**COOPERATIVE AS A CHARACTER-BASED BUSINESS ORGANISATION IN INDONESIA**

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**Abstract**

The failure of the economy development in Indonesia especially regarding the distribution of the nation development outcomes has become a hot issue recently. This failure has widened the gap between rich and poor people therefore it causes the crucial social discrepancy. This social discrepancy then triggers the occurrence of some problems in many cities in Indonesia.

One of the causes of the economy development failure is that the economy system in Indonesia is not well controlled so that it does not enhance the development of the private companies such as PT, CV and Fa. On the other side, cooperative, an economy activity forum for poor, gets less attention and opportunity to develop. In reference to the Act of 1945, Cooperative is considered as a business organization which contributes to the development of the Indonesian national economy because it is believed that Cooperative has principals and basic values which are relevant to the characteristics of Indonesian.

This paper discusses the principals and the basic values of the Cooperative which are relevant to the characteristics of the Indonesian. The basic principles and basic values of Cooperative which are consistently implemented in the business world will minimize the failure of the national economy development. In other words, it can narrow the gap between the rich and poor. Moreover national economy which is supported by the development of Cooperative will become a model for the world economy. This paper is aimed at giving ideas as a reflection for the national economy decision makers to take Cooperative into account as the model of business organization which becomes the foundation of the national and international economy development.

Key words: Cooperative, Principals and basic values, and economy developments.

1. **Indonesian Characters**

Indonesia people already had various norms of life since it had been colonized by the Dutch. Indonesia actually has special norms of life in national level although it has many tribes which also have different cultural norms. In this sense, the norms have been planted as Indonesian ideology called **Pancasila**. There are five principles of Pancasila, i.e.: 1) Divinity which is the One; 2) humanity which is fair and in dignity; 3) The Unity of Indonesia; 4) Democracy lead by the wisdom of prudence in parley/deputation; and 5) Social Justice for whole Indonesian people.

Based on the mentioned principles, the characteristics of Indonesian people have developed in which they become typical features for the nation. The characteristics are: religiousness, justice, dignity, unity, wise, having deliberation, care for each other, dynamic, optimistic, productive, and thrifty. Thus, the values of faith and piety justice and equality, nationalism and patriotism (Kabul Budiyono, 2007), independence, democracy, responsibility, wisdom, tolerance and respecting each other, honesty, discipline, care, and example (Darmiyati Zuchdi, 2009) are developing. Indeed, those values must always be maintained. Based on those characters, the ideal Indonesian people can be described as follows:

* They always consider worldly and eschatology life.
* They always patriotic and sacrifice for the interests of this country.
* They are always independent and not eager to depend on the others, but they always care for the others.
* They like togetherness and work communally to meet the needs of life.
* They always respect another’s interests and care for prosperity distribution.
* They are tolerant toward the others.
* They are dynamic, productive, and thrifty to reach development
* They are honest, discipline, and responsible for the right and responisibility.

The amazing characters must be able to influence the life of Indonesian nation especially in developing the national economy.

Indonesian national economic is sustained by economic activity actors. The actors are categorized as in four sectors, i.e. government, foreign affairs, business agency, and household as the consumer sector. One of the actors of economic activity in business agency is cooperative.

In this reformation era, cooperative is regarded as a business agency which has appropriate characters as this nation’s characters. Therefore, Indonesian Constitution of year 1945 (UUD’45) especially article 33 mentions that cooperative is a kind of business agency that is considered the most compatible to sustain Indonesian economy.

1. **Basic Principles and Norms of Cooperative in Indonesia**

The idea of cooperative as a societal organization appeared for the first time in Europe in nineteenth century. Since triggered by the social reformers, such an idea has developed. Unfortunately, the concept and definition of cooperative has been found yet buy the experts until now. However, the experts from essentialist, institutional, and group tend to have the same opinion. They view cooperative as a collective activity to reach collective purpose using certain principles (cooperative principles). In this way, the principles then have developed until now.

In Indonesia, cooperative principle is understood as the existing social, economic, and political development. Based on Law of Cooperative No.25 year 1992, cooperative is defined as *a business agency in which there are some people or corporations as the members whose the activities are based on cooperative principles and as people’s economic movement which are based on the principle of kinship.* Indeed, it can be found from the definition that there are implicit meanings as follows:

1. Cooperative as a Business Agency

As a business agency, cooperative must also perform the prevailing principles such as efficiency principle and optimum interests. Thus, cooperative organization must be managed efficiently using professional management. Besides, its management should also keep reflecting the basic norms and cooperative principles to actualize the characteristics.

1. Cooperative as a people’s economic movement

Civil economy means an economy which is oriented in people involvement, so economic activity (production, distribution, and consumption) must totally involve the people. Therefore, as a people’s economic movement, cooperative must be able to construct and develop prosperity.

1. Principles of Cooperative

The movement of organization of cooperative along with its corporations must be based on certain norms called “cooperative principles.” According to the Law of Cooperative No. 25 year 1992, article 5, the principles of Indonesian cooperative consist of 5 main aspects and 2 additional ones. Those seven aspects are: 1) the membership of cooperative is ex gratia and transparent; 2) cooperative management is carried out in democratic way; 3) the Remaining Business Interest (SHU) is apportioned which accords with the sacrifice of each member; 4) the distribution of limited recompensation/interest toward the capital; 5) Independence; 6) cooperative education; and 7) the cooperative has mutual help.

1. Principle of Kinship

In this principle, there are norms of group action and mutual help in cooperative organization. Group action means that all policies and activities done in cooperative must be based on mutual importance using mutual help principle. Meanwhile, mutual help means that every activity in cooperative must involve participation from the committees, supervisors, and all members for mutual interest. This kind of principle will color the organization so that it is strongly different with the other business agencies.

