



Efforts to Save Cooperatives During the Covid-19 Pandemic to Support the Transformation of Cooperatives for a Sustainable Economy

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Abstract. During the current Covid-19 pandemic, cooperatives are looking worse, this is because there are several problems faced by cooperatives. One of them is the high demand for loans coupled with the low ability to repay loans. In addition, the cooperative system is still traditional at a time when the world is increasingly modern. Efforts to save cooperatives during the Covid-19 pandemic to support the transformation of cooperatives for a sustainable economy need to be carried out because cooperatives are one of the sectors that can improve the economy in Indonesia.

Keywords: Rescue · Cooperative · Covid-19 Pandemic · Sustainable Economy

1 Introduction

The Covid-19 pandemic has greatly affected the economies of various countries in the world, including the Indonesian economy. The pandemic that has been going on since the beginning of 2020 has had an impact on the economy of both households, cooperatives and MSMEs, corporations and other economic actors. [1].

The unfinished Covid-19 pandemic has had an impact on the course of business activities and cooperative operations. A significant impact also occurred on the economy in Indonesia. From all lines of micro, small businesses to cooperatives have been very affected by the corona virus outbreak. Decreased sales, capital, decreased orders, raw material difficulties, and bad credit [2].

Cooperatives are business entities whose members are individuals or cooperative legal entities with the basis of their activities based on cooperative principles as well as people's economic movements based on the principle of kinship [3].

The Ministry of Cooperatives and SMEs stated that not a few cooperatives were in suspended animation. The increasing number of cooperatives that are in suspended animation is due to capital and a lack of reliable and capable human resources [4].

The Indonesian Cooperative Council or Dekopin has not remained silent about the impacts that have occurred for cooperatives during this pandemic. Various strategic

steps were immediately implemented to save the cooperative from the onslaught of the pandemic. Cooperative businesses experienced a decline in both the real business sector and savings and loans. In general, the cooperative business has decreased between 30% and 50%. Types of cooperative businesses that have been significantly affected are service consumer and producer cooperatives.

Cooperatives are an inseparable part of the economic structure, this can indicate that in their activities cooperatives take part in achieving economic life so that it can run in prosperity, both for the people who are members of the association itself and for the surrounding community. [5].

The national economy is gradually experiencing positive growth, which in 2021 will reach 3.69%, or better than in 2020 which experienced a contraction of 2.07% [6].

During a pandemic like now, cooperatives are getting worse, therefore the government is making various efforts to save cooperatives. Cooperatives are also often faced with the problem of low quality human resources (HR) working in the MSME sector, both in terms of formal education and knowledge and skills. This affects the management of low salaries and wages. Generally, MSMEs grow traditionally, lack of marketing access to potential markets [7].

Cooperatives are currently also vulnerable to facing new problems besides capital, image and capacity issues, namely business competition with village-owned enterprises which have the same pattern, namely as a new approach in efforts to improve the village economy based on village needs and potential. The management of BUMDES is fully carried out by the village community, namely from the village, by the village and for the village [8].

The government made Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 03/Per/M.KUKM/III/2009 concerning General Guidelines for the Linkage Program between Commercial Banks and Cooperatives (Permen Cooperatives No. 3/2009) as a form of government support as well as a solution on the obstacles that occur in Cooperatives and Micro and Small Enterprises (UMK). The existence of this program is to overcome financing/capital constraints for Micro and Small Enterprises (UMK), it is necessary to make efforts to increase and expand access to financing/capital through increasing the synergy between Commercial Banks and Cooperatives. The ability of cooperatives to reach the lower middle class can actually be used as capital for cooperation with other financial institutions, including banks. The collaboration in question is cooperation in channeling financial institution funds to cooperative members [9].

