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### Collective Action and Social Capital in Cooperative Institutions

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#### Abstract

This study aims to describe collective action and social capital in cooperative institutions in maintaining their existence and as one of the drivers of the community's economy. The challenges for cooperatives in the future will be even more severe amid the large number of banks that have started to enter the countryside, especially in Bali. The method in this study uses library studies from several sources, both books and results from previous studies. The results show that the consistency of collective action taken

by cooperative members really needs to be maintained because when this type of thing starts to fade, there will be cracks that occur within the cooperative itself which causes the existence of the cooperative to begin to fade. Besides that, the cooperative management entrusted by all cooperative members must have high social capital to express the programs made and foster member trust in cooperatives so that members will not switch to banks and prefer cooperatives.

**Keywords:** Cooperative, Collective Action, Economy, Institutional, Social Capital

#### 1. Introduction

Global competition and the invasion of traditional companies that tend to be exploitative and imperialism as well as the very rapid development of the economy along with the development of science and technology have become one of the important considerations in determining community-based economic policies to create a just and prosperous society as stated in the Preamble to the 1945 Constitution. To uphold and fight for the people's economy, cooperative institutions are believed to be the most appropriate forum and in accordance with the personality of the Indonesian nation. The community has begun to realize the benefits of forming cooperatives for life. If viewed from the cooperative as a business unit, the management of the cooperative must also have good performance as an accountability to all its members who are the owners of the cooperative.

Cooperatives are one of the oldest business entities in Indonesia. According to Law No. 25 of 1992 concerning cooperatives, "Cooperatives are business entities consisting of one person or cooperative legal entity by basing their activities on the cooperative principle as well as a people's economic movement based on the principle of kinship. There are several types of cooperatives in Indonesia, including producer cooperatives, consumer cooperatives, savings and loan cooperatives, primary cooperatives and secondary cooperatives. Data on cooperatives in Indonesia currently reaches 138,140 units with a total of 71,933 KSP units and 66,207 non-KSP units. So that the most dominant cooperative in Indonesia is the Savings and Loan Cooperative (KSP). Judging from the business activities carried out, savings and loan cooperatives basically have the same function as banks or other financial institutions, namely collecting funds from the public in the form of savings and deposits and channeling them back in the form of loans or credit. (Ayu, 2018) <sup>[3]</sup>. The establishment of cooperatives in Indonesia has several objectives, one of which is to improve the welfare of members in particular and society in general and participate in building the national economic order in realizing an advanced, just and prosperous society. (Mutiami *et al.*, 2017) <sup>[14]</sup>.

Management of cooperative management is based on applicable rules including the Articles of Association (AD) / Bylaws (ART), policies, organizational structure, roles and rules that have their respective functions in accordance with the jobdesk of the administrators, supervisors and managers carried out in a systematic way in running the cooperative. which is based on the vision and mission as well as good corporate governance (GCG) cooperatives that are transparent, independent, have accountability, responsibility and fairness. As well as the lack of attention to information systems in cooperative self-development to facilitate information and facilitate cooperative management so that decision making is faster.

Cooperatives as a financial institution are family in nature and have been embedded in the hearts of the Indonesian people, it should be the focus of the government to re-make cooperatives as a financial institution that is trusted by the people of Indonesia. Cooperatives must be able to improve their performance through the application of GCG principles. Although the basic principle of cooperatives is voluntary, cooperatives must also be managed by professionals, because the intention of

voluntary here is how members, managers, administrators and supervisory bodies alike want to build cooperatives and can feel the benefits of the cooperative itself. So that cooperatives that are managed in accordance with the principles of good corporate governance are able to grow the economy of the Indonesian people.

