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## PRINCIPLES OF PEOPLE'S ECONOMY IN DAIRY COOPERATIVES IN INDONESIA

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### ABSTRACT

Affect the economic development in Indonesia. People's economic development in this case involves all members of the dairy cooperative, and all members can enjoy the results and in the distribution of the results include the participation of all members of the dairy cooperative which aims to improve overall economic welfare, and take part in making decisions. In Article 33 of the 1945 Constitution, cooperatives are very important in growing and developing the economic potential of the people, so that in order for their development to run, cooperatives must have democratic characteristics, togetherness, kinship, and openness. The library research approach is used to make it easier to describe the research results. The results of this study indicate that the principle of people's economy provides a solution in the development of dairy cooperatives in Indonesia, because it emphasizes the participation of all members of the cooperative in the national production process, which is interpreted as the participation of human resources as the subject of development.

### KEY WORDS

People's economic principles, dairy cooperative, cooperative law.

Cooperatives in Indonesia, according to the 1992 law, are defined as business entities consisting of individuals or cooperative legal entities based on their activities based on cooperative principles as well as a people's economic movement based on the principle of kinship. In Indonesia, the cooperative principle has been included in law no. 25 of 1992. The principle of cooperatives in Indonesia is more or less the same as internationally recognized principles with a slight difference, namely the explanation of shu (remaining operating results). People's economy in a broader sense includes the lives of farmers, fishermen, street vendors, motorcycle taxi drivers and street vendors, whose economic interests can always be more easily assisted or fought for through cooperatives. It is the economic interests of the people like this that have received less attention from economic policy makers. The problem that until now has not been resolved in our country is the alleviation of the problem of community welfare. Current economic life is only limited to carrying out production, consumption, and distribution activities which are still relatively simple. Along with the times, the human population has grown, so that economic activity has also developed.

In Indonesia, the debate on the issue of the principle of the people's economy continues. Many people say that the people's economy as the basis for future development will result in sluggish economic growth.<sup>1</sup> Thus, in the context of realizing aspects of development outcomes, the small business sector occupies an important and strategic role in national development, both in terms of quantity and in terms of its ability to increase income in realizing equitable distribution of development outcomes, including in terms of the welfare of the community. The people's economy is essentially the equivalent of the term people's economy which means an economy organized by the people. The economy run by the people is an economic business that is a source of income for families or individuals. An

<sup>1</sup> Muhammad, *Financial Institutions for Contemporary People*, (Yogyakarta: UII press, 2000), Cet. To 1, p. 107.



economy run by the people means that the national economy is rooted in the potential and strength of the wider community in running their own economy.

In connection with the explanation above, one of the efforts made by the Indonesian government in implementing this national development is through the development of the livestock sector. The livestock sector is one sector that can support development, especially in the economic sector, where the development of this sector aims to increase the income and welfare of farmers, food security, environmental preservation, and foreign exchange.<sup>2</sup> The livestock sector also has an important role in providing the production of meat, eggs and milk to meet public demand for animal protein sources with high nutritional value and as industrial raw materials.<sup>3</sup> This is due to the increasing number of Indonesian population which has resulted in an increase in demand for food and beverages sourced from animal protein, one of which is the need for milk.

Dairy farmers are the spearhead of the success of a cow's milk business, if the business management, care and maintenance, as well as the management of dairy cows are good, the cow's milk produced will also be good and optimal. In this regard, in carrying out efforts to empower dairy farmers, of course this cannot be carried out by dairy farmers themselves, considering that not all dairy farmers have good skills and knowledge, so of course we need a forum that can foster and provide direction from start to finish. From good care and maintenance of dairy cows, to management of marketing or distribution of cow's milk production, one of which is through cooperatives.

Cooperatives are the right place to assist farmers in overcoming their problems in the management of dairy cows. In this regard, although cooperatives can overcome the problems of breeders, in practice, there are several problems that are still inherent in the community, namely the economic development of community groups which are developing relatively slowly. With the problem, it is necessary to have something that can be the foundation of thinking or opinion, namely the principle. In this case, the principle of people's economy is very necessary because the economic development of community groups that include all levels of society can be the foundation in the development process which is closely related to aspects of justice, economic democracy, taking sides with the people's economy which relies on fair market mechanisms and includes all levels of society in the development process, and also behave fairly for the entire community, with the aim of increasing economic welfare with the whole or the majority of the community.

