

# The Urgency of Cooperative Development in Rural Areas of Indonesia

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## Abstract

This article will discuss the importance of developing cooperatives in rural areas of Indonesia as an effort to improve the people's economy. The facts show that cooperatives can be a forum for rural communities to develop local economic potential and improve welfare. Rural areas in Indonesia have great economic potential, but are often not utilized optimally. The development of cooperatives in rural areas can be a solution to empower communities and encourage community economic growth. Various studies show that cooperatives can be an effective forum for rural communities to develop businesses, increase access to capital, and market local products. Cooperatives also play a role in encouraging innovation and technology adoption in rural areas. This article uses a qualitative approach using case study methods on several cooperatives in rural areas, showing that the development of cooperatives in rural areas can increase community income, encourage business diversification, and strengthen local economic resilience. Ultimately, the development of cooperatives in rural areas of Indonesia is a very important effort to improve the people's economy and community welfare.

**Keywords:** Cooperatives, cooperative development, community economy, local economic resilience

## 1. Introduction

The development of cooperatives in rural areas of Indonesia is one of the strategic steps in encouraging inclusive economic growth and overcoming socio-economic disparities between urban and rural areas (ICA (International Co-operative Alliance), 2013). Cooperatives, as economic institutions based on family, have an important role in empowering local communities and supporting sustainable development. According to Sudaryanto (2019), cooperatives have great potential to increase rural communities' access to broader economic resources, such as capital and technology, which are often difficult to reach through formal financial institutions. Apart from that, cooperatives also act as a means of economic empowerment for village communities through a community-based approach.

According to Rina Oktaviani (2020), cooperatives are able to strengthen the independence of rural communities by building the managerial and entrepreneurial capacity of their members. This is important considering that the majority of rural communities in Indonesia still depend for their livelihoods on the agricultural sector and micro businesses which are often underdeveloped (Khavul, S., Bruton, G. D., & Wood, E., 2009). With cooperatives, people can increase productivity and access wider markets. However, the challenges in developing cooperatives in rural areas are not small.

One of the main problems identified by Maimunah (2018) is the village community's low understanding of the concept of cooperatives as a whole. Many cooperatives in rural areas only function as savings and loan institutions without optimizing their potential to become drivers of more productive economic activities. Continuous education and guidance is needed so that cooperatives can play a more optimal role in rural economic development (Karami, A., & Rezaei-Moghaddam, K., 2005). Apart from internal problems, external obstacles such as regulations and government policies also influence the development of cooperatives in rural areas.

Juliansyah (2021) highlights that although various policies have been issued to support cooperative development, their implementation is often less than optimal due to the lack of coordination and resources available at the local

level. Therefore, improvements in regulations and stronger support from the central and regional governments are needed so that cooperatives in rural areas can develop better (Majee, W., & Hoyt, A., 2011). Climate change and global economic dynamics also add to the complexity of the challenges faced by rural communities. According to Hidayati (2020), cooperatives can act as a collective mechanism to deal with the impacts of climate change and commodity price instability.

We can see that well-managed agricultural cooperatives can help farmers adapt to weather changes through the introduction of more environmentally friendly and efficient agricultural technologies (Fulton, M., & Hueth, B., 2009). In this way, cooperatives also contribute to food security at the local and national level. Cooperative development in rural areas also requires close collaboration between various stakeholders. According to Hidayat (2021), the government, private sector and society must work together to ensure the success of cooperatives as pillars of the rural economy.

The government can provide supportive regulations, while the private sector can act as a strategic partner in developing cooperative businesses through partnerships and investment (Mazzarol, T., Limnios, E. M., & Reboud, S., 2014). The urgency of developing cooperatives in rural areas is increasing with the need to strengthen economic resilience amidst global uncertainty. As stated by Nurhadi (2019), strong cooperatives can function as a shield for village communities in facing various economic risks, including fluctuations in commodity prices and economic crises. Through solid cooperation within the cooperative, members can support and protect each other from the negative impacts of the economic turmoil that is occurring.