The Linkage Program is provided to support the development of cooperatives which currently seem to be lagging behind which can make the image of cooperatives helped by the bank's good name in society. Cooperatives, especially those engaged in the financial sector, are more able to reach low-income communities which are difficult for banks to reach, so that the benefits are felt not only by cooperative members but also by the surrounding community. Low-income people who find it difficult to access banks with relatively high interest rates can optimally access and utilize financial institutions through cooperatives based on kinship with relatively low interest rates.

The function of a separate bank as an intermediary institution, especially in lending, has an important role for the movement of the economy as a whole and facilitates

economic growth. At the micro-economic level, banks are the main source of financing for entrepreneurs. The Bank is an Agent of Trust, namely as an intermediary institution that is trusted to serve all needs from and for the community. Banks are also Agents of Development, namely as intermediary institutions that can encourage development progress through financing facilities with easy payments and withdrawals in the transaction process for economic actors (MSMEs) [10]. MSMEs, if they are not empowered, will cause a greater poverty gap which directly affects the liquidity of living banks, so that it will create a burden on the state because the crime rate due to unemployment is getting bigger. Banks basically have a legal obligation to help MSME constraints, in this case cooperatives for and for their own good.

The Bank in considering a credit application first conducts an analysis of "the five C's", namely Character, Collateral, Capital, Capacity, Condition of economics as the application of the precautionary principle before approving credit applications from prospective customers. In banking practice, to secure loans given to customers, especially lending to the lower middle class, more emphasis is placed on the collateral factor, which at this point is additional collateral in the form of special guarantees, namely material guarantees or individual guarantees (*borgtocht*) that are not suitable with the conditions of the majority of MSMEs in particular. The Linkage Program has three implementation sequences, namely channeling, executing and joint financing / joint capital. In short, the channeling pattern can be understood where the state of synergy between banks and cooperatives is carried out by means of learning by banks to cooperatives to become cooperatives in the financial sector. The executing pattern is where the Bank lends funds to Cooperatives and then distributes them to cooperative members, so that the Bank is positioned as an investor and the credit relationship is between the Bank and the Cooperative. The pattern of joint financing / joint capital is where the Cooperative and the Bank work together to provide credit to members of the cooperative and bear the credit risk jointly.

The partners in this research are cooperatives in Karawang which are advanced cooperatives, but cannot develop quickly. The existence of this pattern is expected to develop cooperatives in the fields of product development, services and networks so that cooperatives can compete at the global level. In increasing the capacity of cooperatives to face the era of globalization and develop businesses, it is expected that there will be a banking service. The problem that is generally often faced is that even though cooperatives are able to be independent, cooperatives have not been able to develop bank performance. The constraints and their solutions need to be reviewed because it is important to change the traditional business perspective into a modern business perspective that is supported by technological advances. The Linkage Program of the Joint Financing pattern requires that Banks and Cooperatives work together to provide credit together and bear the credit risk jointly (Joint Financing). However, in reality there are still many cooperatives and banks that do not understand and do not want to do this. This is because the potential for harm to the principle of prudence and Good Corporate Governance at large banks occurs due to the existence of a cooperative relationship which can be said to be the parent company. In carrying out the Linkage Program, namely the synergy between the Cooperative and the Bank, there is a partnership legal relationship which is usually stated in an Agreement which is called a Contract as the source of the

engagement. The definition of a contract is expressly intended as an agreement of the parties that has binding legal consequences.

Based on the description above, the following problem formulation is Efforts to save cooperatives during the Covid-19 pandemic to support the transformation of cooperatives for a sustainable economy?

2 Methodology

Approach And Type Of Research. The method used in this study is a sociological legal approach (socio legal approach) because the problems studied are approached from the community, namely efforts to save operations and sustainable economics. Currently based on existing facts.

To obtain information or data that is accurate, related and relevant to the problems and completion of this research, the research location was chosen, namely Karawang. By conducting research in these locations, it will be very easy to access data for the accuracy of the preparation of this research.

The data to be collected are: Primary data, obtained directly from the field by conducting interviews with cooperatives and employees in Karawang and OJK Bandung.

