

Cooperatives in Indonesia: Roles, Challenges, and Innovations for the People's Economy

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ABSTRACT

Cooperatives in Indonesia have long been the main pillar of people's economic development, placing the principles of kinship and mutual cooperation as the foundation. This article aims to analyze the contributions, challenges, and opportunities of cooperatives in supporting people's economic empowerment through a systematic literature review of national and international publications for the period 2013–2025. The results of this study show that cooperatives play a significant role in expanding access to capital, supporting MSMEs, providing alternative financial services, and strengthening community solidarity. Digitalization and technological innovation have been proven to improve governance efficiency, transparency, and member participation, while the development of Sharia cooperatives expands the service base according to Islamic principles. However, several challenges remain, such as weak governance, limited human resources, low financial literacy, and the absence of a special deposit guarantee institution for cooperatives. In the future, strengthening the principles of social solidarity, legal protection reform, and cross-sector collaboration will be key to ensuring that cooperatives are adaptive, inclusive, and remain relevant as the "pillar" of the modern people's economy.



INTRODUCTION

Cooperatives in Indonesia are not only considered ordinary business entities but also serve as an important tool in strengthening the community's economy, especially in the informal, rural, and micro, small, and medium enterprise (MSMEs) economic sectors. The existence of cooperatives cannot be separated from the nation's history, which places them as a tangible manifestation of the spirit of mutual cooperation and social solidarity. Based on the principles of kinship and economic democracy, cooperatives are expected to improve the welfare of the community in an inclusive manner and create equitable economic equality (Raymond Panuturi Siboro, 2025). More than just carrying out economic activities, cooperatives have a strong social dimension, emphasizing solidarity, active participation, distributive justice, and collective values that unite their members to achieve common goals (Gresia Septina Sitohang, 2025).

However, the strategic role of cooperatives is often hampered by classic structural and cultural challenges. Some of the problems that often arise include weak organizational management, low financial literacy of members, limited human resource (HR) capacity, and negative stigma due to several cases of misuse of funds that damage public trust (Sukidjo, 2012). This challenge is exacerbated by the limited access of cooperatives to modern financing, the lack of use of digital technology, and the lack of preparedness to face competition in the era of globalization. This situation has made some cooperatives trapped in traditional management patterns that are difficult to adapt to the changing times. However, the great potential of cooperatives as a driver of the people's economy remains wide open if these weaknesses can be overcome through strengthening governance, improving the quality of human resources, technology-based innovation, and adequate regulatory support and legal protection. With the right strategy, cooperatives are not only an alternative to economic institutions, but can also become the main pillars of just, inclusive, and sustainable national development.

In the face of the digital era, cooperatives are required to not only survive in conventional ways, but also carry out innovative transformations to remain relevant. The use of information technology is the key to improving management efficiency, financial transparency, and expanding access to services for members. Cooperative digitalization can be realized through the implementation of an application-based accounting system, a digital platform for savings and loans, and a cooperative marketplace that supports the marketing of member products more broadly. This transformation not only strengthens the competitiveness of cooperatives, but also opens up opportunities for collaboration with other sectors, including Islamic fintech, microfinance institutions, and digital-based MSME ecosystems (Sari, 2022).

In addition, cooperative innovation in the digital era requires increasing digital literacy among members so that they can adapt to the new system. The lack of digital literacy can hinder the application of technology, so sustainable educational programs are needed. Government support through supportive policies, technology-based training, and equitable provision of digital infrastructure are essential to strengthen the cooperative ecosystem. Thus, cooperatives not only function as a community-based economic forum, but can also be agents of socio-economic transformation that combine family values with digital innovation.

In line with this, some previous research has also strengthened the argument about the importance of cooperative transformation. Fatimah (2014) found that cooperatives are very helpful for MSMEs in getting more affordable access to business capital than formal financial institutions. Eef Saefulloh (2018) added that cooperatives not only function economically, but also have a social dimension that is able to strengthen people's economic development. Matheus Supriyanto Rumatna (2020) and Muhamad Tabrani (2020) show that the implementation of digital systems in savings and loan cooperatives can improve administrative accuracy and transparency of financial statements, thereby re-fostering member trust. On the other hand, Nuning Yanti Damayanti (2024) emphasized the importance of digitalization in encouraging the marketing of local MSME products to be more competitive in the national market, even opening up opportunities to the global market.

