

Productive Resources Management: How *Visiana Bhakti* Cooperative Samarinda Strives

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Abstract

This study examines strategies used by the cooperative to develop productive resources and how internal and external factors are identified to support the strategies. A qualitative case description illuminated factors the cooperative faced. The research was conducted in *Visiana Bhakti* Cooperative Samarinda Indonesia, involving 15 participants. An in depth interview, observation and document analysis were used as the sources of data. A hybrid of SWOT (Strengths, Weakness, Opportunities, Threats) analysis, External and Internal Factor Evaluation (EFE and IFE), was used to analyze the data. The findings show that the productive resources were developed to anticipate environment changes, compete with others, develop human resources, develop capital, cooperate with linkages, and build trust. Externally, competitiveness and literacy in technology were deemed the most essential for the sustainable cooperative. Internally, the objective of the cooperative and the amount of capital were dominant.

Keywords: *cooperative, productive resources, internal and external factors*

Introduction

This study explores strategies to develop productive resources managed by the savings and loans cooperative, *Visiana Bhakti* Cooperative of Television Station Samarinda Indonesia. It describes how the cooperative strives to diversify its business and the strategic plans for handling internal and external factors affecting performance of the cooperative.

Cooperatives have a significant role in developing the Indonesian economy by reducing poverty and unemployment and improving people's welfare (DeVillie et al., 2007); they contribute about 70% of the national agriculture output (ILO, 2012). Cooperatives can potentially increase economic well-being by fostering sustainable development at the community level (Yusuf, Ijaiya & Ijaiya, 2009).

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Subandi (2015, p. 158) argues the cooperative has three important roles in national development: as a mobilizer of the potential of weak economic classes, as economic institutions that are indispensable for most Indonesians, and as an equalizing agency in national economic development. Meanwhile, Norhatan (2014) and Movsisyam (2013) argue the cooperative movement is now the driver of development in regions of Indonesia. By 2012, there were approximately 192,443 cooperatives with more than 30 million members in Indonesia (ILO, 2012). The cooperatives enjoy support from local and central governments, and a minister of cooperatives oversees development (Ministry of Cooperatives and SME, 2014) by providing subsidies and soft loans to strengthen their competitive advantages (Sulastri & Maharjan, 2002; Movsisyam, 2013). Private banks are also involved in financing cooperatives, and private companies are encouraged to work with cooperatives. In 2000, cooperative organizations received IDR 1.8 trillion in government and private loans (Sulastri & Maharjan, 2002; Norhatan, 2014).

Most cooperatives in Indonesia are savings and loans cooperatives (Movsisyam, 2013; ICA, 1995). However, most cooperatives struggle to obtain credit, to develop additional knowledge and skills, and to improve economic prosperity (Norhatan, 2014).

The *Visiana Bhakti* Cooperative has recently begun to diversify its business to include the procurement of office supplies, hygiene kits, and daily drinks for members. It struggles with capital shortages, disputed needs, discouraged management, and limited facilities. Based on the above background, the research questions for this study are:

- 1) What strategies are used by the *Visiana Bhakti* Cooperative in developing productive resources at TVRI Samarinda?
- 2) How are external and internal factors that support and inhibit the *Visiana Bhakti* Cooperative identified?

Literature Review

Cooperative

Etymologically, cooperative means joint effort. “Cooperatives are autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise” (ICA, 1995;

Norhatan, 2014). A cooperative's main purpose is to meet members' needs, though they may achieve economies of scale by selling goods and services to non-members (Movsisyam, 2013). According to Norhatan (2014), cooperative management involves the annual general assembly, which includes the management, audit team, and committees. The general assembly, the governing body, must be called at least annually. In Bangladesh, India, Nepal, Fiji, Thailand, and Sri Lanka audits are done by the Department of Auditors or by qualified auditors appointed by the government. Auditors may, alternatively, be appointed by the general assembly or the cooperative union, as in Korea, Japan, The Philippines, Malaysia, and Indonesia.