Based on the meanings of cooperative above, it can be stated that Indonesian cooperative has basic norms such as religious, social and economic, democracy, togetherness, mutual help, openness, justice, independence, and dynamic. In addition, Hatta in Hudiyanto (2002) stated that there are two basic principle of cooperative, i.e. individuality and solidarity. Both principles contain a meaning that each cooperative member always maintain her/himself, dislike hoping help form the others (individuality), but s/he prefers to help the others (solidarity). It is actually according to Craig’s opinion in Yuyun Wirasasmita (Dawam Raharjo, 1997) that states that there are three basic norms in cooperative system, i.e. justice, right similarity, and solidarity. The norms of life and basic principles then will color the work principles of cooperative in giving services to the members in particular, and to the society in general.

1. **Indonesian Characterized Cooperative**

Basically, the life norms which become the characters of Indonesian people possess close relationship with the basic principles and values which has become the character of cooperative as a business agency in Indonesia. Mr. Hatta as a father of Indonesian cooperative appointed the characters norms of Indonesian nation into the base and principle of cooperative work. He assumed that the business agency would sustain Indonesian economic development if it has appropriate characters with Indonesian nation. Therefore, he chose cooperative as the foundation of Indonesian national economy, because it had been constructed according to religious, kinship and mutual help, justice, and independence norms.

 The religion character of Indonesian is actualized in the work principle of cooperative, e.g. recompensation/interest limitation upon the capital and credit interest establishment by its member as well as its customer. It is performed so to avoid usury in cooperative. Kinship principle (togetherness and solidarity) is implemented in mutual ownership of its capital. In cooperative, capital ownership that approaches capitalism is highly avoided. Capital mutual ownership is based on religious unsure which will construct socialist-religious society economy that can evolve economy. Indeed, it accords with the fifth principle in Pancasila, ‘Social Justice for whole Indonesian people.’

Related to capital mutual ownership, every member has chance to possess the cooperative which correspond to his/her finance condition. Therefore, the member’s finance condition differs – low, enough, high. In this way, the ownership right upon the cooperative capital should also differ. This difference will determine the rate of the interest got from the cooperative. The higher the ownership upon the cooperative capital possessed, the higher the interest got, or vice versa. It reflects that there is a justice principle in cooperative.

Meanwhile, related to the cooperative management, every member has the same right and authority to participate in managing cooperative. It should be noted that every member in cooperative has vote (one man one vote) in determining any policies of cooperative. Indeed, it reflects that there is similar right and democracy in cooperative. The justice and similar right of the member differentiate cooperative characters with other business agencies, such as Firm (Fa), Commanditaire Vennotschap (CV), Limited Company (PT). Those characters show that cooperative raise higher human dignity compared with capital/material-related thing because the right and authority to manage cooperative are not determined by the amount of capital ownership of every member.

Related to the norm of justice, the member participating and contributing more in cooperative will acquire higher interest. It shows that there are justice and reward norms in cooperative. On the other hand, the norms of togetherness and solidarity will actualize interest distribution in cooperative. Justice norm will bring good impact that every member keeps having motivation to participate in cooperative. Meanwhile, the norms of togetherness and solidarity will cause the evolvement of prosperity distribution of every member. A member (from the upper class) can help the other (from the lower class). The next implication is that the discrepancy occurred between those who are from lower and upper classes can be alleviated.

 It is important to know that the discrepancy of inter-class of society frequently causes a social-economic jealousy in society. Social jealousy will result in trouble in society life so that it will be ended by anarchism. There is no positive impact of anarchism, but damage and material and spiritual loss. Hence, it will absolutely bother national stability which will finally constrain national development.

1. **The Role of Cooperative in Economic Establishment**

According to Law No. 25/1992, article 4, the roles of cooperative in Indonesian economy can be found out as follows:

1. building and developing the members’ potential and economic ability in particular and the society in general to evolve economic and social prosperity;
2. contributing its role actively to improve the quality of human and society life;
3. strengthening civil economy as a fundamental power and sustainability of national economy in which cooperative becomes its foundation.
4. trying to actualize and develop national economy that functions as collective effort based on kinship principle and economic democracy.

Based on the Law, it is expected that cooperative functions as the ‘foundation’ of national economy through its effort to build and develop the potential of the civil economy. A foundation of national economy means that it must be able to be the sustainer of national economy. It must also be able to be the center of life of Indonesian economy. Thus, cooperative is expected to be able to be a place of every movement of civil economy, either in lower, middle, or upper class.

As an economic or business agency, cooperative is expected to be able to contribute in developing and controlling national economy. It must also be able to give economic benefit for its members in particular and the society in general, so each citizen strongly feels its existence in evolving welfare and prosperity.

There is one cooperative role in national development - cooperative can prevent the spread of capitalism which causes discrepancy inter-class of the society. Through cooperative, it can be reduced. Indeed, it will give wonderful impact in national stability that is definitely needed in national development implementation.

1. **Conclusion**

 From the explanation about the characteristics of Indonesian people, the values and principles of cooperative and cooperative roles in national development above, it can be concluded that:

1. Cooperative is a business agency which possesses characters appropriate with Indonesian Nation characters because it has values and principles that are highly relevant with the life values of this nation.
2. Cooperative has a very essential role in national development because it can evolve the prosperity of the society, primarily those who are in the lower class. Thus, it can reduce the discrepancy of inter-class of the society.
3. Cooperative can help the implementation of national stability which is strongly required in national development.

Based on the conclusions above, it is suggested that cooperative must be constructed and developed as the main business agency which support national economy. The government must establish economic climate which can sustain the continuity of cooperative life as the foundation of national economy.

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