



ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com



Cooperative, Democracy and Economic Development in Gorontalo City

Usman Moonti

State University of Gorontalo, Economics Faculty, 96128, Gorontalo, Indonesia

ARTICLE INFO

Article history:

Received 3 October 2015

Accepted 31 October 2015

Keywords:

Cooperation, Democracy, Economic Development

ABSTRACT

The cooperative as a business entity is established by individuals or legal entities that actually have the democracy character practice. A true cooperative is a business entity that grows and develops from, by and for its members. Cooperative collects individual or legal entity who has the commitment and the same ideals that for common welfare of its members. Cooperative nature is an organization to unite economic actors that most democratic. Every decision is done through consultation carried out annually, namely through Yearly Member Meeting. Cooperatives character as democratic economic institutions makes economic development in Gorontalo City is expected to ensure the equity and expanding business opportunities for society.

© 2015 AENSI Publisher All rights reserved.

To Cite This Article: Usman Moonti. Cooperative, Democracy and Economic Development at Gorontalo City. *Aust. J. Basic & Appl. Sci.*, 9(33): 321-328, 2015

INTRODUCTION

Cooperative has been introduced rightly in Western Europe countries as the birthplace. The beginning of cooperative's presence is expected to address the socio-economic problems in society that embraces liberal market economic system which tends capitalist. Cooperative was born as a tool to improve the defect-lameness and weaknesses of capitalistic economy. Cooperative was born in order to address the problem of consumption needs of its members through togetherness based on basic principles of justice which in turn instituted the principles of justice are known as "Rochdale principles". In same time, in France born cooperatives engaged in production and in German born cooperatives engaged in savings and loans (Masngudi 1990).

Rochdale principles were much determined by spirit of manager's work, who really felt the bitterness of life in era of industrial revolution in England. Hence the formulation of Rochdale principle was the result of a deep thought process, mature by bitterness of times, proven by fact of history and driven by a passion to uplift human dignity. Consistent with development of cooperatives in rest of world, Rochdale principles and guidelines become an example of by all the cooperative movement in world (Baswir, 2012). However, they began to spread their wings by making productive efforts, by holding on Rochdale principles to develop the business and is able to set up factories, provide house for their members, as well as conducting

education to improve the knowledge of members and cooperative management.

The above principles are consistent with origin of cooperative word namely "co" and "operatie" (Dutch) that have meaning in collaboration or cooperation (Sudarsono and Edilius 1992). This principle was adopted in Indonesia cooperatives operation. Article 1 of Law No. 25 of 1992 on cooperatives explained that, "The cooperative as a business entity established by individuals or legal entities cooperatives, with separation of wealth of its members as capital to run the business, which meets the aspirations and needs of economic, social and cultural rights in accordance with Cooperative values and principles.

Cooperative organizations have objectives and management systems; orderly organization even has principles and basic joints in doing the activity. Widiyanti and YW Sunindhia (2003) said that cooperative basic principles become:

1. Guidelines to achieve the cooperative objectives. The objective was to organize joint needs and joint ventures, in order to reach prosperity. This objective can be achieved due to joint work guidelines, cooperative will likely be able to work not only as an economic organization, but it can also become an association of people who improve their welfare.

2. The characteristic to distinguish cooperative with other economic organizations and distinguishing cooperatives character with other bodies working in economics field. This basic principle not only organize into cooperatives, but also set up a

Corresponding Author: Usman Moonti, Economics Faculty, State University of Gorontalo, Jl. Jenderal Sudirman No.6, Gorontalo, Indonesia,
Phone: (0435) 821125; E-mail usmanmoonti@ung.ac.id

cooperative relationship with its members, cooperative with organizations or associations other than cooperative.

The cooperative development has problems, both in institutional and cooperative business itself, where the problem can come from within cooperative itself or from outside, as explained below.

1. Institutional Issues:

Cooperative institutions can be grouped into internal issues and external issues. Internally, main problem is the state of membership in terms of quantity; numbers of cooperative members are smaller. The quality problems are reflected in cooperative membership below.

1. The education level generally is still low
2. The skills and expertise of members are limited
3. Most of members have not been aware of their rights and obligations as member and low participation and lack of cooperation among members.

Furthermore, external problems faced by Indonesia cooperatives are below.