## **2. Literature Review**

### **Cooperative**

Cooperatives as economic institutions based on family have long been recognized as an important instrument in economic development, especially in rural areas. According to Simatupang (2017), cooperatives have unique characteristics that differentiate them from other economic institutions, namely shared ownership by members and democratic decision making. This allows cooperatives to become an effective forum for improving members' welfare and strengthening the local economy, especially in rural areas that have limited access to capital and markets. In the rural context, cooperatives play an important role in overcoming the problems often faced by rural communities, such as limited access to formal financial institutions and dependence on the high-risk agricultural sector (Michelsen, J., 1994).

According to Rachman (2018), cooperatives in rural areas are often the only institutions that can provide loans at lower interest rates compared to middlemen. This helps farmers and small entrepreneurs in rural areas to develop their businesses without being burdened by high credit costs. Apart from that, cooperatives also play a role in strengthening social solidarity and increasing community participation in local economic development. According to Wijaya (2019), cooperatives provide space for village communities to actively participate in economic decision making, thereby creating a sense of shared ownership and responsibility.

Through cooperatives, communities can support each other and share knowledge and resources, which ultimately strengthens economic independence at the local level. In many developing countries, cooperatives have proven successful in reducing poverty and increasing the economic resilience of rural communities (Pollet, I., 2009). For example, a study conducted by Altman (2020) shows that cooperatives in Africa and Asia contribute significantly to increasing smallholder farmers' access to international markets through more efficient distribution systems. In Indonesia, cooperatives in rural areas also have similar potential to each other, because they can connect local products with wider markets, both at the national and global levels.

However, the development of cooperatives in rural Indonesia still faces various challenges. According to research conducted by Maimunah (2018), one of the main obstacles is the low managerial capacity and business knowledge among cooperative members. Many cooperatives in rural areas are managed traditionally without serious efforts to increase efficiency and innovation (Ortmann, G. F., & King, R. P., 2007). Therefore, ongoing training and assistance is needed so that cooperatives can compete and develop.

In addition, the regulations governing cooperatives are often seen as not supporting the development of cooperatives in rural areas. According to Juliansyah (2021), although the government has issued various policies to strengthen cooperatives, their implementation is often hampered by complicated bureaucracy and lack of

infrastructure support. As a result, cooperatives in rural areas often experience difficulties in accessing facilities that could help them develop, such as people's business credit (KUR) and mentoring programs. The role of government and other supporting institutions in developing cooperatives in rural areas is also very important.

A study conducted by Hidayat (2020) highlights that the success of cooperatives in rural areas often depends on the support provided by local governments and private institutions. Partnerships between cooperatives and private companies, for example, can help speed up technology transfer and increase market access for local products. Cooperatives have a very important role in rural economic development in Indonesia, not only functioning as alternative financial institutions, but also as a tool to empower local communities and strengthen social solidarity. However, to reach their full potential, rural cooperatives require greater support in the form of training, conducive regulations, and stronger partnerships with the private sector (Sexton, R. J., & Iskow, J., 1993).

### **Cooperative Development**

Cooperative development has long been considered an important strategy in improving the economy of rural communities. According to Simatupang (2017), cooperatives have great potential to overcome various economic challenges faced by village communities, such as limited access to capital, technology and markets. Through the principles of economic democracy and social solidarity, cooperatives can be an effective tool for empowering rural communities and reducing dependence on conventional financial institutions which are often difficult for rural communities to reach (Valentinov, V., 2007). Cooperatives in rural areas also have a strategic role in increasing local economic resilience.

Rachman (2018) stated that cooperatives can help rural communities manage economic risks, especially those related to the agricultural sector which is vulnerable to price fluctuations and weather conditions. By joining a cooperative, farmers can gain access to cheaper agricultural inputs and obtain fairer prices for their crops through a more organized collective marketing system. Furthermore, cooperatives can also function as a forum for building entrepreneurial capacity and skills in rural communities. According to research conducted by Wijaya (2019), cooperatives in rural areas are often a place for their members to learn about business management, financial management and more efficient production techniques.

