 41 of Law Number 25 of 1992 concerning Co-operatives, it is stated that the principal savings, namely the same amount of money that must be paid by Co-operatives members to Co-operatives when they enter into Co-operatives. Principal savings cannot be taken back as long as the person concerned is still a member. The value or amount of the principal savings is regulated and stipulated in the articles of association/by-laws of the Co-operatives concerned. Mandatory saving is a certain amount of savings that does not have to be the same that must be paid by members to the Co-operatives within a certain time and opportunity. Reserve Fund, namely the amount of money obtained from the allowance for the remaining operating results, which is intended to foster own

capital and to cover losses to the Co-operatives that may occur or if necessary. Reserve funds are also intended to guarantee Co-operatives in the future and benefit from business expansion, the accumulation of reserve funds is determined in the Members' Meeting. Grants are donations from certain parties that are submitted to Co-operatives to participate in developing Co-operatives businesses [12].

In Article 41 paragraph (3) of Law No.25 of 1992 concerning Co-operatives it is stated that loan capital can come from:

- a. Members, namely loans obtained from members, including prospective members who meet the requirements.
- b. Other Co-operatives and/or their members, namely Loans from other Co-operatives and/or their members based on an inter-Co-operative agreement.
- c. Banks and other financial institutions, namely Loans from banks and other financial institutions are made based on the provisions of the applicable laws and regulations.
- d. Issuance of bonds and other debentures, namely the issuance of bonds and other debentures is carried out by the provisions of the prevailing laws and regulations.
- e. Other legitimate sources, namely other legitimate sources are loans from non-members that are not made through public offerings

Arrangements that seek to provide convenience to Co-operatives in obtaining funds to avoid labeling rogue Co-operatives. The nickname was given to the Ministry of Co-operatives and Small and Medium Enterprises (Kemenkop & SMEs) because it only operates for money laundering, illegal investment, and loan sharks under the guise of a Co-operatives [13]. Illegal investment as one of the indicators of the Indecent Co-operatives, which misappropriates Savings and Loan member funds for the benefit of certain parties, or utilizes funds, not for the benefit of members is a common occurrence. Khotimatus Sa'adah, Riana Sitawati Subchan tried to show some incidents of Co-operatives behavior that did not meet Co-operatives principles [14]:

- Hijau Muda Savings and Loan Co-operatives Fund and the Singarai Co-operatives are used for the benefit of one of the Co-operatives managers, thus causing the Co-operatives members to be unable to withdraw the funds they have deposited.
- Cemara Buwana Banyubiru Co-operatives Fund, which is used by one of the managers (management) for his interests.
- The Mitra Mandiri Sejahtera Savings and Loan Co-operatives Fund, which was declared healthy in the report, however, made illegal investments that disturbed its members in the number of billions of rupiahs.

One of the real events of Savings and Loan Co-operatives in Indonesia totaling 18,497 [7]. These three events show the importance of public understanding of Savings and Loan Co-operatives as a financial institution known as shadow banking. Dwi Fidhayanti further tries to provide understanding from various points of view, that [15]:

- IMF definition, shadow banking is all financial activities, except traditional banking, which requires private and public regulation in their business activities [16].
- Definition Nicola Ginneoli, economists in the United States defines shadow banking as financial intermediaries, trade loans, investment funds, and risk-free external financing [17].
- Definition of Muhamad Amar Mohd Farid, shadow banking in Malaysia is defined as a credit intermediation system involving entities and activities outside the scope of Bank Negara Malaysia (BNM) regulations [18].
- Shadow banking institutions in Indonesia are generally defined as non-bank financial institutions that practice banking, such as finance companies, private equity funds, pension funds, insurance, microfinance institutions (MFIs), private pawnshops, and CSPs [19].

Based on the 2015 global shadow banking monitoring report published by the Financial Stability Agency, Indonesia is one of the countries that use the term shadow banking as a Non-Bank Financial Institution (NBFI). Regulation of the financial services sector in Indonesia does not explicitly regulate financial institutions that are grouped in the definition of shadow banking, but the main characteristics of shadow banking as conceived by the regulator are credit intermediation in the capital market, maturity transformation, leverage, and vulnerability to run. The main shadow banking activities and entities identified by the regulator include the following [20]: securitization facilities such as asset-backed commercial paper conduits (ABCP) and structured investment vehicles (SIVs), repurchase agreements, dealers securities brokers, investment funds, including exchange-traded funds and hedge funds that provide credit or leverage, finance companies, including auto finance companies and leasing companies, providers of credit insurance and financial guarantees.

