BUSINESS AND LEGAL MODEL FOR COOPERATIVES IN INDONESIA IN THE FRAMEWORK OF FACING ASEAN ECONOMIC COMMUNITIES

Herman Suryokumoro, S.H., M.S
Hikmatul Ula, S.H., M.Kn

ABSTRACT

This paper aims to describe the business model and legal model that can be applied by cooperatives in Indonesia as part of efforts to provide protection and capacity development for cooperatives in the face of the AEC free market. The business model as an effort to protect and develop cooperatives can be adopted from a quadruple helix system, a system that integrates 4 actors in cooperative business activities, namely the government, the private sector, educational institutions and the community. The government as a regulator must be able to make rules that are responsive to cooperatives while ensuring that cooperatives can run according to their identity. Private or industry as business partners for cooperatives, facilitators in marketing, resource development and funding assistance. Universities play a role as providers or centers of innovation, innovations resulting from the education process can be applied to cooperatives as a trial and development. The community acts as a human resource for the cooperative as well as driving the cooperative itself. Besides the business model that synergizes the 4 actors, the law must also be modeled in such a way that it suits the needs of cooperatives in the face of AEC challenges. The legal model is responsive law. Law number 25/1992 concerning cooperatives is no longer appropriate, so it must be changed immediately. There are two important things that must be included in the new cooperative law, first, it must be regulated about the synergy of the four actors (quadruple helix) in the protection and development of cooperatives. And second, the portion of the government in supervising cooperatives must be clarified and expanded. The challenge of the AEC for cooperatives in Indonesia is not only in the aspect of free competition but in the readiness of the cooperative organs themselves and their arrangements in law in Indonesia. The business model must be integrated with the legal model that is set forth in a binding law in order to have legal certainty for the cooperative.

Keywords: cooperative, quadruple helix, business model, legal model, legal protection

INTRODUCTION

Cooperatives (koperasi) are one of the forms of enterprises that are recognized in the Constitution of Indonesia. Article 33 Paragraph (1) of the 1945 Constitution of Indonesia states that the Economy is managed as a collective enterprise on the basis of the kinship principle1. This collective enterprise based on kinship is the same as the principle of cooperatives2; in other words, the Constitution has stated that cooperatives have become a basic pillar of national economy, certainly along with other enterprises such as state-owned and private enterprises.

The role of cooperatives can be felt realistically in micro economic development, for example in the turnover of capital earned by cooperatives, employment of the workforce, eradication of poverty, and so on. Based on data from the Ministry of Cooperatives and Small and Medium Scale Enterprises in December 2015, the capital collected by cooperatives across Indonesia amounted to Rp. 424,445,395.89, made up of internal capital of Rp. 142,650,992.83 and external capital of Rp. 99,794,403.06. From these funds, the surplus that have been divided to cooperative members amounted to Rp. 17,320,663.92.

Regarding employment of the workforce, cooperatives are able to hire employees by way of the business units that are operated. Also, the number of cooperative members have increased from year to year. Data collected by the Ministry of Cooperatives and Small and Medium Scale Enterprises showed that the number of members in December 2015 reached 37,783,160 people; this number increased from the previous year, which amounted to 36,443,953 people.

1 1945 Constitution of Indonesia, Amendment 4
2 Etymologically, “koperasi” comes from the English word “cooperatives”, which is the combination of the words “co”- and “operation”. In Dutch, this is called “cooperatie”, meaning “working together”. Based on Law No. 25 of 1992 Article (1), it is mentioned that cooperatives are enterprises that comprise individuals or the cooperative legal institution which have activities based on the cooperative principle, as well as popular economic movements based on the kinship principle.
4 Ibid.
The currently developing cooperatives are facing a challenge due to the ASEAN Economic Community (AEC) that is now in force. The AEC is aimed to realize a free market in the ASEAN region with the four pillars of a production-based single market, a competitive economic region, ASEAN integrated initiatives, and integration to the global economy.