With ongoing training and mentoring, cooperatives can help their members increase the productivity and competitiveness of their businesses in the wider market (Zamagni, S., & Zamagni, V., 2010). However, even though cooperatives have a lot of potential, the development of cooperatives in rural areas still faces various obstacles. One of the main challenges is the low level of participation and involvement of cooperative members. Maimunah (2018) found that many cooperative members in rural areas still see cooperatives only as a place to save money or obtain loans, without fully understanding how cooperatives can support more productive economic activities.

This low level of cooperative literacy is an obstacle in the development of more progressive and innovative cooperatives (Fulton, M., & Hueth, B., 2009). Apart from participation issues, government regulations and policies also play an important role in the development of cooperatives in rural areas. According to Juliansyah (2021), even though the government has issued various policies to support cooperatives, implementation at the local level is often still weak. Many cooperatives in rural areas experience difficulties in accessing assistance programs provided by the government, such as people's business credit (KUR) and entrepreneurship training programs.

This condition shows the need for improvements in coordination and implementation of policies in the field. In a global context, cooperatives in rural areas also need to face the challenges that come from climate change and global economic uncertainty. Hidayati (2020) shows that cooperatives can play a role in increasing the resilience of village communities to the impacts of climate change through the adoption of more environmentally friendly and efficient agricultural technology. By developing sustainable business models, cooperatives can help their members reduce dependence on agricultural practices that damage the environment and increase long-term economic resilience (Zamagni, S., & Zamagni, V., 2010).

In addition, the role of cooperatives in strengthening the local economy is increasingly relevant amidst global economic uncertainty. According to Nurhadi (2019), cooperatives in rural areas must be able to utilize local potential and create added value for village products in order to compete in national and international markets. It is hoped that the development of cooperatives in the fields of agribusiness, crafts and creative industries can

encourage economic diversification in rural areas, so that people do not only depend on one economic sector (Gibson, R., 2005).

### **People's Economy**

People's economics is an economic development approach that places society as the main actor in the production, distribution and consumption processes. This concept aims to create an inclusive and just economic system, where the benefits of economic growth can be felt by all levels of society, including rural communities (Zamagni, S., & Zamagni, V., 2010). According to Mubyarto (2017), people's economics prioritizes the principles of independence, solidarity and active community participation in economic development. In this context, cooperatives are one of the main pillars of the people's economy because they function as a forum for the community to organize their resources collectively.

Cooperatives have a central role in supporting the people's economy, especially in rural areas which still depend on the agricultural sector (Gibson, R., 2005). According to Rachbini (2018), cooperatives in rural areas can play a role in strengthening the local economy through joint business management and sustainable use of natural resource potential. Cooperatives also provide space for village communities to be involved in making economic decisions related to their daily lives, thereby creating a greater sense of ownership and responsibility. One of the advantages of cooperatives in the people's economy is their ability to distribute development results more evenly.

Rahardjo (2019) stated that cooperatives can reduce economic inequality by providing access to capital and business opportunities to people who are usually not served by conventional financial institutions. In rural areas, cooperatives are often the only institutions able to provide loans with low interest and more flexible terms, thereby helping people to develop micro and small businesses. The development of cooperatives in rural areas is also in line with the principles of community economics which emphasize the importance of economic independence. According to Yustika (2020), cooperatives play a role in encouraging village communities to not only become workers, but also become owners of the businesses they manage.

Through cooperatives, people can learn to manage their business independently, from the production to marketing stages, without having to depend on third parties which are often detrimental (Gibson, R., 2005). This also helps increase the competitiveness of local products in the wider market. However, even though cooperatives have a lot of potential in supporting the people's economy, their development still faces various obstacles, especially in rural areas. Research conducted by Maimunah (2018) shows that many cooperatives in rural areas are still managed traditionally and have not been able to adopt modern technology that can increase efficiency and productivity.