Cooperatives emerged as early as the 1820s and flourished in the 1830s along with the industrial revolution (Trewin, 2004). The cooperative movement in Indonesia began in the late nineteenth century and was initiated by Aria Wiraatmadja. Firstly, cooperative in Indonesia was founded by a mayor of Puwokerto under Dutch colonial rule in 1896 (Mohd. Azhari, et al., 2017) to create a savings and loans cooperative for the agricultural sector to protect citizens from being trapped by usurers (Ahsan & Nurmaya, 2016). Further movements were established by *Boedi Oetomo* (1908) and *Syarekat Islam* (1911) (Mohd. Azhari, et al., 2017). After independence in 1945, cooperatives were explicitly incorporated as the basis of a nation-based economy in Article 33, Paragraph 1 of the 1945 Constitution. The cooperative movement progressed in the twentieth century with housing and trade cooperatives (ICA, 2013; Galor, 2013). In 2016, there were 212,135 cooperatives in Indonesia with a total membership of 37,783,160 (Ministry of Cooperatives and SMEs, 2016; Dunggio & Yasra, 2016).

Cooperatives in Indonesia are characterized by "*gotong-royong*" (Bowen, 1986; Norhatan, 2014), which means "mutual assistance", "mutual cooperation" and "voluntary effort" to achieve collective benefits (Norhatan, 2014). Cooperative values such as "*musyawarah*" are foundational in Indonesian culture; *musyawarah* encourages dialogue and compromise to reach fair decisions (Bowen, 1986). Cooperatives must uphold *gotong-royong* and *musyawarah* to encourage solidarity among community members in achieving mutual benefit (Norhatan, 2014).

Today, however, savings and loans cooperatives are facing serious and fundamental problems (Galor, 2013) including problems with basic concepts such as the cooperative's nature and aim

and its structure and principles of operation; there are also severe problems with management and the ability to develop and initiate projects to increase revenues (Mohd. Azhari, et al., 2017). Globally, though such cooperatives often fail to satisfy their members' needs, members and administrators are rarely able to comprehend the problems in question (Galor, 2013). Cooperatives also face problems with human resources, lack of participation, inadequate mastery of technology, and distrust of the community (Mohd. Azhari, et al., 2017).

The role of cooperatives

Cooperatives play the largest role in national businesses in Indonesian socioeconomic life (Hamid, 2005, p. 43; Damanik, 1986), and they have a strong impact on the national economy and manpower (Mohd. Azhari, et al., 2017; Norhatan, 2014). By 2015, there were 186,100,917 working people in Indonesia, though cooperatives employed only 574,451 people, or 1% (Mohd. Azhari, et al., 2017).

Capital, profit earned, and business volume for cooperatives from 2010 to 2015 appear in Table 1.

Table 1

Capital, profit and business volume of cooperative 2010-2015.

No	Year	Capital	Profit Earned (Trillion IDR)	Business Volume
1	2015	242.4	17.3	266.1
2	2014	200.6	14.8	189.8
3	2013	170.3	8.1	125.5
4	2012	102.8	6.6	119.2
5	2011	75.4	6.3	95
6	2010	64.7	5.6	76.8
		856.2	42.7	872.4

Factors Affecting Human Resources

Internal and external factors affect human resources (Suciati, 2015; Kangas, et al. 2016). Internal factors refer to the aspects of the cooperative's organization and external factors are influences from the wider environment, as summarized in Table 2.

Table 2
Internal and external factors affecting human resources

No	Internal factors	External factors
1	Mission and objectives of the organization	Government policy
2	Goal achievement strategy	Culture
3	Nature and type of activities	Development of science and technology
4	Type of technology used	Competition among organizations

Method

Approach

This qualitative study explores how the *Visiana Bhakti* Cooperative develops productive resources. The observation-based interviews were employed inductively. Based on document analysis, the interviews were specifically developed to interrogate documented information. SWOT analysis was used to process the data.

According to Kangas et al., “In a SWOT analysis, the internal and external factors most important for the future success of a company (or any decision maker) are grouped into four categories: strengths, weaknesses, opportunities and threats” (2016). This study focuses on the cooperative’s competency to anticipate environment changes, compete with others, develop human resources, develop capital, cooperate with others, and develop trust.

Participants

This study involved 15 participants: 8 current managers and 7 are former managers. These were selected based on their understanding of the Cooperative’s problems. Thus, purposive sampling was used, as is common in qualitative research; this non-random sampling method is tailored to the purpose of the study. Selection criteria identified participants who were experienced in cooperative management, active members of the cooperative, and always present at member meetings.

