

THE ROLE OF SOCIAL ENTREPRENEURSHIP THROUGH COOPERATIVE ORGANIZATIONS AS A SOCIO-ECONOMIC SYSTEM

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Abstract

This study aims to understand the role of social entrepreneurship through cooperative organization as a socio-economic system. The approach used is descriptive qualitative. This study takes a cooperative in the city of Bandung as unit of analysis. There are two types of data used, namely primary and secondary data. The collection technique for primary data is carried out through in-depth interviews with management, cooperative supervisors, and members. Meanwhile, secondary data is obtained from reports on the results of annual member meetings. This study is also enriched with information on the results of community service activities regarding social entrepreneurship. The results of the study show that a well-managed cooperative will provide sustainable socio-economic benefits for its members. Kopsyahmas cooperative as the object of this research not only contributes in providing economic benefits, but also social benefits for its members, even for non-member communities. The role of social entrepreneurship through cooperative organizations includes the establishment and growth of several new micro-entrepreneurs initiated through the distribution of business loans for the community members of the cooperatives. The existence of this cooperative has also reduced the number of people who take up loans from moneylenders. In addition, various social activities have been carried out by this cooperative through compensation and ta'awun for the community in its environment.

Keywords: Cooperatives; social entrepreneurship; socio-economic system

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I. Introduction

There are many socio-economic problems happen in society that need to seriously pay attention to, and it is the obligation for those who understand these problems, either institution, government, and other related institutions to care and provide solutions to

these problems so that people can get a better life.

Social problems such as underdevelopment of knowledge, economic weakness, and health that indicate poverty occur in people's lives in rural and urban areas are a shared responsibility to find solutions for. These problems are difficult to overcome if the

solutions are only done individually. Therefore, a joint effort is necessary to find the best solution and make people's lives better. This means that there needs to be integrated activities carried out by the community, institutions, and the government through policies to achieve improvements towards the socio-economic welfare of the community.

Cooperatives are a business entity and at the same time people's economic movement which is expected to take part in improving the social and economic welfare of its members in particular, and the community in general ([Díaz de León et al., 2021](#); [Karaphillis et al., 2017](#)). The existence of cooperative gives real hope to contribute to restoring and even improving the socio-economic welfare of the community ([Camargo Benavides & Ehrenhard, 2021](#); [Effiom, 2015](#); [Medina-Albaladejo & Pujol-Andreu, 2021](#); [Risal, 2021](#)). In reality, the formation of cooperative organizations in the community is not all successful; there are also cooperatives that fail in their operations. However, the management factor is one of the main determinants of the failure or success of a cooperative ([Nwankwo et al., 2012](#)). Mostly, the failure of cooperatives is caused by the inability to manage ([Messabia et al., 2022](#); [Mhembwe & Dube, 2017](#)). Conversely, well-managed

cooperatives have succeeded in growing, developing and contributing significantly (positively) to the recovery and improvement of their economic and social welfare.

Among all business organizations, cooperatives are the most capable of reaching low-income groups ([Majee & Hoyt, 2011](#)). People who join cooperative organizations are expected to be able to help themselves to get a better socio-economic life ([Murillo de Oliveira & Rodrigues, 2018](#); [Ogunmuyiwa, 2021](#)). Only those who have something to collect or synergize; who are willing to develop the skills, discipline and confidence needed to work together in groups; and are able to manage their interests can improve their lives by self-organizing through cooperative means ([Amin & Uddin, 2014](#); [Munkner, 2001](#)). Therefore, entrepreneurship is a strong spirit in managing cooperative organizations as a socio-economic system.

The sharia cooperative being studied is a form of cooperative as a business entity that must be managed professionally, yet focuses on having social responsibility. Social entrepreneurship is the spirit to provide value to society by applying entrepreneurial principles ([Pambudi, 2010](#); [Qalo, 2011](#)). Cooperatives are ideal business entities for social enterprises ([Defourny & Nyssens,](#)

2013; Figueiredo & Franco, 2013), where all members become shareholders and all receive dividends if there are profits or residual profits distributed; likewise, decisions in cooperatives are also made jointly.

Understanding the existence of cooperatives, in this case sharia cooperatives, makes the author feel interested in further exploring the role of social entrepreneurship through cooperative organizations as a socio-economic system.