## METHODS OF RESEARCH

The research method is a scientific way to obtain data with the aim of certain uses. This research belongs to the type of library research, namely research whose object of study uses library data in the form of books as data sources. This research activity is carried out by collecting data from various literatures, which are used not only in books, but can also be in the form of documentation or other materials.

## RESULTS AND DISCUSSION

The definition of principle according to the Big Indonesian Dictionary (KBBI) is something that becomes the foundation of thinking or opinion.<sup>4</sup> The philosophy of populist principles written by Bung Hatta illustrates how the doctrine of social welfare in a just and civilized humanity is the key to a better state life.<sup>5</sup>

*"The principle of populist means that sovereignty lies with the people. All laws (recht, statutory regulations) must rely on the feeling of justice and truth that live in the sense of many people, and the rules of life must be perfect and happy for the people if it is based on people's sovereignty. This principle of popular sovereignty is the basis for the recognition by*

<sup>2</sup> Rukmana, H. Rahmat. *Superior Green Grass Forage*. (Yogyakarta: Kanisius, 2005), p. 32.

<sup>3</sup> Rianzani's image. *Dairy Cattle Business Development Strategy for Neang Mukti Farmer Group in Air Naningan District, Tanggamu Regency. Journal of Agribusiness Sciences*, Vol.6 No. 2, May 2018, p. 179.

<sup>4</sup> *Big Indonesian Dictionary (KBBI)*, <https://kbbi.web.id/asas>, accessed on December 3, 2021.

<sup>5</sup> Baswir, Revisond, 2010. *Indonesian Cooperatives*. First edition. Yogyakarta: BPFE.



*all types of civilized human beings that each nation has the right to determine its own destiny. In relation to the relationship between populist principles and economic democracy, Bung Hatta said, "On the third joint (ideals, mutual assistance) the pillars of economic democracy can be established. It is no longer a single person or a small group that has to control the livelihoods of many people as it is now, but the needs and desires of many people must be the guideline for companies and income. Therefore, all major income streams concerning the people's livelihood must be based on common property and are under the care of the people through the intermediary of their representative bodies".*

Based on these questions, the connection between the development of the people's economy with the articles of the 1945 Constitution is as follows: First, the people's economy emphasizes the participation of all members of society in the national production process, which is interpreted as the participation of human resources as the subject of development. This is also related to Article 27 paragraph (2) of the 1945 Constitution which states 'every citizen has the right to work and a decent living for humanity'.

Second, Article 33 of the 1945 Constitution also places the participation of all members of the community to be able to enjoy the results of development. This means that there must be a guarantee that every member of the community participates in enjoying the results of national development, including the poor. Article 34 of the 1945 Constitution states that "the poor and neglected children are cared for by the state". This means that in implementing a people's economy, the people should not only be included as subjects of development, but also as connoisseurs of the results of development.

Third, activities for the formation of national production as well as the distribution of the results must include community participation. Swasono said, as subjects in the economy, community members have the right to co-ownership of the factors of production (co-ownership), participate in making economic decisions (co-determination), and also share in all the consequences of the implementation of these economic decisions. This is called Rripel-Co, where this concept not only gives birth to participatory but also emancipatory substances and mechanisms.<sup>6</sup>

The Characteristics of a People's Economy, according to Suharto Prawiro Kusumo, suggests several characteristics contained in the concept of democratic economics/populist economy. The characteristics are as follows:

1. The main characteristic of a democratic economic system or a people's economy is the enforcement of the principle of justice accompanied by concern for the weak. The economic system must allow all the potential of the nation, both as consumers, entrepreneurs, or as workers;
2. In line with the first nature and characteristics, it is partiality, empowerment, and protection of the weak by all potentials of the nation, especially the government in accordance with its capabilities. The government does this through market-friendly measures;
3. Creating a climate of fair business competition and market-friendly interventions. Efforts to equalize go hand in hand with efforts to create a competitive market to achieve optimal efficiency. Thus, for example, the partnership relationship between large businesses and SMEs must be based on competence, not compassion;
4. Empowerment of people's economic activities is closely related to efforts to move the rural economy. Therefore, efforts to accelerate rural development, including remote areas, minus areas, critical areas, border areas, and including other underdeveloped areas must be a priority;
5. Utilization and use of land and other natural resources, such as forests, sea, water, air, and minerals. Everything must be managed fairly, transparently and productively by prioritizing the rights of the local people, including the customary rights of indigenous peoples while maintaining the preservation of environmental functions.<sup>7</sup>

The goals of the people's economy include:

<sup>6</sup> Swarsono, Sri-Edi. 2010. *Back to Article 33 of the 1945 Constitution Rejecting Neoliberalization*. Jakarta: Hatta Foundation.