Weak implementation of governance within the company triggers a scandal in the company's business, and makes people aware of the need for a good governance system. Since then, many people think that the implementation of corporate governance is a necessity in the business world which is used as a barometer of accountability of a business organization (Dewayanto, 2010) <sup>[7]</sup>. Good governance must always adapt to the circumstances, developments, and legal system of a country, so that the practice of good governance in each country is different. The level of economic growth of a country can be a benchmark for the progress of the country itself (Dewi *et al.*, 2014) <sup>[8]</sup>. Countries that have good economic growth rates tend to have good financial institutions. Sources of funding for the Indonesian people come from bank and non-bank financial institutions.

The Indonesian economy has experienced unstable developments that have an impact on people's lives. This is due to the Covid-19 pandemic or an epidemic that attacked the country of Indonesia. Covid-19 is a respiratory disease caused by a new type of corona virus that can infect humans. The development of economic organizations can help improve the standard of living of the community because the organization was created with the aim of building a national economic order and meeting the economic needs of the community.

## 2. Methodology

This is a systematic review of the literature, which explains how the research and development methodology is used to combine and evaluate research that is relevant to the core of a particular topic. The purpose of a systematic review of the literature is to examine, identify, evaluate, and interpret all research on an interesting phenomenon with a variety of questions in certain appropriate research (Sugiyono, 2015) <sup>[21]</sup>. This study employs descriptive analysis, which is a systematic presentation of the data obtained, followed by an explanation and justification for the reader

## 3. Result and discussion

Cooperative comes from the English language, namely "cooperation". Co means together and operation means work. So cooperative means working together. According to (Rudianto, 2010) <sup>[18]</sup> Cooperatives are business entities that are managed by a person or group of people voluntarily and democratically to improve their economic welfare. Cooperative is an association of people or legal entities that have limited economic capacity which aims to fight for the improvement of the welfare of its members (Adenk, 2013) <sup>[1]</sup>. Each member of the cooperative has the same rights in every decision taken by the cooperative. According to (Limbong, 2012) <sup>[13]</sup> koperasi Indonesia berlandaskan Pancasila dan UUD 1945 dan berasaskan kekeluargaan. Indonesian cooperatives are based on Pancasila and the 1945 Constitution and are based on kinship.

According to Law no. 17 of 2012 defines cooperatives as follows: "A cooperative is a business entity established by a person/individual or a cooperative legal entity by separating the wealth of members as capital to run a business that

meets shared aspirations and needs in the economic, social and cultural fields in accordance with the values and cooperative principle. Based on the above explanation, it can be concluded that a cooperative is a business entity consisting of a group of people or cooperative legal entities by carrying out their activities based on cooperative principles while simultaneously improving the economy based on the principle of kinship and aiming to achieve the welfare of members in particular and society in general.

### Collective action in Cooperatives

Collective action is an action taken together to achieve a common goal, but in collective action itself there is a problem called Free Rider, as expressed by (Olson, 2014) <sup>[15]</sup> in his book *The Logic of Collective Action*. Because rational actors will not engage in collective action if they can benefit without participating. Because everyone is rational, and always considers the costs and benefits that may arise from every action they will take. In his writing (Schiffman & Dedekorkut, 2013) <sup>[19]</sup> writing down the individual decisions of a person in competition in the free market actually raises the problem of externalities. This is due to the occurrence of market failures as a result of a lack of collective action.

According to York & Neil (2013) <sup>[22]</sup> in his article found that from his research on 25 renewable energy companies, they developed a model of entrepreneurial collective action. In the model it is stated that entrepreneurs can provide solutions to public goods by increasing the identity of prominent roles, creating incentives to encourage collaboration and providing space for stakeholders to allow selective incentives to emerge on the basis of involvement of each role. This is in line with the article written by Sciffman above, that individuals are rational, to overcome the existence of free users, incentives are needed that are given according to the role performed.

Then according to Orsi *et al.* (2017) <sup>[16]</sup> In his article, he wrote about the effectiveness of farmers' collective actions in increasing the quantity of production, production quality and profits. When there is a project implemented by government and non-government institutions together with farmer associations. The results of their research found that the role of associations by providing learning media, production and network support in realizing improved farmer performance was considered small. However, in contrast to the results of research conducted by (Fu & Li, 2019) <sup>[9]</sup>, they found that in order to maintain the intersectoral network of cooperating companies, it would be better to work with partners from non-governmental organizations.