Methodology

This research uses a qualitative approach, in which the authors collect data to explain the field problems revealed. This study takes the unit of analysis of sharia cooperatives, namely the Hayatussunah Masjid Sharia Cooperative (Kopsyahmas) Mungsolkanas in Bandung City, Indonesia. There are two types of data used in this study: primary and secondary data. The collection technique for primary data was carried out by in-depth interviews through focus group discussions with the management, supervisors, and cooperative members. Whereas, secondary data is obtained through documentation, namely reports on the results of annual member meeting. This study is also enriched with data from community service activities

held in collaboration with Kopsyahmas regarding social entrepreneurship.

II. Discussion

Cooperatives as a Socio-Economic System

The life of densely populated urban communities with most of them living in narrow streets or alleys should become a concern, which is by taking notice of their socio-economic conditions. There are moneylenders who offer money lending services to the community, either in rural and urban areas, with the reason that the community needs economic strengthening and they offer loans in the easiest way possible but with a loan repayment system that is very burdensome for the borrowers.

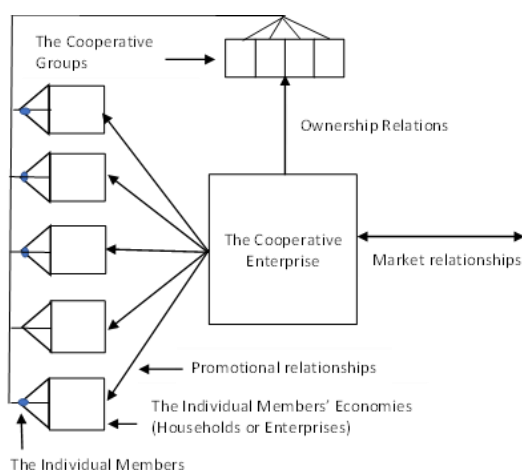
Such society with a small-scale economic condition has also long existed in Indonesia; it was since the colonial era to be precise. Some people were bound by debts and credits to certain people who mostly lived by lending money out to the public on a ten-twelve basis rate interest. If someone owes f.10 (f for "Florence" which means "rupiah" during the colonial era), the debt is paid after a week with f.12,-. If after a week he cannot provide f.12, - it is enough for him to pay the interest of f.2 ,- every week, whatever the length. The debt must be paid off; if he pays the debt at once by giving f.12, - and even

then his debt will never be paid. By paying weekly interest of f.2,- he remains in debt for life. In that small-scale economy, it is impossible for people to get a better life on their own. In such circumstances, it is hard to lift people's economy. To be free from debt and hard pressure of economic conditions and also get a better life, Bung Hatta believed that people's economy of Indonesia should be structured as a joint effort based on cooperatives. With cooperatives, the focus is placed on joint efforts where people learn to know themselves and believe in themselves, learn to carry out "self-help" and auto activity along with solidarity, friendship and mutual assistance ([M Hatta & Atmadi, 2004](#)).

Cooperatives are autonomous organizations. They exist in a socio-economic environment and economic system which enable each individual and group of people to formulate their goals autonomously, and to realize those goals through economic activities carried out together ([Billiet et al., 2021](#); [Hanel, 1989](#)). Cooperative organization as a socio-economic system can be seen in Figure 1. It is stated that the main relationships between the elements of cooperative organization consist of individual members, the economic activities of the members, cooperative groups, cooperative enterprises, and cooperative

organizations as a socio-economic system. It is further explained that: (1) Individuals or individual members are actors who will determine the development of the cooperative. These actors or members are owners of cooperatives who also receive services from their cooperatives; (2) Member's business or business activities, i.e. members have concrete productive activities and earn income. Both conditions should be met so that members are able to capitalize on the cooperative and become customers of their own cooperative; (3) A cooperative group is a group of people or individual members formed as they are united by at least one or several interests or common goals. The basis of togetherness to form this cooperative group is solidarity. Solidarity aspect is the potential competitive advantage of cooperatives which forms basis of members' belief that their goals will be achieved through solidarity, cooperation, and mutual assistance ; (4) Cooperative company, it is a company or cooperative business unit that becomes a vehicle or entity of a joint business permanently established to meet the needs of members; (5) Member promotion relations, namely the idea of cooperatives referring to member promotions; it is an effort to promote the welfare of member communities; and (6) Relations with external environment, namely the notion of cooperative

organization as a socio-economic system, having a market-oriented of open economic system so that cooperatives will be related to the supra-system of the external environment which determines the success of cooperatives, such as the competitive environment (market), government through its policies, culture, and so on. Cooperatives not only produce economic benefits for their member communities, but also provide social benefits.