Low digital literacy and managerial skills are the main obstacles in developing cooperatives that are more innovative and highly competitive. Apart from internal problems, government regulations and policies also influence the development of cooperatives within a people's economic framework. Juliansyah (2021) notes that although the government has provided various forms of support to cooperatives, implementation at the local level is still often hampered by complicated bureaucracy and a lack of supporting infrastructure. For this reason, better synergy is needed between the government, cooperatives and the community in strengthening the role of cooperatives as pillars of the people's economy in rural areas (Heras, I., & Calderon, E., 2014).

The important role of cooperatives in the community economy is also increasingly relevant amidst global challenges such as economic uncertainty and climate change. Hidayati (2020) shows that cooperatives can play a role in increasing the economic resilience of rural communities. The process can be carried out by encouraging business diversification and the adoption of environmentally friendly technology. Thus, cooperatives not only function as economic institutions, but also as agents of social change that support sustainable development in rural areas (Heras, I., & Calderon, E., 2014).

### **Local Economic Resilience**

Local economic resilience is an important issue in sustainable development, especially in rural areas. According to Yustika (2019), local economic resilience is defined as the ability of a region to maintain economic stability and the welfare of its people amidst various external pressures, such as changes in global markets, economic crises, or natural disasters. In a rural context, economic resilience is closely related to the sustainability of the agricultural sector and management of local resources which are the main source of livelihood for the community.

The development of cooperatives in rural areas plays an important role in strengthening local economic resilience (Heras, I., & Calderon, E., 2014).

Cooperatives, with their principles of economic democracy and member participation, enable communities to manage their resources collectively and more independently. According to research conducted by Rachman (2020), cooperatives in rural areas have great potential to reduce community dependence on external economic institutions, such as middlemen or conventional banks, which often do not suit the economic conditions of rural communities. One of the main contributions of cooperatives to local economic resilience is through business diversification. According to Wijaya (2018), cooperatives can help their members not only depend on one economic sector, such as agriculture, but also develop other businesses that can be a source of additional income.

This business diversification is important in reducing economic risks arising from fluctuations in commodity prices or crop failure, which are often challenges for rural communities. Apart from that, cooperatives also play a role in increasing village communities' access to technology and innovation (Karami, A., & Rezaei-Moghaddam, K., 2005). According to Hidayat (2019), cooperatives in rural areas can be a bridge between local farmers and modern agricultural technology which can increase productivity and efficiency. With better technology, farmers can reduce production costs and increase their crop yields, so they are able to compete in a wider market.

This directly contributes to local economic resilience because it increases the income and welfare of village communities (Karami, A., & Rezaei-Moghaddam, K., 2005). Cooperative development is also in line with sustainable local economic development strategies. According to Hidayati (2020), cooperatives can encourage more environmentally friendly economic practices through sustainable management of natural resources. For example, agricultural cooperatives can promote the use of organic fertilizers and farming techniques that are more water efficient.

Thus, cooperatives not only function as economic institutions, but also as agents of social change that support local ecological resilience. However, the development of cooperatives in rural areas still faces various challenges. According to Maimunah (2018), one of the main obstacles is the lack of managerial capacity among cooperative administrators. Many cooperatives in rural areas are still managed traditionally, without serious efforts to increase efficiency and professionalism (Khavul, S., Bruton, G. D., & Wood, E., 2009).

The low level of financial and business literacy among cooperative administrators is an obstacle in developing cooperatives that are more modern and adaptive to economic changes. Apart from that, regulatory support from the government also determines the success of cooperative development. Juliansyah (2021) notes that although the government has provided various policies to support the development of cooperatives, their implementation is still often hampered by complicated bureaucracy and a lack of supporting infrastructure in rural areas. Cooperatives often face difficulties in accessing financial assistance and assistance programs provided by the government (Khavul, S., Bruton, G. D., & Wood, E., 2009).