Regarding cooperatives and the AEC, the AEC does not specifically regulate cooperatives. The sector of cooperatives are lightly represented in the AEC blueprint. This AEC blueprint appears to have misunderstood the cooperative sector by mentioning them as “agricultural cooperatives”. Point 40 of the blueprint states “Promote ASEAN agricultural cooperatives as a means to empower and enhance market access of agricultural products, to build a network mechanism linking agricultural cooperatives, and to fulfill the purpose of agricultural cooperatives for the benefit of farmers in the region.” However, seen from reality, cooperatives do not only operate in the agricultural sector, but also in multiple enterprises, the most dominant being MSMEs. The AEC regulates the development of MSME capacities. ASEAN itself had already outlined a strategic plan for MSME development in the 2016-2025 ASEAN Strategic Action Plan for Small Medium Enterprises/SME Development. In the strategic plan, it is explained that the achievement target for ASEAN regarding MSMEs in the next five years (2016-2020) is to integrate MSMEs in ASEAN countries through a single series of regional policies, through what is known as the integration period. In the following five years of 2020-2025, MSMEs in ASEAN will have entered the phase of competition, innovation, inclusivity, and resilience, or what is known as the global expansion period. In Indonesia, most MSMEs are in the form of cooperatives, and thus in the AEC era, cooperatives must be able to respond to challenges to exist as enterprises that support MSMEs.

There are two primary reasons why cooperatives, specifically in Indonesia, must be empowered and supported in the AEC era. First, the root of cooperatives is a human alliance created to operate a mutual enterprise; this is different from other enterprises that are capital alliances, and thus empowering and protecting cooperatives is the same as empowering and protecting society. Second, in its practice, the institutions of cooperatives in Indonesia have not been strengthened; there is still an effort to seek a format of regulating cooperatives. Law No. 25 of Year 1992 on Cooperatives can no longer meet the demands of globalization, yet there has not been new regulations created to replace the law.

Meanwhile, the pattern of relations between cooperatives and other business actors is still unclear, cooperative partnership patterns with other entrepreneurs around them are still sporadic and not well structured. Educational institutions have also not shown their role in the development of cooperatives. Research activities or community service have not touched cooperatives sector. Even though cooperatives need a supplying system to survive and develop.

As such, a business model needs to be formulated to increase capacity and competitiveness of cooperatives, as well as a legal model to provide institutional protection for cooperatives in the AEC era. The business model is based on the quadruple helix and the legal model is responsive. Quadruple helix synergizes the influential actors that affect the development of cooperatives, which are the government, private companies, educational institutions, and communities. In addition, cooperatives in Indonesia require responsive regulations toward their needs. This responsiveness is reflected in the role of the government in the institutional supervision of cooperatives, regulations to synergize important actors of cooperatives, and the linearity of policies for cooperatives with policies for other sectors of the economy.

The method used in this paper is normative juridical with the statute approach. This model approach is used to describe the business model and legal model that can be applied by cooperatives in Indonesia which are based on the existing legal norms, and consider the possibilities of change as material for preparing the cooperative legal products that will come. The formulation of business models and legal models is part of efforts to provide protection and capacity building for cooperatives toward AEC.

**QUADRUPLE HELIX AND THE BUSINESS MODEL OF COOPERATIVES IN THE AEC ERA**

Quadruple helix is a development from the triple helix. The triple helix is a system developed by Etzkowitz & Leydesdorff to examine the interactions among three actors (helices), which are the government, academia, and private institutions in the development of innovation and business. The correlation among the roles of universities, businesses, and the government in increasing economic growth places the relationships among three integral actors in a public-private-partnership context within the concept of the Triple Helix, which is known by the term ABG or Academic, Business, & Government. In the concept of Academic, Business, & Government, industry has a role to play as a production house, while the government is the source of contractual relationships that ensure stable interactions and exchanges, and universities become the source for new knowledge and technology. The synergy of these three sectors represent the generative principle in building a knowledge-based economy, which allows for the achievement of tighter economic integration.