Data sources

Data for this study came from the *Visiana Bhakti* Cooperative and included an overview of the cooperative’s organizational structure and the duties of the managerial board and supervisors. Primary data were collected from the entire community of the Cooperative, and relevant official and unofficial documents were analyzed. Additionally, results of interviews with participants were

recorded. Secondary data were obtained from several sources: reference books, journals, annual and monthly reports, and evaluations.

Data collection and data analysis techniques

Data on perceptions of the cooperative were collected using observations and interviews. Document analysis was undertaken prior to and after interviews. Leaders and members of were observed, and archival records and physical artifacts were collected. Participants were interviewed, and followup interviews were conducted for seven participants to verify their practices and perceptions of the cooperative's appropriate role.

Data were processed as follows. First, interviews were audiotaped and transcribed verbatim using qualitative techniques. The transcriptions were coded, themes were identified, and the results were checked for validity (Miles and Huberman, 1994). Themes and sub-themes were provided in followup member checks. Second, the observations and field notes provided the necessary material for data validity measures. Third, followup interviews were set in accordance with the results of pervious steps. Transcripts, codes, and themes were provided to participants for followup interviews to ensure the authenticity and validity of data (Carpenter, 2015, p. 468).

The hybrid methods that combine SWOT and EFE/IFE adapt a study by Kangas et al. (2016, p. 1) and proceed as follows:

- 1) The SWOT analysis is carried out and relevant external and internal factors are identified.
- 2) The relative importance of the SWOT factors is determined separately within each SWOT group. Criteria of internal and external factors and their comparison principles are applied.
- 3) The relative importance of the SWOT groups is determined.
- 4) The decision alternatives are evaluated with respect to each SWOT factor according to the comparison rules of the applied EFE/IFE method.
- 5) Global priorities may now be calculated for the decision alternatives in accordance with the EFE/IFE aggregation techniques.

Specifically, the analysis adapts Purnomo & Zulkiflimansyah (1999, pp. 50-53) as follows:

- 1) The EFE matrix was positioned in a column with opportunity and threat in a matrix. A list of

important factors from the external environment that showed the opportunity and threat for the cooperative is made.

- 2) The IFE matrix was positioned on the line with strengths and weaknesses. The important factors of the internal environment showing the strengths and weaknesses of the cooperative are identified.
- 3) The SWOT/ TOWS matrix consists 8 stages, and is modeled in Table 3:
 - a. Create a list of organizational external opportunities
 - b. Create a list of external threats to the organization
 - c. Create a list of internal strengths of the organization
 - d. Create a list of internal weaknesses of the organization
 - e. Match internal forces and external opportunities and record results in the SO strategy cell
 - f. Match internal grievances and external opportunities and record results in a WO strategy cell
 - g. Match internal forces and external threats and record results in the ST strategy cell
 - h. Match internal weaknesses and external threats and record results in the WT strategy cell.

Table 3

Matrix of SWOT analysis (adapted from Salusu, 2003, p. 356).

EFE IFE		Opportunities – O Administer external opportunities of the organization	Threats – T
		Strength – S Administer internal strengths of the organization	Weakness – W
		Strategy SO	Strategy ST
		Strategy WO	Strategy WT

Results

This study contributes two findings: strategies used by *Visiana Bhakti* Cooperative to develop productive resources and results of SWOT analysis in implementing the strategies. The first findings deal with the ability to anticipate environment changes, compete, develop human resources, expand capital, cooperate, and develop trustworthiness. The second findings describe strategies identified from external and internal factors using SWOT Analysis.

Ability to anticipate environment changes

Changes of management in the *Visiana Bhakti* occurred due to the members' and management's

desire for diversification. Our study shows that to anticipate environmental changes, the Cooperative innovates and increases its services. First, it varies its products (stationery, beverages and food) and services (desk chair rental). Second, the cooperative provides services to members' households by developing partnerships with various local businesses, including the *Matahari* department store and a cleaning service.

The Cooperative's work highlights how change is managed through diversification, partnerships, and internal communication. Its strategies include:

- Supporting parties in becoming self-employed.
- Educating members on the background, purpose, and effect of the Cooperative's changes.
- Encouraging members to participate decision-making processes.
- Negotiating with parties opposed to change to reach a compromise (Interview, 16 August 2017).