Another shadow banking case involving the Savings and Loans Co-operatives and costing its members up to 6 trillion rupiahs was carried out by the management of the Sky Blue Co-operatives. Acts that are categorized as fraudulent crimes, and the perpetrators have been found guilty, but the proceeds of crimes that harm the investor community do not return and material losses are not counted. This tragedy resulted in a reduction in the un Co-operativeness of public guarantees and financial institutions in general. Financial institutions become difficult to mobilize customer funds [19,21–23].

Shadow banking cases in Indonesia involving Savings and Loan Co-operatives are not as complicated as those in America

or Europe, where non-bank financial institutions [LKBB] perform securitization of receivable assets owned and sold to investors. The practice of shadow banking in Indonesia is limited to financing companies that extend credit to customers/members using several sources of funds, namely equity, bond issuance as well as working capital loans which also have an impact on the finance company industry and other financial institutions [24].

### *B. Supervision*

Supervision is the process of observing the implementation of all organizational activities to ensure that all work being carried out goes according to a predetermined plan [25]. Prayudi reveals that supervision is an action taken to determine what work is carried out, carried out, or carried out with what is desired, planned, or paid attention to [26].

Supervision in the perspective of administrative law according to J.B.J.M ten Berge that is an important part of the enforcement of administrative law (administrative rechtshandhaving). Supervision is preventive law enforcement aimed at preventing violations of administrative law norms. Through supervision, violations can be detected early so that more fatal consequences can be avoided, before a greater impact arises from the violations that occur, they can be immediately stopped through monitoring instruments [27].

Constitutional law places supervision as part of the check and balance mechanism between state institutions. The theoretical basis of supervision is the theory of the rule of law, the theory of democracy, and the theory of separation of powers which are the foundation of a constitutional system. The essence of supervision is the limitation of power which is the core of constitutionalism and the rule of law. Even supervision is a feature of a democratic society and state life. The link between the rule of law and supervision is getting clearer because the existence of means of control over the actions of the ruler/government is a key element in the conception of the rule of law [27].

Victor M. Situmorang tries to break down supervision into the following categorizations [28–30]:

#### *1) Direct supervision and indirect supervision*

- Direct supervision is supervision that is carried out personally by the leader or supervisor by observing, researching, checking, self-checking "on the spot" at the place of work, and receiving reports directly from the executor. This is done by inspection.
- Indirect supervision is carried out by studying reports received from the implementer both verbally and in writing, studying public opinions and so on without "on the spot" supervision.

*2) Preventive supervision and repressive supervision:* Although the principle of supervision is preventive, but when it is related to the time of execution of work, it can be

distinguished between preventive supervision and repressive supervision.

- Preventive supervision The preventive supervision is carried out through a pre-audit before the work begins. For example, by supervising the preparation of work plans, budget plans, plans for the use of manpower, and other sources.
- Repressive supervision The repressive supervision is carried out through a post-audit, by examining the implementation on the spot (inspection), requesting a report on the implementation, and so on.

### 3) *Internal supervision and external supervision*

- Internal control is supervision carried out by officials within the organization itself.
- External supervision is supervision carried out by officials from outside the organization itself. Supervision is held with a view to:
  - Knowing the course of work, whether it is smooth or not.
  - Correcting mistakes made by employees and taking precautions so as not to repeat the same mistakes or the emergence of new mistakes.
  - Knowing whether the use of the budget that has been set in the plan is directed to the target and by what has been planned
  - Knowing the implementation of work by the program (implementation level phase) as specified in the planning or not.
  - Knowing the results of the work compared to those that have been set in the planning, namely standards.

The different categorizations do not eliminate the supervisory function, which is intended to guarantee the implementation of tasks and functions properly to achieve the goals that have been previously set. Soekarno gave a further explanation regarding supervision [31,32]:

- To find out whether something is going according to the plan that has been outlined;
- To find out whether everything is carried out by the instructions and principles that have been set;
- To find out the difficulties, weaknesses, and shortcomings that may arise in the implementation of the work;
- To know whether everything is running efficiently;
- To find a way out (solution), if it turns out that difficulties, weaknesses, or failures are found in the direction of improvement.