Furthermore, Della Aulia Br Ginting (2025) highlighted the development of sharia cooperatives as part of institutional innovation that is able to answer the needs of the Muslim community. Despite its rapid growth, sharia cooperatives still face serious challenges such as limited capital, weak Islamic financial literacy, and lack of professionals. This shows the need for a dual strategy, namely developing technology-based innovations while strengthening human resource capacity so that sharia cooperatives are sustainable. Thus, strengthening cooperatives in the modern era requires a multidimensional approach. It is not enough to only improve internal systems, but also involve cross-sectoral synergy, including support from the government, financial institutions, universities, and the business world. This collaboration not only expands access to resources, but also creates an ecosystem that supports cooperatives to be more adaptive, innovative, and resilient in the face of global economic dynamics.



LITERATURE REVIEW

A. Contribution of Cooperatives to the People's Economy

Cooperatives in Indonesia have a crucial role as a driver of the community's economy, especially in reducing socio-economic inequality. Through various empowerment programs, cooperatives have proven to be effective in providing access to capital, providing business management training, fostering MSMEs, and assisting the development of small businesses to be more competitive (Raymond Panuturi Siboro, 2025). The membership-based cooperative model makes each member not only a user of the service, but also an owner and controller. This creates a more democratic economic system, because important decisions are made together on the principle of one member one vote, not on the basis of the amount of capital owned. This principle strengthens the active participation of members, fosters a sense of belonging, and encourages the creation of community-based economic solidarity that conventional business institutions do not have.

Many cooperatives target marginalized communities or groups that have had difficulty accessing formal financial institutions. Thus, cooperatives become an inclusive alternative in the distribution of business capital, expand access to finance, and improve the living standards of marginalized groups (Fatimah Fatimah, 2014). In fact, in some cases, cooperatives play a dual role as financial service providers as well as a forum for social development, such as entrepreneurship education programs, production capacity building, and policy advocacy for local MSMEs. The uniqueness of cooperatives also lies in their ability to balance social and economic functions simultaneously. Different from profit-oriented companies, cooperatives prioritize the interests of members over individual or shareholder profits (Eef Saefulloh, 2018). Therefore, cooperatives are able to place aspects of social sustainability in line with economic growth, so that they are more balanced and fair.

In the context of globalization, the role of cooperatives is increasingly relevant. In the midst of the dominance of large corporations and the capitalistic system, cooperatives offer alternatives based on the values of mutual cooperation, solidarity, and economic equity. Cooperatives are here to affirm that development is not only measured by macroeconomic growth, but also by the extent to which small communities benefit from real benefits. Not only in the financial aspect, cooperatives also function as a forum for social and political education for the community. Cooperative members learn about openness, participation, and collective responsibility through member meetings, deliberations, and joint decision-making processes. This strengthens the social cohesion of the community and fosters the awareness of economic democracy that has been the hallmark of the Indonesian nation for a long time.

In particular, sharia cooperatives are now growing rapidly in Indonesia. Its presence is supported by special regulations, Islamic finance fatwas, and legal umbrellas that strengthen its operational legitimacy (Della Aulia Br Ginting, 2025). Sharia cooperatives offer a financial system that is free from *riba*, *gharar*, and *maysir* in accordance with Islamic principles. In practice, sharia cooperatives not only carry out economic functions, but also strengthen spirituality and morality in transactions, thereby creating a more ethical system and in accordance with the values of justice. The significant growth of sharia cooperatives shows an increase in the trust of the Muslim community in community-based financial institutions.

