

Government Supervision of Cooperatives in the Perspective of Indonesian and Malaysian Law: Lesson Learned from Malaysia Experience

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Cooperative in Indonesia is a form of implementing a democratic economic system under the Indonesian constitution's mandate. Cooperatives are designed to be the third economic pillar after the State Enterprises sector and the Private sector in Indonesian economic development. As an embodiment of the country, the government has a strategic role in developing cooperatives, including cooperative supervision. However, the role of state supervision in the development of cooperatives in Indonesia is still questionable. Studies related to how the system and function of control of cooperatives in Indonesia in particular and the Asia Pacific region, in general, are still minimal. Therefore, this study aims to analyse the role of the government in Indonesia's cooperative supervision by comparing the Malaysian cooperative supervision policy. This study employs a normative juridical research method with a comparative approach to analysis laws and regulations related to cooperative supervision. This study reveals that the role of government in cooperative supervision under Indonesian legislation is not as strong as in Malaysia. In Malaysian cooperative regulation, the role of the government is dominant. Malaysian Cooperative Societies Act 1993 regulated that the authority on supervision, examination, and liquidation of the cooperative lies with the government / Commission (SKM). In this paper, we suggest that Malaysia's cooperative supervision system could be employed as a learning material for the development of cooperatives in Indonesia. The Indonesian government's role as supervisors of cooperatives must be formulated in legislation to develop Indonesia's cooperative. The

government should not only function as a builder but also the supervisor of the cooperative.

Key words: *Cooperative, economic democracy, surveillance system, Indonesia, Malaysia.*

Introduction

Cooperatives are a form of implementing a democratic economic system as mandated by the Indonesian constitution. The role of cooperatives in development can be felt significantly, especially in the development of microeconomics. There is plenty of evidence that cooperatives have a significant impact on the environment, banking, agriculture, and other fields in many countries. Cooperatives make essential contributions in various fundamental aspects of development, such as capital turnover, employment, and poverty alleviation. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, the capital raised by cooperatives throughout Indonesia as of December 2015 amounted to Rp. 242,445,395.89, which is divided into the own capital of Rp. 142.650.992.83 and outside capital of Rp. 99.794,403.06. The remaining operations (SHU), which had been distributed to cooperative members, reached Rp 17,320,663.92 from this capital (Ministry of Cooperative, 2015).

The number of cooperative members in Indonesia has increased from year to year. Cooperative members in 2013 were 35,258,176 people and then expanded to 36,443,953 people in 2014 (Ministry of Cooperative, 2015). Cooperatives could provide the business units they run. The role of cooperatives in the provision of employment, food security, poverty alleviation, and the development of sustainable social integration has received recognition from the United Nations (UN) which emphasised this in the UN resolution number A/Res/64/163. In the resolution, the United Nations set 2012 as *the International Year of Cooperative (IYC)* with the theme "*Cooperative Entrepreneurs Build a Better World.*" (United Nations Launches 2012 International Year of Cooperatives, 2011). IYC provides "an opportunity to raise public awareness about cooperatives, promote their formation and encourage governments to set policies" (United Nations Launches the 2012 International Year of Cooperatives, 2011), which supports their development.

The strategic role of cooperatives in development has become a local or regional awareness and has grown an international recognition. In the world cooperative congress in Manchester held in October 2012, as the peak of the 2012 IYC commemoration, the *International Cooperation Alliance (ICA)* established the *Blueprint for a cooperative decade 2020*. This Blueprint contains five pillars of cooperative development: participation, sustainability, identity, legal, and capital framework. The target to be achieved by ICA in this blueprint is

that cooperatives in 2020 will be: 1) the foremost leader in terms of sustainable economic, social and environmental development, 2) the business model most widely referred by the community, and 3) the most form of fast company growth. Besides, the 8th Asia Pacific Cooperative Forum on September 18, 2014, in Bali declared a resolution on the role of cooperatives in sustainable development and global economic governance to promote sustainable progress for society's welfare. (ICA, 2004).