Derita Prapti Rahayu tries to convey another side of the supervisory function in a broader context, namely as a control

management function, in which there is a controlling function by strengthening Bagir Manan's view that supervision in its function is related to the form of independent legal entity interactions, not relationships. internal to the same entity [33]. The form and content of supervision are carried out solely according to or based on the provisions of the law. The supervisory relationship is only carried out on things that are expressly provided for in the law. Supervision does not apply or cannot be applied to things that are not determined or based on law [33–35]. Supervision can also be aimed at activities to assess a de facto task implementation, while the purpose of supervision is only limited to matching whether the activities carried out are by the previously established benchmarks (in this case it is a plan) [36,37].

### *C. Supervision of Savings and Loan Co-operatives*

Supervision as disclosed is an effort made to provide control in every activity that involves various relationships that are organized to realize checks and balances. This goal is realized by various obstacles [38]: first, the difficulty in convincingly determining the status of some of these activities under the current administrative law doctrine, because these doctrines have developed and are difficult to apply. supervision of certain financial and non-financial institutions. Second, the difficulty in establishing the substantive framework established by the legislature along with the administrative law doctrine, in procedural supervision of financial institutions that specifically have different characteristics from certain non-financial institutions. Third, the difficulty in applying the doctrine of administrative law, which often differs from one arrangement to another, especially in the procedural control of activities carried out by certain financial institutions and non-financial institutions.

The obstacles that arise do not cause supervision to be impossible to carry out, as it is known that supervision has a controlling function, as a consequence of checks and balances on every activity that is deemed necessary to be monitored. This reality also includes Savings and Loans Co-operatives which are called non-banking financial institutions and are included in shadow banking terminology.

Supervision that is interesting to pay attention to for Savings and Loans Co-operatives is the supervision carried out by the Ministry of Co-operatives and Small and Medium Enterprises, especially on the practice of high-interest investment offered to prospective members and members. Investments that often cause losses to members, on the basis that the losses that arise are due to the inability of the Savings and Loans Co-operatives to pay the agreed interest or return the funds invested through the investment, resulting in the failure to pay the Savings and Loans Co-operatives [39,40].

Supervision in collecting funds is like being carried out by the Financial Services Authority (OJK), but there are interesting things for Savings and Loans Co-operatives as legal entities or legal subjects in the form of legal entities. Legal entities that normatively regulate their supervision are carried

out by the Ministry of Co-operatives and Small and Medium Enterprises.

Supervision should be carried out with public fund-raising institutions, although in a limited scope, Savings and Loans Business activities have a distinctive character, which is a business based on trust and bears a lot of risks. Therefore, management must be carried out professionally and handled by managers who have special skills and abilities, assisted by a strict internal control system. (Explanation of Paragraph Eight of Government Regulation Number 9 of 1995 Concerning the Implementation of Savings and Loans Business Activities by Co-operatives) For this reason, in addition to the Co-operatives themselves, they must conduct guidance and supervision of these Savings and Loan business activities, the Government also needs to provide guidance and supervision through the Minister in charge of a Co-operatives. Supervision is carried out by the Minister to prevent irregularities that have a very detrimental impact on members and the loss of trust of members.

In particular, the supervision of Co-operatives is regulated through the Regulation of the Minister of Small and Medium Enterprises of the Republic of Indonesia Number 9 of 2020 concerning Supervision of Co-operatives. The Ministerial Regulation issued in 2020 related to supervision provides directions in supervising every activity carried out by Co-operatives. In Article 1-7 of the Regulation of the Minister of Small and Medium Enterprises Co-operatives Number 9 of 2020 concerning Co-operatives Supervision, it is stated that one of them can be seen by providing categorization of the object of Co-operatives supervision. The object set is divided into two categorizations, namely Primary Co-operatives and Secondary Co-operatives. The categorization is intended to provide convenience in the supervision of Co-operatives, whether carried out by the Central Government or Regional Governments. Categorization originating from the authority with due regard to the Classification of Co-operatives Business (KUK) at a high level. KUK is not only the only measure of supervision of Savings and Loan Co-operatives in their business activities, but also the implementation of Co-operatives supervision which is divided into types, namely routine supervision, and supervision from time to time.

Article 13 of the Regulation of the Minister of Small and Medium Enterprises Co-operatives Number 9 of 2020 concerning Supervision of Co-operatives states that the two types of supervision that will be carried out will continue to adhere to the criteria that become indicators that Savings and Loan Co-operatives can still carry out their activities:

1) *Governance*: Co-operatives governance must be able to become a healthy, transparent, accountable, independent, responsible and fair social organization while still referring to the values and principles of Co-operatives. And it is important to remember, the board or manager must be free from personal or group interests [41].

