



Image credit: Klasik Beans Cooperative

## COOPERATIVES IN INDONESIA

### Contribution of cooperatives to Indonesia's economy

- 4.48%- Contribution of cooperatives to the GDP (2017)
- 0.5%- Contribution of cooperatives to the labour force (2016)
- There are around 148,220 active cooperatives (2016)\*

### Did you know?

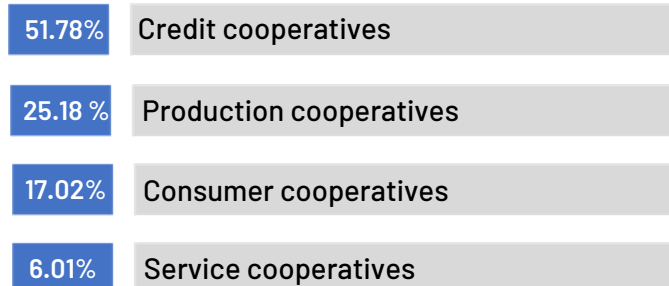
- The cooperative movement in Indonesia is 123 years old!
- The first Cooperative Congress was held on July 12, 1947. The day is celebrated as National Cooperatives Day in Indonesia.
- Mohammed 'Bung' Hatta, Indonesia's first Vice President is recognized as the 'Father of the Indonesian Cooperatives.'
- Dewan Koperasi Indonesia (DEKOPIN or the Indonesian Coop Council) is the national cooperative apex organization in Indonesia.
- DEKOPIN became a member of ICA in 1959.
- Indonesia hosted the Second Asia-Pacific Cooperative Ministers Conference in 1992
- Koperasi Telekomunikasi Selular (a tele-communications cooperative) is ranked first in the Other Services category in terms of Turnover/GDP Per Capita ratio in the World Cooperative Monitor (2018).
- The Ministry of Cooperatives and SMEs regulates and monitors cooperatives in Indonesia.

\*The Ministry of Cooperatives and SMEs has undertaken an exercise to improve the quality of statistics on cooperatives by categorizing cooperatives as active and inactive (those who have not submitted annual reports for two consecutive years). In 2016, on paper, there were 212,135 cooperatives with 37 million members (15% of Indonesia's population) of which there were 148,220 active and 63,915 inactive cooperatives.

The cooperative movement in Indonesia has a long and rich history. Its role and importance in the Indonesian economy and society continues to grow as it undergoes transformation through a process of rehabilitation, reorientation, and revitalization to meet current and future needs.

### Types of cooperatives

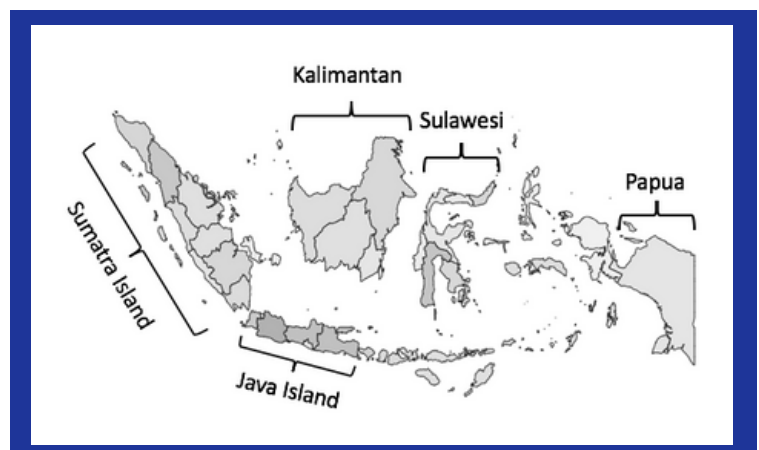
The following four types of cooperatives are present in Indonesia:



(Figures as of 2014)

### Geographical presence of cooperatives in Indonesia

Indonesia consists of five main islands: Java, Kalimantan, Papua, Sulawesi and Sumatra. Majority of cooperatives are present in Java, the most populous island, followed by Sumatra, Sulawesi and Kalimantan.