<sup>7</sup> Suharto Prawiro Kusumo, *People's Economy: Concepts of Policy and Strategy*, (Yogyakarta: BPFE, tth), p. 4.



1. To build a dedicated country with an economy that is politically sovereign, and also has a cultured personality;
2. To encourage equitable distribution of people's income;
3. To encourage sustainable economic growth;
4. To improve the efficiency of the national economy<sup>8</sup>.

In this regard, the people's economy is very influential on economic development, because it includes all members of the dairy cooperative, namely dairy farmers, and all members can enjoy the results.

Etymologically, cooperation comes from the English word "cooperation" which means cooperation. Cooperative is a joint business entity operating in the economic field, whose members are economically weak communities who join voluntarily and on the basis of equality of rights, are obliged to run a business with the aim of meeting the needs of its members and helping the economic difficulties of these members.<sup>9</sup> The meaning of cooperatives in Article 1 point 1 of the Law of the Republic of Indonesia Number 25 of 1992 concerning Cooperatives, as follows:

"A cooperative is a business entity consisting of individuals or a cooperative legal entity based on its activities based on the cooperative principle as well as a people's economic movement based on the principle of kinship".

Cooperatives aim to enlarge the businesses run by their members based on the principle of kinship, not to enlarge the businesses run by the cooperatives themselves.<sup>10</sup> Cooperatives in Indonesia aim to develop the welfare of their members in particular and develop the welfare of society in general. Indonesian cooperatives do not make profit as the main measure of welfare, because they are people's associations, not capital associations, so they prioritize the profits received by members over the profits generated. The purpose of cooperatives is also explained in Article 3 of the Cooperative Law and even explains the purpose of cooperatives, namely to improve the welfare of members in particular and society in general, and become an inseparable part of a democratic and just national economic order.

The purpose of cooperatives is in line with the functions and roles of cooperatives. The functions and roles of cooperatives are as follows:<sup>11</sup>

1. Build and develop economic potential and capacity to improve the economic and social welfare of members in particular and society in general;
2. Participate actively in efforts to improve the quality of life of the community;
3. Making cooperatives a pillar in strengthening the people's economy as the basis of strength and resilience of the national economy;
4. Strive to create and develop the national economy which is a joint effort based on the principles of kinship and economic democracy.

Cooperatives play a role in developing business power and community creation, increasing people's income, as well as increasing the standard of living and intelligence of the nation, encouraging sustainable development of economic democracy in creating job opportunities to reduce unemployment.<sup>12</sup>

The types of cooperatives according to the cooperative law consist of:<sup>13</sup>

1. Consumer cooperatives, namely cooperatives that carry out service business activities in the field of supplying necessities, both goods for members and non-members.
2. Producer cooperatives, namely cooperatives that carry out service business activities in the field of procurement of production and marketing facilities produced by members to members and non-members.

<sup>8</sup> Parta Ibeng, *Definition of People's Economy, Characteristics, Objectives, Principles and Impacts*, [https:// Pendidikan.co.id/pengertian- Ekonomi-kerakyatan-Characteristics-Principles-and-impact/](https://Pendidikan.co.id/pengertian-Ekonomi-kerakyatan-Characteristics-Principles-and-impact/), accessed on December 3, 2021.

<sup>9</sup> G. Kartasapoetra, *Indonesian Cooperatives Based on Pancasila and the 1945 Constitution*, Cet 5. (Jakarta: Rineka Cipta, 2001), p. 1.

<sup>10</sup> Priyono and A Priyanti, *Institutional Strengthening of Dairy Cooperatives through the National Livestock Area Development Approach*. WARTAZOA Journal, Vol. 25 No.2, 2015, p. 90.