However, its existence still faces various serious challenges, such as limited capital, low Islamic financial literacy, and lack of professionals who understand managerial aspects as well as Islamic law. This challenge is increasingly complex with limited product and service innovations that can compete with formal financial institutions. To overcome this, sharia cooperatives need to diversify services that meet the needs of modern society, strengthen sharia financial literacy education programs, and build collaboration with sharia financial institutions and fintech so that they can grow more adaptive and innovative. In addition, government support through partisan regulations, fiscal incentives, and digital infrastructure improvements will accelerate the transformation of sharia cooperatives into resilient and highly competitive institutions.

In the future, cooperatives—both conventional and sharia—are required to take advantage of the opportunities of the digital era. Digital transformation through financial applications, online-based recording systems, and product marketing through cooperative e-commerce can expand the range of services while increasing transparency. More than that, cooperatives must also integrate the value of social solidarity with technological innovation to remain relevant in the face of global disruption. That way, cooperatives in Indonesia are not only able to maintain their identity as the "pillar" of the people's economy, but also develop into important actors in the modern economic ecosystem that is inclusive, fair, and sustainable.



B. Social Innovation and Digitalization of Cooperatives

The development of information technology has brought major changes in the management of cooperatives. The adoption of digital technology in savings and loan cooperatives (KSP) has been proven to increase efficiency, minimize administrative errors, reduce human error, increase transparency, and accelerate transaction management (Matheus Supriyanto Rumatna, 2020). With a digital system, cooperatives can present financial reports that are more accurate, can be accessed in real-time, and facilitate the audit process, thereby fostering member trust (Muhamad Tabrani, 2020). This is very important, considering that trust is the main foundation that maintains the sustainability of cooperatives as community-based institutions.

Furthermore, digitalization allows cooperatives to expand services beyond their traditional regions. Through web-based and mobile-based applications, cooperatives can provide savings and loan services, product marketing, and online business consulting. This digital feature makes the cooperative no longer limited by geographical barriers, so that it is able to embrace members from various regions. This condition is very relevant for cooperatives that want to penetrate a wider market, both at the national and international levels. Digital innovation also encourages more active member participation, as they can access cooperative information, convey aspirations, and interact through online platforms. Thus, cooperatives are not only economic institutions, but also a forum for more open collective participation.

Digital transformation also opens up opportunities for cross-sector collaboration. For example, the MSME digitalization program carried out by cooperatives with educational institutions has resulted in business innovation centers that are able to increase production capacity and competitiveness of members. Cooperation with the government provides opportunities for cooperatives to get more partisan infrastructure and regulatory support, while synergy with financial institutions allows for wider access to capital (Nuning Yanti Damayanti, 2024). In fact, a number of cooperatives have begun to establish partnerships with Islamic fintechs and digital banks to expand members' financing networks, thereby providing flexibility and diversification of more modern services.

In addition to having an economic impact, the digitalization of cooperatives also has a significant social impact. With online communication media, cooperatives can strengthen social networks between members, build a culture of transparency, and expand the space for collective participation. Cooperative members are no longer just consumers or depositors, but are also involved in discussions, decision-making, and direct supervision of institutions through digital technology. This transformation confirms that cooperatives are not only economic institutions, but also social spaces that continue to evolve to adapt to the demands of the digital era.

However, the process of digitizing cooperatives is certainly not free from challenges. Problems that often arise are the low digital literacy of members, the limitation of technology infrastructure in rural areas, and the initial investment cost for the development of digital systems that are quite high. In addition, there is still resistance from some cooperative managers who are used to manual systems, so a strategy to change organizational culture is needed. Without serious efforts to overcome these obstacles, digitalization has the potential to not run optimally and instead increase the managerial burden.

For this reason, a sustainable strategy is needed so that the digitalization of cooperatives really provides benefits. First, there is a need for digital education and training programs for cooperative members and administrators so that they are able to adapt to new technology. Second, government regulatory support that encourages the digitalization of cooperatives is important, for example through fiscal incentives, software assistance, and even internet network infrastructure. Third, cooperatives can build strategic cooperation with universities, technology companies, and financial institutions to create service innovations based on the needs of members.

