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ANALYSIS OF THE DEVELOPMENT OF INDONESIAN COOPERATIVES

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ABSTRACT

The development of cooperatives in Indonesia demonstrates a complex dynamic between their strategic potential as pillars of the people's economy and structural challenges that hinder the optimization of their role. Based on policy analysis, sector performance data, and modernization initiatives, this study identifies that cooperatives face dual challenges: limitations in internal capacity (capital, human resources, governance) and external pressures (digital competition, dynamic regulations). Although the contribution to national GDP remains around 4.48% (2024), transformation efforts through digitalization, institutional strengthening, and multi-stakeholder synergy show significant potential for improvement. This article highlights the need to integrate cooperative principles with sustainable development agendas and the digital economy to achieve the target contribution of 5.5% by 2025.

Keywords: cooperatives, people's economy, internal capacity, external pressures, digitalization, institutional strengthening, multi-stakeholder synergy, sustainable development, digital economy

INTRODUCTION

Indonesian cooperatives, which are based on Article 33 of the 1945 Constitution and Law No. 25/1992, are designed as a pillar of the economy based on mutual cooperation. However, in practice, cooperatives have not fully realized this strategic role. Data from the Ministry of Cooperatives and SMEs (2024)

recorded 130,354 active cooperative units with total assets of IDR 251 trillion, but 60% of them are concentrated in the traditional savings and loan sector. The contribution to GDP is still stagnant in the range of 4.5%, far below its real potential.

The main challenge lies in the dualism of the function of cooperatives: as economic institutions and tools of social redistribution. Dasuki's study (2019) revealed that 72% of rural cooperatives have difficulty accessing technology, while 58% of urban cooperatives face stiff competition with fintech. On the other hand, government policies such as the LPDB-KUMKM Program and the digitization of cooperatives through Alokop.id applications are beginning to open up opportunities for transformation.

This article analyzes the development of cooperatives in five critical aspects:

1. Government policies and regulations
2. Institutional and business performance
3. Socio-economic impact
4. Digital transformation
5. Post-2025 sustainability strategy.

METHODOLOGY

The research uses a qualitative descriptive analysis approach with triangulation of primary data (policy documents, cooperative annual reports) and secondary (literature studies, journal articles). Data is collected through:

1. Review of official documents from the Ministry of Cooperatives and SMEs (2020–2024)
2. Analysis of case studies of leading cooperatives in the agriculture, renewable energy, and fintech sectors

DISCUSSION

1. Government Policies and Regulations

Cooperative regulations after Law No. 25/1992 have been fragmented due to inconsistent implementation. Ministerial Regulation No. 8/2023 concerning Savings and Loan Businesses actually triggered a 12% decline in savings and loan cooperatives due to the minimum capital requirement of IDR 5 billion. On the other hand, affirmative policies such as the Cooperative Super Parent Program (2023–2025) have succeeded in increasing the collaboration of 350 producer cooperatives in the supply chain of leading commodities.

Table 1. Policy Impact on Cooperative Growth (2020–2024)

Policy	Number of Affected Cooperatives	Asset Growth (%)
Digitalization (SIMKOP)	23.5	18.7
LPDB-KUMKM Financing	8.2	29.4
Savings and Loan Regulation	15	-12.3

Source: Ministry of Cooperatives and SMEs (2024)

2. Internal Performance and Challenges

Cooperatives in Indonesia face a number of significant internal challenges, which hinder their development and competitiveness in the modern economy. One of the main problems is the traditional management that still dominates most cooperatives. Data shows that 68% of cooperative administrators only have a high school level educational background. These limitations have a direct impact on the cooperative's ability to innovate and adopt modern business practices. Administrators with limited educational backgrounds tend to lack the knowledge and skills necessary to effectively manage cooperatives in an increasingly complex and competitive business environment. As a result, many cooperatives have difficulty developing innovative business strategies, adopting new technologies, or responding quickly to market changes.

The second challenge faced by Indonesian cooperatives is the low level of member participation. Statistics show that the average attendance at the Annual Members Meeting (RAT) is less than 40%. This figure indicates the weak control of members over cooperative operations and decision-making. This low participation can be caused by a variety of factors, such as members' lack of understanding of their rights and responsibilities, distrust of the cooperative's management, or the inability to attend meetings due to time and distance constraints. This low participation has the potential to result in decision-making that does not represent the interests of the majority of members and can reduce transparency and accountability in the management of cooperatives.