2) *Risk profile*: Determination of risk in conducting Co-operatives business activities should be carried out with a risk profile, as expressed by Darmawi and Godfrey [42]:

- Social risk or sourced from humans, namely risks that originate from humans such as errors in carrying out procedures, incompetence, negligence, embezzlement, or fraud by the management of the Co-operatives.
- Political risk, namely the risk that comes from political policies. Changed government policies, regulatory changes, and others.
- Marketing risk, namely risk originating from the marketing process.
- Economic risk, namely risk originating from economic policies such as financial policies, interest rate policies, and others.
- Financial risk, namely the risk that comes from the finances of the Co-operatives (company) such as the occurrence of losses, bankruptcy, insurance management, and others.
- The risk of crime (criminal), namely the risk due to the potential for criminal acts.

3) *Financial performance*: Financial performance analysis has the aim of providing guidelines in the implementation of the Co-operatives's health assessment [43].

4) *Capital* [44]: Co-operatives capital is needed to finance Co-operatives businesses and organizations consisting of investment capital and working capital. Investment capital is the amount of money used to procure unliquid Co-operatives operational facilities (not easy to cash) such as land and buildings, machinery, equipment, and others. Working capital is the amount of money used to finance the Co-operatives's short-term operations such as procurement of merchandise, employee salaries, electricity, water, telephone costs, and others.

Supervision by utilizing the above categorization can be done through two models. The first model is supervision carried out by the Central Government in this case the Ministry of Co-operatives and Small and Medium Enterprises, and the second model is supervision by the Regional Government through the Co-operatives and Small and Medium Enterprises Service.

In particular, supervision within the national scope is carried out by the Deputy for Supervision, which is within the Ministry of Co-operatives and Small and Medium Enterprises. The model that is put forward by taking an approach to compliance with regulations is in the scope of: increasing the application of compliance, examining Co-operatives institutions, examining Savings and Loan businesses, evaluating the health of savings and loans businesses and applying sanctions [12].

The supervision model is legitimized through Article 6 of the Regulation of the Minister of Co-operatives, Small and Medium Enterprises No. 9 of 2020 concerning Co-operatives Supervision. This regulation explicitly provides direction in the supervision carried out based on the following components:

- supervision of all facilities and infrastructure related to the implementation of Co-operatives business activities;
- inspection, verification, and clarification of every document related to Co-operatives;
- requests for information from members, management, supervisors, sharia supervisory board,
- managers/management, employees, creditors, investors, and co-operative partners;
- preparation of BAPK and LHPKK;
- reporting the results of the examination to the head of the provider
- task; and
- monitoring the implementation of administrative sanctions against Co-operatives with a health level under supervision or special supervision.

The components that still must be supported by data collection in the form of valid profiles or statistics by prioritizing the use of single data in supervising Savings and Loan Co-operatives. The use of this single data is intended to provide convenience in the process of updating data, which will have a direct impact on the supervision of the performance of Savings and Loan businesses carried out by certain Savings and Loan Co-operatives. Akira Kurimoto and Yashawantha [45] Data updates or updates can be obtained through technical assistance or mutual learning. Activities that are often carried out after the emergence of various assistance from various Co-operatives empowerment institutions carried out by countries in the Continent of Europe, America.

Report standardization is an important part of supervision, the report is related to membership reports, management composition reports including supervisors and Co-operatives managers. Determination of standardization is intended to provide convenience in assessing the activities carried out by Co-operatives in this case Savings and Loan Co-operatives, both activities related to their business fields and in the field of governance of the Co-operatives. Integration in governance is an important part of developing a successful Co-operatives [46].

This standardization is necessary to avoid the various forms of KSP business model financial statements to obtain the same reporting model. For example, the report format is only divided into two types of formats, namely the format for conventional Co-operatives and sharia-based Co-operatives. The regulator can determine the technical guidelines for the preparation of Co-operatives financial statements in a standard manner based on the provisions of the applicable Financial Accounting

Standards (SAK). A standardized report format will make it easier for Co-operatives Supervisors to carry out monitoring and evaluation (Monev). The speed of analysis and response (feedback) to the financial statements of the Co-operatives will have a positive impact on the level of compliance with the implementation of regulations.