The vital role of cooperatives in development has implications for the government's obligation to develop cooperatives. The government, as a regulator, must prepare policies and rules to support and develop cooperatives. Cooperatives must be able to build their activities without losing their identity as an essential part of the economic democracy mandated by the constitution. One crucial foundation in the development of cooperatives is the cooperative supervision system. The supervision of cooperatives by the government becomes urgent for cooperatives to face the challenges of the free-market era. The cooperative supervision system must ensure that the spirit of cooperation and kinship is not lost in cooperative economic activities. Regulations related to cooperative supervision must be able to create an atmosphere that can encourage cooperatives to become institutions that are not only oriented towards economic profit.

Besides Indonesia, cooperatives also overgrow in the Asia Pacific region, including Malaysia (United Nations Launches 2012 International Year of Cooperatives, 2011). Cooperatives are growing into a strategic economic sector in Malaysia. Malaysia's government recognition of the role of the cooperative movement in economic development is seen in the National Cooperative Policy (NCP) /NCP 2011-2020. Cooperatives are recognised as one of the three contributors to the country's economy (public sector, private sector, and the cooperative sector) with a revenue target of RM50 billion by 2020. Cooperatives are a unique combination of the public sector that emphasises the community's social welfare and the private sector, which focuses on the maximisation of the profit. The NCP formula mandates that cooperatives be developed without compromising the values and philosophy of cooperatives, namely transparency, trust, and honesty (Salleh et al. 2008).

Cooperative arrangements in Malaysia were previously regulated by the Cooperative Act of 1948. The law was recognised to have some shortcomings as an instrument for the constitution and control. It was replaced by the Cooperative Act of 1993. The Cooperative Act of 1993 was amended in 1995 (Act 928), 1996 (Act 963), 2001 (Act A1128), and 2007 (Act A1297). The Malaysian Cooperative Commission submitted the latest amendment. The introduction of the 2007 Cooperation Law (Law A1297) is considered necessary to tighten regulations and provide better oversight. This law took effect on January 1, 2008, and the Department of Cooperative Development was replaced by the Malaysian Cooperative Commission (MCC). The purpose of this act is to promote "the development of cooperative

societies based on the principles of honesty, trust, transparency, and to contribute to achieving the nation's socio-economic goals and related matters." Amendments to the cooperative law emphasise cooperative regulation through member supervision, while previously, they imposed external bureaucratic control. In 2010 Malaysia simplified the authority accountability structure. All types of cooperatives were placed under the Ministry with only one authoritative body, namely *Suruhanjaya Koperasi Malaysia* (SKM), application of Common law (Cooperative Act 1993 - Act 502) for all cooperatives (Suruhanjaya Koperasi Malaysia, 2010). SKM has full authority to supervise the cooperation, including resolving the cooperative, which is considered to be in violation.

The supervision system carried out by the State in developing cooperatives is essential to be analysed. However, studies on cooperative supervision systems by countries, especially in the Asia Pacific regions such as Indonesia and Malaysia, are rarely reported. This study analyses the cooperative supervision system by the State by comparing the rules of the cooperative supervision system in Indonesia and Malaysia. In general, there are three reasons why this study is significant and could contribute to the development of knowledge related to cooperatives, especially in Indonesia.

Firstly, cooperatives in Indonesia and Malaysia both have an influential role as a third economic sector besides the public and private sectors. Secondly, an analysis to build a supervision system that guarantees that the cooperative does not leave its identity as mandated by the constitution, is needed in the development of cooperatives. Thirdly, Indonesia has a different legal system from Malaysia. Indonesia is dominant in adopting a civil law system, while Malaysia is a common law system country. The legitimate comparison of cooperative supervision in the two countries is expected to share lessons to develop cooperative supervision systems in the Asia Pacific, especially in Indonesia. Based on this study result, we suggest that the Indonesian government's role as supervisors of cooperatives should be more clearly formulated in legislation. Consequently, the government should not only function as a builder, but also the supervisor of these organisations as implemented in Malaysia.

Methodology

This study employs a normative method with a statute and a comparative approach. The starting point of this study is cooperative supervision arrangements by the Indonesian government in Law Number 25 of 1992 concerning Cooperatives. These supervisory arrangements are then compared to cooperative supervisory arrangements in Malaysia, which are regulated under the Malaysian Co-operative Societies Act 1993 (Act 502) & Regulations, 2008.