## Evolution of the cooperative movement

### → 1896 -1945

- The seeds of the cooperative movement in Indonesia were first sown during the Dutch occupation. The first cooperative, the Bank of Civil Servants (now called BRI- Bank Rakyat Indonesia), was established in 1896 in Purwokerto to address indebtedness of citizens to money lenders.

### → 1945-2000

- The idea of cooperatives was enshrined in Article 33 of the 1945 Constitution, Paragraph 1 which states that "the economy is organized as a joint business based on the principle of kinship."
- The first Cooperative Congress in 1947 led to the formation of DEKOPIN -the Indonesian Coop Council.
- The Village Unit Cooperatives or the Koperasi Unit Desa (KUD), supported by the Presidential Instruction No. 2/1978, assumed the functions of farm credit organization, distributor for production inputs and other services, processing and marketing farm commodities and other economic activities.
- In 1981, KOPINDO (Indonesian Youth Cooperative) was founded to popularize cooperatives among the younger generation.
- The growth of agriculture cooperatives from the 1970s-1990s was strongly linked to the government policy of enhancing agriculture production through KUD. The Asian Financial crisis of 1997 and the national reform movement in 1998 influenced the status of KUD. The numbers of KUDs declined from 9,635 in 1997 to 6,946 in 2000 and with it the agricultural cooperatives.
- In the late 1990s, the strategic focus of the government and DEKOPIN shifted to new types of cooperatives which were non-agricultural in nature.

### → 2000-Present

- Non-agricultural cooperatives that were increasing in number (from 42,571 in 1997 to 109,632 in 2001) were more profit-oriented, not fed by government programs, and laid emphasis management strategies to improve operations and competitiveness to ensure sustainability.
- Cooperatives were considered as an important means to address youth unemployment in the country by the government, as evident from the ten-year action plan prepared with the ILO in 2000.
- In 2005, the Ministry of Cooperatives and SMEs launched the National Long-Term Development Plan (2005-2025) to improve the bargaining power and collective efficiency of cooperatives.
- Between 2010 and 2015, the average profit of cooperatives increased by 5-7% and so did their contribution to the economy.
- The government introduced provisions to de-register cooperatives that were found inactive.
- DEKOPIN's Cooperative Vision 2045 strategy (prepared in 2014-15) aims at developing cooperatives in phases by improving agro-forestry business and food production, developing alternative energy sector, and creating employment and entrepreneurship opportunities for youth.

## Law on cooperatives

**1949-** Cooperative Law no. 179/1949 was the first legislation enacted post-independence. The law provided for inland cooperative association regulations and contained regulatory provisions for cooperatives which were specifically for native Indonesians.

**1959-** Cooperative Law no. 60/1959 conformed with the new government direction of Guided Democracy and Guided Economy. The new regulation erased the autonomy of cooperatives and instead top-down government initiatives were imposed on cooperatives.

**1965-** Cooperative Law no. 14/1965 was passed to abide by the Political Manifesto (known as MANIPOL) of the Republic of Indonesia. The MANIPOL was geared towards the NASAKOM, i.e. Nationalism, Communism, Religiosity, and the cooperative fundamentals were aligned to the revolution doctrine.

**1967-** Cooperative Law no. 12/1967 was more member-driven. The government also guaranteed protection mechanisms such as marketing services and market price to facilitate agriculture-based cooperatives.

**1992-** Cooperative Law no. 25/1992 was formulated during a period when structural adjustment and deregulations were taking place to formally reduce the role of government in the economy. The law defined a cooperative as a corporate body and required a minimum of 20 members to form a cooperative. It also authorized DEKOPIN to be the sole institution representing Indonesian cooperatives.