With this strategy, cooperative digitalization is not just a modernization trend, but an integral part of institutional transformation. Cooperatives that successfully adopt digital technology will be more resilient to competition, more transparent in governance, and more adaptive to changing times. In the end, digitalization not only strengthens the position of cooperatives in the economic sector, but also expands its role as an agent of social transformation that bridges family values with technological advances.



C. Strengthening Governance, Social Capital, and Legal Protection

The sustainability of cooperatives is highly determined by the quality of governance. The professionalism of managers is an absolute requirement to create a healthy, transparent, and competitive cooperative. Modern cooperative management can no longer depend on the traditional system alone, but must apply the principles of *good cooperative governance* that are in line with international accountability standards. The application of the principle of joint responsibility, which prioritizes collective solidarity, has proven effective in reducing the risk of bad loans and increasing member loyalty (Gresia Septina Sitohang, 2025). This principle not only protects the cooperative from financial losses, but also strengthens the sense of togetherness that is the foundation of the institution's sustainability. Unfortunately, there are still many cooperatives in Indonesia that face weaknesses in internal supervision, low transparency, and lack of managerial capacity. This condition leads to the practice of misuse of funds, mismanagement, and a decrease in member trust.

The aspect of legal protection is also a crucial issue that has not received optimal attention. The absence of a special deposit guarantee institution for cooperatives makes members vulnerable to losing funds when the cooperative faces financial problems or fails to manage. This situation is clearly different from banks that have a Deposit Insurance Corporation (LPS) to guarantee customer funds. As a result, cooperative members face legal uncertainty and high financial risks, thereby lowering public trust in cooperatives as safe and trusted institutions (Arifah Hidayat, 2023). Therefore, a more comprehensive regulatory reform is urgently needed. These reforms include the establishment of cooperative deposit guarantee institutions, improved technology-based supervision standards, periodic audits by independent agencies, and the implementation of strict sanctions for cooperatives that violate the rules. These measures are essential to create a healthy, fair, and legally protected cooperative ecosystem.

In addition to governance and legal protection, social capital is an important aspect that determines the success of cooperatives. The values of trust, mutual cooperation, solidarity, and active participation of members are the main foundations in strengthening cooperative institutions. Research shows that cooperatives with high social capital are better able to survive economic crises, strengthen internal cohesion, and increase member loyalty in the long term (Faedlulloh, 2015). Social capital also encourages the creation of a participatory culture, where each member feels owned and responsible for the sustainability of the cooperative. Thus, strengthening governance must go hand in hand with efforts to strengthen social capital, so that cooperatives do not lose their identity as community-based institutions.

Furthermore, the integration between professional governance, strong legal regulation, and solid social capital can be a strategic combination to strengthen cooperatives in the future. Professionalism ensures the sustainability of the organization, regulations provide legal certainty and protection, while social capital maintains the original values of the cooperative as a forum for togetherness. If these three aspects can be combined consistently, Indonesian cooperatives have the potential to become a model of populist economic institutions that are resilient, innovative, and able to compete with formal financial institutions in the modern economic ecosystem.

D. Collaboration and Synergy Across Sectors

Cooperatives in the future cannot stand alone. The dynamics of globalization, free market competition, and the digital revolution demand that cooperatives not only rely on internal strength, but also build extensive external networks. Cross-sector collaboration is an urgent need for cooperatives to be able to compete and transform into modern, adaptive, and inclusive people's economic institutions. Collaboration with MSMEs, financial institutions, the government, and the education sector is a key strategy in strengthening the cooperative ecosystem in a sustainable manner (Dedet Deperiky, 2019). By building synergies, cooperatives can access new resources, expand market networks, strengthen bargaining positions, and increase innovation capacity needed to face global economic dynamics.

A clear example of synergy can be seen from the involvement of cooperatives in the agro-industrial supply chain. As a community-based entity, cooperatives can serve as aggregators of agricultural produce, facilitate distribution, and bridge members to a wider market. Through collaboration with the government and the private sector, cooperatives have the opportunity to access post-harvest technology, improve distribution chains, and increase the added value of member products. This capacity increase not only increases the competitiveness of smallholders, but also strengthens the position of cooperatives as strategic partners in the national food system (Nuning Yanti Damayanti, 2024).