The development of the triple helix has resulted in several configurations, which in the stage of Triple Helix-1 is called the statist regime, where the government plays the role of encouraging the academia and industry. In the Triple Helix-2 stage, called the laissez-faire regime, industry becomes a motivating force, with the other two parties being ancillary support structures. The Triple Helix-3 stage is called the balance model, involving the roles of all three parties to realize a knowledge-based society;

---

universities and other institutions play an active role in partnerships with the industry and the government, even in the formation of joint initiatives.

The triple helix develops into the quadruple helix, and the three actors in the triple helix are complemented by an actor or party that relates the parties of the triple helix, often called as the “4th pillar of organization” or “intermediate organizations as innovation-enable organization”\(^9\). Citing the views of Fuzi, the quadruple helix is a model of cooperative innovation or environment of innovation where users, companies, universities, and public authorities cooperate to result in innovation\(^10\). As such, it can be said that the fourth actor of the quadruple helix is the user or the community.

In facing the challenge of the AEC, cooperatives as member-based enterprises cannot move on their own; there needs to be support from other actors to develop and increase the capacity of cooperatives. The AEC itself, through the blueprint and in regard to agricultural cooperatives, explain that to encourage cooperation among ASEAN agricultural cooperatives for empowering and increasing market entry for agricultural products, to create networks linking agricultural cooperatives, and to realize agricultural cooperatives as a way to benefit regional farmers, these actions are taken: (i) create strong strategic alliances among ASEAN agricultural cooperatives by bilateral, regional, and multilateral cooperation; (ii) form business links among ASEAN agricultural cooperatives that show potential; and (iii) increase direct investment and strategic partnerships with ASEAN agricultural cooperatives, producers, consumers, and entrepreneurs. In other words, even the AEC recognizes that cooperatives require support from and cooperation with various parties to be able to compete in a free market, and here the role of the quadruple helix as a business model for cooperatives becomes important to be implemented and executed.

Initially, both the triple helix and the quadruple helix were applied to the creative business or industry. As research conducted by Popy Rufaidah on Strategy Branding Based on Creative Economy, triple helix and quadruple helix approaches are very relevant to be used to determine the relationship of actor synergy in business\(^11\). (Rufaidah, 2015)

Here the quadruple helix can be made to be a business model for developing cooperatives. Cooperatives in Indonesia are in general of a small scale, regarding cooperatives that operate in both consumption and production. The cooperative quadruple helix is an effort to develop cooperatives by synergizing the roles of the government, academia, private industries, and the community. The relationships among these roles can be visualized as in the following diagram:

**Figure 1: Relationships among actors in the Quadruple Helix of Cooperatives**

From the diagram above, the patterns of relationships among actors in the quadruple helix of cooperatives can be seen. The government, private industries, academia, and the community are interrelated, with roles that are inescapable from one another in the development of cooperatives. The role among these actors or helices are explained below.

First is the role of the government. In the quadruple helix of cooperatives, the government acts to provide regulations. The government through its authorities creates regulations that allow relationships among the other “helices” to be established. Through these regulations, the government provides room for the “helices” to synergize their actions with cooperatives, or involve cooperatives in their activities. For example, the government can create policies to provide technical guidance to cooperatives in the field of marketing from private industries, or policies regarding the testing of innovation created by collegiate institutions by cooperatives, and so on.

Second is the role of private industries. Private industries act as business catalysts for cooperatives. Cooperatives require business partners that provide them the ability to compete in terms of quality. Private industries are needed to share business experiences and at the same time provide counseling regarding the aspects of improving human resources and funding. Private industries must not regard cooperatives as competitors; instead, they must consider cooperatives as partner that may grow alongside. The presence of cooperatives may also provide benefits for private industries to provide resources or as a market. This is in line with the steps outlined by the AEC to increase involvement of private parties and improve strategic policies, including in terms of direct investments and strategic partnerships with cooperatives.