1. The climate to supports cooperative growth is not in harmony with cooperative member's desire, such as unclear government policies and not effective cooperative, system infrastructure, service, education, and counseling.
2. The number of other business entities engaged in same business with cooperative.
3. Lack of facilities that can attract the attention of public and there are many people who do not believe in a cooperative.

2. Business Activities Problems:

Problems of cooperative business can be described in organizational structure. Cooperative managers and employees have not been able to meet expectations. Some of them have not been able to work in a professional manner, in accordance with role and tasks of cooperatives have been set. There are still cooperative administrations that have not used the principles of good bookkeeping. Cooperative management information system is not well developed so the decision was not supported with comprehensive information.

In addition, some managers lack ability as an entrepreneur, even among them there are those who are less able to make plan, program, and business activities. Although they have to lead and mobilize employees to implement plans, programs and operations are defined. An assessment of situation and adjustments to plan, program and business activities should based on the circumstances. Production cooperatives are often difficult to obtain raw material so that it inhibits the production process.

One principal problem of raw materials is difficulties to get capital. Output qualities of

cooperatives are not standardized so relatively inferior than big industrial output. In many cases, cooperatives and SMEs output do not have a comparative advantage so it is difficult to sell the products.

Based on the described issues, problem formulation is "How the distribution pattern and development level and what is the role of cooperatives to economic development in Gorontalo City."

Method And Data:

Research Approach:

This research was conducted by survey method. The survey method is used to obtain facts and phenomena and searching fact explanation both for social institutions, economic, political group or region (Nazir in Yunus, 2010). The objects are member and cooperative management in Gorontalo City.

Research Focus:

This study focus is cooperatives in Gorontalo City mainly the members and the cooperative management. The administration and management of cooperative members are scattered at six districts in Gorontalo City.

Data collection:

Data collected is primary and secondary data. Primary data is collected directly from respondents through direct interview by using questionnaire at research location. Secondary data is obtained from agencies associated with this research.

Data analysis:

Data analysis technique of this study is a combination of qualitative and quantitative approach. A qualitative approach is used to clarify the distribution pattern of cooperative by a location factor and availability of infrastructure. A qualitative approach is used to explain determinants of cooperatives development level to economic development community in Gorontalo City.

The Expected Results:

Cooperatives have roles in public economic activities. Cooperatives can provide various advantages to members who use the existence of cooperative as people economic institution who have the values and principles of economic oriented. Cooperative democracy relates to economic democracy Law No. 25/1992 article 4 which states that cooperative aims to improve the members welfare in particular and society in general, as well as an integral part of national economic order that democracy and fairness. Furthermore, paragraph 6 article 1 of Law No. 25/1992 reiterates that

cooperatives implement the following principles of economic democracy.

1. Cooperative membership is voluntary and open
2. Supervision by members is held democratically
3. Members actively participate in economic activities of cooperative,
4. Cooperative is a non-governmental entity that autonomous and independent
5. Cooperatives provide education and training for members, supervisors, managers and employees, as well as providing information to public and benefits of cooperative activities.
6. Cooperatives serve members rightly and strengthen the cooperative movement by working together through a activities network at local, national, regional, and international level.
7. Cooperative work for sustainable development for environment and society through policies agreed by the members.

Hanel (1989) suggested that a good cooperative must qualify as follows:

1. A number of individuals united in a group based on same interests or purpose (Cooperative group).
2. Members of cooperative group individually determined to realize the objective to improve their economic and social situation through joint efforts and mutual aid (self-help of cooperative group)
3. As an instrument to realize a cooperative which is owned and coached together (Cooperative enterprise)
4. Cooperative is assigned to support the interests of members of cooperative group by providing/offer the goods and services needed by members in their economic activities, namely in cooperative/business and/or household of each (charge or principle of members promotion)

Relating to these four characteristics, Hanel (1989) explains that a cooperative is a autonomous economic organization, owned by their members and to support its members, as the partners/customers of cooperative, or as workers/employees of cooperative, as in production cooperatives.

Cooperative developments in developed countries (the West) and the developing countries are very different. Cooperative at western countries were born as a movement against injustice market. Therefore, growth and development of cooperatives is in market competition atmosphere. Even with that power, cooperative won bargaining position and an important position in constellation of economic policies, including in international negotiations. Legislation governing the cooperative then grows as the demands of cooperative society in order to protect himself. In developing countries need to be cooperative in sense at present in order to build institutions that could be a partner in moving the

development to achieve the welfare of community (Moonti Usman, 2013).