Ability to Compete

Competition is related to external factors and should be anticipated. It must be fairly maintained using the right strategies and transparency (Interview, September 7, 2017). Our findings show cooperative management must be professional, transparent, and programmatic to face competition. *Visiana Bhakti* develops fair competition with other cooperatives professionally and openly, while the manager carefully develops cash flow and expansion (Interview, August 21, August 25, and August 23, 2017). The Cooperative's financial statements facilitate communication of financial data with concerned parties. The manager said:

In my opinion, the development of cooperative competition can be done by observing other cooperatives that are operating around and outside the environment. For example, the establishment of Ar-Rahman cooperative in Griya Asri TVRI Housing affect the membership and deposits. Some members of the cooperative *Visiana Bhakti* register as double membership in *Visiana* and in *Ar-Rahman* and moved their deposit to *Ar-Rahman*. (Interview, August 27, 2017).

Ability to Develop Human Resources

Interviews revealed human resources are the main drivers in the Cooperative's management and development efforts:

To develop human resources, the board actively involves members through continuous and ongoing education and training so that they are more professional and able to keep up with developments. Every year, we send 2 people for training on cooperative management at East Kalimantan Provincial Cooperation Office. (Interview, August 29 and September 7, 2017).

Education and training provide the following benefits:

- Improving the organization of annual member meetings.
- Training in using technology.
- Foreign language training to improve communication.
- Financial management workshops on preparing statements and recordkeeping.
- Training in managerial skills.
- Comparative studies to broaden knowledge.

In training, the Cooperative uses the principle of mutual cooperation and is focused on “becoming a strong economic teacher and able to provide prosperity for members and society”:

To improve the quality of human resources, cooperative management organizes education and training in collaboration with City and Provincial Cooperatives Department, such as managerial skills training to reduce the needs of accountant services and transaction processing. (Interview, August 25 and August 29, 2017).

Another member of the board says:

In my opinion at the moment, the board of the *Visiana Bhakti* Cooperative has been trying to provide good service to its members. The members are given more opportunity to have training on cooperatives because the board should know more on cooperative. (Interviews, August 21 and 25, 2017).

Ability to Develop Capital

The capital of *Visiana Bhakti* Cooperative comes from members (staple savings, mandatory deposits, and voluntary deposits) and state banks –BNI 46 and *Mandiri* bank. Venture capital is increased through mandatory savings. The management said:

Visiana Bhakti Cooperative develops business capital through members and the cooperative itself. Cooperative management can identify the collective needs of its members and promote member economic enterprises. This means that cooperatives can increase their selling power. (Interview, September 7, 2017).

This quotation suggests the Cooperative manager coordinates and or executes venture capital. Table 4 shows the distribution of members' dividends based on their savings.

Table 4

Distribution of Dividends as of December 31, 2016.

No	Total saving of the members in IDR	F	%
1	5.009.232,04 - 6.244.0039,04	6	4,110
2	3.744.424,03 - 5.099.232,03	27	18.493
3	2.539.616,02 - 3.744.424,02	61	41.781
4	1.304.808,01 - 2.539.616,01	21	14.384
5	70.000,00 - 1.304.808,00	31	21.232
Total		146	100

According to Table 4, the average deposit is Rp 2,784,886, and the total savings, as of 31 December 2016, is Rp 400,508,987. Table 5 compares the capital in 2016 to that in 2014 and 2015.

Table 5

Comparison of 2014, 2015 and 2016 Capital Cases.

No	Member savings	2014 (IDR)	2015 (IDR)	2016 (IDR)
1	Deposits	7.600.000,00	7.600.000,00	7.250.000,00
2	Mandatory Deposits	248.527.131,00	273.152.631,00	275.235.000,00
3	Voluntary savings	106.617.535,00	117.198.069,00	118.023.987,00
4	Donation	N/A	6.935.000,00	N/A
Total		362.744.666,00	404.885.700,00	400.508.987,00

Ability to Cooperate

Visiana Bhakti Cooperative collaborates with BNI 1946 and *Syariah Mandiri* Bank based on three main principles: balanced division of labor and benefits; principle of transparency; and principle of equality between partners (Interview, August 16, 2017). The collaboration benefits the Cooperative as each member pays the mandatory savings through the banking system. However, some dislike this system, as noted below:

I have a poor experience regarding the payment of mandatory savings. I think the system is not quite good. I am disappointed, so I also register as a member of other cooperative. (Interview, August 27, 2017)

Though the collaboration offers the benefit of a long-term transparent financing system, owing to the system's problems, the cooperative struggles to maintain this collaborative relationship.