From the book *The Logic Of Collective Action*, we can understand that collective action in groups can be effective and provide social incentives to group members. In addition, with joint action, it is hoped that they will be able to voice their rights so that they have a bargaining position because of the power they have. So they will collectively have the ability to lobby and negotiate. In addition, according to Olson, government intervention is still needed in terms of regulation.

Muhammad Hatta with his populist economic thought clearly put that to make the people's economy able to have a solid bargaining position is to carry out social transformation and economic transformation (Sritua, 2002) <sup>[20]</sup>. This strong bargaining position is in the context of the

people's economic relationship with modern economic actors. These two aspects are two things that must exist in a people's economy. According to Hatta, state sovereignty is based on the sovereignty of its people. Therefore, to build a people's economy, the right institution is a cooperative.

Several countries have proven that cooperative organizations have played a major role in their economy, such as China, Latin America, Eastern Europe, Slovenia, Brazil, Colombia, Costa Rica, Guatemala, and Mexico (Bontems & Fulton, 2009) <sup>[4]</sup>. In cooperatives when there is no income inequality, strong members are the most efficient agents and will do what is best for the cooperative and justice will limit distribution rules. Cooperatives can be used as an engine for rural development, where in the context of rural development small farming is very important. In order to secure the survival and independence of small producers, to become part of a larger cooperative-based supply chain network. Thus, cooperatives are seen as productive and competitive economic entities in agriculture, especially in relation to investment at the rural level.

### Social Capital in Cooperatives

Until now there has been no definite and formal consensus on the source of originality and the processes of formation of social capital, but there has emerged an understanding and mutual understanding between experts and researchers about the important role of social capital in the process of growth and development. Simply, (Bourdieu, 1986) <sup>[5]</sup> explains social capital as "Resource that results from social structure". (Putnam, 1993) <sup>[17]</sup> more detail reveals social capital, "Features of social organization, such as trust, norms (or reciprocity), and networks (of civil engagement), that can improve the efficiency of society by facilitating coordinated actions". Temporary (Fukuyama, 2001) <sup>[10]</sup> defines "Social capital is an instantiated informal norm that promotes co-operation between individuals. From the row of understandings above, the experts give varied meanings, but there is a common thread that can be drawn. In simple terms, social capital has important elements that refer to norms, trust, and network.

As a human based association, cooperatives certainly rely on social capital as a support for their survival. Social capital plays a significant role in the cooperative movement. This is not a figment. In the research conducted (Chloupkova, 2003) <sup>[6]</sup> entitled Building and Destroying Social Capital: The Case of Cooperative Movements in Denmark and Poland, informed that social capital had a major influence on the cooperative movement in Denmark and Poland. In this study, comparative data presents that participation in Denmark is twice as large as in Poland, and the level of confidence in Denmark (73.9%) is greater than in Poland (20.1%). The cooperative movement in Poland is not very developed, unlike Denmark, because in Poland the original accumulation of social capital was destroyed by the communist regime that had ruled there.

The important role of social capital in the progress of society can be seen from the essence of social capital which refers to the trust and norms of civil cooperatives which are essential for the community to function properly and are also important for economic progress for the community concerned (Alfitri, 2011) <sup>[2]</sup>. This shows that public trust is the key to the success of economic progress, cooperatives are the same. If the trust side of the community has been built, the cooperative movement will be easier to implement.

The main and most important element of social capital is trust. Or it can be said that trust can be seen as a necessary condition for the formation and development of strong (or weak) social capital of a society. Trust has the power to influence the principles that underlie social prosperity and economic progress achieved by a community or nation. Trust is the collective energy of the community or nation to overcome common problems and is a source of motivation to achieve economic progress for the community or nation (Hasbullah, 2006) <sup>[12]</sup>.