<sup>11</sup> Tri Veda Raharjo, *Op. cit.*, p. 20.

<sup>12</sup> G. Kartasapoetra, et al. *Cooperative Management Practice*. (Jakarta: PT Bina Adi Aksara and PT Rineka Cipta, 2005), p. 7.

<sup>13</sup> See Article 83 of the Law of the Republic of Indonesia Number 17 of 2012 concerning Cooperatives.



3. Service cooperatives, namely cooperatives that carry out savings and loan service business activities required by members and non-members.
4. Savings and loan cooperatives, namely cooperatives that run savings and loan businesses as the only means of serving members.

Based on an explanation of the types of cooperatives, in this study cooperatives are included in the classification of producer cooperatives, because of their role as suggestions for the production and marketing of dairy products produced by dairy farmers. Dairy cooperatives are a form of cooperation between cooperatives and dairy farmers. In this case, dairy farmers become members of cooperative cooperatives and cooperatives as a forum for dairy farmers to develop their businesses. Cooperatives assist dairy farmers in marketing and managing dairy cattle, considering the limitations of farmers in terms of management, such as fostering and providing direction, starting from how to care for and maintain good dairy cows.

In the 1945 Constitution in Article 33 paragraph 1 which states that:

“The Indonesian economy is structured as a joint effort based on the principle of kinship. Furthermore, the explanation of Article 33, among other things, states that it is the prosperity of the community that is prioritized, not the prosperity of individuals and that the establishment of a company in accordance with that is a cooperative. Elucidation of Article 33 places Cooperatives both in their position as pillars of the national economy and as an integral part of the national economic system”.

Based on the explanation above, it shows that the role of cooperatives is very important in the Indonesian economy, because they can grow and develop the economic potential that exists in the people and can realize an economic democratic life that contains characteristics of kinship, togetherness, openness and democracy. However, economic growth so far has not fully demonstrated its form and role in accordance with the 1945 Constitution. The laws and regulations also have not fully accommodated the things needed to support the implementation of cooperatives. In order to do this, need a legal basis that is able to encourage cooperatives to grow and develop to be stronger and independent.

In the development of cooperatives, it is necessary to have directives so that they can play a role in the national economy. Its development is directed so that cooperatives can truly apply cooperative principles and economic business principles. Thus, a cooperative is an economic organization that is stable, democratic, autonomous, participatory, and has a social character. In fostering cooperatives, it is basically intended to encourage cooperatives to carry out business activities and can play a major role in the economic life of the people.

## **DISCUSSION OF RESULTS**

People's economy is an economic system that is built on the economic strength of the people, this people's economy is an economic activity or activity that can provide broad opportunities for the community to participate in the economy so that the economy can / can run and develop well. This populist economic system has been implemented in Indonesia since the Reformation took place in 1998. The government is determined to implement a people-based economic system by issuing the Decree of the People's Consultative Assembly of the Republic of Indonesia Number IV/MPR/1999 concerning the Outlines of State Policy which states that the economic system Indonesia is a people's economic system.<sup>14</sup>

This people's economy (people's economy) is an indigenous economy (people's economy is an indigenous economy), not an economic activity that comes from outside community activities (external economy). Thus, what is meant by people's economy is the economy or economic development of community groups that develop relatively slowly, in accordance with the conditions inherent in community groups. This people's economy is an economic development of community groups that involve all levels of society in the development process which is closely related to aspects of justice, economic democracy, taking sides with the people's economy which is based on a fair market mechanism and

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<sup>14</sup> Parta Ibeng, *Op.cit.*



involving all levels of society in the development process, and also behave fairly for the whole community, with the aim of increasing economic welfare with the whole or the majority of society.<sup>15</sup>

According to Mubaryo, in his book entitled: *Reform of the Economic System (from Capitalist Towards a People's Economy)*, states that a people's economy is a democratic economy aimed at the prosperity of the small people.<sup>16</sup>

While the populist economy according to Zulkarnain, in his book entitled: *Entrepreneurship (Strategy for Empowerment of Small and Medium Enterprises and the Poor)*, populist economy is an economic system that must be adopted in accordance with the philosophy of our country which involves two aspects, namely justice and economic democracy, and support for the people's economy.<sup>17</sup>