The Ability to Build Trust

Trust is important in encouraging cooperative behavior and facilitating innovation. Reciprocal trust between members and the management can be realized through maximum service to members and ensuring all members feel a sense of justice. Trust is also built through financial transparency and the presence of auditors (Interview, August 21, 2017).

Trust in the *Visiana Bhakti* Cooperative is built on the basis of honesty, fairness, transparency, accountability, and professionalism. Annual member meetings build trust and trust among members increases confidence, thereby reducing suspicion and costly monitoring processes. The management said:

Building trust in cooperatives must be done through integrated supervision. This requires cost. Cooperatives also require venture capital, for that there must be an increase in savings [from] cooperative members. Wow the increase of compulsory member saving has been done as much as 2 times. (Interview, 7 September 2017).

Analysis of Internal and External Factors

External Factors

Table 6 shows the results of EFE are based on elements of opportunity for and threat to the *Visiana Bhakti* Cooperative.

Table 6
External factors of opportunities and threats

No	Opportunity	Threat
1	Law No. 25/1992 on cooperatives	No assigned manager in the organizational structure of the <i>Visiana Bhakti</i> Cooperative
2	<i>Visiana Bhakti</i> Cooperative has a Board: Decree Number 878/ BH/ PA9/ KWK.17/ IX/1997	Banking with big capital
3	Government assistance for cooperative facilities and infrastructure	Competition of fellow cooperatives in TVRI
4	Cooperation with internal institutions and banks	Negative perceptions of cooperatives

5	Alleviate employees' burdens during economic crisis	The absence of government employee revenue in TVRI
6	Cooperative development policy	
7	Public perceptions about cooperative savings and loans	
8	Diversification of business	
9	Training for members	

Internal Factors

The IFEs refer to the strengths and weaknesses within the cooperative, as described in Table 7.

Table 7

Internal factors: strengths and weaknesses of the Cooperative

No	Strengths	Weaknesses
1	Cooperative facilities and infrastructure: warehouses, roads to cooperatives, air conditioners, computers, office furniture	Membership is reduced when members reach retirement age
2	Standard organizational structure	Cooperative advisors do not participate
3	Members' annual meeting	Weak internal control
4	Organizational coordination is in progress	Limited education and training
5	Considering competition strategy	Still using services from outside parties
6	Fostering relationships with members	Suboptimal use of assets
7	Sufficient human resources	
8	Adequate finances	
9	Increasing mandatory deposits	

In the in-depth analysis, the EFE and IFE are combined into contingency tables containing SWOT matrices consisting of SO strategies, ST Strategies, WO Strategies and WT Strategies, see below.

Table 8

Strengths and weaknesses strategies

No	Internal Factors-Strengths (S)	No	External Factors-Weakness (W)
1	Facilities and infrastructure	1	Decreasing membership following retirement
2	Organizational structure	2	Cooperative advisors do not participate
3	Members' annual meeting	3	Weak internal control
4	Organizational coordination	4	Limited training
5	Consider the competition strategy	5	Using third-party services
6	Good relationship with members	6	Suboptimal use of assets
7	Adequate human resources		
8	Satisfactory finances		
9	Mandatory deposits must be increased		

The SWOT Analysis Matrix through the summary of the contingency table appears in Tables 9 and 10.

Table 9
SO Strategies

	Opportunity (O)		Strategy SO		Strategy WO
1.	The Law RI No. 25/1992	a.	Integrating all components: Department of Cooperatives, Banking, Partners	a.	Provide opportunities and expand cooperation with relevant institutions to improve the quality of human resources
2.	Decree No. 878/BH/PAG/KWK 17/IX/1997	b.	Involve supervisors in monitoring credit	b.	Optimize training for members
3.	Government aid for infrastructure and facilities	c.	Increase member participation through health care services	c.	Improve the business by optimizing available facilities
4.	Cooperation with internal and external institutions	d.	Continually monitor cooperative's needs	d.	Evaluate organization's work teams
5.	Increase civil servants' income				
6.	Cooperative development policy				
7.	Perceptions of savings and loans cooperatives				
8.	Diversifying business				
9.	Organize training and workshops				