Secondary Data, Pancasila, the 1945 Constitution, the Civil Code, Law no. 25 of 1992 concerning Cooperatives, Law no. 7 of 1992 concerning Banking as amended by Law no. 10 of 1998; Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs); Law Number 40 of 2007 concerning Limited Liability Companies; Law Number 23 of 1999 concerning Bank Indonesia; Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition; Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 03/Per/M.KUKM/III/2009 concerning General Guidelines for the Linkage Program between Commercial Banks and Cooperatives; Regulation of the Minister of Cooperatives and Small and Medium Enterprises No. 11 of 2018 concerning Licensing for Cooperative Savings and Loans Businesses; Regulation of the Minister of Finance Number 22/PMK.05/2010 concerning the Second Amendment to Regulation of the Minister of Finance Number 135/PMK.05/2008 concerning the People's Business Credit Guarantee Facility; Regulation of the Minister of Finance Number 189/PMK.05/2010 Concerning the Third Amendment to Regulation of the Minister of Finance Number 135/PMK.05/2008 Concerning People's Business Credit Guarantee Facilities.

Tertiary data, namely literature, laws and regulations. **Data Collection Techniques** To obtain the data needed to complete the research conducted, the authors use data collection techniques which are divided into: interviews, namely data collection techniques by asking questions directly to respondents, Literature Studies Literature studies in this data collection technique are secondary data types which is used to assist the research process, namely by reviewing and analyzing the literature on laws and regulations, as well as other data relating to the problems discussed in this study.



Fig. 1. Number of Indonesian Cooperatives 2006–2020

3 Literature Review

The concept of welfare has always been a central issue in various studies on development economics because in economics specifically, the study of the concept of welfare occupies an important position [11].

The challenges of cooperatives during the Covid 19 pandemic must actually be used as a momentum to change the way cooperatives work more efficiently which is also a good momentum for the cooperative movement to take advantage of the positive impacts of the industrial revolution 4.0, including cooperatives that must become the driving force for MSMEs, farmers, breeders, fish farmers, craftsmen, small traders, and fishermen in these areas to get up and keep moving forward [12].

The number of cooperatives in Indonesia reached 127,124 units in 2020. This number increased by 3.31% compared to the previous year [13].

Cooperatives empower and provide protection to increase productivity, economic efficiency and social welfare of its members and are not capitalist in nature. The legal basis for cooperatives currently uses Law no. 25 of 1992 which is an old law as the reason for the cancellation of Law No. 17 of 2012 by the Constitutional Court (MK) because it is considered to have a corporate spirit and is considered to have eliminated the principle of kinship and mutual cooperation which is the hallmark of cooperatives. Law No. 17 of 2012 is considered contrary to the 1945 Constitution so that it has no binding legal force. Thus, in the process of change to determine the national legal system, it must still be based on 2 (two) foundations, namely the philosophical basis (Pancasila) and the operational basis, namely the goals of the state (which in fact also adhere to Pancasila) [14].

The purpose of cooperatives is to promote the welfare of members in particular and society in general and to participate in building a national economic order in order to create an advanced, just and prosperous society. One of the functions and roles of cooperatives is to strengthen the people's economy as the basis for the strength and resilience of the national economy with cooperatives as the pillars. Advances in science and technology accompanied by the increasingly advanced globalization of the world have had their own impact on the world economy. Globalization is no matter how small something is conveyed by anyone, anywhere and anytime, it can quickly spread to all corners of the world, whether in the form of ideas, ideas, data, information, production, and so on, because as soon as it is conveyed at that time it can be known by everyone in the world. Different parts of the world and in a short time. The era of globalization has made significant changes, one of which is increasing business competition due to the ease and sophistication of technology and science in this era (Fig. 1).