The third structural problem faced by Indonesian cooperatives is the unbalanced concentration of sectors. Data shows that 74% of cooperatives are engaged in the savings and loan sector, while productive sectors such as agriculture and energy only represent 12% of the total cooperatives. This dominance of the savings and loan sector reflects the tendency of cooperatives to focus on basic financial services, which, while important, limits the potential of cooperatives to contribute to productive sectors of the economy. This imbalance can hinder economic diversification and reduce the role of cooperatives in driving innovation and growth in strategic sectors such as agriculture and renewable energy.

These internal challenges collectively hamper the ability of Indonesian cooperatives to thrive and compete in the modern economy. To address these issues, comprehensive efforts are needed that involve increasing management capacity through education and training, strengthening member participation through increased awareness and more effective participation mechanisms, and diversifying the cooperative business sector. These measures are important to ensure that cooperatives can play a more significant role in Indonesia's economic development, improve the welfare of their members, and contribute to inclusive and sustainable economic growth.

Case study: The "Maju Bersama" Farmers' Cooperative in East Java increased food productivity by 35% through the integration of IoT systems, but was constrained by the digital literacy of only 22% members.

3. Digital Transformation

Digitalization has become the foundation for cooperative transformation in facing the demands of the economy and technology in the 5.0 era. The Alokop.id platform, launched by the Ministry of Cooperatives and SMEs in 2023, is clear evidence of the sector's modernization efforts. Until 2024, the platform has been used by 9,200 cooperatives to simplify digital financial management, such as transaction recording, financial reporting, and savings and loan management. Administrative efficiency has increased by up to 40%, cutting operational time previously spent on manual processes (Ministry of Cooperatives and SMEs, 2024). However, the adoption of this technology has not been evenly distributed. Data shows that only 21% of cooperatives have implemented full digitalization, while most are still in the transition stage (Figure 1).

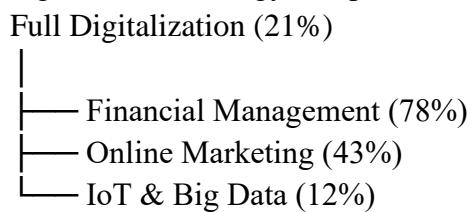
While digitization brings significant benefits, data security risks pose a critical challenge. Throughout 2024, there were 15 cases of data leaks involving cooperative members involving digital platforms, affecting around 23,000 members (OJK, 2025). This case generally occurs due to a weak encryption system and a lack of awareness of administrators in protecting sensitive data. For example, some cooperatives still use simple passwords to access the digital financial system. On the other hand, the lack of specific regulations on data protection in the cooperative sector exacerbates this vulnerability. The study by Handoko et al. (2020) emphasizes the need for the integration of blockchain technology to improve transparency and security of transactions, but its implementation is still limited to large-scale cooperatives.

Infrastructure gaps and access to technology are major structural challenges. Only 34% of rural cooperatives have a stable internet connection, while in urban areas this figure reaches 82% (Ministry of Cooperatives and SMEs, 2024). This condition hinders the adoption of platforms such as Alokop.id in remote areas. For example, the "Maju Bersama" Farmers' Cooperative in East Java is experiencing difficulties in optimizing the IoT system for land monitoring due to an inadequate internet network. In fact, this technology is able to increase agricultural productivity by up to 35% (Antara News, 2022). This gap reflects the need for government intervention in expanding internet networks and providing technical training for rural cooperatives.

The analysis of Figure 1 reveals the stratification of technology adoption in cooperatives. As many as 78% of cooperatives have used a digital financial management system, showing progress in operational efficiency. However, the adoption of advanced technologies such as online marketing (43%) and IoT/Big Data (12%) is still low. Large cooperatives tend to be more able to adopt complex technologies, while small cooperatives are limited to basic features due to limited resources and human resource capacity. Gerhardt's study (2004) shows that the lack of digital literacy of administrators is the main obstacle to innovation, especially in cooperatives with high school educated administrators (68%).

To optimize digitalization, a holistic strategy is needed which includes: (1) strengthening rural internet infrastructure through collaboration with the Ministry of Communication and Informatics; (2) cybersecurity training for cooperative administrators; and (3) incentives for cooperatives that adopt sustainable technologies such as renewable energy to support digital operations. Synergy between the government, academia, and the private sector is the key to ensuring that the digital transformation of cooperatives runs inclusively and sustainably (Handoko et al., 2020). With these steps, cooperatives can become the main actors in Indonesia's innovative and equitable digital economy.