Table 10
ST Strategies

	Threats (T)		Strategy ST		Strategy WT
1.	No manager in the organizational structure	a.	Giving rewards for voluntary savings	a.	Proactively coordinate between organizations
2.	Banking with big capital	b.	Innovation in the provision of credit packages according to members' needs	b.	Increased promotional activities through TVRI station
3.	Competition with Cooperatives in TVRI	c.	Establish a business network in the same field as outsiders	c.	Provide flexibility to members after retirement
4.	Negative perceptions of cooperatives	d.	Address the dependency on venture capital		
5.	No acceptance of civil servants in TVRI				

Notes:

SO Strategy: Harness the power and fill the opportunities; WO Strategy: Overcome weakness and fill opportunities; WT Strategy: Overcome weaknesses and face threats; ST Strategy: Harness the power and defeat the threat

Discussion

Visiana Bhakti Cooperative's strategies for developing productive resources are measures of its performance. Yustika (2007, p. 182) confirms that it functions as a small to medium sized business, and like other potential cooperatives, it requires government support (Yusoff & Febrina, 2014; World Bank, 2013; Francescone, 2015). Furthermore, both internal and external factors affect members' participation (Suciati, 2015; Friedman, 1992). Likewise, Yusuf, Ijaiya & Ijaiya (2009) suggest that internal factors affecting the development of a cooperative include mission and objectives, strategy, nature and types of activities, and technologies used. The external factors affecting development include government policy, development of science and technology, and competition (Norhatan 2014).

Ability to Anticipate Environmental Change

The *Visiana Bhakti* Cooperative anticipates environmental changes through increasing diversification, communication, and participation as well as by establishing relationships with outside parties. Our findings support the studies of Suciati (2005), Movsyisyam (2013), and Ahsan & Nurmaya (2016); we found that internal and external factors play strategic roles in cooperatives. External factors have more power than internal forces. External forces affect savings and credit for businesses where transactions are characterized by mutual need and trust (Mohd. Azhari, et. al., 2017).

Subandi (2015) argues that in the future a cooperative should have the ability to anticipate trends of environmental change, emphasizing that internal strength should take precedence. Cooperatives should conduct research on the impact of change (ICA, 2012). Optimally, management should work professionally, understand business concepts, and provide opportunities for capital owners to work together (Mohd. Azhari, et. al., 2017).

Ability to Compete

Competition should be fair, and communication, financial and otherwise, should be transparent and constructive. *Visiana Bhakti* uses an accountant to prepare financial statements, thus enabling transparent financial reporting.

Competitiveness of small-scale enterprises in the global market (Budiarto, et. al, 2015, p. 6-7; Dunggio & Yasra, 2016) has grown and supported cooperation between small and large businesses. According to Budiarto et al. (2015) and Galor (2013), the global economy encourages changes in economic actors' behavior that increase use of competition to improve bargaining power.

Ability to Develop Human Resources

The highest priority of *Visiana Bhakti* Cooperative is to develop human resources and workforce management. Our findings show that leaders regularly undertake training toward these ends: e.g., financial management workshops, managerial skills. Organizations benefit from developing a commitment to action and participation, triggering new thinking regarding human resources, educating participants, and defining opportunities and threats to human resources' ability to achieve objectives. Education and training improve members' empathy with one another and increase their commitment to the cooperative so members can work together to achieve common goals.

Areros (2006, pp. 345-347) states that training can help cooperative managers understand operations and encourage meaningful participation. Ekaningsih (2013, pp. 202-203) asserts education and training have a significant effect on improving resources by making members and management more skilled and responsible. Though training is a short-term investment, development is a long-term investment of human resources (Rahman, 2010, p. 20).

Ability to Develop Capital

Building capital would accelerate *Visiana Bhakti* Cooperative's development. Its capital consists of principal savings, mandatory savings and voluntary savings. Mandatory savings have increased by up to 250%, which increases the flow of funds in the long run.

Additionally, the Cooperative receives capital from BNI 1946 and *Syariah Mandiri* Bank. These funds allow the cooperative to increase the numbers of loans and borrowers to increase profits.