In this era, cooperatives seem to tend to have difficulty facing the globalization era due to various kinds of obstacles experienced by cooperatives which can hinder the development of cooperatives, one of which is the problem of capital as a logical consequence of relying on member fees as the main capital of cooperatives that are based on kinship. The government made Regulation of the State Minister for Cooperatives and Small and Medium Enterprises No. 03/Per/M.KUKM/III/2009 concerning General Guidelines for Linkage Programs between Commercial Banks and Cooperatives (Permen Cooperatives No. 3/2009) as an effort to overcome cooperative capital constraints. The linkage program is a collaboration carried out by commercial banks to microfinance institutions in the form of financing as an effort to increase micro small business (UKM) activities [15]. The existence of this program is to overcome financing/capital constraints for Micro and Small Enterprises (UMK), it is necessary to make efforts to increase and expand access to financing/capital through increasing the synergy between Commercial Banks and Cooperatives.

Through the Linkage Program a cooperation agreement is made which is in accordance with the Civil Code for the distribution of financing between parties, commercial banks, microfinance institutions (BPR, BMT, or Cooperatives) to MSMEs which will benefit each party [16]. This Ministerial Regulation explains that the Linkage Program has three implementation sequences, namely channeling, executing and joint financing / joint capital. The channeling pattern in a nutshell is where the synergy between banks and cooperatives occurs by means of learning by the Bank to Cooperatives to become Cooperatives in the financial sector. The executing pattern is where the Bank lends funds to Cooperatives and then distributes them to cooperative members, so that the Bank is positioned as an investor and the credit relationship is between the Bank and the Cooperative. The pattern of joint financing / joint financing is where the Cooperative and the Bank work together to provide credit to cooperative members and jointly bear the credit risk.

Currently the government is working to improve access and transfer of technology to develop innovative MSME entrepreneurs or actors by utilizing information and communication technology so that they are expected to be able to compete with foreign MSME business actors. In Indonesia, the implementation of the use of digitalization technology for MSMEs is still low, many small and medium-scale MSMEs have not maximized

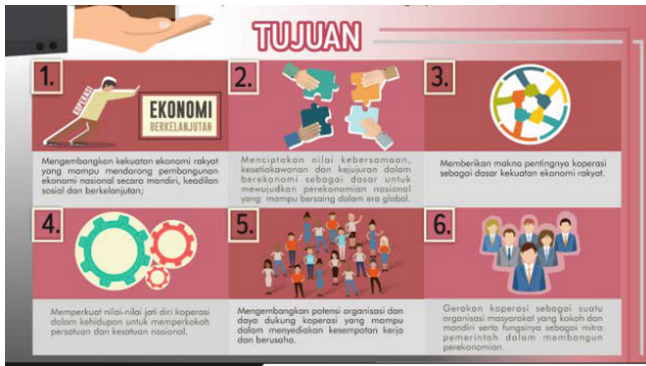


Fig. 2. Cooperative Purpose

their use of digitalization technology even though the number of MSME businesses in Indonesia has increased sharply.

Cooperatives have several objectives, namely to improve the standard of living of cooperative members and the surrounding community, to help the lives of cooperative members in economic matters, to assist the government in creating a just and prosperous society, cooperatives also participate in building a national economic order. Not only for members, cooperatives also have an important role for consumers or customers. So cooperatives, seen from their respective interests, aim to: For producers, to be able to offer goods at quite high prices. For consumers, they can get good goods at lower prices. For small businesses, they can get light business capital and hold a joint business (Fig. 2).

4 Analysis and Discussion

Currently, Cooperatives are experiencing various problems such as decreased sales, capital, hampered distribution, difficulty with raw materials, decreased production and layoffs of workers, this is a threat to the national economy. Cooperatives are one of the drivers of the domestic economy and absorb labor in the midst of a decline in productivity which results in a significant decline in profits.

The income of cooperatives during this pandemic has decreased dramatically, and a number of cooperatives have even run out of business capital because the business capital, business income and daily necessities are not comparable. The high demand for loans is not proportional to the loan repayments. Cooperatives currently have to make every effort so that their businesses are not seriously affected by Covid-19 [17].