In late 1980s, cooperative world began worrying about the process of globalization and economic liberalization at everywhere, so that various steps of review undertaken cooperative force. Until 1992, ICA Congress in Tokyo through the president's speech ICA (Lars Marcus) still sees the need for cooperative development. Even Sven Akheberg encourages cooperatives to follow like "private enterprise". However, debate Tokyo about the development of an agreement to deepen cooperation and seek re-energizes the power to go back to cooperative movement and cause the establishment of cooperatives. Ten years later, Roberto Barberini as ICA president stated that cooperative had to live in an atmosphere of "equal treatment" to make what is in can be done by other companies and also can be done by cooperative (ICA, 2002).

The cooperative organizes cooperative congress in England at 1995 and gave birth to a new foundation called International Cooperative Identity Statement (ICIS). It became the basis to understanding the basic principles and values of cooperatives to respond to challenges of globalization. It should be noted that concerns about globalization and trade liberalization in various countries missed by cooperative movement by going back on identity, but the understanding of cooperatives as an "enterprise" is specified explicitly. In Asia Pacific region in 1990 held the first conference of ministers in charge of cooperative at Sydney Australia. This meeting is the first effort to bridge the aspirations of cooperative movement which proposed by ICA- Regional Office of Asian and Pacific Government. The meeting gave birth to most important thing namely the relationship of government and the cooperative movement occurs because of common objectives between the state and the cooperative movement but it should be remembered that joint program do not have to turn off the initiative and the purity of cooperative. The second message was cooperation between cooperatives and the private sector (specifically called the sale of shares to cooperative) should be done to not give rise negative things and the basic values of cooperatives.

The cooperatives existence in Indonesia 48 years ago (born 1967) is expected to become a cooperative institution or pillar of national economy. Quantitatively, cooperatives in Indonesia until 2006 has reached 138 411 units, with a total membership of 27,042,342 people, 29,207 managers, and 278,441 employees. The numbers of active cooperation are 43,703 units or approximately 31.5 percent. This shows that cooperative as a social institution has a degree of economic line with higher problem complexity in associated with humanitarian aspects, social, cultural, economic, and economic development in comparison with purely economic

organization that affect it's the uniqueness and complexity of management.

The problems faced by cooperative will become more widespread if do not handled properly. Before performing troubleshooting actions, initial step should analyze the causes of problems. After finding out the root cause then we can make concrete steps are expected to solve the problems faced. These problems settlement required the involvement of all elements of society, both the government and the community as the members.

Here are the cooperatives problems in general and how to overcome these problems.

a. Cooperative has low attraction

Cooperative has low attraction due to view in community that cooperative is a joint venture which has the disadvantage of lower middle class society. Therefore, it needs to disseminate to public about cooperatives advantages to increase public knowledge about the cooperative.

b. Limited Quality Resources:

Cooperative difficult to develop due lack of human resources with good competence. Human resources needed are the cooperative management in common field that its officials are public figures but did not have the competence to it so that it can be said double post, conditions that have caused the inability of management of cooperative, even generally cooperative management has been older so that its capacity is limited and need education to younger generation so that they can participate to run cooperative rightly to grow and welfare the members.

c. Many competitors with similar business:

Competitors are inevitable, but we must know how to react. If we are not sensitive to environment (competitors) then inevitably we will be eliminated. If we know how to react, the cooperative will survive and thrive so that welfare of members is reached.

d. Capital Limitations:

Governments need to give special attention to cooperative with difficulty in capital. Capital can expand cooperative business in order can survive and thrive. Besides the government, community is equally important; where they have more funds can save their money in cooperative that can later be used for working capital of cooperative.

e. Government Attention:

The Government should be able to supervise the activities of cooperative. When cooperatives have difficulty, government can help such as distributes funds to cooperative. Government also should not intrusive the cooperative life, especially things that inhibiting the cooperatives growth.

f. Cooperative Management:

Cooperative would require management, both in form of planning, organizing, directing and monitoring. It is the function in decision making but do not forget the participation of members who develop and run the business. If all cooperative activities are done smoothly, the economic development of communities in particular can smooth.