Result and Discussion

Significance and Development of Cooperative Supervision System

Supervision activities are intended so that an institution/organisation could carry out its duties and authority by applicable regulations. With supervision, it is hoped that organisations such as cooperatives will be able to: 1) stop or eliminate mistakes, deviations and obstacles, 2) prevent the repetition of mistakes, irregularities, deviations and obstacles, and 3) find better ways to achieve the objectives in implementing main tasks and functions. To ensure that cooperatives in developing their economic activities remain under the identity of cooperatives as mandated by the constitution; therefore the supervision system becomes crucial that must be built.

In principle, companies organised based on cooperative values (consisting of self-help, democracy, equality, and solidarity) contribute a lot to poverty reduction, creating employment opportunities and improving social integration (United Nations Launches 2012 International Year of Cooperatives, 2011). There are several important reasons why there must be clear rules for supervision in developing cooperatives. First, the main goal of cooperative supervision is to maintain that the cooperative could work according to its objectives. Second, the primary yardstick for the supervision system's success is that the cooperative operates according to the constitution. Third, there must be monitoring and evaluation of the achievement indicators of cooperative success that have been set. Fourth, if there are signs of a deviation from the principle of the cooperative, preventive action can be taken. Therefore, in enhancing cooperatives in national development, cooperative supervision systems must be legalised by legislation.

Within the framework of organisational supervision, there are various types of institutions that conduct surveillance and function as supervisors. Lotulung (1993) mapped this oversight body as internal and external control. Internal control is supervision carried out by internal structures that exist within an organisation. This control is also known as built control. External control is supervision carried out by organs or institutions that are structurally located or formed by outsiders, including the government, in the executive sense. The government can take a strategic role in the development of cooperatives by becoming actors of external control by establishing cooperative supervision regulations (Lolutung, 1993).

The ideal relationship between the government and cooperatives as regulated in ICA Resolution 1999 in Beijing is based on the principles of autonomy and freedom. Implementation of cooperative independence and freedom is necessary to be guaranteed and legally recognised. Cooperatives must be empowered and allowed to develop their capacity

independently. Therefore, the government must free itself from direct involvement in cooperatives' internal management and focus more on supervisory roles.

Each country has its policy in regulating the pattern of relations between government and cooperatives. In Indonesia, the relationship between the government and cooperatives has evolved from time to time, mainly due to adjustments to the political conditions of government law. In Law Number 79 of 1958, the government's role for cooperatives is to conduct guidance and observation. The supervisory duties have been mentioned in regulations related to cooperatives. However, there is no explanation yet in the form of supervision intended. In Law Number 25 of 1992, it is explained that the government's task is only to guide without including direct control to cooperatives. The absence of a direct supervision system makes it easier for cooperative identity violations to occur.

Cooperative Supervision by the Indonesia Government under Law Number 25 of 1992

The Indonesian government's role in cooperatives has changed from time to time due to adjusting the cooperatives' legal situation. Likewise, the pattern of supervision by the government of cooperatives continues to improve following changes in the rules and judicial politics of cooperatives. The legal politics of a country can be understood by *politico-legal documents* that are made periodically to determine the direction of state policy (Munkner, 2011). In the Indonesian New Order era (1965 - 1998), the legal politics could be seen through the State Guidelines Outlines (*Garis-Garis Besar Haluan Negara*, GBHN) as outlined in the MPR Decree. The GBHN contains the main points of the national strategy to realise the nation's ideals within five years, as described in the Five-Year Development Plan (*Rencana Pembangunan Lima Tahun*, Repelita). Whereas in the reform era (after 1998), the direction of legal politics could be seen through the National Legislation Program (*Program Legislasi Nasional*, Prolegnas) and Academic Paper for each law or Regional Regulation made.

The GBHN and Prolegnas stated the direction of the Indonesian government's politics in determining and shaping the statutory regulations, including the legal politics of cooperative laws and policies. TAP MPR Number II/MPR/1988 concerning GBHN (GBHN 1988) determined that the main policy direction of the State's economy was the improvement of the agricultural sector. This policy makes the direction of cooperative policy to be closely related to the policy direction in the farm sector (Limbong, 2010). Furthermore, the GBHN 1988 stipulated that cooperatives might be engaged in various areas of economic activity, such as agriculture, industry, finance, trade, or public transportation.

