

## Sharia Cooperatives in Indonesia as an Effort to Create a Sustainable Economy

Abdul Sumarlin<sup>1\*</sup>, Rahmawati Muin<sup>2</sup>, Wahyudin Abdullah<sup>3</sup>, Nurlaeli Jamaluddin<sup>4</sup>

<sup>1</sup> Sekolah Tinggi Ilmu Ekonomi YPUP Makassar

<sup>2,3</sup> Universitas Islam Negeri Alauddin Makassar

<sup>4</sup> Universitas Cahaya Prima Bone

**Corresponding Author:** Abdul Sumarlin [abdul\\_sumarlin@stie.ypup.ac.id](mailto:abdul_sumarlin@stie.ypup.ac.id)

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### ABSTRACT

This article provides background regarding the development of sharia cooperatives in Indonesia as part of efforts to create a more inclusive and sustainable economy. Sharia cooperatives exist as an alternative that is in accordance with Islamic economic principles, emphasizing economic, moral and ethical aspects of doing business. Even though they are still faced with various challenges, the growth of sharia cooperatives shows a significant impact in empowering communities, especially in areas that were previously less accessible to conventional financial institutions. This article aims to provide a deeper understanding of sharia cooperatives in Indonesia, including history, recent developments, basic principles, roles and challenges faced. The research method used is literature study, by collecting data from various references such as books, articles and journals. The article also reviews regulations that support sharia cooperatives, basic concepts, governance, and the history of their development. By exploring various information related to sharia cooperatives, it is hoped that this article can provide a comprehensive picture of the current condition of sharia cooperatives as well as their potential and challenges in the future.

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## **INTRODUCTION**

Sharia cooperatives have become a growing phenomenon in Indonesia, reflecting society's increasing interest in financial products and services that align with Islamic principles. Over the past few decades, sharia cooperatives have expanded significantly, offering an alternative to conventional financial institutions that incorporates economic, moral, and ethical considerations. As part of the nation's economic structure, these cooperatives play a crucial role in fostering an inclusive and sustainable economy, contributing to community empowerment, poverty alleviation, and local economic growth. However, despite their promising potential, sharia cooperatives in Indonesia still face numerous challenges, including limited public understanding, regulatory constraints, and infrastructure support. This article aims to explore the development, role, and challenges of sharia cooperatives in Indonesia, providing a comprehensive analysis of their impact on the economy and society. By examining both internal and external factors, this research seeks to shed light on the potential of sharia cooperatives as a transformative force for economic inclusion and sustainability in Indonesia.

One phenomenon that might be interesting to use as a basis for taking a research title on the implications of sharia cooperatives in Indonesia is the increase in public interest in financial products and services that comply with sharia principles.

This phenomenon can be seen from the significant growth in the number of sharia cooperatives in the last few years in Indonesia. This shows that people are increasingly aware of the importance of Islamic economic principles in their economic activities, including in financial management through cooperatives.

Apart from that, there is also a shift in consumer behavior which prefers financial products and services that provide added social and moral value, apart from purely financial aspects. This reflects society's need for economic alternatives that are more inclusive, sustainable and in line with religious values.

Seeing this phenomenon, the research title on the implications of sharia cooperatives in Indonesia can be focused on analyzing the impact of the growth of sharia cooperatives on the local economy, community empowerment, poverty alleviation, or the role of sharia cooperatives in maintaining financial stability amidst global economic turmoil. Introducing the concept of sharia cooperatives is an important first step.

## **LITERATURE REVIEW**

Cooperatives are a form of economic organization that has long been an important part of Indonesia's economic structure. Cooperatives exist as a forum for communities to collaborate in meeting their economic needs together. In the last few decades, the sharia cooperative model has begun to develop rapidly in Indonesia as an alternative that is in accordance with Islamic economic principles. The growth of sharia cooperatives in Indonesia is part of efforts to create a more inclusive and sustainable economy. The sharia principles underlying this cooperative not only emphasize economic aspects, but also moral and ethical aspects of doing business.

In this context, sharia cooperatives are expected to make a significant contribution to just and sustainable economic development. Even though they are still relatively new, sharia cooperatives have shown positive growth and a significant impact on the Indonesian economy. This is reflected in the increasing number of sharia cooperatives and their role in empowering communities, especially in areas previously less accessible to conventional financial institutions. However, despite having great potential, sharia cooperatives in Indonesia are still faced with various challenges.

Some of these include a lack of public understanding of the concept and benefits of sharia cooperatives, as well as obstacles in regulations and adequate supporting infrastructure. To understand more deeply the role and challenges of sharia cooperatives in Indonesia, a comprehensive analysis of the various aspects that influence them is needed. This includes external and internal factors that influence the development of sharia cooperatives, as well as their impact on the economy and society as a whole.

