



Guidebook

**The 3rd ASEAN Consortium on
Department of Economics Conference (ACDEC) 2014**

**“Interregional Trade, Competitiveness and the Role
of Small Businesses towards
ASEAN Economic Community (AEC) 2015”**

Malang - Indonesia, 4th - 6th December 2014

**Department of Economics
Faculty of Economics and Business
University of Brawijaya**

in collaboration with



Time Schedule of ACDEC 2014 Brawijaya Univeristy Malang, East Java, Indonesia

THURSDAY, DEC 4, 2014

TIME	SCHEDULE
08.00-09.00	Participant Registration
09.01-09.30	Speaking Of Committe And Dean
	- Chief Of Committe 15'
	- Dekan 15'
09.31-10.00	Dance Performance And Paduan Suara
10.01-10.15	Coffe Break
10.16-11.15	Plenary Session
	- Prof. Tri Widodo, 20'
	- Prof. Dr. Mohd. Dan Jantan 20'
	- Prof. Xu Changsheng 20'
11.16-12.00	Diskusi Tanya Jawab
12.00-13.00	Ishoma
13.01-14.15	Diskusi Pararel : A, B, C,
14.16-14.30	Break : Coffe & Tea
14.31-15.45	Diskusi Pararel : D, E, F
18.30-21.00	Gala Dinner And Dean Session

FRIDAY, DEC 5, 2014

TIME	SCHEDULE
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09.15-09.30	Break : Coffe & Tea
09.31-09.45	Announcement of Best Paper
09.46-10.00	Closing
NIGHT	Tour Of Bromo

Parallel Session Program ACDEC 2014 Malang – Indonesia, December 4th – 6th, 2014

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A LITERATURE REVIEW OF THE ROLE OF COOPERATIVE FOR MSMEs GROWTH IN INDONESIA

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*Presented at the: 3rd ACDEC 2014 Conference (Universitas Brawijaya, Indonesia)
“Interegional Trade, Competitiveness And The Role Of Small Businesses Towards
Asean Economic Community (AEC) 2015”
4 – 6 December 2014, Malang*

ABSTRACT

In accordance with the Indonesia's economic principle, which is kinship, the most suitable economical entity for Indonesian is cooperative. Cooperative is known as Indonesia's economic “*soko-guru*”, meaning that cooperative is a backbone, main pillar, and a driving force of Indonesia's economic. Cooperative is an entity that consists of people who put their capital and manage the business together, and the benefit will be used for the welfare of its member.

As a business entity that is managed together and for the mutual benefit by embracing the principle of kinship, cooperative becomes a foundation for Micro, Small and Medium Enterprises (MSMEs) in managing their business. Afiah (2009) and Kuncoro (2000) stated the weaknesses of MSMEs, which are: (i) inability to capture market opportunities and expand their market share; (ii) inability to access fund sources (capital) and weaknesses in capital structuring; (iii) inability in organization and human resource development management skill; (iv) limited network of cooperative business between MSMEs; (v) non-conductive business climate because it tend to grow to unhealthy competition; (vi) supporting program given is still not comprehensive; and (vii) lack of community trust and care for MSMEs. This research will be conducted to investigate the role of cooperative in MSMEs growth in Indonesia by answering those weaknesses.

Keywords: Micro, Small and Medium Enterprises (MSMEs), Cooperative, the Role of Cooperative

1. Background

The definition of cooperative according to Republic of Indonesia Law number 25 year 1992 is a business entity consisting of people - individuals or legal entities that bases its activities on the principle of cooperative as well as the people's movement based on the principle of kinship.

The objective of cooperative is to improve their member's welfare in specific and society's welfare in general and participate to develop the order of national economic with the purpose of accomplishing the advanced, just and prosperous society as mandated by the 1945 Constitution.

From cooperative's definition and objective above, we can conclude that cooperative was build for a purpose of giving a contribution in the order of national economic through people's economic movement. Idris (2012) stated that the concept of people economic is an economic system that based on people economic power. People economic is an economical activity or effort that is done by the society in general.

Idris (2012) also stated that the expected goals from the implementation of people economic in Indonesia are: 1) to build an economically-independent, sovereignty, and culturally-personality Indonesia; 2) to promote a continuous economic growth; 3) to promote distribution of people's wealth; and 4) to enhance national economic efficiency. If we reflect on the contribution that MSME has given to national economic since the last economic crisis, we can say that the goals above are achieved already. MSME's role, which is said to be immune to economic crisis, was able to prove their existence as a driving force of national economic, indicated by a significant increasing of employment growth and absorption.

Through the immense role of MSME's, it's obvious that the government keep supporting MSME's growth. But, as a business entity that many people involved, they also have many problems that will obstruct their growth. One of the most frequent problems that have to be faced by MSME's is a limitation of funding for business expansion, because they are self-funding.