Picture 1

The Cooperative Organization as a Socio-Economic System.

Source: (Hanel, 1989)

Cooperatives belong to the people they serve. Owners and users of services produced by these businesses are the same person (Roepke, 1995). This means that cooperatives with savings and loan units as their main business are cooperatives owned by the loan applicants (Frank et al., 2015). Therefore, an evaluation should be carried out on the loan applicant members (Song et

al., 2017). The trick is: (1) use the information to clearly identify the existence and characteristics of members, (2) make provisions for cooperatives to strongly motivate cooperative members who take out loans to fulfill their obligations. Cooperative losses caused by members not fulfilling their obligations are self-defeating since the loans are actually their own funds, considering that members are customers and at the same time owners of the capital of cooperative. Cooperatives with a savings and loan main business unit have to compete with two main groups, namely actors in the informal financial market (moneylenders) and formal financial institutions (Guzman et al., 2020).

The Role of Social Entrepreneurship through Cooperative Organizations

Since its establishment 14 years ago until now, Kopsyahmas as a mosque-based sharia cooperative has made a real positive contribution to the surrounding community. Nevertheless, efforts to manage this cooperative in a better and sustainable direction must continue. Although there has been a Covid-19 pandemic since the beginning of 2020 until now, this cooperative has never stopped operating at all; they continue to carry out activities or programs they have planned with operationalization that takes into account the health protocols set by the government. This

means that the management of this cooperative continues to be carried out without skipping the planned activities of the cooperative that have been set before.

Kopsyahmas is a sharia cooperative, and currently the management of the cooperative is chaired by a woman. However, to the author's knowledge, there has been no research that specifically examines whether the management of the Kopsyahmas chaired by a woman plays a significant role in the success of this cooperative in the community. However, from the results of observations in the field, this cooperative is considered by the author to have contributed significantly, especially to the community members of the cooperative. Even though in general there has been economic downturn due to Covid-19 and economic situations that have not fully recovered, the overall financial condition of Kopsyahmas is in a positive condition, i.e. not losing money, although there has been a decrease in the remaining operating income (SHU), but the amount is not significant (Results Report of Annual Member Meeting (RAT) in January 2022.

Various socio-economic problems in the surrounding community, such as problem of economic failure which shows an indicator of poverty and causes other social problems in the community, are one of the reasons for

the establishment and management of this cooperative, namely to contribute to solving various socio-economic problems in the community.

The role of Kopsyahmas in implementing the concept of social entrepreneurship can be seen in some of their programs, including the establishment of a financial service unit for members in need. Since cooperatives are founded by members and are intended for members, the members then contribute in the form of principal, compulsory, and voluntary savings. For this cooperative, as of December 31, 2021, the amount of voluntary savings is 55 times greater than the principal savings, and the amount of voluntary savings is 3 times greater than the compulsory savings. The amount of this voluntary savings also comes from members who are economically able to provide their voluntary savings, so that cross subsidies can be applied from other members.

The willingness of members who are economically capable to save some of their funds in this mosque-based sharia cooperative is a noble effort since it has a very large impact in helping other members who need loans, among others are members who do not have the capital to build a business, those who need money to finance children's education, or for health financing

that can be assisted by the availability of the cooperative funds.

The availability of this sufficient amount of funds can be used for loans to members in need. Kopsyahmas does not provide loans to members beyond their ability to repay the loan, so that repayment difficulties can be avoided. With the mechanism that has been known and agreed upon, the distribution of loans to members has so far been carried out properly. Community members of the cooperative get convenience in applying and getting the loan based on trust or social collateral assessments. This loan requirement can be used, as those who borrow from the cooperative are members who should already be known by the cooperative, with the agreement of an appropriate loan amount.

Members who want to establish and develop their micro-enterprises, such as opening a shop, trading, and other home-based businesses, can apply for a loan to their cooperative. Based on information from the cooperative management, the number of members who establish and develop micro-enterprises continues to increase every year. From 2017 to 2021 there is an increase in the number of borrowers for business purposes, namely an average of no less than 2% who get loans from cooperatives, meaning that these cooperatives have helped create new

entrepreneurs and or strengthen existing entrepreneurs for their member communities.