Third is the role of academia. Collegiate learning institutions, as centers of innovation, are very much needed by cooperatives. Without innovation, cooperatives will not be able to compete with large industries in the AEC free market. The academia may utilize cooperatives as places to apply newly created innovations, so that cooperatives do not lag behind major industries, who possess their own funds to create innovations. Scholars in collegiate institutions may utilize cooperatives as facilities for the application of innovation through programs of public service or research that are synergized with the needs of cooperatives.

Fourth is the role of the community or society. Society becomes the user as well as the owner of cooperatives. This refers to the essence of cooperatives, which are from members for members. To develop of cooperatives is an effort to develop members of society. In the quadruple helix, society becomes the mover of cooperatives, guaranteeing their existence. If society does not possess realization of the importance of cooperatives, then cooperatives would slowly disappear over time. Society must consider this organization or enterprise as a logical choice that can collectively increase the prosperity of its people through mutual cooperation.

As illustrated in the diagram above, the roles of the four helices are interrelated with one another. This means that the state as a regulator organizes the role of the helices using clear regulations. Next, private industries in their collaboration with cooperatives, in addition to requiring regulations that provide legal bases, also require support from academia to provide innovation and the community or society as actors of the cooperatives. In short, so that cooperatives can fulfill the requirements of the AEC to compete on a global scale, this pattern must be implemented seriously and continuously.

RESPONSIVE LAW AS SYNERGY FOR THE BUSINESS MODEL AND LEGAL MODEL OF COOPERATIVES IN THE AEC ERA

The model of responsive law is a legal model conceived by Nonet and Selznick amidst harsh Neo-Marxist criticism toward liberal legalism. Liberal legalism assumes the law as an independent institution with a system of regulations and procedures that are objective, impartial, and autonomous. The icon of liberal legalism is legal autonomy. The realization of this autonomy is the regime of rule of law. With this autonomous characteristic, it is believed that the law can control its own perceptions and maintain its own integrity.

Nonet and Selznick, through responsive law, considers the law as a facility for responding to social provisions and public aspirations. In accordance with its open nature, this model of law emphasizes accommodations to accept social changes in order to achieve justice and public emancipation. The concern of accommodating social aspirations causes this legal model to be considered as part of the area of sociological jurisprudence. Nonet and Selznick even consider that responsive law is a program of sociological jurisprudence and realist jurisprudence. These two schools of thought essentially urges more empirical legal studies that further exceed the limits of formalism, the expansion of legal knowledge, and inclusion of the role of policies in legal decisions.
Responsive law relies on two primary doctrines. First, the law must be functional, pragmatic, purposive, and rational. Second, competence becomes the benchmark for evaluation of all legal implementations. Because competence has the goal of functioning as a norm for criticism, the structure of responsive law emphasizes: (a) substantive justice as the base for legal legitimacy, (b) regulation as the subordination of principle and policy, (c) legal considerations that must be oriented to the goal and consequence of benefits to society, (d) the use of discretion that is very much recommended in making legal decisions with continued orientation on its aims, (e) fostering the system of obligations to replace the system of coercion, (f) morality of cooperation as the moral principle in executing the law, (g) empowerment of authority to support legal vitality and to serve the public, (h) rejection of law being considered as complaint to the legitimacy of law, and (i) wide-open access to public participation in order to integrate legal and social advocacy.\footnote{Ibid.}

The model of responsive law by Nonet and Selznick is contrasted with two other legal models, which are repressive law\footnote{Ibid.} and autonomous law\footnote{Ibid.}. Repressive law is more directed to authoritative service and denial of public aspirations, while autonomous law closes up from the outside world. The structure of autonomous law is spackled with supremacy of regulations and procedures, and thus the issue of justice is only considered as procedural justice.