In this context, this article aims to systematically describe sharia cooperatives in Indonesia. By highlighting the history, current developments, underlying principles, as well as the role and challenges they face, it is hoped that this article can provide a deeper understanding of the phenomenon of sharia cooperatives in the Indonesian context. Through qualitative and quantitative analysis approaches, this article will explore various data and information related to sharia cooperatives in Indonesia.

This article provides a comprehensive overview of sharia cooperatives in Indonesia, focusing on their current state, future development, and potential for inclusive and sustainable economic growth. It highlights the benefits of sharia cooperatives in empowering local communities, alleviating poverty, and increasing economic prosperity. However, the article also highlights challenges faced by sharia cooperatives in Indonesia, such as regulatory issues, funding, and risk management. The growing interest in sharia-compliant financial products and services indicates a growing awareness of Islamic economic principles in economic activities. The article suggests that research on the implications of sharia cooperatives in Indonesia should focus on their impact on local economy, community empowerment, poverty alleviation, and financial stability amidst global economic turmoil.

## **METHODOLOGY**

This research uses the library research method (library study) which means procedures for collecting information and data with the help of various kinds of references such as books, articles, journals, theses, dissertations, magazines. This model for selecting the type of research is related to studying various references from previous similar research results. Library study is research that aims to collect data and information with the help of various materials found in the library, such as: books, magazines, documents and others. Library study is a qualitative research method where the research is carried out in libraries, with documents, archives and other types of documentation as research material.

## RESEARCH RESULT AND DISCUSSION

### *History of the Development of Cooperatives in the World*

The Cooperative Movement in the world began in the mid-18th and early 19th centuries in England. This institution is often called "PRINDUSTRIAL COOPERATION". From the history of its development, starting from the emergence of the industrial revolution in England in 1770 which replaced human labor with industrial machines which had an impact on increasing unemployment to the French revolution in 1789 which initially wanted to overthrow the feudalistic power of the king, it turned out to give rise to a new hegemony by the capitalists. The motto Liberte-Egalite-Fraternite (freedom-equality-togetherness) which was promoted during the revolution to inflame the people's fighting spirit changed without having the slightest impact on the people's economic conditions. The benefits of Liberte (freedom) only belong to those who have the capital to pursue maximum profits. The spirit of Egalite and Fraternite (equality and brotherhood) only belongs to layers of society with high social strata (capital owners; capitalists).

In a critical and emergency situation, the gap between the people (workers) and capital owners is getting bigger, both in England and in France. That is what drives the emergence of ideals to build a more egalitarian social order where wealth is distributed more evenly, limiting private ownership and limiting unhealthy competition and the need for cooperation between social classes.

#### 1. *Development of Cooperatives in Europe:*

##### a) *Development of Cooperatives in France*

The French Revolution and industrial development had brought poverty and suffering to the French people. The birth of cooperatives, which was based on the oppression and poverty that occurred among the lower classes of society (workers) in the rapidly developing capitalist system at that time, apparently also had to deal with weaknesses within the cooperative itself. Lack of capital, low awareness and knowledge of members and management make it difficult for cooperatives to develop rapidly. On the other hand, the ideology of socialism which emerged as a reaction to the shortcomings of capitalism was apparently unable to do much to change the situation at that time.

Thanks to the encouragement of their pioneers such as Charles Fourier, Louis Blanc, and Ferdinand Lasalle, who realized the need to improve the lot of the people, small entrepreneurs in France succeeded in building cooperatives operating in the production sector.

Charles Fourier (1772-1837), a French socialist, advocated the establishment of "Falansteires" production units which prioritized a spirit of togetherness, including ownership of capital, seeking one's own needs and joint ownership of the means of production. Louis Blanc (1811-1882) although influenced by the ideals of Charles Fourier, Louis Blanc tried to be more realistic by drawing up more concrete plans. Louis Blanc proposed to the government to establish workplaces for workers in the form of Atelier Sociaux (Social Ateliers) where workers organized

themselves in a cooperative manner and were supervised by the government. Apart from getting wages, workers also get a share of business profits. Saint Simon (1760-1825) argued that social problems could be overcome if society was organized into "Productive Associations" led by technocrats and industrial experts.

Currently in France there is the French Association of National Consumer Cooperatives (Federation Nationale Des Cooperative de Consommation), with a total of 476 cooperatives joining. The number of members reaches 3,460,000 people, and the number of shops owned is 9,900 with a capital turnover of 3,600 billion francs/year.