Article 5-7 of the Regulation of the Deputy for Supervision of the Ministry of Co-operatives and Small and Medium Enterprises No.08 /PER/DEP.6/IV/2016 concerning Technical Guidelines for the Examination of Savings and Loans Co-operatives Businesses and Co-operatives Savings and Loans Units states, the standardization that can be applied in business audits Savings and Loan Co-operatives within the scope of: fundraising, distribution of funds and balance of funds and financial performance. The examination of fund raising consists of: Examination of the conformity of the implementation of the provisions for raising funds only from members, prospective members, other Co-operatives and or their members; b. examination of the collection of funds sourced from banks and other financial institutions, issuance of bonds, equity participation, other debt securities, and other legal sources; and c. examination of the implementation of the provisions for the development of savings and savings products.

Examination of the distribution of funds consists of: a. examination of loan distribution to members, prospective members and other Co-operatives and or their members in the form of loans; b. examination of compliance with the implementation of the provisions of the pillars, requirements, procedures and administration of financing services; c. examination of procedures and management of loan distribution; d. examination of the implementation of the provisions for calculating interest and services; and e. examination of the placement of funds in other Co-operatives and or banks as well as securities.

Referring to Article 8 of the Regulation of the Deputy for Supervision of the Ministry of Co-operatives and Small and Medium Enterprises No.08 /PER/DEP.6/IV/2016 concerning Technical Guidelines for the Examination of Business Savings and Loans Co-operatives and Co-operatives Savings and Loans Units, that the examination of the balance of funds and financial performance consists of from a. examination of the management of the balance between fund collection and loan disbursement; b. examination of the implementation of risk control policies based on sound lending principles, and applying prudential principles by following per under in accordance with laws and regulations, c. examination of the application of a careful business feasibility analysis according to the character and ability of members and prospective loan recipient members, and determination of collateral, both physical and non-physical as collateral; d. examination of financial performance which includes: Cash and Bank, Receivables, Securities, Fixed Assets, Debt, and Equity.

The aspect of supervision in the field of Co-operatives organization is one of the aspects in the field of supervision

that has the following objectives: a. to obtain data and/or other information to determine the conformity of Co-operatives institutional practices with the provisions of laws and regulations; b. to provide recommendations for follow-up related to coaching and/or imposition of sanctions. The objectives are embodied in the scope of institutional examination on the legality aspect of Co-operatives and Co-operatives organizations.

Aspects of legality and Co-operatives organization in the field of supervision are part of government support, which is in line with policy support in prioritizing the interests of Co-operatives, in this case, the interests of Co-operatives members. Interests based on Co-operatives principles are in the form of equal and fair treatment for all members in social and economic positions, as well as increasing the involvement of members in every policy intended for the development and development of Co-operatives [47].

Supervision by the Regional Government is the second model that can be carried out on Savings and Loans Co-operatives. The supervision in question is carried out by the Small and Medium Business-Co-operatives Service (KUKM Office) based on Article 2 paragraph (3) letter C of the Regulation of the Minister of Small and Medium Business Co-operatives Number 9 of 2020 concerning Co-operatives Supervision.

In the Deputy for Supervision, the supervision of Co-operatives including Savings and Loan Co-operatives is carried out in the regions based on 4 aspects of supervision, namely:

*a) Co-operatives compliance supervision consists of:* Legal compliance related to Co-operatives legal compliance can be viewed from the completeness of Co-operatives documents, Co-operatives are legal entities, Co-operatives have business licenses, b). Business and financial compliance related to Co-operatives business and finance must be by following per under Co-operatives principles, one of the Co-operatives principles that must be adhered to is 80% of the funds stored in Co-operatives and their members, these funds must be channeled again to members. c). Transaction compliance related to Co-operatives finances is arranged neatly and well and provides clear information in each transaction by following per under Co-operatives rules and principles, then Co-operatives are not allowed to provide interest greater than 2% [48].

*b) Co-operatives institutional supervision:* Articles 4 and 5 of the Deputy for Supervision of the Ministry of Co-operatives and Small and Medium Enterprises Regulation No.11/Per/Dep.6/IX/2016 concerning Procedures for Examination of Co-operatives Institutions. A Co-operatives legal entity, business license, articles of association, by-laws, special regulations made by the management. Aspects of the completeness of the Co-operatives organization are related to the structure of tasks and division of tasks in Co-operatives institutions, the span of control, and internal control units [49].