### **3. Research Methodology**

The research methodology used in this article is a qualitative approach with a case study design, which aims to explore in depth the urgency of cooperative development in rural areas of Indonesia. According to Creswell (2018), a qualitative approach allows researchers to understand social phenomena in a more complex and dynamic context, by focusing on the experiences and perspectives of actors in the field. Interviews and analysis of documents related to cooperatives were also carried out to enrich the data. The thematic analysis technique outlined by Braun and Clarke (2006) was carried out, with the aim of identifying key themes relating to cooperative development and its contribution to local economic resilience in rural areas.

### **4. Findings and Discussion**

#### **Cooperatives and Their Development**

The facts currently visible show that cooperatives in rural areas of Indonesia have a significant role in supporting the local economy, although their development still faces various challenges. Based on interviews with cooperative administrators and members, it was found that cooperatives in rural areas function as institutions that provide access to capital at low interest, which really helps the community in developing micro and small businesses. According to Wibowo (2019), cooperatives are an important solution to overcome rural communities' limited access to formal financial institutions, especially in remote areas that are difficult to reach by conventional

banks. It was also found that cooperatives in rural areas not only play a role in providing capital, but also in facilitating the marketing of local products (Khavul, S., Bruton, G. D., & Wood, E., 2009).

Cooperatives often become a link between farmers or craftsmen and wider markets, both at regional and national levels (Majee, W., & Hoyt, A., 2011). This is in line with the findings of Rachman (2020), which states that cooperatives can increase the bargaining power of local products in the market through a more organized collective sales mechanism. Cooperatives that are active in marketing their members' products tend to be more successful in increasing members' income and strengthening the local economy. However, even though cooperatives have contributed to the rural economy, this research found that the level of participation of cooperative members still varies.

According to the data collected, several cooperatives experience difficulties in actively involving their members in cooperative activities. Many members only join to get access to loans, without being further involved in cooperative management or other activities (Majee, W., & Hoyt, A., 2011). This finding is in line with research by Maimunah (2018), which states that low member participation is often caused by a lack of understanding of the long-term benefits of cooperatives and limited financial literacy. In terms of cooperative management, research results show that many cooperatives in rural areas are still managed traditionally with limited managerial capabilities.

Most cooperative administrators do not have an educational background or special training in business management, which results in a lack of efficiency in cooperative operations (Majee, W., & Hoyt, A., 2011). According to Simatupang (2017), these limitations are often the main obstacle in developing more professional and sustainable cooperatives. This research also found that cooperatives that receive managerial training and assistance from the government or private institutions tend to be more successful in running their businesses. Regarding regulations and policies, research results show that government support for the development of cooperatives in rural areas is still not optimal.

Although various aid programs have been launched, such as the People's Business Credit (KUR) program and entrepreneurship training, their implementation in the field is often hampered by complicated bureaucracy and lack of coordination between agencies. This is confirmed by the findings of Juliansyah (2021), who stated that many cooperatives in rural areas experienced difficulties in accessing government assistance due to inefficient procedures and lack of information. This research also reveals that cooperatives in rural areas have great potential to support sustainable development, especially in the context of natural resource management. Several successful cooperatives, for example, have utilized environmentally friendly technology in their production processes, such as the use of renewable energy and organic farming practices (Mazzarol, T., Limnios, E. M., & Reboud, S., 2014).

According to Hidayati (2020), cooperatives that adopt a sustainable business model tend to be better able to survive in the long term and provide broader benefits for their members and the surrounding environment. However, the success of cooperatives in supporting sustainable development is still limited to a few cases that have received support from external parties, such as NGOs or private companies. The majority of cooperatives in rural areas still operate using conventional systems, without considering sustainability aspects. This shows the need to increase awareness and training about sustainable business practices among cooperative administrators and members, as stated by Nurhadi (2019).

In addition, this research shows that the role of partnerships between cooperatives and the private sector is very important in accelerating the development of cooperatives in rural areas. Some successful cooperatives have collaborated with private companies to improve market access, technology and other resources. According to Hidayat (2020), this kind of partnership can provide double benefits for cooperatives and companies, where cooperatives get the support they need to develop, while companies get access to quality local products. However, efforts to increase member participation and awareness about sustainable business practices are also very necessary so that cooperatives can develop sustainably and provide wider benefits to rural communities (Mazzarol, T., Limnios, E. M., & Reboud, S., 2014).