Meanwhile, according to A. Simarmata, the term economic democracy, which explicitly contains an explanatory article, can be interpreted as equivalent to a people's economy. The explanation of Article 33 of the 1945 Constitution states that a people's economy is an economic system in which production is carried out by all, for all, and under the ownership of community members. Thus, one of the pillars of economic democracy is the participation of all people in production activities.<sup>18</sup>

An understanding of the people's economy can be viewed from two approaches, namely: first, the approach to economic activities of small-scale economic actors, which is called the people's economy. Based on this approach, people's economic empowerment is meant to empower small-scale economic actors. Second, the economic system approach, namely economic democracy or a democratic development system, is called participatory development.

Based on this second approach, the people's economic empowerment is intended to apply the principles of democracy in development. This means that the people's economy is an economic system that includes all levels of society in the development process where all layers are without exception as the driving force of development. And this second approach is also often referred to as a people's economy or a people's economic system.<sup>19</sup>

Meanwhile, according to Salim Siagian, in the entrepreneur magazine No. 02 Th XXX February 2001 stated that the people's economy is an economic activity of the people in a country or region which generally lags behind when compared to the economy of the country or region concerned on average. And in another sense it states that the people's economy (people's economy) is an indigenous economy (people's economy is indigenous economy), not economic activity that comes from outside community activities (external economy). Thus, what is meant by the people's economy is the economy or the economic development of community groups that develops relatively slowly, in accordance with the conditions inherent in the community groups.<sup>20</sup>

Based on the above understanding, it can be concluded that the people's economy is the economic development of community groups that involve all levels of society in the development process which is closely related to aspects of justice, economic democracy, taking sides with the people's economy which is based on a fair market mechanism and includes all aspects of the economy. layers of society in the development process, and behave fairly for the whole community, with the aim of increasing the overall economic welfare or the majority of the community.<sup>21</sup>

People's economy as a system of course has basic principles that distinguish it from other economic systems. In general, there are no economic experts to mention a complete principle related to economic democracy. It's just that among the principles contained in the 1945 Constitution, especially Article 33, are:

<sup>15</sup> Parta Ibing, *Op.cit.*

<sup>16</sup> Mubaryo, *Reform of the Economic System: From a Capitalist to a People's Economy*, (Yogyakarta: Aditya Media, 1999), Cet.Ke-1, p. 81.

<sup>17</sup> Zulkarnain, *Entrepreneurship (Small Medium Enterprises and Poor Empowerment Strategies)*, (Yogyakarta: Adicita Karya Nusa, 2006), 1st Print, p. 98.

<sup>18</sup> A. Simarmata, *Economic Reform*, (Jakarta: Publishing Institute, Faculty of Economics UI, 1998), Cet. 1st, p. 117.

<sup>19</sup> A.Z. Fachri Yasin, et al, *Farmers, Small Businesses and Cooperatives with People's Economy Insight*, (Pekanbaru: Unri Press, 2002), p. 2-3.

<sup>20</sup> Zulkarnain, *Building People's Economy: Perceptions of People's Economic Empowerment*, (Yogyakarta: Adicita Karya Nusa, 2003), p. 9-10.

<sup>21</sup> <http://repository.uin-suska.ac.id/7376/4/BAB%20III.pdf>, accessed on December 3, 2021.



1. The principle of kinship. In the explanation of the 1945 Constitution it is stated that the economy is structured as a joint effort based on the principle of kinship. This principle is a reference for all business entities, BUMN and BUMS, BUMD;
2. The principle of justice. The implementation of the people's economy must be able to realize justice in society. This system is expected to provide equal opportunities to all children of the nation, whether they are consumers, entrepreneurs or as workers. There are no differences in ethnicity, religion and gender, all are equal in the economic field;
3. The principle of equal distribution of income. Society as consumers and economic actors must feel the distribution of income. If so far the government has been too concerned with high economic growth, it turns out that this is just a hoax. High growth does not lead to an even distribution of income. This growth is only felt by a few people who are called big entrepreneurs, while the majority of people differ in the position of being poor and destitute;
4. The principle of balance between individual interests and the interests of society. Economic activities must be able to create a synergy between individual interests and the interests of the community. Article 27 paragraph 2 of the 1945 Constitution states that every citizen has the right to work and a decent living for humanity;
5. The principle of cooperation or networking. In this principle, economic actors must help each other and work together. With cooperation, of course, various small business activities will become strong and big.<sup>22</sup>