Collaboration with universities is also an important aspect that should not be ignored. Campuses can play a role in providing research and technology development, market studies, and relevant management innovations to support cooperatives. More than that, universities can become strategic partners in producing professional



cooperative human resources through training, mentoring, and continuous professional development programs. This is very important considering that the limited quality of human resources has been one of the main weaknesses of cooperatives in Indonesia.

In addition, the role of the government is central in creating a conducive climate for the growth of cross-sector synergy. The government can provide support in the form of partisan regulations, the provision of digital infrastructure, tax incentives, and the opening of access to financing through revolving funds or special guarantee schemes for cooperatives. On the other hand, collaboration with financial institutions—both conventional banks, Islamic banks, and fintech—provides cooperatives with greater opportunities to obtain capital sources. Thus, cooperatives can develop more innovative member financial services, while strengthening their business capacity to respond to market needs.

Cross-sector synergy also strengthens the identity of cooperatives as an inclusive and well-being oriented institution. By opening up a space for collaboration, cooperatives are able to involve various stakeholders in community-based economic development. This collaborative pattern creates an ecosystem that is not only economically beneficial but also has a social impact, such as increasing solidarity, building trust between parties, and strengthening the role of cooperatives as a forum for economic democracy.

In the end, cooperatives are no longer only seen as stand-alone people's economic entities, but as a strategic bridge that connects the community, the government, the business world, educational institutions, and the financial sector in creating equitable and sustainable development. With the right collaboration strategy, cooperatives can strengthen their role as the driving force of the national economy while maintaining their relevance in the modern era.

METHOD

This study uses a systematic literature review method, namely by tracing, evaluating, and synthesizing various scientific references both national and international published in the period of 2013 to 2025. This method was chosen because it is able to provide a complete picture of the development of concepts, empirical findings, and academic discourse related to cooperatives and their contribution to the people's economy. The search process was carried out by utilizing a database of reputable journals, conference proceedings, research reports, and academic books relevant to the theme of cooperatives, MSMEs, and the people's economy.

The literature selection criteria are based on four main aspects, namely:

- (1) the relevance of the topic to the issue of people's economic empowerment through cooperatives;
- (2) originality of findings or ideas that provide a new perspective in cooperative studies;
- (3) completeness of empirical data that can strengthen academic arguments; and
- (4) Contribution to the formulation of policy strategies, institutional innovation, and the development of community empowerment models. The selection process is strictly carried out to ensure that only high-quality literature is used as the basis for the analysis.

The study stages are carried out through identification, screening, and thematic analysis. The identification stage begins with a search for literature according to keywords such as *cooperatives*, *people's economy*, *sharia cooperatives*, *cooperative digitalization*, *social capital*, and *legal protection*. The screening stage is carried out by evaluating the suitability of titles, abstracts, and literature content with a focus on research. Furthermore, thematic analysis was applied to group the literature into main themes, namely: the role of cooperatives in strengthening the community economy, adoption of digital and sharia innovations, legal and governance challenges, and cross-sectoral collaboration.

Each finding is critically analyzed by comparing the similarities and differences between the research results, as well as evaluating the socio-economic context in which the research was conducted. This critical approach is used to strengthen the validity and reliability of the analysis results, while avoiding interpretation bias. In addition, the synthesis of literature is carried out narratively with the aim of generating a deeper understanding of the position of cooperatives as agents of people's economic transformation.

With these steps, this study not only presents a summary of the literature, but also builds an integrative analysis that can provide a comprehensive picture of the contribution of cooperatives to the development of the people's economy. The systematic literature review method used is expected to be able to produce comprehensive, in-depth, and relevant descriptions for the development of theories, institutional practices, and policy formulation in the field of cooperatives.



This stage of research is carried out systematically through several main steps.