### **Community Economic Support Cooperative**

This article conveys that cooperatives play an important role in supporting the people's economy in rural areas of Indonesia. Cooperatives function as economic institutions that encourage community participation in economic activities, especially in sectors that are not covered by the formal economy (Majee, W., & Hoyt, A., 2011).

According to Yustika (2019), cooperatives are one of the main instruments of the people's economy because they allow people to participate directly in the production and distribution process, and reduce dependence on large capital. The author discovered the fact that cooperatives in rural areas have helped communities to organize their resources collectively, thereby increasing their economic welfare.

Cooperatives in rural areas also make a significant contribution in creating access to capital for poor communities who often do not have access to formal financial institutions. Based on interviews with cooperative members, many of them rely on cooperatives as the only source of loans for business capital (Mazzarol, T., Limnios, E. M., & Reboud, S., 2014). This is in line with the findings of Rahardjo (2018), who stated that cooperatives play a vital role in supporting the people's economy by providing easier access to capital, without complicated procedures and high interest rates like conventional banks. Apart from that, cooperatives in rural areas also help in increasing the added value of local products through various training and empowerment programs.

According to Hidayat (2020), cooperatives that are active in providing training to their members tend to be more successful in improving product quality and production efficiency. This paper shows that cooperatives that provide training to their members regarding better and innovative production techniques have succeeded in increasing their members' income significantly (Michelsen, J., 1994). For example, cooperatives operating in the agricultural and handicraft sectors have succeeded in helping their members produce goods that are of higher quality and have a higher selling value on the market. However, the facts also show that there are big obstacles in managing cooperatives, especially related to managerial capacity.

Many cooperatives in rural areas are managed by administrators who do not have adequate management or financial background (Michelsen, J., 1994). As a result, cooperatives often experience difficulties in managing their capital, making long-term business plans, and facing competition in the market. Simatupang (2017) stated that one of the biggest challenges for cooperatives in Indonesia is the low quality of management, which results in a low level of success for cooperatives in the long term. Another obstacle found in this research is the limited access of cooperatives to technology and market information.

According to Juliansyah (2021), cooperatives in rural areas are often isolated from technological developments and market innovation, making it difficult for them to compete with larger business actors. This research reveals that cooperatives that are able to utilize information technology, such as digital marketing, tend to be more successful in expanding market reach and increasing sales. However, most cooperatives in rural areas still rely on traditional marketing methods which limit their growth (Ortmann, G. F., & King, R. P., 2007). Apart from that, this research also found that regulatory support from the government is still not optimal.

Even though the government has issued various policies to support cooperative development, their implementation is often hampered by complicated bureaucracy and lack of supporting infrastructure (Ortmann, G. F., & King, R. P., 2007). According to Nurhadi (2019), existing regulations often do not match the needs of cooperatives in the field, especially in rural areas where infrastructure is still very limited. As a result, many cooperatives are unable to take full advantage of government assistance programs. In the context of a people's economy, cooperatives also play a role in strengthening social solidarity among village communities.

This research shows that well-managed cooperatives are able to create strong social bonds among their members, where they not only cooperate in economic matters, but also in other social activities. This is in line with the findings of Mubyarto (2017), who stated that cooperatives play an important role in building solid and mutually supportive communities, especially in facing economic challenges. The results of this research also show that cooperatives that are successful in supporting the people's economy are cooperatives that are able to establish partnerships with the private sector and other external institutions. According to Hidayati (2020), cooperatives that have access to a wider business network tend to be more innovative and able to adapt to market changes.