Since capital development is management's responsibility, they must cooperate with other sources

of capital. However, there is no clear separation of responsibilities in the cooperative's management. Sections for accounting, financing, cash receipts, and cash disbursements are not separated, making the internal controls weak. Furthermore, the Cooperative's supervisor affirms communication between the board and supervisors is still weak, which negatively effects trust.

Galor (2013), Movsisyam (2013), and Friedman (1992) suggest trust is the most important element when seeking credit. To improve trust, the 7Cs are used train employees and members: character (regarding past financial transactions), capacity (ability to repay the loan), capital (available funds), collateral (security guarantee), conditions (both general economic and sector specific conditions), competence (able to understand and enter into credit agreements), constraint (any obstacles that prevent repayment) (Rahman, 2010; Salusu, 2003).

Ability to Cooperate

Birchall (2004) argues that to effectively steer socioeconomic development, the cooperative must involve community members in organizing, coordinating, and managing development programs. Participation will enhance cooperatives' potential (Ighomereho, Dauda, & Olabisi, 2012).

Visiana Bhakti Cooperative collaborates with internal and inter-institutional organizations to increase capital to supplement members' savings. Savings are limited because only mandatory savings can be developed by management.

Our findings show the Cooperative empowers its members by providing loans. It also provides training in entrepreneurship and business management, as well as sustainable collaboration with various parties, including related government institutions. Subandi (2015, p. 157) affirms that collaboration either with government or other parties, should involve exchange between experts or management education and training. Rahman (2010) suggests seven reasons cooperation with the government should work:

- 1) parties working with government can form a larger force that mitigates an institution's limitations.
- 2) parties working together can achieve more.
- 3) parties working together can be more empowered and have a

better bargaining position regarding various strategic issues.

- 4) parties working together can minimize or prevent conflict.
- 5) each party feels more justice because transparency means each has equal access to information.
- 6) each party will select sustainable areas for cooperation.
- 7) cooperation can reduce regional ego to realize the vision of advancing the region together.

The Ability to Build Trust

Trust and fidelity in the *Visiana Bhakti* Cooperative are maintained through optimal service to members, professional business management, and integrated supervision. As a saving and loans cooperative, it improves members' welfare and access to resources. Thus, members of the cooperative receive quality services through credit, and they can participate in the Cooperative by becoming permanent members in other businesses undertaken by the cooperative.

Duvianto (2013) confirms our findings. Internal controls as part of managerial supervision are still weak due to the absence of strict or clear job descriptions for each member of staff. In addition, there is no serious security concerning the collection of accounts receivable, and the balances of receivables in the financial statements have not been presented reasonably.

Subandi (2015, p. 159) affirms a cooperative can achieve an optimum level of development if its managers adhere to business protocols. Trust encourages cooperative behavior and facilitates the development of new associations and innovations (Fukuyama & Weber, 1995). Where there is a high degree of confidence, people are more willing to take risks (Birchall, 2004). Trust and trustworthiness (Doody, 2013) are factors in choosing connections.

Conclusion and Implications

In summary, the evidence shows that *Visiana Bhakti* Cooperative strives to manage its capital through diversification. Internal and external factors are analysed to control and monitor decision making. Specifically, strategies to develop productive resources include access to credit, education, and training; access to internal and external agency collaboration; and cooperative development policy. The Cooperative emphasized effective strategies, human resources

development, collaboration with donors, and innovation.

The external factors providing benefit for the management are Law no. 25/1992 and Decree No. 878/BH/1997. Management can procure facilities and infrastructure, while cooperating with internal and external agencies to help employees economically, diversification, and organizing management. The internal factors from which management can benefit include organizational structure, annual member meetings, competition strategy, members' solidarity, adequate human resources, adequate financial balance, and mandatory savings that always increase.

Despite limitations in scope, this study has three implications. First, cooperatives need greater specificity regarding roles, responsibilities, and tax advantages. Second, special educational programs should be developed specifically for cooperatives. Third, members must contribute common equity for the cooperative to remain viable and gain support from donor organizations (Norhatan, 2014).

Suggestions include: to achieve optimal results, local government should give its full support to emerging cooperatives; to facilitate access to resources, partnerships with *Syariah* financial institutions must be clearly stated; to increase profits, design a variety of credit packages; and to empower human resources in financial management and financial statements, improve training.

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