In short, for the structure of responsive law, the law is a social institution. As such, the law is considered more than simply just a system of regulations; the law is also seen in its implementation of social functions in and for society.\footnote{Ibid.} To regard the law as a social institution means to regard the law in a greater framework, one that involves various processes and strengths in society. As expressed by Edwin M. Schur, even if the law appears as a set of legal norms, the law still constitutes the results of a social process, because laws are created and changed through human effort, and the law always exists in changing conditions.\footnote{Ibid.}

Considering the model of responsive law of Nonet and Selznick as explained above, this appears to be very appropriate to be applied as the legal model for cooperatives in Indonesia. This is based on two rationalizations. First, responsive law sees the law as a social public institution, which is in line with the roots of cooperatives, being society. Cooperatives are not capital alliances, but are alliances of people (society) who possess certain business objectives that are accomplished mutually. Thus the legal model of cooperatives cannot be of the repressive model which concerns individual interests or the autonomous model that merely emphasizes procedural issues. The legal model of cooperatives must be appropriate to the need of the society of the cooperative, which is to ensure togetherness, kinship, and mutual dependence in conducting business.

Second, responsive law relies on the doctrine that the law must be functional, pragmatic, directed, rational, and competent. The same is true of cooperatives; the enterprise of a cooperative functions as a collective container for societal enterprise which is pragmatically aimed to improve the welfare of all cooperative members. For the aspect of competence, cooperatives are managed by people who are considered to be competent by the cooperative members to manage the cooperative, as the managers and supervisors elected by the cooperative members. This system adopts democratic values, for which it is expected that in performing their duties, managers and supervisors can apply the values of cooperatives and achieve the mutual aims of cooperative members. As such, in order to embrace the collective interests of the cooperative, a cooperative needs the responsive legal model.

The responsive law of cooperatives can be reflected in the legal policies and politics of cooperatives in Indonesia. The legal politics can be seen from the contained materials in the Law on Cooperatives and the linearity of cooperative principles with economic policies in general. The primary task of the Indonesian government then becomes the formulation of responsive policies in a new law for cooperatives, which will replace Law No. 25 of 1992 on Cooperatives.

Substantially, the law on cooperatives must regulate the synergy between the actors in the quadruple helix, which are the government, private industries, academia, and communities in society. As consideration for the regulation of the synergy of the quadruple helix, the philosophical basis is that cooperatives as populist enterprises must always be developed and remain in existence, in particular in the era of the AEC free market by optimizing cooperation among stakeholders that are related to cooperatives. By law, the regulation on cooperatives and cooperation among cooperatives in the AEC era has been determined at both the national and the regional levels; several policies have been formulated in relation to the acceleration of AEC implementation, and thus the law on cooperatives must be immediately composed as a responsive measure toward the current needs of cooperatives. Sociologically, field conditions indicate that cooperatives in Indonesia still require protection from the government and synergistic aid from other parties in order to be competitive at the global levels. The problems of cooperatives on the field is not only about their preparedness for competition but also regarding the institutional structure of cooperatives, which needs the attention of the government.

\footnote{Satjipto Raharjo, in Bernald L Tanya, \textit{et al.}, \textit{log cit.}, p. 210}

\footnote{Satjipto Rahardjo, Hukum dan Masyarakat [Law and Society] (Bandung: Angkasa 1980) p. 25}
In addition to synergy among actors in the quadruple helix of cooperatives, linearity of policies on cooperatives with other economic policies is very important to be maintained to respond to the needs of cooperatives in the AEC. There have been several government policies that are not linear with the needs of cooperatives, including the policy of relationships between cooperatives with MSMEs, and the policy of deposit insurance for cooperative enterprises.

The relationship between cooperatives and MSMEs is analogous to containers and contents; cooperatives are the containers, and MSMEs are the contents of the containers. Even so, there are no obligations or regulations that require MSMEs to be instituted as cooperatives. Yet in their practices, MSMEs require a legally instituted enterprise as the legal container for the business. The absence of such regulations creates difficulties for the government in developing MSMEs, for example regarding the distribution of financial aid, technical assistance, or any other form of aids, because these forms of assistance require a legal institution as the container. As a consequence, MSMEs that are not legally instituted cannot receive aid programs as planned; even if they do receive the aid programs, it would be hard to identify and report on the results of the aid because their enterprise has no form.