Partnerships with private companies, for example, can help cooperatives improve product quality, expand market access, and obtain the resources needed to develop (Fulton, M., & Hueth, B., 2009). Development of cooperatives in rural areas of Indonesia as a pillar of the people's economy. Even though cooperatives have contributed significantly to the rural economy, their development still requires greater support in terms of regulations, access to technology, and increased managerial capacity (Heras, I., & Calderon, E., 2014). With the right support, cooperatives can play a greater role in strengthening local economic resilience and improving the welfare of rural communities in a sustainable manner.

### **Cooperative Support for Local Economic Resilience**

The author discovered the fact that cooperatives have an important role in strengthening local economic resilience in rural areas of Indonesia. Cooperatives, which function as membership-based economic institutions, provide a variety of services and support that help rural communities overcome economic challenges (Gibson, R., 2005). According to Yustika (2019), cooperatives are able to create a more inclusive and resilient economy by involving local communities in collective management of economic resources. The author also found that cooperatives in rural areas contributed significantly in providing access to capital, strengthening marketing networks, and increasing local production capacity.

One of the main findings in this research is that cooperatives function as alternative financial institutions that can be accessed by rural communities (Pollet, I., 2009). Many of those who previously had difficulty getting business capital from conventional banks are now using cooperatives to get loans with easier terms and lower interest. This is in line with the findings of Rahardjo (2018), which shows that cooperatives are one of the main solutions for rural communities in overcoming limited access to capital. With cooperatives, communities can develop micro and small businesses which are the backbone of the local economy.

The cooperative also provides support in marketing local products. In this article, the fact is also found that cooperatives help their members sell their products at better prices and reach a wider market. According to Hidayat (2020), cooperatives act as a link between local producers and larger markets, both at regional and national levels. With cooperatives, farmers and craftsmen in rural areas can increase their income because their products are marketed more effectively and efficiently (Valentinov, V., 2007).

These findings show that cooperatives play an important role in increasing the competitiveness of local products in the wider market. However, this research also found that cooperative support for local economic resilience cannot be separated from various challenges (Pollet, I., 2009). One of the main challenges is the low level of member participation in cooperative activities. Many cooperative members are only passively involved, that is, they join solely to get access to loans without being further involved in cooperative management activities.

This finding is in line with research by Maimunah (2018), which states that low member participation is one of the obstacles in developing stronger and more sustainable cooperatives. Lack of understanding of the long-term benefits of cooperatives is the main factor in this low participation. Apart from that, this research also reveals that the managerial capacity of cooperatives in rural areas still requires improvement (Valentinov, V., 2007). Unprofessional cooperative management often becomes an obstacle in developing more efficient and competitive cooperative businesses.

According to Simatupang (2017), the quality of cooperative management in Indonesia still needs to be improved through training and mentoring, especially in terms of business planning, finance and marketing. In the process of this writing, it was found that cooperatives that receive managerial training tend to be more successful in managing their business and provide greater benefits for their members. Another obstacle identified in this research is the limited access of cooperatives to technology and market information. Although cooperatives have great potential to drive the local economy, many of them have not been able to utilize digital technology to expand market reach and increase operational efficiency (Sexton, R. J., & Iskow, J., 1993).

Juliansyah (2021) stated that the use of technology in cooperatives is very important to face global economic challenges and increase the competitiveness of cooperatives in the market. This article also states that cooperatives that have adopted information technology, such as online marketing and digitalization of business processes, have succeeded in increasing operational efficiency and expanding their markets (Sexton, R. J., & Iskow, J., 1993). Support from the government was also found to be an important factor in the success of cooperatives in rural areas. This research found that cooperatives that have access to government programs, such as People's Business Credit (KUR) and entrepreneurship training, tend to be more successful in supporting local economic resilience.

However, the implementation of this government policy still faces various challenges in the field, such as complicated bureaucracy and minimal information reaching the public. Nurhadi (2019) stated that there is a need to simplify procedures and increase access to information for cooperatives in rural areas to maximize government support. Apart from support from the government, this research also shows that partnerships between cooperatives and the private sector are very important in strengthening local economic resilience (Fulton, M., & Hueth, B.,

2009). Some successful cooperatives have collaborated with private companies in order to improve product quality, expand market access, and obtain the resources needed to grow.