**2012-** Cooperative Law no. 17/2012 was a reproduction of the Cooperative Law no. 25/1992. It however, had contents that were more capitalistic in nature and deviated from cooperative values and principles. The law was abolished in 2014 following a Judicial Review of the law at the Constitution court.

## Current scenario of cooperative law in Indonesia

- The Cooperative Law no. 25/1992 has been reinstated following the cancellation of the Cooperative Law no. 17/2012 by the Constitution court.
- The new draft Cooperative Law has been formulated to overcome the shortcomings of the 1992 law. The draft law is still being debated in the Parliament.



## Shifting trends in the cooperative sector

Post 2000s, new types of cooperatives have emerged in Indonesia involving youth and women in diversified sectors such as telecommunications, art and crafts, fashion industry and technology. While traditional types of cooperatives such as credit and farm-based still exist, this section shows the diversified cooperative landscape that is prevalent in Indonesia.

### Conserving forests through coffee cooperatives

**Name:** Klasik Beans Cooperative

**Year of establishment:** 2015

**No of members:** 2,000

**Main activity:** Produces coffee through community-based plantation approach.

**Key highlights:** Established with the aim to conserve forests through community-based coffee plantation. Klasik Beans has made inroads to the US and Australian markets and is widely known for its speciality coffee made from local coffee beans.



### Digital cooperatives paving way for tech-startups

**Name:** Koperasi Digital Indonesia Mandiri (KDIM)

**Year of establishment:** 2016

**No of members:** 5,000

**Main activity:** Develops affordable smartphones for people with low income.

**Key highlight:** KDIM is the first digital cooperative in Indonesia and is bridging the digital divide by developing affordable smartphones for people who are left out of the digital boom. It incentivizes members to undertake digital transactions using KDIM mobile-app by providing them bonus points which are redeemable in Rupiah annually.



### Disrupting traditional fashion industry through fashion village cooperative

**Name:** Koperasi Kawisan

**Year of establishment:** 2017

**No of members:** 22

**Main activity:** Provides fashion related services to fashion brands and other fashion industry stakeholders.

**Key highlight:** It is the first fashion village cooperative in Indonesia which leverages on the expertise and skills of villagers and offers them viable economic opportunities. It enables locals to become co-producers in the fashion supply chain. At the same time, the cooperative also focuses on protecting the environment by engaging in judicious use of natural resources that are required in the fashion production processes.



### Traditional cooperatives growing stronger in Indonesia

**Name:** Koperasi Kredit CU Lantang Tipu

**Year of establishment:** 1976

**No of members:** 186,000

**Main activity:** Provides credit services

**Key highlight:** Rated as one of the top thirteen cooperatives in Indonesia (2017), Lantang Tipu operates through fifty branches and generates business over Rp 1.8 trillion (US\$ 125 million) per annum.



### Strengthening youth cooperative movement in Indonesia

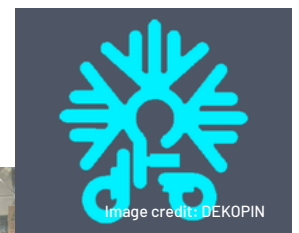
**Name:** KOPINDO (Indonesian Youth Cooperative)

**Year of establishment:** 1981

**No of members:** 75

**Main activity:** Provides capacity and knowledge building services to cooperatives through trainings, workshops, study tours, and internships.

**Key highlight:** It is a secondary level youth cooperative in Indonesia started by university, student, Islamic boarding school cooperatives etc. It serves its members by helping them access funds and other resourceful networks in the country and abroad.