#### b) Development of Cooperatives in England

The cooperative was founded in the city of Rochdale, England in 1844. This cooperative is considered successful. The cooperative, which was pioneered by 28 members, was able to survive and be successful because it was based on a spirit of togetherness and a willingness to try. They sat together and prepared various steps that would be taken before forming a business unit that could unite their vision and ideals. They began to develop work guidelines and implement them according to the provisions they developed together. Even though at first they experienced a lot of criticism, the jointly managed shop was able to develop gradually. Rochdale Equitable Pioneer's Cooperative Society, with its cooperative principles:

1. Open membership.
2. Democratic supervision.
3. Limited interest on member capital.
4. Return of remaining business results in accordance with services provided to the cooperative.
5. Goods are only sold according to the prevailing market price and must be in cash.
6. There are no differences based on race, ethnicity, religion and political beliefs.
7. The goods sold are original goods and not damaged or fake ones.
8. Continuous education for members.

It was from these cooperative guidelines in Rochdale that the principles of the cooperative movement were formed. Even though it is still very simple, what the Rochdale cooperative has done with its principles has become a milestone for the cooperative movement throughout the world. The Rochdale cooperative principles were then standardized by the I.C.A and presented at the I.C.A congress in Paris in 1937.

#### c) Development of Cooperatives in Germany

Around 1848, when England and France had made progress, a pioneer emerged named F. W. Raiffeisen, mayor of Flammersfield. He recommended that farmers unite themselves in savings and loan associations. After going through several obstacles, Raiffesien was finally able to establish a cooperative with the following work guidelines:

1. Cooperative members are required to save a certain amount of money.
2. Savings money may be issued as a loan by paying interest.
3. Cooperative businesses were initially limited to local villages in order to achieve close cooperation.
4. Cooperative management is carried out by selected members without receiving wages.
5. The profits obtained are used to help the welfare of the community

Another cooperative pioneer from Germany was a judge named H. Schulze who came from the city of Delitzsch. In 1849 he pioneered the establishment of savings and loan cooperatives operating in urban areas. The working guidelines of the Schulze savings and loan cooperative are:

1. Save money as working capital for the Cooperative is collected from members
2. The work area is in urban areas.
3. Cooperative management is elected and given wages for their work.
4. Loans are short term.
5. Profits obtained from loan interest are distributed to members.

d) Development of Cooperatives in Denmark

The number of Cooperative members in Denmark covers around 30% of the entire Danish population. Nearly a third of Denmark's rural population between the ages of 18 and 30 are studying at university.

In its development, not only agricultural products were distributed through cooperatives, but also goods needed by the agricultural sector itself. Apart from that, in Denmark there are also developing consumer cooperatives. These consumer cooperatives were mostly founded by labor unions in urban areas.

e) Development of Cooperatives in Sweden

One of the leading cooperative pioneers from Sweden was named Albin Johansen. One of his quite spectacular actions was the nationalization of petroleum filtering companies which, in his opinion, could be managed no less efficiently by cooperatives. In 1911 the Cooperative movement in Sweden succeeded in defeating the power of large companies. In 1926 the Cooperative succeeded in destroying the monopoly on selling wheat flour owned by private companies.

At the end of 1949, the number of cooperatives in Sweden was recorded at 674 with around 7,500 branches and a membership of almost one million families. The secret of the success of Swedish Cooperatives is thanks to regularly structured educational programs and adult education at Folk High Schools, as well as study circles in out-of-school education. The Swedish Sales Center Cooperative (Cooperative Forbundet), sponsors educational programs including 400 types of technical courses given to employees and administrators of the Cooperative.

f) Development of Cooperatives in the United States

The socioeconomic situation of the United States in the mid-19th century was almost the same as that of England. According to records, the

number of cooperatives that grew between 1863-1939 amounted to 2600. Around 57% of these cooperatives failed.

An interesting development occurred after 1908. A commission on rural life appointed by President Theodore Roosevelt in 1908 stated in its report that one of the main needs of rural society was effective cooperation among farmers to unite their efforts at a level consistent with common interests.

According to records, in the period 1909-1921, around 52% of all existing agricultural cooperative societies had worked effectively. In its development, there are many types of cooperatives that have developed in the United States. In rural areas, among others, there are Mutual Insurance Cooperatives, Electricity and Telephone Cooperatives, Food Preservation Cooperatives, Savings and Loan Cooperatives and Seed Supply Cooperatives. Meanwhile, cooperatives in urban areas often operate retail shops. Credit cooperatives and Housing Cooperatives are also found in many cities, in the United States Hospital Cooperatives and Health Cooperatives are also developing.