Cooperative is one form of business entity in Indonesia. A business entity is a juridical (legal), technical and economic entity that aims to make a profit or profits. Basically, this business entity as a legal entity and economic business is established with the aim of making a profit. Basically, there are two forms of business entities based on their legal form, namely business entities that are not legal entities and business entities that are legal entities. The striking difference between the two types of business entities, namely business entities with legal entities and non-legal entities lies in the responsibilities of the company owner.

Arrangements regarding business entities can be found in the Civil Code, the Trade Code, the Limited Liability Company Law, and/or depending on the form and type of the business entity itself. Cooperatives are a joint business entity that struggles in the economic field by taking the right and steady path with the aim of liberating its members from the economic difficulties that they generally suffer. Article 1 paragraph (1) of the Cooperative Law states that Cooperatives are business entities consisting of individuals or cooperative legal entities based on cooperative principles as well as a people's economic movement based on the principle of kinship.

One of the efforts that can be made to save cooperatives during the Covid-19 pandemic is to help cooperatives run the Linkage Program between commercial banks and cooperatives. Sometimes cooperatives are still difficult to get credit assistance from banks.

Cooperative is a legal entity. The establishment of cooperatives is carried out by holding a founding meeting attended by the founders where according to Article 6 of the Cooperative Law that for primary cooperatives it is attended by 20 people and for secondary cooperatives attended by at least three cooperatives represented by their management or members. The founding meeting discusses the material for the Draft Articles of Association and after the founding meeting is over, the Notary for Making Cooperative Deeds (NPAK) can make Cooperative Deeds of Establishment. Legal entity status is obtained by a business entity from the validation of the Deed of Establishment from the Ministry through the relevant Ministerial Decree. Ratification of the Deed of Establishment is one of the aspects that must be fulfilled by a business entity of the people's business group in order to become a cooperative legal entity.

By changing the status of a business group to a legal entity such as a cooperative, it will be easier to get assistance. Cooperatives which consist of several MSMEs are one of the elements that must be saved during a pandemic.

As a result of the prolonged Covid-19 pandemic, Cooperatives and Micro, Small and Medium Enterprises (MSMEs) actors in Karawang came to the Karawang Cooperatives and MSMEs Service Office, to register for the Productive Banpres for Micro Enterprises (BPUM) in the form of capital assistance of IDR 2.4 million. A total of 87,574 Micro, Small and Medium Enterprises (MSMEs) in Karawang have registered as recipients of government assistance. They register online as well as the local village government office.

The role of KUMKM actors in the midst of a crisis or epidemic to keep the real sector moving in the country is very important. The government is relocating budgets and refocusing policies to provide economic incentives for cooperatives and MSMEs and informal actors, so that they can continue to produce and be active and not layoffs.

The government has also ensured that there will be credit relaxation for MSMEs, especially for credit values below IDR 10 billion as an effort to minimize the impact of the COVID-19 outbreak. The credit includes both bank credit and non-bank financial industry credit. The relaxation provided can be in the form of delaying installments of up to one year and reducing interest.

For MSMEs, there is relaxation of credit installments at the bank so that the business continues. For online motorcycle taxis it is also important to postpone credit installments. Especially in conditions of social distancing like this, services from online motorcycle

taxis are needed more to distribute MSME products. The government is trying to make existing cooperatives and MSMEs survive during the pandemic, one of which is by digitizing. We know that at this time the progress of technology is very rapid. Over time, everything is done online or digitized.

5 Conclusions

Efforts to save cooperatives during the Covid-19 pandemic to support the transformation of cooperatives for a sustainable economy, one of which is by helping cooperatives to be able to run the Linkage Program between Commercial Banks and cooperatives. Sometimes cooperatives are still difficult to get credit assistance from banks.

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