Empirical phenomena of cooperative Indonesia as in Gorontalo is still far behind or walking on spot and tend not to move from dependence on government assistance, when compared with practices of cooperatives in many advanced industrial countries that embraced liberal economic system and the capitalist in many people value. The role and presence of co-operatives in Gorontalo city is very important in economic development of economic crisis. Cooperative has role in provision of economic services to wider community in process of equalization and improvement of people's income. However cooperatives in Gorontalo city show the level distribution uneven in every district. It also showed differences that influenced by several factors, both internal factors such as human resources, organization and institution, management, capital, business activities, membership, technology and external factors as political, information and communication, economic, legal, social and cultural.

In context of region development, cooperatives have role to improve the members welfare and local communities. Regional autonomy policy gives opportunities for better empowerment of cooperatives so cooperative designation as an economic driver of people in area could be realized. When the function and role of cooperatives is aspired on one hand, and the empowerment of cooperatives through regional autonomy policies implemented right on other side, it would be synergistic with public, where the cooperative made a major contribution in development in Gorontalo.

Gorontalo city has various government programs to motivate people in cooperative and economic development, including through improving the quality of human resources, creation of a conducive climate, direct aid and credit. As a tangible manifestation of role of cooperatives in economic development, indicators and variables should be clearly visible and measurable so that cooperatives can show the performance as society economic construction. It is very interesting to study cooperative development in Gorontalo City as how the distribution pattern of cooperative, how the level of development and how the role of cooperatives development in communities economic development. This is done with hope to provide an overview of distribution pattern of cooperatives in Gorontalo City and able to provide analysis of a wide range of cooperative development and how cooperatives development role in future economic development.

Furthermore, cooperatives development in Gorontalo City can be seen at Table 1.

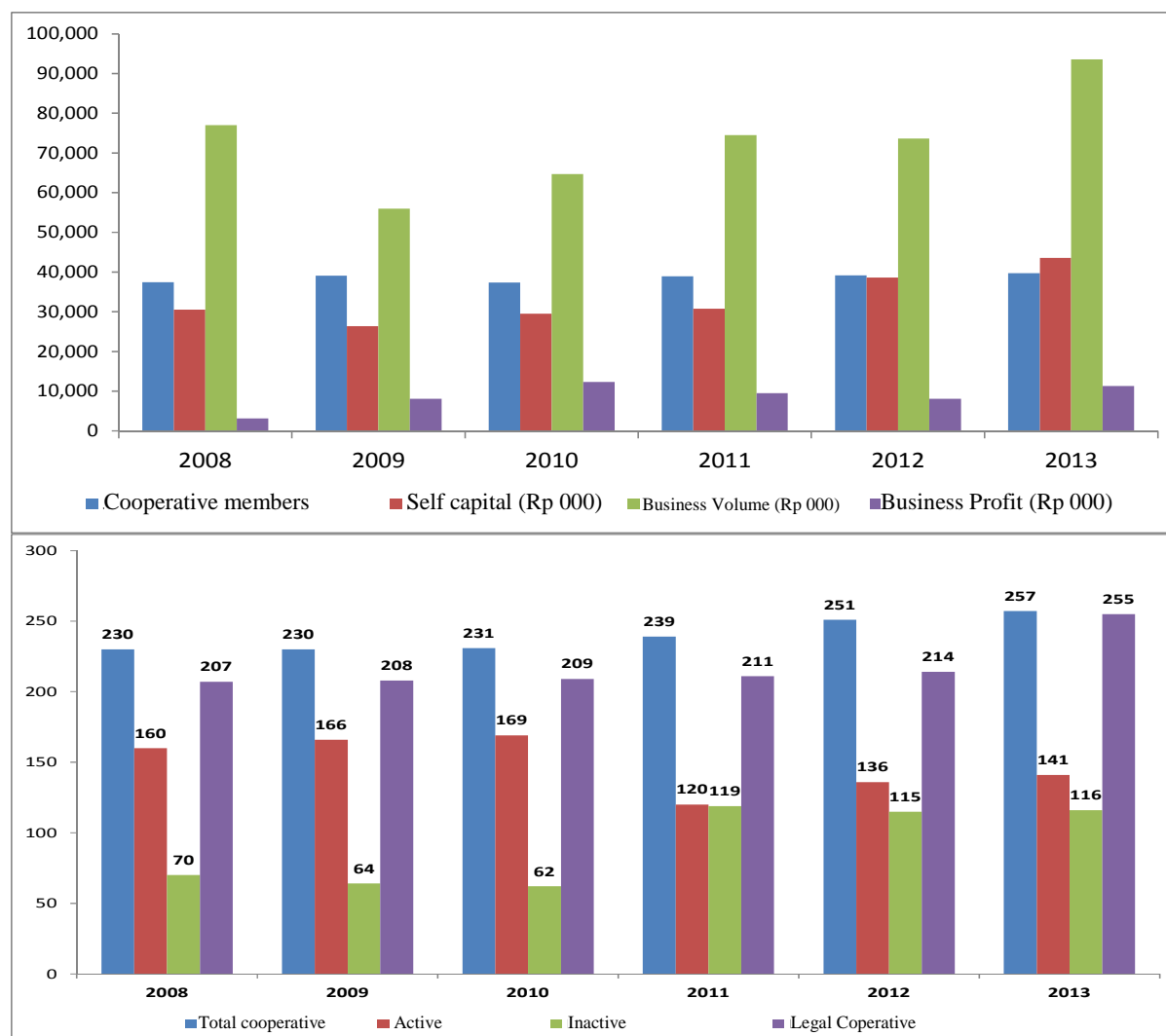
Table 1:

No	Description	Year					
		2008	2009	2010	2011	2012	2013
1	Cooperative quantity	230	230	231	239	251	257
2	Cooperative condition:						
	- Active	160	166	169	120	136	141
	- Inactive	70	64	62	119	115	116
3	Cooperative members	37.408	39.068	37.357	38.939	39.150	39.709
4	Cooperative output :						
	Self capital	30.514.248	26.391.029	29.508.387	30.779.804	38.632.299	43.622.529,-
	Business volume	77.047.542	55.962.265	64.672.278	74.462.266	73.660.101	93.527.439,-
	Profit	3.185.585	8.049.753	12.363.223	9.451.674	8.089.812	11.335.749,-
5	Legal Cooperative	207	208	209	211	214	255

Data Source: Department of Cooperatives and SMEs, 2015

Improvement and development of cooperatives in Gorontalo City show an increasing trend from 230 cooperatives in 2008 to 239 cooperatives in 2011 with total inactive 239 and become 119 in year 2011, or approximately 49.79%. Higher cooperative output is also reflected in amount of equity capital of Rp 30,514,248 in 2008 become Rp 30,779,804 in 2011. Total business volume is to Rp 77,047,542 in year 2008 fell to Rp 74,462,266 in 2011, the decline was caused by large number of active cooperatives but with lower participation.

Lower business volume was not followed by Cooperative Business. Business Profits (SHU) of Rp 3.185.585 in 2008 increased to Rp 12.363.223 in 2010 and in 2011 dropped to Rp 9,451,674 and in 2012 lower to Rp. 8.089.812. It is caused by too much burden addressed by cooperative so that amount of SHU decreased but in 2013 increased again to Rp. 11,335,749. Various cooperative developments can be seen in following graph.



Quantity and type of Cooperatives in Gorontalo City that can prepare the products for everyday members need can be seen at table 2. The products are rice, sugar, salt and coconut oil, clothing (batik, textiles) and daily necessities (soap and kerosene). The purpose is to prepare the consumer cooperative with goods quality and competitive price. Consumption cooperative distributes goods to benefit the member. These products distribution always consider that members cannot be forced to buy goods

there cooperative members even decent price of goods (Pandji & Widiyanti, 1998). Consumption cooperative was established to meet the common needs of members. Products are sold in cooperative cheaper than elsewhere, because this type of cooperative aims for member welfare. Consumption cooperatives are spread at District in Gorontalo city with a total of 113 units and the number of other types of production is shown in Table 2.