Several MSMEs that are aware of the law have selected cooperatives for their enterprise, because the principles of cooperatives are in line with the need of MSMEs, which is the mutual progress of all its members. Another current problem is that cooperatives are covering MSMEs with dissimilar business fields or heterogeneous enterprises. For example, a cooperative for MSMEs might cover a food processing enterprise, a transportation enterprise, and a financial enterprise. This heterogeneity in enterprises makes it hard for a cooperative to develop because of managing enterprises with different focuses. Ideally, a cooperative should cover MSMEs of the same kind (homogeneous enterprises); for example, several MSMEs that operate in the field of food processing can be joined together in one cooperative, or MSMEs in the field of transportation services might merge to become a single cooperative.

As such, in the future the government must create policies that require MSMEs to utilize the legal institution of cooperatives as their enterprise form. In addition, the government must cluster together different types of MSMEs so that MSMEs that operate in similar enterprises can join a single cooperative. Later on, this would make it easier for both the government as well as the cooperatives themselves to develop the enterprises.

In addition to the relationship patterns between cooperatives and MSMEs, another issue that must be made linear is policies regarding deposit insurance for cooperatives. One cooperative enterprise that is rapidly growing is savings and loans cooperatives. Savings and loans cooperatives function to collect funds from members and redistribute them to cooperative members. In relation to its enterprise in the field of financial services, it can then be said that these savings and loans cooperatives are equivalent to microfinance institutions. Even though they are of the same kind of enterprise as microfinance institutions, these cooperatives do not have a system of deposit insurance that the microfinance institutions have. The result is that people who store their funds in these cooperatives are not insured for their deposit as they would be if they stored their funds in other financial institutions.

Based on Law No. 21 of Year 2011 on the Financial Services Authority (OJK), the institution has the authority of supervising the performance of financial institutions, but there is no specific mention of the savings and loans cooperatives. Currently, the authority of supervision and development of the cooperatives lies with the Ministry of Cooperatives and SMEs. In this case, there are three institutions that must be made linear or to have synergy in regard to these kinds of cooperatives, Ministry of Cooperatives and SMEs as the main executor of policies of cooperatives, the OJK as the institution that carries out supervision of financial services, and the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan, LPS) as the institution that insures depositors and deposits in financial institutions.

The three institutions have important roles regarding savings and loans cooperatives. In the future, the authorities of each institution may be designated so that the authorities do not overlap. It may be considered that regarding the specific cooperatives, the Ministry of Cooperatives and SMEs develop the cooperatives, but supervision and permits refer to stipulations by the OJK, and these cooperatives may be included as financial institutions that are insured by the IDIC (LPS).

CONCLUSION
The business model and legal model for cooperatives must immediately be designed and applied in the face of the AEC. The business model can adopt the quadruple helix system by synergizing the actors that are linked to cooperatives, which are the government, private industries, academia or educational institutions, and communities in society. The quadruple helix business model must also be synergized with the legal model for cooperatives, which is the responsive law model. This responsive law model captures the desires of cooperatives and synergizes them with other actors linked to cooperatives. In addition, the responsive law model for cooperatives may be examined from regulation of the link between cooperatives and MSMEs as well as cooperatives with the OJK and IDIC (LPS). As such, the government of Indonesia needs to carry out amendments to Law No. 25 of Year 1992 on Cooperatives by including a business model and a responsive law model.
REFERENCES


Satjipto Rahardjo, (1980), Hukum dan Masyarakat, Bandung: Angkasa


Law Number 25 of Year 1995 on Cooperative
Law Number 21 of Year 2011 on the Financial Services Authority

Herman Suryokumoro, S.H., M.S
Faculty of Law
Universitas Brawijaya, Malang-East Java, Indonesia
hermans-fh@ub.ac.id

Hikmatul Ula, S.H., M.Kn
Faculty of Law
Universitas Brawijaya, Malang-East Java, Indonesia
hikmatul_ula@yahoo.com / hikmah_ula@ub.ac.id