The first cooperative established in the United States was The Philadelphia Contributionship From Lose By Fire. A kind of fire insurance. Next, irrigation cooperatives were established which took care of agricultural irrigation. And in 1880 large agricultural cooperatives were established (History and Performance of Inkopkar 1995). Meanwhile, in the United States, over the years a savings and loan association known as the Credit Union has developed, thanks to the advice of Alphonso Desjardin (1854-1921).

Previously, people had tried to establish similar associations, such as the one founded by workers in 1892 called The Boston Globe. However, it was less well received by the public because it was considered too much of a pursuit of profit, so it did not reflect a form of cooperation and mutual help. Alphonso, started a savings and loan business by establishing a kind of "People's Bank" in 1900 in Levis Quebec, by encouraging savings activities among farmers and workers and then lend to fellow members who need it. The rapid development of savings and loan businesses through "people's banks" encouraged Alphonso to think about the need for a legal basis for these businesses. Due to the hard efforts of Alphonso and his friend Edward A Filene (1860-1913), in 1909, the first law regarding savings and loan cooperatives was born. in Massachusetts. In its development, the law on savings and loan cooperatives also began to spread to New Hampshire. This savings and loan cooperative then became a model or role model for all savings and loan cooperatives in the United States, even to Canada.

By 1915, the number of savings and loan cooperatives or credit unions had increased to 11 units and three years later increased to 42 units. And by 1934 it had grown to around 2,400 units spread across 38 states. In that year, President Roosevelt signed the Federal Credit Union Act. And in that year the Federal Credit Union was formed which called itself the

National Credit Union Association, which was based in Madison , Wisconsin.

In 1890, the Sherman Antitrust Act was issued, which was known to be very detrimental to cooperatives, especially agricultural cooperatives in the United States. Then in 1922 the government issued the Caper Volstead Act, which essentially strengthened the rights of farmers to unite and market their agricultural products cooperatively without violating the law. Antitrust. The American government is considered to strongly encourage and protect cooperatives. In the United States, it turns out that cooperative laws were enacted first in the states, rather than at the federal level. The state that

The first to issue a Cooperative Law was Michigan, in the form of the Michigan Act 1865. This was followed by Massachusetts (1866), Wisconsin, in 1887. Federal Government Laws which are considered to support cooperatives in the United States include the Federal Intermediate Credit Act, 1998. 1923 which provided support for the establishment of 12 Intermediate Banks, which provided loans to the Production Credit Association (PCA), which is a cooperative organization owned by farmers. Apart from that, the Farm Credit Act was also issued in 1933, which encouraged the birth of 12 Regional Cooperative Banks and a Cooperative Central Bank. In subsequent developments, in the United States there also grew cooperatives operating in the agribusiness sector, such as grape cooperatives, Sunkist cooperatives, advocacy cooperatives, almond cooperatives, kiwi fruit cooperatives, cotton cooperatives, seed supply cooperatives, livestock cooperatives, cooperatives operating in the electricity sector, rural areas, telephone service cooperatives, health service cooperatives, trade service cooperatives, insurance service cooperatives, student cooperatives and so on. Even through the National Cooperatives Business Association/NCBA, cooperatives in America have established many business collaborations with cooperatives in Indonesia. And what is very impressive is that in a society that is so capitalistic, the cooperative life of the people truly reflects a cooperative life that is based on the essence, ethics, values, basic principles and pure principles of cooperatives. There is even information that says that certain cooperatives have been able to enter the top ranks as one of the largest, most advanced and healthy companies in the United States.

## *2. Development of Cooperatives in Asia:*

### *a) Development of Cooperatives in Japan*

The first cooperatives were established in this country in 1900 (33 years after the reforms by Emperor Meiji), or at the same time as the implementation of the Craft Industry Cooperative Law. The embryo of the birth of cooperatives in Japan began to emerge when the money economy began to be recognized by rural communities.

The agricultural cooperative movement has experienced very rapid progress since the 1930s, especially when the Japanese population faced

the economic crisis that hit the world in the 1933 period. In Japan there are two forms of agricultural cooperatives. The first is called the General Agricultural Cooperative. This cooperative works on a multi-business basis, for example organizing agricultural product marketing businesses, providing credit for insurance businesses, providing agricultural guidance and counseling for farming businesses. Another form of cooperative is called a special cooperative. This cooperative only operates one type of business, such as fruit cooperatives, livestock meat cooperatives, flower cooperatives and so on. In general, agricultural cooperatives in Japan carry out the first form of cooperative business.