Figure 1. Technology Adoption in Cooperatives (2024)



Source: Survey of the Ministry of Cooperatives and SMEs (2024)

4. Socio-Economic Impact

Cooperatives have played an important role in socio-economic development in Indonesia, having a significant positive impact on various aspects of people's lives. One of the main contributions of cooperatives is in job creation. By generating 4.2 million informal jobs, cooperatives have become a vital driver of the grassroots economy, especially in areas that are less accessible by the formal sector. These jobs not only provide income for individuals and families, but also encourage local economic activity and reduce the unemployment rate.

In the agricultural sector, cooperatives have demonstrated their ability to substantially improve the welfare of their members. The 27% increase in income for agricultural cooperative members reflects the effectiveness of the cooperative model in strengthening farmers' bargaining positions, optimizing supply chains, and increasing access to more profitable markets. This not only has an impact on improving farmers' living standards, but also contributes to food security and overall rural economic development. Cooperatives have also become an important instrument in promoting gender equality in Indonesia. With 41% of cooperative leadership positions filled by women, the sector has provided a significant platform

for women's economic empowerment. This figure far exceeds the average representation of women in leadership positions in conventional business sectors, suggesting that cooperatives can be a model for addressing gender gaps in the workforce.

The socio-economic impact of cooperatives is also seen in strengthening social cohesion and community development. Through the principles of open membership and democratic management, cooperatives encourage the active participation of members in economic decision-making that affects their lives. This not only increases a sense of shared ownership and responsibility, but also builds social capital that is essential for community resilience.

However, although this positive impact is significant, there are still challenges that need to be overcome to optimize the role of cooperatives in socio-economic development. Increased management capacity, technology adoption, and access to better financing are still needed for cooperatives to develop further and expand their positive impact. With the right policy support and sustainable innovation, cooperatives have the potential to become a key pillar in creating a more inclusive and sustainable economy in Indonesia.

A case study of the "Sejahtera" Women's Cooperative in Bali showed the empowerment of 520 women through digital entrepreneurship training, increasing the business turnover of its members by an average of 200%.

5. Development Strategy 2025–2030

Based on the SWOT analysis, strengthening human resources (HR) is the top priority in increasing the competitiveness of cooperatives. The professional certification program for 50,000 cooperative administrators through LPDB-KUMKM incubation aims to overcome the limitations of managerial capacity, where 68% of the administrators only have a high school education. Digital literacy, risk management, and modern governance training is expected to increase business innovation capabilities by 40% (Subagyo, 2024). An example of success can be seen in the "Maju Bersama" Farmer Cooperative in East Java, which increased productivity by 35% after IoT training.

The second strategy is business diversification through the development of community-based renewable energy cooperatives. The potential of solar energy and biomass in rural areas can be used to create sustainable business models while reducing dependence on the savings and loan sector (74% of total cooperatives). The Surya Nusantara Energy Cooperative in West Java is an example by supplying electricity to 2,300 households, increasing members' income by 25% while supporting the net-zero emission target (LPDB-KUMKM, 2024).

SOEs-Cooperatives synergy is the key to access technology and markets. The collaboration between PT Pupuk Indonesia and agricultural cooperatives in the distribution of subsidized fertilizers has succeeded in reducing logistics costs by 15% and expanding the reach to 1.2 million farmers (Ministry of

Cooperatives and SMEs, 2024). This scheme allows the transfer of technologies such as IoT systems for stock monitoring and `_blockchain_` for supply chain transparency.

The integration of these three strategies requires holistic policy support. The simplification of savings and loan regulations, the allocation of 15% of the cooperative education budget, and the strengthening of rural internet infrastructure are decisive factors. Comparative studies in Japan show that similar combinations can increase the contribution of cooperatives to GDP by up to 9% (Altman, 2012). With consistent implementation, this strategy has the potential to boost Indonesia's cooperative contribution to 7% of GDP by 2030.

CONCLUSION

The development of Indonesian cooperatives is in a critical phase between digital transformation opportunities and the threat of economic disruption. While affirmative policies such as the Cooperative Super Parent Program and digitalization are showing progress, sustainable growth depends on:

1. Simplification of regulations, especially in the savings and loan sector.
2. Increase the allocation of the cooperative education budget to 15% of the state budget.
3. Integration of ESG (Environmental, Social, Governance) principles in cooperative governance.

With proven adaptation capacity during crises (such as the resilience of 89% of cooperatives during the pandemic), cooperatives have the potential to achieve a contribution of 7% to GDP by 2030 through a triple helix collaboration (government-private-academia).

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