The General Pattern of Repelita V stated that:

"The national business world consisting of State businesses, cooperative businesses, and private businesses that need to be developed into a healthy and resilient business and directed to be able to increase the excitement and economic activities as well as equitable development and its results, expand employment, improve living standards, intelligence, and the welfare of the people, as well as to strengthen the unity and integrity of the nation and to strengthen national resilience. In this case, it is necessary to expand business opportunities and develop self-help and business capability, especially for cooperatives, small businesses, and informal and traditional businesses, both community businesses in rural and urban areas. Furthermore, it is necessary to create a healthy business climate and a relationship system that encourages the growth of conditions of mutual support between State businesses, cooperative businesses, and private businesses in a mutually beneficial and equitable relationship between strong economic groups and weak economic groups."

The general pattern of the *Repelita* emphasises the cooperatives' position as one of the pillars of the national economy and the state business sector (State-Owned Enterprises) and the private sector. This cooperative role in the national economy is in line with Indonesia's economic ideology, which did not choose a capitalist or socialist ideology but something in between. Cooperatives are an attractive economic force and function as a counterweight between the state business sector and the private sector. Cooperatives reflect the national economic system as desired in Article 33 of the 1945 Constitution, namely economic democracy.

Furthermore, the General Pattern of *Repelita* V-point d. 33 stated that:

"In the context of realizing economic democracy, cooperatives must be further developed and improved in their abilities and efficiently fostered and managed. Cooperatives need to be promoted so that they can grow and develop as a movement of the people themselves to increase the role of cooperatives in national economic life. Cooperatives in the fields of production, consumption, marketing, and services need to be continuously encouraged, developed, and enhanced in their ability to become independent and become the main actors in the community's economic life. Appropriate guidance for cooperatives can grow and develop healthily. Its members increasingly enjoy the results of their businesses. The Village Unit Cooperatives (Koperasi Unit Desa, KUD) need to be continually fostered and developed to grow healthy and strong. Then cooperatives will become more rooted and have a greater role in the social life community economy, especially in rural areas."

Referring to the GBHN, it is evident that cooperatives play an important role as supporters of the nation's economy. Cooperatives are used as a tool to support economic policies in the agricultural sector through the Village Unit Cooperative (*Koperasi Unit Desa*, KUD). In line

with the national development priorities in Repelita V, which are still focused on the agricultural sector, the priorities for cooperative coaching also prioritise coaching to the KUD. KUD functioned to accommodate and distribute people's agricultural products (Dewan Koperasi Indonesia, 1997). Cooperatives must actively develop and be able to handle all agriculture activities besides providing and trading in the basic needs of the community. The role of the State in the development of cooperatives, according to the GBHN 1988, also fostered cooperatives. The coaching meant here is to create and develop an exceptional environment that encourages cooperative growth and socialisation. The government also provides guidance, facilities, and protection to cooperatives.

Although the 1998 GBHN regulates the vital role of cooperatives, there is no regulation on supervision. The absence of regulations concerning elements of state supervision of cooperatives in the GBHN has legal consequences for cooperative arrangements. No regulation regarding guidance by the cooperatives' government is found under Law number 25 of 1992. The role of the government in cooperatives, as explained in the general explanation of Law 25 of 1992 is as follows:

- a. Grant legal entity status for cooperatives and authorise changes to the Articles of Association of Cooperatives;
- b. Conduct coaching for cooperatives;
- c. Creating and developing climates and conditions that encourage cooperative growth and socialisation;
- d. Provide guidance, convenience, and protection to the Cooperative;
- e. Determine the field of economic activity that can only be sought by the Cooperative;
- f. Determine the field of economic activity in a particular area that the Cooperative has successfully managed not to undertake by another business entity;

Referring to the GBHN as the political basis for legal policymaking of cooperative legislation (Law Number 25 of 1992), the absence of the supervision element by the government is because of the priority of cooperative development is on quantity growth rather than quality aspects. This policy is based on the assumption that if the State has a role in direct supervision of cooperatives, the community will be cautious in establishing cooperatives. By limiting the part of the government to guidance, the community will be more accessible and freer to develop and run cooperatives.