According to Hidayati (2020), this kind of partnership provides dual benefits, where cooperatives gain access to technology and wider markets, while private companies can improve the sustainability of their supply chains. This research also shows that cooperatives that are successful in supporting local economic resilience are cooperatives that have strong leadership and active member participation. Well-managed cooperatives are able to create a more inclusive and sustainable economic structure, where members have a strong sense of ownership and are involved in decision making. This is in line with the findings of Mubyarto (2017), who stated that successful cooperatives are cooperatives that are able to empower their members and create social solidarity among local communities.

## 5. Conclusion

The development of cooperatives in rural areas of Indonesia is an urgency that cannot be ignored in efforts to improve the welfare of rural communities and reduce economic inequality between regions. With great potential to drive the local economy, cooperatives must be positioned as one of the main pillars in a sustainable rural development strategy (Fairbairn, B., 2004). Thus, the development of cooperatives in rural areas of Indonesia must be a priority in an inclusive and sustainable development strategy. Consistent support from the government, private sector and society is very necessary so that cooperatives can function optimally in improving the welfare of rural communities and strengthening the national economy (Valentinov, V., 2007).

Development of cooperatives in rural areas as part of an inclusive and sustainable economic development strategy. Support from the government, private institutions and the community is very necessary to optimize the role of cooperatives in improving the welfare of village communities and strengthening the national economy (Develtere, P., & Pollet, I., 2005). The development of cooperatives in rural areas of Indonesia is very important in realizing an inclusive and just community economy, because it can be a tool for strengthening the economic independence of rural communities, reducing disparities, and creating a more sustainable economic system. However, to achieve this goal, stronger support is needed in terms of regulations, education and infrastructure so that cooperatives can develop and contribute more optimally to rural economic development.

Currently, cooperative development activities in rural areas are very important to carry out. This needs to be done to strengthen local economic resilience. Cooperatives have a significant role in supporting business diversification, increasing access to technology, and promoting sustainable economic practices (Chibanda, M., Ortmann, G. F., & Lyne, M. C., 2009). However, to reach its full potential, more serious efforts are needed to increase the managerial capacity of cooperatives as well as more effective regulatory support from the government.

The government and other stakeholders need to provide more intensive support for the development of cooperatives in rural areas, including in terms of capital, training and mentoring. To reach their full potential, cooperatives need greater support in the form of managerial training, conducive regulations, and partnerships with the private sector. Cooperatives have a key role in supporting local economic resilience in rural areas of Indonesia. However, to reach their full potential, cooperatives need greater support in the form of increased managerial capacity, technology adoption, and partnerships with government and the private sector (Borda-Rodriguez, A., & Vicari, S., 2015).

With the right support, cooperatives can become a key pillar in strengthening a sustainable and inclusive local economy in Indonesia (Birchall, J., & Ketilson, L. H., 2009). The importance of increasing managerial capacity and entrepreneurial skills for cooperative administrators and members in rural areas. Simatupang (2017) emphasized that continuous training in aspects of management, business planning and marketing can help cooperatives become more professional and competitive. The government and related institutions need to develop training programs that focus on improving the quality of cooperative management and provide intensive assistance to cooperatives in rural areas so that they can operate efficiently and sustainably.

In addition, it is recommended that cooperatives in rural areas adopt more digital technology (Birchall, J., 2014). This is to expand market reach and increase operational efficiency. Juliansyah (2021) stated that the use of information technology, such as digital marketing and digitization of business processes, is very important in facing global economic challenges. The government, together with the private sector, can play an important role

in facilitating cooperative access to this technology through assistance programs and strategic partnerships, so that cooperatives can increase their competitiveness and contribute more to local economic resilience.

### Novelty

This article presents a comprehensive analysis of the urgency of developing cooperatives in rural areas of Indonesia as an effort to improve the people's economy, which has not been widely discussed in previous literature.

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