It should be added that cooperatives that carry out various business activities are also incorporated into a parent cooperative called the Association of National Agricultural Cooperative Associations (Zenkoku Nogyo Kyodokumiai Chuokai). The focus of the activities of the Joint Cooperative or ZEN-Noh is the distribution of production facilities and marketing of agricultural products. Apart from that, in Japan there is also a Joint Insurance Cooperative Center, a Banking Cooperative Center for agriculture and forestry and a publishing association center.

b) Development of Cooperatives in Korea

The development of cooperatives in Korea, especially rural cooperatives, began in the early 20th century. In Korea there are two rural organizations that serve farmers' credit needs, namely the Korean Agricultural Bank and Agricultural Cooperatives.

In 1961, in the context of implementing the new Agricultural Cooperative Law, the Korean Agricultural Bank and Agricultural Cooperatives were merged into one under the name of the National Agricultural Cooperative Federation, abbreviated as NACF. This association works on the basis of modern cooperative principles and carries out its work on a multipurpose basis. NACF is tasked with developing the agricultural sector, increasing the economic and social role of farmers, as well as carrying out efforts to improve people's culture.

c) Development of cooperatives in Thailand

1. The formation of the department in 1915, initiated the birth of the first cooperative in Thailand.
2. The cooperative promotion department in Thailand has a vision to promote and develop promotion groups & farmer groups towards resilience & independence.
3. The cooperative department provides guidance in terms of administration, institutions and efficiency of the farmer group.

d) Development of cooperatives in India

1. India established Rafflesian-style credit cooperatives in 1907 and drafted a law which was later revised in 1912.
2. The Indian cooperative law was adopted by American, African & Asian countries including Indonesia.

3. At the beginning of the growth of cooperatives in India, the mainstays were credit cooperatives for dairy farms, sugar factories and cooperative banks
- e) Development of cooperatives in East Leste
1. Cooperative growth in East Java adopted the East Java Setia Budi Wanita (SBW) women's cooperative model, especially in terms of joint responsibility management.
  2. Cooperatives in East Timor are one of the pillars of the country's economy apart from the public and private sectors
  3. The number of cooperatives in Timur Leste is 84 units. The activities are balanced between savings and loan cooperatives and multi-business cooperatives. By 2017, the government is targeting cooperatives to grow to 300 cooperatives.
- f) Development of cooperatives in the Philippines
1. The birth of cooperatives in the Philippines was triggered by the birth of the Agrarian reform policy.
  2. A successful cooperative in the Philippines is the Mindanao Federation of Cooperatives (FEDCO), which has around 20 cooperative members & 3600 individual farmers. This cooperative manages almost 5000 hectares of land with banana commodities.
  3. MIDECO is a cooperative whose establishment was supported by NGOs in 1986.
- g) Development of cooperatives in Malaysia
1. The cooperative movement in Malaysia was introduced in 1909 by the colonial government.
  2. The creation of RIDA (Rural & Industrial Development Authority) in 1990 helped facilitate integrated rural development.
  3. The famous cooperative movement in Malaysia is the housing development cooperative movement (Huzain, 2022).

### ***History of Cooperative Development in Indonesia***

For a long time, the Indonesian people have known about the kinship and mutual cooperation practiced by the ancestors of the Indonesian people. This non-profit habit is input for Article 33 paragraph 1 of the 1945 Constitution which is used as the basis/guideline for the implementation of Cooperatives. These ancestral habits that have been passed down from generation to generation can be found in various regions in Indonesia, including Arisan for Central Java and East Java, parcels, miter cai and ruing mungpulung for West Java, Mapalus in North Sulawesi, and irrigation cooperation. known as Subak for the Bali area, and Julo-julo for the West Sumatra area, it is a characteristic of social relations, non-profit and shows business or activities based on a level of personal and family awareness.

These forms which are more kinship, mutual cooperation, social relations, non-profit and cooperation are called Pre-Cooperatives. Pre-cooperative implementation, especially in rural areas, is still found, even though the flow of globalization continues to spread to rural areas. Advances in

science and technology in the mid-18th century have changed the face of the world. Various discoveries in the field of technology (industrial revolution) gave birth to a new economic world order. The economic world order has become centered on individual profits, namely the owners of capital (capitalism). Capitalists or capital owners make the best use of these new discoveries to enrich themselves and strengthen their economic position. This greedy desire gives birth to unlimited free competition. The capitalist/liberal economic system provides maximum profits to capital owners and creates destitution and poverty for economically weak communities.

In this poverty and destitution, community awareness emerged to improve their own fate by establishing cooperatives. In 1844, the first cooperative was born in England, known as the Rochdale Cooperative, under the leadership of Charles Howart. In Germany, Frederich Wilhelm Raiffeisen and Hermann Schulze pioneered Savings and Loans Cooperatives. In France, cooperative figures such as Charles Fourier, Louis Blanc and Ferdinand Lassalle emerged. Likewise in Denmark. Denmark is the most successful country in the world in developing its economy through cooperatives.