1. First, the literature identification stage is carried out by determining the main keywords, such as *cooperatives, people's economy, sharia cooperatives, cooperative digitization, social capital, and legal protection*. The literature search includes national and international journals, academic books, conference proceedings, as well as relevant research reports. The publication time range is limited to 2013 to 2025 to ensure conformity with the latest developments.
2. Second, the screening and selection stage is carried out by examining the title, abstract, and content of the literature. Literature that is not relevant to the focus of the research is eliminated, while works that have a significant contribution to the issue of people's economic empowerment are retained. This selection process ensures that only valid, credible, and relevant sources are used in the study.
3. Third, the thematic analysis stage is applied by grouping the literature into four main themes, namely: (a) the role of cooperatives in strengthening the community economy; (b) innovation and digitalization of cooperatives, including strengthening sharia cooperatives; (c) challenges of governance, social capital, and legal protection; and (d) collaboration and synergy across sectors. This process helps to structure the literature so that it can be analyzed in depth according to the topic of discussion.
4. Fourth, the critical synthesis stage is carried out by comparing findings between studies to find patterns, similarities, and differences in study results. This approach aims to uncover the strengths, weaknesses, and gaps of existing research. In addition, critical analysis is conducted to strengthen the validity of findings and reduce potential interpretation bias.
5. Fifth, the stage of compiling results and discussions is focused on presenting findings in a narrative manner that is integrated with the context of people's economic development in Indonesia. The results of the analysis are then combined with a critical review to produce a comprehensive picture of the contribution of cooperatives to the empowerment of the people's economy. At this stage, academic and practical recommendations are also formulated as research contributions to the development of theories and policies related to cooperatives.

RESULTS AND DISCUSSION

A. The Effectiveness of Cooperatives in Empowering the People's Economy

The results of the study show that cooperatives are really the pillar of people's economics teachers, especially in marginal and rural areas that are difficult to reach by formal financial institutions. Through cooperatives, the community gains access to business capital, management training, and facilitation of marketing MSME products in a more affordable manner (Raymond Panuturi Siboro, 2025). The participation of cooperatives in poverty alleviation programs, the provision of soft loans, and advocacy for informal economic actors has been proven to have a significant impact on improving the living standards of members and the community at large (Eef Saefulloh, 2018).

In addition to conventional cooperatives, sharia cooperatives have experienced significant growth in the last decade. Its presence is an alternative financial institution in accordance with Islamic principles, namely avoiding usury, gharar, and maysir. Sharia cooperatives contribute greatly in providing profit-sharing-based financing services for the Muslim community. However, the challenges faced are quite complex, both from the internal side in the form of limited capital and human resources, and from the external side in the form of regulations and competition with other financial institutions (Della Aulia Br Ginting, 2025). To overcome these obstacles, service innovation, increasing Islamic financial literacy, and diversifying financing programs are considered crucial strategies in encouraging the sustainability of Islamic cooperatives.

B. Dynamics of Digitalization and Technological Innovation

Digital transformation is one of the main factors that affect the sustainability of cooperatives in the modern era. The implementation of digital information systems in savings and loan cooperatives (KSP) has been proven to improve governance efficiency, starting from the management of member data, the savings and loan process, to financial reporting (Matheus Supriyanto Rumetna, 2020). Digitalization helps speed up reporting,



increase transparency, and minimize the chances of fraud. Easy access to real-time data also strengthens managers' accountability and facilitates strategic decision-making (Muhamad Tabrani, 2020).

In addition to improving internal governance, cooperative digitalization also has a direct impact on the empowerment of MSMEs. Multi-stakeholder collaboration in digitizing product marketing has succeeded in increasing small business turnover, expanding market access, and increasing consumer confidence in local products (Nuning Yanti Damayanti, 2024). The application of application-based technology and cooperative marketplaces opens up opportunities for cooperative integration into the broader digital business ecosystem, so that cooperatives not only survive but also be able to compete in national and global markets.

C. Strategy to Strengthen Social Capital, Governance, and Legal Protection

Social capital is the main strength that distinguishes cooperatives from other economic institutions. The principle of joint responsibility based on the value of mutual cooperation has been proven to strengthen member participation, reduce the risk of bad loans, and maintain the sustainability of cooperatives as community-based institutions (Gresia Septina Sitohang, 2025). However, practice in the field shows that weaknesses in the internal supervision system still open a gap for cases of embezzlement of funds that harm members.