There are several steps or efforts that must be considered in realizing or developing a people's economy so that these goals are carried out properly, namely:

1. Identifying economic actors, such as cooperatives, small businesses, farmers and farmer groups regarding their business potential and development;
2. Conduct a coaching program for these actors through a companion program;
3. Education and training programs according to their needs when developing their business;
4. Coordinate and evaluate those involved in the development process, both in terms of capital, human resources, markets, market information, and technology application<sup>23</sup>.

Meanwhile, according to Mubyarto (1997), efforts to develop the people's economy can be seen from three sides, namely: First, creating an atmosphere or climate that allows the potential of the community to develop. The assumption is that every human being and human group has potential that can be developed. No society is completely powerless.

Second, strengthening the economic potential of the community. The very main efforts are increasing the level of education, enlightenment or (*aufklarung*), increasing health status and opening up opportunities to take advantage of economic opportunities. Third, protect the people and prevent unequal competition, as well as prevent the exploitation of the strong economic group over the weak.<sup>24</sup>

In principle, people's economic empowerment requires several things in its implementation, including: first, local government political commitment in the form of policies that are consistent and can be operationalized in the field. Second, involving farmers, small businesses, and cooperatives in all aspects of agricultural development with a participatory approach.

Third, high willingness and commitment from local governments to involve universities, non-governmental organizations, private parties and others in coaching and training activities to support people's economic development. Fourth, providing capital assistance to farmers, small businesses, and cooperatives in the form of credit, revolving funds and other assistance that is not burdensome. And fifth, good coordination between relevant agencies that are directly involved in the economic development of farmers, small businesses and cooperatives.

<sup>22</sup> <http://repository.uin-suska.ac.id/7376/4/BAB%20III.pdf>, *Op.cit.*

<sup>23</sup> Zulkarnain, *Op.cit.* page. 14

<sup>24</sup> Indra Ismawan, *Success in the Liberal Economy Era for Cooperatives and Small and Medium Enterprises*, (PT. Grasindo: Jakarta, 2001), p. 97.



Various thoughts that develop need to be addressed wisely and formulated into a form of strategic policies and programs that can be operated properly and well. Policy stipulation and program implementation must be evaluated regularly and continuously and input in the form of thoughts must continue to be accommodated so that the goal of producing strong and resilient people's economic actors can be realized properly.<sup>25</sup>

Based on the understanding of the people's economy above, it can be drawn an understanding of the principles of the people's economy, namely the principle as a foundation for thinking or arguing which in terms of the people's economy can affect the economic development in Indonesia. People's economic development in this case involves all members of the dairy cooperative, and all members can enjoy the results and in the distribution of the results include the participation of all members of the dairy cooperative which aims to improve overall economic welfare, and take part in making decisions.

In line with this, the characteristics of the people's economic principle are based on justice accompanied by concern for the weak, partiality, and empowerment by all potentials of the nation, especially the government according to their capabilities. The government is also implementing it through market-friendly measures. Efforts to equalize go hand in hand with efforts to create a competitive market to achieve optimal efficiency. Utilization and use of land and other natural resources, such as forests, sea, water, air, and minerals. Everything must be managed fairly, transparently and productively by prioritizing the rights of the local people, including the customary rights of indigenous peoples while maintaining the preservation of environmental functions. Thus, for example, the partnership relationship between milk cooperative and members of milk cooperative must be based on competence, not compassion so that the empowerment of people's economic activities is closely related to efforts to move the economy in Indonesia.

## CONCLUSION

Cooperatives based on the people's economy have a very big role in building the welfare of the community in a just manner. This is stated in the national economic system in the context of economic democracy/people's economy. Cooperatives have the opportunity to overcome injustice because they provide equal opportunities and opportunities for the entire community, because they include all members of the community in the national production process, place the participation of all community members to be able to enjoy the results of development, the formation of national production and distribution of the results include community participation. Cooperatives are very important in growing and developing the economic potential of the people, in order for their development to run, cooperatives must have democratic characteristics, togetherness, kinship, and openness.

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