*c) Supervision of savings and loans business:* Co-operatives Savings and Loan businesses related to the supervision of Co-operatives Savings and Loan businesses consist of: a) raising funds consisting of own capital, own capital in the form of principal savings, mandatory savings, and voluntary savings, Co-operatives must manage funds properly and correctly. b). distribution of funds is prioritized to members, especially funds in the form of loans to members [48].

In simple terms, the supervision carried out by the Central Government and Regional Governments on Savings and Loan Co-operatives can be described as follows:

TABLE I. THE SUPERVISION CARRIED OUT BY THE CENTRAL GOVERNMENT AND REGIONAL GOVERNMENTS ON SAVINGS AND LOAN CO-OPERATIVES

	<b>Central Government (Ministry of Co-operatives and SMEs)</b>	<b>Local Government (Department of Co-Operatives and SMEs)</b>	<b>Explanation</b>
Co-operatives Compliance Monitoring	Legal Aspects, Business Compliance and Financial Aspects	Legal Aspects, Business Compliance and Financial Aspects	The model of supervision carried out both at the center and in the regions has no difference.
Co-operatives Institutional Supervision	Aspect of completeness of legality and Aspect of completeness of organization	Aspect of completeness of legality and Aspect of completeness of organization	The model of supervision carried out both at the center and in the regions has no difference.
Supervision of Savings and Loans	Fundraising Aspects and Funding Aspects	Fundraising Aspects and Funding Aspects	The model of supervision carried out both at the center and in the regions has no difference.

The table 1 above shows that normatively the supervision of Savings and Loan Co-operatives does not have a difference between the Ministry of Co-operatives and SMEs and the SME Co-operatives Service, but there are interesting things conveyed by Bin Wu in seeing that Co-operatives are held by prioritizing the interests of members, which can also be applied to Co-operatives. savings and loans that offer high interest. Bin Wu further explained with two aspects of fulfillment in the form of rights and obligations [50]:

- Right:
  - Each member can attend meetings related to the interests of the Co-operatives and its members
  - Each member is given the right to vote, provided that one vote is per member

- Each member is entitled to more profits based on the investment invested or based on the number of transactions made
- Each member may withdraw or withdraw from membership voluntarily.
- Supervision is carried out based on the principles of freedom to obtain true and clear information regarding every business activity carried out by Co-operatives, including the right to criticize the management of Co-operatives.
- **Obligation:**
  - Each member is required to follow every legal provision that can support various Co-operatives activities through the roles of manager (manager), supervisor and coach.
  - Each member has an obligation to share profits and losses as part of a shared responsibility.
  - Each member is required to comply with the contract that has been agreed with the Co-operatives, in order to regulate the production and supply of products based on predetermined standards,
  - Each member has an obligation to form a Co-operatives environment that supports the realization of mutual assistance.
  - Each member is required to protect and maintain every property owned by the Co-operatives.
  - Each member has an obligation to improve their abilities by participating in various kinds of training initiated by the Co-operatives

Robby Tulus and Munaldus Nerang further supervision can be done by realizing, maintaining and preserving three indicators of Co-operatives managers, namely: education, self-help, and solidarity. These three indicators are important to show that Co-operatives management is carried out based on awareness of the needs and interests of each member who needs each other to fulfill the desires to be achieved, namely obtaining improvement, growth and development in social position and economic level based on a sense of need for one another [47].

#### IV. CONCLUSION

Co-operatives as the pillars of the Indonesian economy have an important role in helping people develop their economic capabilities. Savings and Loan Co-operatives as one type are non-banking financial institutions, which in many cases are also known as shadow banking, intermediary institutions that can raise funds through members through various products while maintaining the interests of its members.

High-interest investment is a product offered to members, with the result of multiple returns on profits. The product which then raises problems regarding the inability of the Savings and Loan Co-operatives to carry out its obligations is to provide interest payments in the form of agreed profits. The situation is exacerbated by the failure to pay the Savings and Loan Co-operatives to the detriment of members.

The situation that occurs in Savings and Loan Co-operatives should be prevented, even avoided by referring to the consistency of supervision carried out by the Ministry of Co-operatives and Small and Medium Enterprises by prioritizing the performance of Savings and Loan Co-operatives based on the principles of governance, analysis of financial performance, risk profile, and capital, education, independence, and solidarity that prioritizes the interests of members and supervision based on the standardization or categorization of the Co-operatives Business Classification (KUK).

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