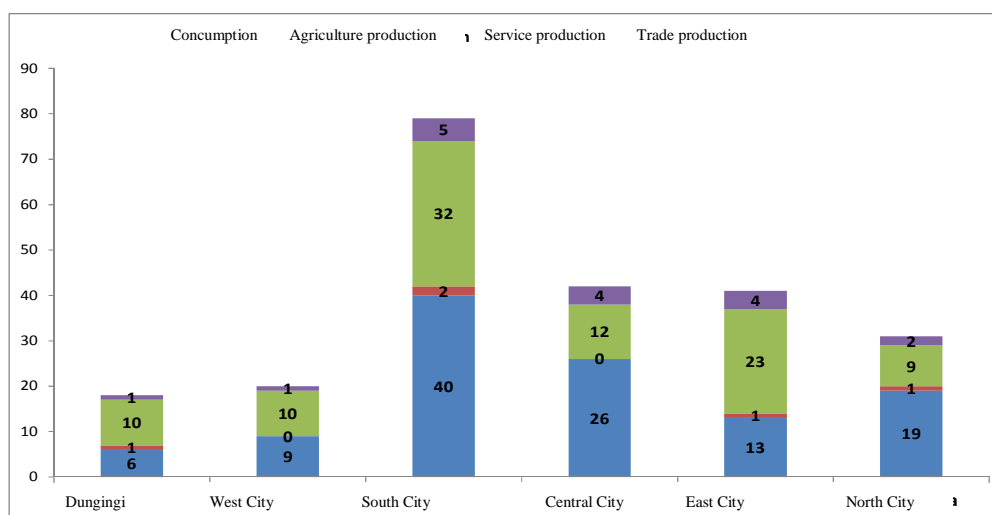
Table 2: Number and Type of Cooperatives According to District in Gorontalo City 2010

No	Subdistrict	Cooperative type								Unit	Total (%)
		Consumption		Agriculture production		Service production		Trade production			
		Unit	(%)	Unit	(%)	Unit	(%)	Unit	(%)		
1	Dungingi	6	5	1	20	10	11	1	6	18	7,80
2	West City	9	8	0	0	10	11	1	6	20	8,70
3	South City	40	35	2	40	32	34	5	29	79	34,20
4	Central City	26	23	0	0	12	13	4	24	42	18,20
5	East City	13	12	1	20	23	24	4	24	41	17,70
6	North City	19	17	1	20	9	9	2	12	31	13,40
Jumlah		113	100	5	100	96	100	17	100	231	100

Data Source: Department of Cooperatives and SMEs 2010, processed

Number and type of cooperatives by Subdistrict based on table 2 show that distribution of Consumption cooperative in South City at Year 2010 is 40 units (35%), then in Central City Subdistrict is 26 units (23%), followed by North Subdistrict with number of 19 units (17%), while the smallest number of types of cooperatives consumption is in East City of 13 units (12%), Western city of 9 units (8%), and

followed by districts Dungingi of 6 units (5%). Cooperative Consumption in Gorontalo City in every district is very beneficial for members, especially in provision of goods required by members at a cheap price and easy to obtain from the cooperative. This type is needed by cooperative members in Gorontalo City. Furthermore, number and type of Cooperatives in Gorontalo can be seen in following graph.



The number and type of Production Cooperative is a cooperative engaged in economic activities and sale of goods carried out by cooperative as an organization and people as members. Production cooperative has from people who have certain skills, able to produce goods and services and jointly raise capital to build a company/cooperative (Anoraga Pandji, Widiyanti, 1997). Production Cooperative was established to assist the supply of raw materials,

production equipment supply, helping to produce certain types of goods and help sell and market these productions.

The production cooperative has the greater number of goods supply or the goods sale is getting stronger bargaining power against suppliers and buyers. Cooperative production is scattered throughout the subdistrict in Gorontalo City with a total of 118 units, divided into Agricultural

Production Cooperatives 5 units, Service Cooperative 96 units, and cooperative Trading 17 Units.

South City has most Agriculture cooperative with amount of 2 units (40%), then East City District with 1 unit (20%), followed by North District with 1 unit (20%), Duingingi the number 1 unit (20%) while the West City and Central City have no agricultural cooperative.

Service cooperative in South City is the most with a number of 32 units (33%), East City District has 23 units (24%), Central City District has 12 units (13%), and Duingingi and Wet City Subdistrict have 10 units (10%) the smallest in West Town with 9 units (9%).

Production trading cooperative in South City is largest with 5 units (29%), then East City District and Central City has 4 units (24%), followed by District of North City with 2 units (12%), Duingingi and City West with 6 units (6%). The existence of cooperatives in each district is very beneficial for members to meet their needs so that welfare of members can be realized.

The existence of cooperatives to economy in Gorontalo City is designed to provide services to members as well as the owner, and wake cooperative structure is designed to create a competitive advantage in to meet members needs. Basic duty and primary objective are to promote economic cooperative members through profitable service delivery. It has deep meaning to provide goods and services to promote economic welfare for the members. Cooperative was considered successful when it can perform these tasks as much as possible (Wirasasmita Yuyun, 2002). Economy promotion to cooperative members is done trough service improvement in form of economic benefits gained as a member of cooperative. This is expected to promote economic cooperative of members through efforts that members will grow awareness to always participate in cooperative so that welfare of members can be realized.