The absence of a special deposit guarantee institution for cooperatives is a serious problem, because it puts members in a vulnerable position when cooperatives experience a crisis. Unlike banks that have LPS (Deposit Insurance Corporation), cooperatives do not have similar protection instruments. This requires regulatory reform and stricter supervision from the government, including the establishment of a cooperative guarantee system to protect the rights of members (Arifah Hidayat, 2023).

On the other hand, strengthening social capital—through increased trust, active participation, and a sense of belonging to members—must go hand in hand with professional governance. Cooperatives that are able to maintain a balance between modern governance and traditional values of mutual cooperation will have better resilience in the face of economic disruption.

D. External Collaboration and Supporting Synergy

The success of cooperatives cannot be separated from the ability to establish cross-sector collaboration. Close relationships between cooperatives, industry, educational institutions, and the government are essential to create an adaptive and innovative cooperative ecosystem. This collaboration is not only in the form of access to capital, but also technology transfer, management training, and human resource capacity development (Dedet Deperiky, 2019).

Continuous professional development programs for cooperative managers, supported by educational institutions and the government, have been proven to be able to increase productivity, accountability, and overall institutional performance of cooperatives (Nasfi, 2020). Synergy with the private sector also opens up opportunities for the integration of cooperatives into the industrial supply chain, so that cooperatives have a stronger bargaining position in the face of market competition.

E. Challenges and Opportunities

Despite having great potential, cooperatives still face a number of fundamental challenges. Limited access to capital, weak quality of human resources, low financial literacy, and the threat of digital disruption are obstacles that need to be overcome immediately (Della Aulia Br Ginting, 2025). These challenges make it difficult for many cooperatives to develop sustainably and compete with modern financial institutions.

However, great opportunities open up through the use of digitalization, financial technology integration (fintech), and strengthening local economic cooperation networks. The presence of sharia-based fintech, for example, can be a strategic partner for cooperatives in expanding access to financing while improving service efficiency. Cross-entity collaboration—both between cooperatives and with Islamic financial institutions—provides space for market share expansion, innovative product development, and increased institutional sustainability (Amah, 2013). Thus, despite facing challenges, cooperatives have a great opportunity to continue to transform into a key pillar of a resilient and inclusive people's economy.



CONCLUSION

Cooperatives continue to play an important role as the main pillar of people's economic development in Indonesia, especially in supporting the sustainability of MSMEs, expanding access to capital, and strengthening the community's economic base based on solidarity and togetherness (Raymond Panuturi Siboro, 2025). This strategic role is increasingly relevant in the midst of inequality of economic access, because cooperatives are present as an alternative instrument that is inclusive and favors marginalized communities.

The transformation of cooperatives through digitalization and the strengthening of sharia cooperatives has shown positive results in increasing governance efficiency, transparency, and competitiveness in the market. Digitalization helps speed up service processes, while sharia cooperatives strengthen moral and religious legitimacy in community-based financial management. However, a number of classic challenges still loom, such as weak legal protection for members, suboptimal governance quality, and limited professional and competent human resources (Della Aulia Br Ginting, 2025).

To face these challenges, cooperatives need to carry out continuous efforts in the form of digital service innovation, strengthening the principles of social solidarity, and reforming the legal protection system so that members have a sense of security in participating. The principle of joint responsibility that has become a characteristic of Indonesian cooperatives must continue to be strengthened as the main social capital in strengthening the sustainability of cooperatives.

In the future, cross-sectoral collaboration—between cooperatives, governments, financial institutions, the education sector, and the industrial world—will be the main locomotive in building adaptive and inclusive cooperatives. In addition, the systematic development of human resource capacity through education, training, and continuous professional development is an important prerequisite for cooperatives to be able to compete in the digital era. With these steps, cooperatives will not only remain relevant, but also become stronger as a "pillar" of the modern people's economy that is highly competitive (Arifah Hidayat, 2023; Stony Brook Scott, 2025; Matheus Supriyanto Rumetna, 2020).

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