As described by Sriyana (2009), funding aspect faced by MSME's slowed down the business growth pace and lowered business surplus. This issue also caused there were not many new businesses emerge outside the extractive sector. That is the solution for funding problem is important and has to be done.

One of the solutions is through cooperative. Sumodiningrat (2004) argued that cooperative as a legal business entity can be functioned as a micro financial institution (MFI) that can adjust the rhyme and character of MSME's. According to the regulation of Indonesian Financial Service Authority (Otoritas Jasa

Keuangan/OJK) number 5 year 2014, MFI is specially designed to serve in business growth and community empowerment through loan or funding in micro scale, saving management, and business growth consultation service.

2. Theoretical Review

2.1. Cooperative

According to the definition of cooperation in Republic of Indonesia Law number 25 year 1992 point 1, characteristics of cooperation is as follows:

1. Cooperation as a business entity
2. Membered by individuals or cooperation legal entity
3. Work according to principle of cooperation (Point 5 Republic of Indonesia Law number 25 year 1992)
4. The goal is for member's common interest

Basically, cooperation as an organization is formed by a group of people who run a joint venture. The objective is to support individual economic activity of its member. Cooperation is an autonomy organization, within a social economic environment, which gives advantages to every member, administrator, and leader. They also formulating their objectives autonomy and make those objectives occur through economic activities.

Main characteristic of cooperation according to Ropke (1989) is a member of cooperation has a dual identity of member, where the member is an owner and also a user of cooperation service (user own oriented firm). This dual identity becomes the strength of the cooperation. As an owner, members are expected to make a contribution to the cooperation, in the form of money capital, program implementation, or supervisory activities for the sake of cooperation growth. As a user, members can use various services in cooperation business.

Cooperation is build by, from, and for its member's common interest, so the administrator of cooperation should run a business activity that oriented on the service of member's need, especially the needs that really needed by the member. Therefore, government should encourage cooperation to help solve the MSME's funding problem.

2.2. The Role of Cooperation for MSME's

Prasetyo (2008) suggest that MSME's as a concrete form of people economic activity that stand on their own strength, decentralized, varied,

and a business group that able to be a hope when Indonesia's economic hit by a crisis. MSME's is an economic or business entity that has a specific characteristic, such as has a very simple structure, has a very little formal activities, using a simple technology, implement flexible management pattern, has a difficulties on separating personal assets with business assets, using a simple administration and without elaboration.

Prasetyo also stated that in Indonesia's economical structure, MSME's are productive people economic activities, which their existence is dominating, over 99%. MSME's existence is very dilemmatic. In one side, they are considered as a helper because they can survive in economic crisis and can support people's hope. Their existence also can provide many work chance, reduce poverty, unemployment, and urbanization movement, and becoming a national and district development driver. In other side, MSME's facing many problems and limitations, internally and externally. The major problem is funding problem.

This problem responded by the government through the construction of micro financial institutions. Sumodiningrat (2004) suggest that MFI with a cooperative legal form are institutions that able to funding MSME's business activities. They can adjust the rhyme and character of MSME's, meaning that the approach of developing MFI in the form of saving and credit cooperative is a very prudent action.

The empowerment of MFI considered as one of the national financial system pillar in the effort of poverty reduction. IT can be done by broadened MSME's access in getting funding facility, which not only come from formal financial institutions, but also form MFI. MFI proved to give various financing types to MSME's, although it's not as big as the formal ones, so they can be a potential funding alternative, considering that many MSME's have not using financial institutions (Wijono, 2005)

As explained by Sumodiningrat (2004), MFI in the form of saving and credit cooperative is a very prudent action by a government. Its because saving and credit cooperation is a financial institution that are closest to MSME's activities, so we can expect MFI can answer the problems of accessing funding from banking institutions because they do not have a proper collateral. That is why saving and credit institutions should have a bigger role in MSME's empowerment, especially in fund providing in MSME's. This non-formal financial institution is needed in supporting the empowerment acceleration MSME's, especially in rural areas where there are a limited access to banking institutions (Sarwoko, 2009).

3. Conclusion

Based on enormous MSME's role in the economic growth and development in Indonesia, and government intention to encourage MSME's growth pace as a future economic goal, it's a government responsibility to help solve the major problem faced by MSME's perpetrator. Problems on funding limitation which makes them cannot develop their business is a classical problem that need to be addressed.

The role of government through the establishment of microfinance institutions in the cooperative form of business entity is expected to solve the funding limitation problems. Because of MFI in the cooperative form of business entity is known as Credit Unions (KSP) or Savings and Loans Unit (USP) is a formal financial institution that is closest to the activity of MSMEs, so its presence is expected to answer the barriers faced by MSMEs, especially in capital provisioning.

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