Industrial progress in Europe eventually spread to other countries, including Indonesia. Europeans began to develop wings to market industrial products as well as look for raw materials for their industry. At first their arrival was purely for trade. The greed of the capitalists eventually turned into a form of colonialism that impoverished society.

The Indonesian people, for example, were colonized by the Dutch for 3.5 centuries and after that were colonized by Japan for 3.5 years. During colonialism, the Indonesian people were in poverty and misery. The colonialists oppressed the people and extracted as much as possible from Indonesia's natural wealth. Colonization made the Indonesian economy backward. Society is fooled so easily become prey to fraud and extortion by loan sharks, middlemen and bonded workers.

Cooperatives were indeed born from suffering as occurred in Europe in the mid-18th century. In Indonesia, this cooperative was born as an effort to improve the economy of the people who were oppressed by the colonialists at that time.

To understand the development of cooperatives in Indonesia, the history of the development of Indonesian cooperatives can be broadly divided into "three periods", namely the colonial period, the independence period, and the New Order period until now.

### *1. Cooperatives in Indonesia during the Colonial Period*

During the Dutch colonial period, the first cooperative movement in Indonesia was born from the initiative of the figure R. A. Wiriaatmadja in 1986. Wiriaatmadja, the governor of Purwokerto (Banyumas), was instrumental in helping employees, small traders and farmers from being exploited by loan sharks through cooperatives. He, with the help of E. Sieberg, Assistant Resident of Purwokerto, founded Hulp-enSpaar Bank. Wiriaatmadja's ideals also received support from Wolf van Westerrode,

Sieberg's replacement. They founded the Raiffeisen system credit cooperative.

The cooperative movement became increasingly widespread along with the emergence of a national movement against colonialism. The establishment of Boedi Oetomo, in 1908, tried to promote household cooperatives (consumption cooperatives). The Islamic Union in 1913 helped advance cooperatives with capital assistance and established a Cooperative Shop. In 1927, the cooperative business was continued by the Indonesische Studie Club which later became the Indonesian National Association (PBI) in Surabaya. The Indonesian National Party (PNI) in its congress in Jakarta tried to encourage the spirit of cooperation so that this congress is often also called "cooperative congress".

The cooperative movement during Dutch colonialism could not run smoothly. The Dutch government always tried to prevent it, either directly or indirectly. Apart from that, public awareness of cooperatives is very low due to the suffering they have experienced. To limit the rate of development of cooperatives, the Dutch government issued the Besluit cooperative regulation April 7 No. 431 of 1915. Based on this regulation, it is impossible for the people to establish cooperatives because:

- 1) establishing a cooperative must obtain permission from the governor general,
- 2) the deed is made through a notary and is in Dutch,
- 3) stamp duty of 50 gold,
- 4) land rights must be according to European law, and
- 5) must be announced in the *Javasche Courant*, which also has high costs.

This regulation resulted in a reaction from national movements and cooperative advocates. Therefore, in 1920 the Dutch government formed a "Cooperative Committee" chaired by J. H. Boeke. This committee was tasked with researching the need for cooperatives. A year later, the committee submitted a report that the cooperative needed to be developed. In 1927 the government issued regulation no. 91 which is lighter than the 1915 regulation. contents of regulation no. 91 include:

- 1) the deed does not need to be brokered by a notary, but only needs to be registered with the Advisor for People's Credit and Cooperative Affairs and can be written in the regional language,
- 2) 3 gold stamp fees,
- 3) land rights can according to customary law apply to native Indonesians, who have customary legal entity rights

With the issuance of this regulation, the cooperative movement began to grow again. In 1932, the Indonesian National Party held a cooperative congress in Jakarta. In 1933, the Dutch government issued another regulation no. 108 as a replacement for regulations issued in 1915. This regulation is a copy of the Dutch cooperative regulations of 1925, so it is not suitable and difficult for the people to implement. During the Japanese colonial period, cooperatives experienced a worse fate. The Central Office of the Cooperative Bureau was changed by the Japanese government to *Syomin Kumiai Cou*

Jomusyo and the Regional Office was changed to Syomin Kumiai Saodandyo. Kumiai is a Japanese model cooperative, initially tasked with distributing goods needed by the people. This is just a tool from Japan to collect agricultural products and necessities for Japan. Even though it only lasted for 3.5 years, the Indonesian people experienced much more devastating suffering. So, during the Japanese colonial period, Indonesian cooperatives could be said to have died.