Kopsyahmas was developed as a social enterprise model, where the community members build the economy through their cooperatives; when this cooperative is experiencing development, the cooperative management tries to help and develop the economy of its members. This savings and loan business unit has a low rate on repayment difficulties due to good loan management from the board and members' understanding of their identity as owners as well as customers of the cooperative. The accumulation of cooperative capital comes from each member who collects a small amount of funds. These small amounts of funds then grow into a large accumulation of capital. One of the keys to the success of this Kopsyahmas is the openness and togetherness in the management of the cooperative.

Management of the savings and loan unit as the core business of this cooperative is well managed, namely by implementing a firm and responsible attitude while still paying attention to the prudent principle. One of the important aspects in managing Kopsyahmas is the existence of administrators who have social concerns. All the administrators of this cooperative are women; they are not

only good at running a cooperative business, but also have a high social spirit so that they can be the locomotive that drive their cooperatives towards sustainable success. The management of this cooperative understands that in relation to fellow community members, the management that do their best in providing services will bring goodness to the community. Therefore, for the management, managing this cooperative is a mandate entrusted by members to be carried out as well as possible.

One of the important requirements for people who are entrusted by members to manage cooperatives is that they must have knowledge, namely the knowledge of managing cooperatives. To increase their knowledge, the administrators participated in various training and counseling, as well as cooperative events in Bandung city area and West Java province. Not only administrators, members are also involved in cooperative and entrepreneurial training. An activity that is no less important is the participation of administrators and members in the Majelis Ta'lim, namely Al-Qur'an recitation activities that are routinely carried out to improve religious knowledge. According to the management and members of the cooperative, such activities can actually have an impact on better managing cooperatives, namely being professional and

responsible management with a mindset to provide social responsibility to members of the community in particular, and the community in their environment in general. Therefore, the management of providing loan to members is carried out properly, including the management of other business units. Cooperative funds are not simply distributed, but lent with strict and disciplined requirements that must be met by borrowing members, although of course it does not exceed the ability of the member to borrow and repay it so that there is sustainability.

One of the main goals of Kopsyahmas as a business entity is social benefit, namely having a concern for the community and its environment that is manifested in the form of providing compensation and ta'awun for members and the surrounding community. This means that the existence of Kopsyahmas can provide benefits to the community in a wider scope, not only for its member communities. Surrounding communities who are non-members and categorized as underprivileged also get this service; not only providing low-price basic necessities, in an effort to increase the enthusiasm of those who receive this service they are also motivated to continue to strive for increasing their income.

Academics are one of the parties who must have a concern for the environment as they have an obligation to carry out the tridharma of higher education. In addition to the obligation to carry out educational and teaching activities, they also undertake research and community service (PKM). The academic, in this case one of the universities in Bandung, has collaborated with Kopsyahmas in outreach activities related to social entrepreneurship. This activity is carried out in an effort to strengthen the implementation of social entrepreneurship concept through cooperatives, namely by means of academics providing knowledge to the management and members of cooperatives regarding the role of social entrepreneurship through cooperatives in sharing social benefits to the community members of cooperatives and their environment. The counseling activity succeeded in increasing the understanding of the management and members of the cooperative about the importance of social entrepreneurship, which can be seen from the difference before and after they receiving the material. In practice, Kopsyahmas has contributed to minimizing the number of people who conduct transactions with moneylenders, with the aim of creating an environmental community that is free from the practice of moneylenders, and making the community a

strong sharia-based economy. In addition, the existence of this cooperative has also provided social benefits not only to member communities, but also to non-member communities in their environment.

These findings are relevant to the previous researches which revealed that cooperatives has provided significant empowerment values, both economically and socially towards the people ([Chusmeru et al., 2017](#); [Darmawan & Rismawati, 2020](#); [Mustangin, 2018](#); [Rufaidah, 2017](#); [Sulaiman et al., 2020](#); [Sunardi et al., 2021](#)). Based on that, it is important for every stakeholder to actively contribute on cooperatives improvement efforts to produce better and larger empowerment results.

III. Conclusion

A well-managed cooperative will provide sustainable socio-economic benefits for its members. Kopsyahmas is a sharia cooperative whose existence not only contributes to providing economic benefits, but also social benefits for its member communities, even for non-members. The role of social entrepreneurship through this cooperative organization includes the creation and growth of several new micro-entrepreneurs initiated through the distribution of business loans for community members of the cooperative. The

cooperative has also succeeded in minimizing the number of people who conduct transactions with moneylenders, even trying to make their society a sharia-based economy. In addition, various social activities have been carried out by this cooperative through the provision of compensation and ta'awun services for members and their community.

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