The collective energy of society or the nation as organic solidarity, or many adherents of the new economy have also mentioned as spontaneous solidarity. Trust is the collective energy of the community or nation to overcome common problems and is a source of motivation to achieve economic progress for the community or nation. This mutual trust grows and is rooted in the values inherent in the group culture. In line with this (Gambetta, 2000) <sup>[11]</sup> stated that various collective actions based on high mutual trust will increase public participation in various forms and dimensions, especially in the context of building mutual progress and especially progress in the economic field.

According to (Alfitri, 2011) <sup>[2]</sup> various collective actions based on high mutual trust will increase community participation in various forms and dimensions, especially in the context of building mutual progress. The basic philosophy of cooperatives is also to build mutual progress accompanied by collective action, so it is the obligation of cooperative members to trust each other with fellow members. In cooperatives, the terminology of management is known as the spearhead of the success or failure of a cooperative. In the management position, all the aspirations and mandates of the members are carried out. In this case, the management is required to be able to translate the voices of the members and apply them in concrete actions. Mutual trust is tested here, if the members fully trust the management as executor, the cooperative's mission can be more easily achieved. Learning from the cooperative vacuum period in the past, many cooperatives in Indonesia did not develop because of the disorientation of cooperatives, which in fact existed due to a top-down pattern, merely fulfilling government projects. A small example, the KUD phenomenon. The acronym was also played as Chairman Untung Duluan. This happens because cooperatives are not established to meet the needs of members but to fulfill the desires of the management or the pursuit of quantitative targets from the government.

With a lucrative pour of capital from the government, it is enough to shift a person's "faith". The important thing is that the cooperative is ready and there is a nameplate. It is wrong that the government did not want to review and evaluate this policy. In the end, there were many name-plate cooperatives with unclear origins. The lesson from this disaster is that there is no democratic space inherent in the establishment and sustainability of cooperatives. Cooperatives are only an elitist toy from their management, not even a few of the people who want to become cooperative members are even patented to remain as prospective members, even for life. It's funny, without thinking twice trust is impossible to find in a cooperative like this. If this is allowed to continue, the impact will be quite severe, the community will be skeptical and have a negative view of cooperatives. Viewing in general that all cooperatives are only tools to enrich the management. Talking about where the source of the trust

can come from is indeed quite interesting. Various views were present confirming the origin of this trust.

Among these many researchers point to networks as an important source of trust growth and loss. Referring to Nahapiet and Ghosal (Alfitri, 2011) [2], At the individual level, trust comes from values, including: religion or belief, one's competence, and openness.

The above has become the norm in society and is believed by someone. Trust at the level of social relations, is a collective attribute to achieve group goals based on the spirit of altruism, social reciprocity, and homo ets homo homini. At the level of social relations, the source of trust comes from social norms that are already attached to the social structure of the community (society/nation) which are bound by cultural values. This is mainly related to the compliance of community members with various mutual obligations that have become an unwritten agreement in the community. Furthermore, Wolfe (1989) quoted by Alfitri explains that the source of trust refers to norms. Especially in relation to the compliance of members to the group on various joint obligations that have become an unwritten agreement in the group. Wolfe's explanation is sufficient to trace how trust can be present in the cooperative movement. Cooperative members are voluntary and open, inclusive, but must comply with the norms or values inherent in cooperatives.