The focus on the quantity of cooperatives growth is based on two essential reasons—first, cooperatives as agricultural support through the KUD. As explained earlier, the direction of economic development up to Repelita V is oriented towards the agricultural sector. Strengthening the agricultural sector is aimed at achieving food self-sufficiency. Therefore, the development of all economic sectors, including cooperatives, must be integrated to realise

these goals. Cooperatives, as a populist economic institution, are expected to support the government's agricultural policies so that the Indonesian government encourages the establishment of many KUDs in villages. The role of the KUD is significant to ensure the sustainability of agricultural systems, especially regarding agricultural trading. To support the existence of the KUD, the government provides facilities, both in the establishment, capital, and supervision. Unfortunately, this crucial role was not followed by an increase in the quality of human resources in the KUD, so that currently many KUDs are no longer active; of the 10,300 KUD units listed there are around 3,500 inactive KUD units (Nasution, 2008).

The second reason is that cooperatives grow as a counterweight to the private sector. One of the effects of economic growth in the global era is the rapid growth of the private sector. The private sector is developing because of the support of various aspects, such as investment and the Multi-National Corporation. This condition puts pressure on microeconomic enterprises; therefore, it requires government anticipation by strengthening the micro-economic community. Anticipation is most likely to be done to grow community businesses with low capital, one of which is done through cooperative activities. Cooperatives based on *people-based cooperation* will increase community participation in the economy (at least by including capital as a member of the cooperative) to balance out the private sector, which is an incidental form of *capital-based cooperation*.

Cooperative Supervision Law by the Government in Indonesia and Malaysia: Comparative Analysis

Cooperative legislation in Malaysia is regulated by the Malaysian Cooperative Societies Act 1993 (Act 502). This law consists of 10 sections: introduction, registration of cooperatives, cooperative obligations and privileges, liability rights of members, cooperative organisations, cooperative property, cooperative assets, accounts and audits, examination, dissolution and disputes settlement, other matters, and exceptions and transitional rules. Institutionally cooperatives in Malaysia are not organised in Ministry institutions, but in Commission-level institutions, namely the *Suruhanjaya Koperasi Malaysia* (SKM). SKM is authorised to set cooperative policies, ranging from administrative technicalities to supervision and integrity (Othman, 2008). This institution is domiciled in Kuala Lumpur but has the authority to regulate cooperatives in the states.

The cooperative supervision by the Malaysian government is explicitly regulated under the 1993 Cooperative Deed. The most fundamental difference between the Indonesian and Malaysia cooperative arrangements is in the portion of the government's role in cooperatives. In Indonesian cooperative law, the role of government is not as dominant as in the Malaysian government. The role of the Indonesian government based on Act No. 25 of 1992 is to foster cooperatives. While in Malaysian cooperative law, the role of government (i.e., SKM) is very

dominant, which could be seen from the authority to carry out checks on cooperatives that lie with the government/commission. The Commission also determines auditors who conduct audits. Section VIII number 64 of the Malaysian Cooperative Act 1993 states that the Commission or the person authorised by the Commission as an auditor could examine the cooperative by reviewing books, records, or all documents related to cooperative activities. Furthermore, the auditor could confiscate assets or hold documents if necessary for inspection.

According to cooperative institutions, supervisory arrangements are also included in cooperative institutional structures (Lotulung, 1993). The Cooperative Act 1993 also regulates the Audit Authority institution. The *Dalaman Audit Authority*, which consists of 3 to 5 people appointed by the cooperative. Further authority from the *Dalaman Audit Authority* is governed separately in the "small statute." This authority is similar to the cooperative structure of Indonesian Law Number 25 of 1992, consisting of a Member, Management, and Supervisory Meeting. This supervisor is the party authorised to conduct internal supervision.

The external examination of cooperatives under Indonesian Law Number 25 of 1992 lies in the government's authority. Structurally the government (i.e., Ministry of Cooperatives and Small and Medium Enterprises) has the duty and authority to conduct cooperative supervision under the Deputy for Supervision. The Deputy for Supervision is in the central government. At the same time, for regional supervision, the oversight function is the authority of the Regional Cooperative Office. However, supervision under the Deputy for Supervision in the Central Government and supervision under Regional Head of Cooperative Supervision are not instructionally connected. They both have a different structure, or the Ministry or the Central Government structure is not the same as the regional government structure. At the central level, the Minister appoints a deputy for supervision. In contrast, at the local level, the Regional Government appoints the Head of Service. This asynchronous coordination line often becomes an obstacle to cooperative supervision implementation.