## 2. *Cooperatives in Indonesia during the Independence Period*

After the Indonesian nation became independent, the government and all the people immediately reorganized economic life. In accordance with the demands of the 1945 Constitution, article 33, the Indonesian economy must be based on the principle of kinship. Thus, the presence and role of cooperatives in the Indonesian national economy has a strong constitutional basis. At the time of independence, cooperatives were no longer a reaction to the suffering caused by colonialism, cooperatives became a joint effort to improve and increase living standards based on the principle of kinship. This is very much in line with the characteristic of the Indonesian nation, namely mutual cooperation.

At the beginning of independence, cooperatives functioned to distribute daily community needs under the Cooperative Bureau, Ministry of Prosperity. In 1946, based on the results of voluntary registration carried out by the Cooperative Bureau, there were 2,500 cooperatives. At that time, cooperatives could develop rapidly.

However, because the government system changed, there was a point of collapse for Indonesian cooperatives ahead of the G30S / PKI rebellion. Parties use cooperatives for their party's interests, some even use cooperatives as a means of extorting people to enrich themselves, which can be detrimental to cooperatives so that people lose their trust and are afraid to become members of cooperatives.

Development could only be implemented after the government succeeded in crushing the G30S / PKI rebellion. The government is determined to implement Pancasila and the 1945 Constitution in a pure and consistent manner. The presence and role of cooperatives in the national economy is the implementation of the mandate of people's suffering. The post-independence period can indeed be said to have developed, but at that time the development of cooperatives was slow. However, the situation was like that, in 1947 the government succeeded in holding the First Cooperative Congress in Tasikmalaya, West Java. The First Cooperative Congress produced several important decisions, including:

- 1) establishing a central Indonesian People's Cooperative Organization (SOKRI),
- 2) establish mutual cooperation as the principle of cooperatives,
- 3) designate July 12 as Cooperative Day.

Due to pressure from various parties, for example the Dutch aggression, the decisions of the First Cooperative Congress could not be

implemented as they should. However, on On July 12 1953, the II Cooperative Congress was held in Bandung, which among other things adopted the following decisions:

- 1) Forming the Indonesian Cooperative Council (Dekopin) as a replacement for SOKRI,
- 2) Establish cooperative education as one of the subjects in schools,
- 3) Lifting Moh. Hatta as the Father of Indonesian Cooperatives,
- 4) Soon a new cooperative law will be created.

Obstacles to the growth of cooperatives are caused, among other things, by the following things:

- 1) public awareness of cooperatives is still very low,
- 2) past experience results in people still feeling suspicious of cooperatives,
- 3) community knowledge about cooperatives is still very low.

To implement the cooperative program, the government has implemented policies including:

- 1) intensify the development of people's economic organizations, especially cooperatives,
- 2) expanding cooperative education and information,
- 3) providing credit to producers, both in industrial and agricultural fields with small capital

People's economic organizations, especially cooperatives, really need to be improved. Economically weak entrepreneurs and farmers often become exploited by middlemen and loan sharks. The way to help them is to establish cooperatives among them. In this way, the government can distribute assistance in the form of credit through the cooperative. To instill the understanding and function of cooperatives among the community, information and education for cooperative cadres is provided.

### 3. *Cooperatives in Indonesia During the New Order Era Until Now*

The appearance of the new order in leading this country opened new opportunities and horizons for the growth and development of cooperatives in Indonesia, under the leadership of General Soeharto. MPRS Decree no. XXIII frees the cooperative movement to take part.

The following are several incidents of the development of cooperatives in Indonesia from the New Order era until now:

- 1) On December 18 1967, President Soeharto ratified Cooperative Law no. 12 of 1967 as a replacement for Law no. 14 of 1965.
- 2) In 1969, the Legal Entity was passed for the unitary body of the Indonesian Cooperative Movement (GERKOPIN).
- 3) Then on February 9 1970, GERKOPIN was dissolved and as its replacement the Indonesian Cooperative Council (DEKOPIN) was formed.
- 4) And on October 21 1992, Law no. 25 of 1992 concerning cooperatives was passed, this law is a solid foundation for Indonesian cooperatives in the future.

From the 2000s until now, the development of cooperatives in Indonesia has tended to stagnate (Huzain, 2022).

### ***Components Of Sharia Cooperative Financial Reports***

Sharia cooperative financial reports, in accordance with the standards regulated by PSAK No. 101, includes several important components as follows:

1. Balance Sheet:

This is a summary comparison between assets (what the cooperative owns) and liabilities (debts or bonds that must be paid) including equity (the difference between assets and liabilities). The balance sheet provides an overview of the cooperative's financial position at a certain point in time.