Basically, these values are not written down, but in its development the modern cooperative procession gave birth to ICIS (International Co-operative Identity Statement) which represents and upholds universal values such as: self-reliance, self-responsibility, democracy, togetherness, equality, justice and solidarity. These values are the legacy and tradition of the founders of the cooperative who believe in ethical values such as: honesty, openness, and caring for others/social responsibility. It seems that we not only have to remember, but also carry out these values collectively. This emphasis is a logical consequence of the cooperative movement, there is no other way. These seven values are prerequisites that must be carried out and carried out in order for trust to arise. The author will describe them one by one. The value of self-help is based on the belief that every human being must strive to change his life. Turning the page of history in 1844, when the oppression due to the capitalistic mode of production after the industrial revolution in England, there were 28 workers who fought hard to change their lives for the better. Together they build cooperatives to help themselves. Although at first their struggle got ridicule, but in the end the cooperative which they named The Rochdale Equitable Society, actually managed to grow and develop. It was at that point that the first milestone of cooperative self-reliance became apparent. Trusts emerge and grow among members, even the trust is "contagious" to the community around Rochdale. Members are also increasing, trust is multiplying. In a relatively short period of time, in 1860, the number of members of the Rochdale cooperative, which was originally only 28, increased to 3,450 people. Self-responsibility means that members accept responsibility for their cooperative as well as for themselves. All members are obliged to agree with this value, when someone has become a member of the cooperative consciously must be prepared because the responsibility will soon follow.

In contrast to a corporation, cooperative members have multiple roles. Apart from being the owner which of course has the effect of being an investor, in a cooperative,

members are both users and supervisors of the operation of the cooperative. Even the member of the cooperative needs to be a promoter for the cooperative. All cooperative members must have self-awareness in carrying out their responsibilities. In Durkheim's language, there needs to be collective conscience, namely the collective awareness of members that they are part of the group/cooperative. What unites the members is the feeling that the knowledge, ideas and roles of individuals will not produce significant benefits, from which the members of the cooperative will unite and work together. Furthermore, the value of democracy means that the implementation of cooperatives must be carried out democratically.

In determining the policy of the cooperative, all elements, be it members, administrators, supervisors, etc., must consult together. All policies are made and implemented in a deliberative manner. Then the value of Togetherness, meaning that the progress or decline of the cooperative is the result of a process carried out together. So that the cooperative does not recognize the term "I", but "we". Equality means that each member has the same position in formulating policies. In line with the previous value, democracy, in achieving this democratization process must be directly proportional to the value of equality applied in cooperatives. The cooperative does not recognize social background, religion, race, or position. While in corporations it is known as one share, one vote, which can lead to tyranny of capital, then in cooperatives it is known as the concept of one man, one vote.

Then the value of justice. Fairness in cooperatives means that each member is treated fairly according to the level of economic participation or services contributed. Cooperatives are not rigid socialism, which is always misinterpreted, equal, equal. Cooperatives place the value of distributive justice in accordance with the contributions of their members. This logic is constructed as a social engineering step that is inherently embedded in the identity of the cooperative so that the members, who are also owners, participate in building and developing their own cooperative. With the active role of members both on the business and social side, cooperatives can expand their benefits. This applies to every type of cooperative, be it consumer cooperatives, workers' cooperatives, or financial ones. The last is the value of solidarity or solidarity. The cooperative movement fosters a sense of solidarity among members as capital in building and developing their cooperatives. This solidarity is also a sub of social capital in cooperatives which can have an impact on reciprocity within its members, either directly or indirectly. Today we help, tomorrow, the day after tomorrow or any day we will be helped.

However, all actions in cooperatives are not solely based on narrow personal interests. Helping here is based on the nature of altruism without any negative tendencies, acting without over-behavior, not artificial, because the beginning of the establishment of cooperatives was trying to help each other. In other words, the nature of solidarity is inherent in the operationalization of cooperatives. The seven values above are a source of trust in cooperatives. When the Rochdale Cooperative was first founded, it was based on the spirit of these values. After the consistent application of these values, trust will present itself. The more it grows, the bigger it gets, social capital is nurtured and then grows and will undoubtedly produce the desired thing.

#### 4. Conclusion

Based on the explanation above, it can be concluded that collective action is an action taken together to achieve a common goal, but in the collective action itself there is a problem called the Free Rider. Likewise with cooperatives where the establishment and management are carried out together to achieve the desired goals together.

Social capital is a proponent of the cooperative movement. As an autonomous association of people who unite voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically managed enterprise, of course, cooperatives make social capital as the main capital.

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