### Other trending initiatives in Indonesia's cooperative movement

- Recognizing the success of modern agricultural cooperatives such as Arrohmah Cooperative (based in West Java) that provides end-to-end support to farmers (production, processing, packaging, digital marketing and sale), the government is planning to replicate such models in other regions.
- Influenced by the success of e-commerce, the Ministry of Cooperatives and SMEs has started an online shopping platform *Smescotrade* for retail sale of products made by cooperatives.
- Women's participation in the cooperative movement is being extensively promoted through the initiatives of Communication Bureau of Co-operative Women. The Bureau is promoting women's access to small-scale finance, markets, training, and social services.
- Cooperatives are also emerging in area such as arts (Ruangrupa cooperative) and sports (Bobotoh Champion Together football cooperative club).



- DEKOPIN plays a pivotal role in developing and strengthening cooperatives in Indonesia by having strong institutional tie-ups with international organizations such as the ICA and ILO.
- Cooperatives in Indonesia contribute significantly to the Sustainable Development Goals (SDGs). Forestry cooperatives in Indonesia are undertaking sustainable natural resource management practices (SDG 9) by promoting sustainable use of tropical hardwood. The 2017 Voluntary National Review Report of Indonesia identifies the role of cooperatives in addressing poverty (SDG 1) by protecting small scale fishermen.

## Engagement with ICA-AP

### Inter-cooperative collaboration

DEKOPIN's long association with the ICA has helped forge inter-cooperative tie-ups in trade and information. The International Cooperative Trade Network established in 2007, facilitated trade between Indonesian and Iranian cooperatives in the supply of palm oil and dried fish from Indonesia to Iran. DEKOPIN and ICA-AP in collaboration with the ASEAN Co-operative Organization and ICA-EU Partnership on Cooperatives in Development (#Coops4Dev) organized a workshop in Jakarta in 2018 to advocate for inclusion and broader recognition of cooperatives (not just agriculture cooperatives) in the ASEAN and European Union strategic roadmap for civil society engagement.

### Promote the role of cooperatives in the post-2015 global development agenda

The 11th ICA-AP Regional Assembly and the 8th Asia Pacific Cooperative Forum was organized by ICA-AP in collaboration with DEKOPIN in 2014. The Bali Resolution on the Role of Cooperatives in Sustainable Development recognized the role and contribution of the global cooperative movement in promotion of SDGs, reaffirmed the International Cooperative Identity Statement, highlighted the significance of the Blueprint for a Cooperative Decade, and aimed to position cooperatives as socially significant economic enterprises.

### Enhance capacity of cooperators in Indonesia

Cooperators in Indonesia have benefitted from various trainings organized by ICA-AP. These include trainings organized in collaboration with the Ministry of Agriculture, Forestry and Fisheries (MAFF), Government of Japan, to strengthen agriculture cooperatives; seminars and workshops organized by the Malaysia Business Office on e-commerce and cooperative-to-cooperative trade; and by the ICA-AP consumer, women, research and youth committees.

### Youth participation and entrepreneurship in cooperatives

The First Asia Pacific Youth Summit held in Bali in 2016 in partnership with #Coops4Dev, recognized the role of youth within the cooperative movement in achieving SDGs. Indonesia is one of the three countries in the Asia and Pacific region where ICA under the #coops4dev is undertaking a project on promoting entrepreneurship among youth.

### Reconstruction activities post natural disasters

In the aftermath of the tsunami in 2004, ICA in collaboration with DEKOPIN carried out post-disaster rebuilding work for cooperatives in Indonesia. The international cooperative movement rallied to provide solidarity funds to Indonesia and other affected countries in the region.

## What are cooperatives?

Cooperatives are people-centred enterprises owned, controlled and run by and for their members to realise their common economic, social, and cultural needs and aspirations.

## Cooperative values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## Cooperative principles

The **seven cooperative principles** are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

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## About International Cooperative Alliance Asia and Pacific

ICA-AP is one of four regional offices of the ICA. Established in 1960 in New Delhi, India, it unites, promotes, and develops cooperatives in the region. ICA-AP's 105 members from 33 countries spans a variety of sectors, including agriculture, credit and banking, consumer, education, fisheries, forestry, housing, and insurance.

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