In Malaysia's cooperative legislation, supervision is regulated under the authority of SKM. The SKM structure has an Audit Unit and an Integrity Unit that reports directly to the Executive Board of SKM. The authority of SKM on cooperative supervision is very significant and broad to the state level. The State does not have a cooperative supervisory structure where the monitoring is centralised on the SKM. It makes the structure of cooperative supervision by the government in Malaysia more clearly and strongly regulated than in Indonesia. The comparison of cooperative supervision arrangements by the government in Indonesian and Malaysian law is clearly explained in **Table 1**.

Table 1: The comparison between cooperative supervision arrangements by the government of Indonesia and Malaysia

Focus of comparison	Indonesia	Malaysia	Information
Legal Basis	Law Number 25 of 1992 concerning to Cooperatives	Deed 502 Cooperative Deed 1993	Indonesia and Malaysia adhere to a different legal system. Indonesia adheres to the Civil Law system, while Malaysia adheres to the Common Law system
Concept of supervision	There is no direct government surveillance system. The government has more role in the coaching of the cooperative.	There is no direct government surveillance system. The government has the right to inspect through SKM.	The concept of supervision in guidance and examination is different. The examination is one form of adequate supervision.
Type of supervision	There are internal and external checks. The internal check comes from the cooperative organs, while external check comes from the government.	There are internal and external checks: Internal by cooperative organs, external from the government through SKM.	This type of supervision is not clearly stated in the regulation. However, in practice, there can be two types of supervision, both internal and external.
Supervision structure	Internal supervision is included in the cooperative organisational structure (Management, Supervisors, and Member Meetings). External supervision from the central government is in	Internal supervision is included in the cooperative organisational structure, namely the Dalaman Audit Authority. External supervision from the government is included in the institutional structure of SKM,	Structurally, cooperative supervision in Malaysia only exists at the central level, SKM.

	the institutional structure of the Ministry of Cooperatives (i.e., Deputy for Supervision). At the local government level, the supervision structure is in the Regional Cooperative Office (i.e., Head of Supervision)	namely the audit and the integrity unit. No oversight structure is specific to the states.	
Supervisor/examiner /auditor	The cooperative can request the services of auditors from public accountants to audit. There are no specific rules about auditors. The government can determine auditors.	The auditor comes from the government or the power appointed to carry out the audit. The government appoints the auditor with special requirements as a cooperative auditor.	In Malaysian law, the determination of the auditor is the authority of SKM.
Supervisory authority	Checking the cooperative's books and records, checking the compatibility of cooperatives with the objectives and existing laws and regulations. There is no authority to hold, confiscate assets, or cooperative records.	Checking the cooperative's books and records, checking the compatibility of cooperatives with existing laws and regulations, having the authority to hold, confiscate assets and records of cooperatives, and even liquidate cooperatives.	Supervisors/auditors at cooperatives in Malaysia have broader authority compared to cooperative auditors in Indonesia.
The nature of supervision	Loosely, if there are mistakes that do not	Strict, if there are mistakes, the	The nature of supervision is

	<p>automatically lead to sanctions, there is still a further stage of formation.</p>	<p>consequences of sanctions both civil, administrative, and criminal.</p>	<p>related to the authority of the supervisor. The broader the authority of the supervisor, the more stringent the level of supervision.</p>
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Table 1 demonstrates that the most fundamental difference regarding the government's cooperative supervision in Indonesian and Malaysian law lies in the supervisor's or auditor's authority. The authority of the cooperative supervisor law in Malaysia is broader than in Indonesia. This authority is influenced by government and cooperative relations policies. The role of the Malaysian government in cooperatives is very dominant. This significant role could be known from the government's authority (SKM) to determine the audit process. Whereas in Indonesian cooperative law, the role of the government is only as a builder/coach (the part of guidance). The audit process is left to the appointed audit services or audit consultants.

It is worth noting that although the role of government in cooperatives supervision in Malaysia is dominant, it does not mean that Malaysian cooperatives are unable to grow and to develop. The government's dominance is intended to protect and save Malaysian cooperatives from competing with the private sector (Green, 2013). Malaysian cooperatives also get special privileges not given by the government to other business sectors, such as financing and implementing Sharia business in cooperatives. Thus, to present, cooperatives in Malaysia have grown well and contributed to the country's economic development.