2. Income statement:

A report that presents the income, costs, and profits or losses obtained by the cooperative during a certain time period. This helps in measuring the financial performance of the cooperative.

3. Statement of Changes in Equity:

This report shows changes in cooperative equity over a certain period of time. Equity includes members paid-in capital and retained earnings.

4. Cash flow statement:

This document shows the cash coming in and out of the cooperative during a certain time period. Cash flow statements help in tracking the cooperative's liquidity and how the cooperative generates and uses its cash.

5. Member Economic Promotion Report:

This report is specific to sharia cooperatives. This shows how cooperatives have involved and helped the economic development of their members.

6. Notes to Financial Reports:

This is an explanation or additional information about the items listed in the financial statements. These notes are important to help readers understand the details and context behind the numbers in the financial statements.

Apart from standard reports such as balance sheets, profit and loss reports, changes in equity reports, cash flow reports, and notes to financial reports, sharia cooperative financial reports also include several additional reports, namely:

1. Report on Sources and Use of Zakat Funds This report presents detailed information regarding the sources and use of zakat funds received and distributed by sharia cooperatives during the reporting period. Sources of zakat funds can come from receiving infaq/alms from cooperative members or donations from external parties. Its use includes distribution to mustahik in accordance with sharia provisions.

2. Report on Sources and Use of Charity Funds This report presents information related to the sources and use of charitable funds (non-zakat) by sharia cooperatives, such as charity donations, waqf, grants, and others. The use of these funds is usually allocated for charity or for social purposes. The reporting is separate from zakat funds.

3. Reconciliation Report on Income and Profit Sharing, this reconciliation report contains a reconciliation between the income from fund management

by sharia cooperatives and the profit sharing received by members as shahibul maal/fund owners. The aim is for transparency and accountability for profit sharing to members (Salsabila & Oktafia, 2023).

## **CONCLUSIONS AND RECOMMENDATIONS**

In developing conventional cooperatives and sharia cooperatives in the future, a series of strategic steps are needed. First, technological innovation can improve operational efficiency and access to services through digital platforms. Second, continuous education and training will improve members' abilities in managing the cooperative. In addition, strategic partnerships with financial institutions and other institutions, development of diverse products and services, transparency in management, women's empowerment, development of networks between cooperatives, and sustainable approaches are also important factors in ensuring the growth and benefits of cooperatives for their members and society as a whole. By implementing these recommendations, it is hoped that conventional cooperatives and sharia cooperatives can continue to develop and make a greater contribution to economic and social development. To develop conventional cooperatives and sharia cooperatives in the future, here are several strategic suggestions:

1. **Technological Innovation:** Implement digital technology to increase operational efficiency and expand access to cooperative services. The use of mobile applications and online platforms can facilitate transactions and communication with members.
2. **Education and Training:** Hold ongoing education and training programs to improve members' skills in managing cooperatives. This will help in professionalizing management and improving cooperative performance.
3. **Strategic Partnerships:** Establish partnerships with financial institutions, educational institutions and other organizations to expand networks and resources. This collaboration can help in providing funding, training and product innovation.
4. **Product and Service Development:** Diversification of products and services to meet members' diverse needs. For example, adding savings and loan services, insurance or microfinance that comply with sharia principles.
5. **Transparency and Accountability:** Increase transparency in cooperative management by implementing a good accounting system and involving members in decision making. This will build member trust and loyalty.

By implementing these steps, it is hoped that conventional cooperatives and sharia cooperatives can continue to develop, provide greater benefits to their members, and contribute to economic and social development.

## **ADVANCED RESEARCH**

This research has several important benefits for further research, especially in the context of developing conventional cooperatives and sharia cooperatives. Here are some of the benefits that can be taken:

1. **Development Strategy Reference:** This research provides strategic guidance that can be used as a reference for further research on technological

innovation, education and training, and strategic partnerships in cooperatives.

2. Technology Implementation Models: This research highlights the importance of technological innovation in cooperatives, which can form the basis for further research on the most effective and efficient specific technology implementation models for cooperatives.
3. Evaluation of Education and Training: With an emphasis on ongoing education and training, this research opens up opportunities for further studies that evaluate various education and training methods and their impact on the performance of cooperative members.
4. Strategic Partnership Analysis: Suggestions regarding strategic partnerships provide direction for research to explore various forms of partnerships that can provide optimal benefits for cooperatives, as well as analysis of their impacts.
5. Diversification of Products and Services: This research encourages the development of diversified products and services, which can be further researched to understand members' evolving needs and innovate new products and services.

Overall, this research provides a strong and focused framework for further research in various aspects of the development of conventional and sharia cooperatives, contributing to a deeper understanding and practical solutions to the challenges facing cooperatives in the future.

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