The position of members as cooperatives owners where the members are bound by a number of obligations that must be met to cooperatives, while in his capacity as a customer have the right to be promoted by cooperative through the services of goods/services from cooperatives (Ariffin Sitio and Halomoan Tamba 2003).

The role and benefits of cooperatives in providing services to members still do not get the appreciation from community as member. It is caused by various factors as the management inability in carrying out the functions of cooperative organizations so that many people feel disappointed with management irregularities to fund cooperatives so that economy is not a good society. This causes the public's view of condition of cooperative to be bad, for collective consciousness of need for management so that cooperatives can improve the

economy and the existence of cooperative is good for societies so that welfare of cooperative members can be realized. Members participation is very important to run the cooperative, where members still feel reluctant to participate actively in cooperatives due to members who have not feel get the benefits cooperatives need to create economic benefits as a form of promotion for members through competitive advantage.

Conclusion:

The cooperative as a business entity is established by individuals or legal entities that actually have the democracy character practice. A true cooperative is a business entity that grows and develops from, by and for its members. The cooperative was born as a tool to fix the defect-lameness and weaknesses of capitalistic economy.

Cooperatives have role in public economic activities to provide various advantages to members who use the existence of cooperative as the economy institution for people. In context of region development, cooperatives have role to improve the members welfare and the local community. With policy of regional autonomy, opportunities for empowerment of cooperatives are better as to realize economic driver of people in the area.

Member's position as cooperatives owners are bound by a number obligations that must be met, While in his capacity as a customer, members have the right to be promoted by cooperative through the services of goods/services held by cooperative.

Suggestion:

In every aspect to increase the role in regional economy, cooperatives are given the opportunity to make shortcut to meet member expectation. To overcome the disadvantages of cooperative, government should encourage the advancement of cooperatives by providing capital with an easy procedure and low interest rates, fostering the organization and provide easiness facility in business field.

The research results could motivate further research, especially with regard to economic development. Cooperative development must become an integral part of democratic development in economic field as a great effort to increase cooperative business and improve the members welfare and community.

REFERENCES

- Ariffin Sitio dan Halomoan Tamba, 2001. *Koperasi Teori dan Praktik*, penerbit Erlangga.
- Baswir, Revrison, 2012. *Koperasi Indonesia*. BPFE. Yogyakarta.
- Hanel, Alfred, 1989. *Organisasi Koperasi, Pokok-pokok Pikiran Mengenai Organisasi Koperasi*

di Negara-negara Berkembang. Universitas Padjadjaran, Bandung.

ICA, 2002. *Jati Diri Koperasi* (Prinsip-Prinsip Koperasi untuk Abad ke-21), LSP21, Jakarta.

Masngudi, H., 1990. *Sejarah Perkembangan Koperasi Di Indonesia*, Badan Penelitian Pengembangan Koperasi Departemen Koperasi, Jakarta.

Moonti, Usman, 2013. *Peran dan Prospek Perkembangan Koperasi Terhadap Perekonomian Masyarakat di Kota Gorontalo*, Program Pascasarjana Universitas Gadjah Mada, Yogyakarta (Disertasi)

Ninik Widiyanti, Anoraga Pandji, 1998. *Dinamika Koperasi*, Penerbit Rineka Cipta, Jakarta.

Sudarsono& Edilius, 1992. *Koperasi, Dalam Teori dan Praktek*, Penerbit Rineka Cipta, Jakarta

Undang-Undang RI Nomor25 Tahun 1992. Tentang *Perkoperasian*, Penerbit Sinar Grafika.

Undang-Undang RI No. 25 Tahun 1992. tentang *Perkoperasian*, Penerbit Sinar Grafika.

Widiyanti dan Y. W. Sunindhia. 2003. *Koperasi dan Perekonomian Indonesia*. Reneka Cipta. Jakarta.

Wirasasmita Yuyun, 1002. *Penemuan kembali dan Revitalisasi Kaidah-Kaidah Koperasi dan Usaha Mencapai Keunggulan Kompetitif*, pada Seminar Sehari Satu Abad Bung Hatta, Universitas Padjadjaran Bandung.

Yunus, Hadi Sabari, 2010. *Metodologi Penelitian Wilayah Kontemporer*, Pustaka Pelajar, Yogyakarta.