Indonesian cooperative supervision policy is very loose compared with cooperative supervision in Malaysia because there is no government authority to conduct cooperative supervision. Law Number 25 of 1992 only regulated the government role of cooperative builder. The looseness of cooperative supervision reflects Indonesia's policy or legal politics are still focus on the growth of the number of cooperatives, not the quality of activities or the role of cooperatives. The lack of supervision aspect is due to the direction of cooperative development in Indonesia in the phase of forming cooperative independence. However, the looseness of supervision triggers many cooperatives who have problems in running their business. The institutional centrality of cooperatives supervision in Malaysia is more effective than Indonesia. Cooperative monitoring in Malaysia is centralised in SKM for all states, and it is beneficial in reducing the overlapping of authority between central and State institutions.

The results of this study reveal that several lessons could be employed by the Indonesian government to develop the cooperative supervision system from cooperative supervisory authority arrangements in Malaysia. They are:

1. The Indonesian government must play a more significant role in supervising cooperative activities. Supervision is carried out to ensure that the cooperative can run under the laws and regulations and the principles of the cooperative. The government is expected to not only play a role as a cooperative builder or coaching according to Law Number 25 of 1992. Fostering cooperatives by the government can be carried out in line with sufficient supervision.
2. The Government of Indonesia must develop a precise and continuous formulation or monitoring model. In Malaysia, SKM has the authority to examine cooperatives' activities from upstream to downstream. SKM could conduct the ratification of cooperatives, determining inspectors, and confiscation to the liquidation of cooperatives. We believe that opportunities for the application of this model in Indonesia need to be deeply examined to develop cooperative supervision by the government. Therefore, Indonesian cooperatives' supervision law may become more effective and has legal implications for cooperatives, not merely recommendations.
3. Institutional supervision between the central and regional governments in Indonesia must have a structural connection so that the supervisory policies implemented at the national level can be directly implemented in the regional government. Even though Malaysia has many states, Malaysian Cooperative supervision is only under the authority of SKM. This Malaysian cooperative supervision mechanism can be applied and adjusted in Indonesia's regional autonomy era.

The role of the government in supervision is not intended to eliminate the independence of cooperatives. Instead, government supervision will help the cooperative developments in running businesses to compete in the global economy. If the Indonesian government does not take a more active role, the development of cooperatives as one of the national economic backers will be undirected and unable to compete with other economic sectors. Privileges of the treatment of cooperatives can be used as a strategy to make cooperatives an essential sector in realising the economic system as mandated by the constitution.

Conclusion

The relationship between the government and cooperatives in the cooperative supervision in Indonesia is based on Law Number 25 of 1992 concerning Cooperatives, in which the government does not take a direct role in supervision. The government's role is more emphasised in the fostering function with the results of supervision being only recommendations. The supervisory and audit process is carried out solely by cooperatives.



The role of the government in cooperative supervision is considered to be minimal and weak. This Indonesian supervision role can be understood when looking at the legal politics of establishing Law Number 25 of 1992, which prioritises cooperative development in terms of quantity rather than quality.

The most significant difference in the legal substance of cooperative supervision by the Indonesia government and the Malaysian government is the role of government as a cooperative supervisor (auditor). In Indonesian cooperative law, the role of the government is not dominant; the role of government under Act Number 25 of 1992 is focusing on the development number of cooperatives. In the case of Malaysia, the government has a more powerful authority and functions. The authority to inspect cooperative activities from upstream to downstream lies with the government/commission (i.e., SKM). SKM has the authority to determine auditors, examine records, also doing material confiscation if necessary. SKM is also authorised in the matter of dissolution or liquidation of cooperatives.

Based on the results of this study, we suggest that the Indonesian government needs to amend Law Number 25 of 1992 concerning Cooperatives. This cooperative regulation is no longer relevant to the current economic environment. It is primarily related to the need for the government role in cooperative supervision. The role of the government as supervisors of cooperatives must be formulated in legislation. Comprehensive policies to mobilise the abundant resources of cooperatives have encouraged the government to play an active role as a supervisor and formulate relevant strategies and programs that enable cooperatives to contribute to Indonesia's economic growth. The Government of Indonesia can implement policies similar to the Government of Malaysia in terms of supervision of cooperatives where the government functions as the dominant actor. The government, therefore, is not only builder or coach, but also a supervisor with the primary objective solely for the advancement of cooperatives and the national economy as mandated by the Indonesian constitution.



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