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Research Article

Priority Development Model of Cooperatives as the Pillar of the Economy in Sumenep

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Abstract.
Cooperatives play a strategic role as the backbone of Indonesia's economy, particularly in Sumenep Regency, but still face various challenges in developing and optimizing their role. This study aims to analyze the key factors influencing cooperative development programs and formulate policy priorities to strengthen the role of cooperatives in the community's economy, especially for their members. The analytical hierarchy process (AHP) method is used to identify and determine priority weights for various factors and policy alternatives. The analysis results show that there are four main factors influencing cooperative development programs, namely cooperative institutions (weight 32.75%), cooperative business (24.81%), KSP/USP cooperatives (22.28%), and cooperative human resource skills (20.16%). policy priorities for each factor are also identified, with increasing institutional capacity and quality of cooperative services as the highest priority for the cooperative institutions factor, increasing the business capacity of cooperatives and their members for the cooperative business factor, improving the capacity of KSP/USP managers for the KSP/USP cooperatives factor, and enhancing the human resources of cooperative managers and members for the cooperative human resource skills factor. The implementation of targeted policies based on identified priorities is expected to encourage cooperatives to be more adaptive in facing global economic challenges and increase the competitiveness of cooperatives as the pillar of the national economy. This research provides an important contribution to the formulation of comprehensive cooperative empowerment, considering the complexity of challenges and specific needs of the cooperative sector in Sumenep Regency.

Keywords: cooperative, AHP, pillar of the economy

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1. Introduction

Cooperatives play a crucial and strategic role in Indonesia's economy, particularly in Sumenep Regency. As one of the pillars of the national economy, cooperatives are expected to serve as the backbone in efforts to improve community welfare and sustainable economic development. However, in their development, cooperatives still face various challenges and obstacles that require serious attention from various parties, including the government, academics, and the community.

Sumenep Regency, as one of the regions in East Java Province, has great economic potential, especially in the agriculture, fisheries, and tourism sectors. In this context, cooperatives can play a crucial role in optimizing this economic potential through community empowerment and local resource management. However, the reality on the ground shows that cooperatives in Sumenep are still unable to maximize their role as drivers of the community's economy.

The Indonesian government has long recognized the importance of cooperatives in national economic development. This is reflected in various policies and regulations established to support the development of cooperatives. One form of support is through cooperative development programs aimed at increasing the capacity and competitiveness of cooperatives. This program covers various aspects, ranging from institutional strengthening, improving the quality of human resources, to developing cooperative businesses.

Nevertheless, the challenges faced by cooperatives in Indonesia, including in Sumenep Regency, are still quite complex. Some of the main problems often faced by cooperatives include:

a) Limited institutional capacity: Many cooperatives still face problems in organizational governance, including compliance with cooperative principles and the application of professional management.

b) Limited access to capital: Cooperatives often experience difficulties in accessing sources of capital, both from financial institutions and other sources.

c) Human resource constraints: Many cooperatives lack skilled and professional human resources in managing cooperative businesses.

d) Limited market access: Cooperatives often face difficulties in marketing their products and services, as well as in utilizing technology to improve efficiency and competitiveness.

In the context of developing cooperatives as an economic pillar, it is important to consider aspects related to credit limit determination and credit risk analysis, as discussed in the research by Ginoga et al. (2023). This research shows that proper credit limit determination is crucial for financial institutions, including cooperatives, to avoid non-performing loan problems and optimize fund distribution. The important role of cooperatives in the economy has great potential to help the community, especially low-income groups. In Malaysia, cooperatives were first established in 1922 to protect the welfare of rural communities, with the aim of improving the living standards of members, eradicating poverty, and becoming a tool for distributing national wealth. This is important considering the positive role of cooperatives in complementing the Islamic financial industry, and Malaysia has become a major player on the global stage (Hassan et al., 2018).

Facing these various challenges, a comprehensive and integrated cooperative empowerment strategy is needed. This strategy must consider various aspects, including institutional, production, marketing, finance, as well as innovation and technology. In this context, the role of the government, both central and regional, is very important in creating a conducive business climate for cooperative development. One approach that can be used in formulating cooperative empowerment strategies is through analysis of key factors that influence cooperative development programs. By identifying these factors, policy priorities can be formulated that are more targeted and effective in strengthening the role of cooperatives in the community's economy.

In the context of Sumenep Regency, this analysis of key factors becomes very relevant considering the unique characteristics and economic potential of the region. Sumenep, as part of Madura Island, has a wealth of natural and cultural resources that can be capital for cooperative development.

2. Methods

This research aims to analyze the key factors influencing cooperative development programs and formulate policy priorities to strengthen the role of cooperatives in the community economy in Sumenep Regency. The key informants for this study are officials from the Sumenep Regency Cooperative Office and the functional cooperative supervisory team in Sumenep Regency. Using the Analytical Hierarchy Process (AHP) method, this research seeks to identify and determine the priority weights of various factors and policy alternatives relevant to cooperative development in the region. The use of the AHP method in this study allows for a more structured and systematic analysis of the complex issues faced by cooperatives. This method helps in breaking down complex problems into a simpler hierarchy, thus facilitating the decision-making process in determining policy priorities. The Analytical Hierarchy Process (AHP) method follows these steps: 1) Initial matrix calculation; 2) Eigenvector calculation; 3) Maximum Eigenvalue calculation; 4) Consistency Index control; and 5) Criteria weighting.

3. Result and Discussions

The initial matrix calculation for level 2 (criteria/factors) obtained from the Comparative Judgment process involves assessing the relative importance of two elements at a certain level in relation to the level above it. This assessment is the core of AHP, as it will influence the priorities of the elements. The results of the pairwise comparison matrix, which depict the relative contribution or influence of each element on the criteria at the level above, are as follows:

Table 1: Pairwise Comparison Matrix Level II.

	KK	UK	KSP	SDK
KK	1.000	1.201	1.070	2.418
UK	0.833	1.000	1.232	1.070
KSP	0.935	0.812	1.000	0.891
SDK	0.414	0.935	1.122	1.000

From the pairwise comparison matrix Level II (Criteria) above, the eigenvalues for each criterion at Level II are as follows: Institutional Capacity of Cooperatives (0.3275), Cooperative Business (0.2481), KSP/USP of Cooperatives (0.2228), and Skills of Cooperative Resources (0.2016). The eigenvalues for each criterion/factor at this level indicate the consistency requirement, where the Consistency Ratio (CR) value obtained is 0.0863, which is less than 0.1. This indicates a consistency in the judgment regarding the importance of each element relative to the criteria at the level above. The priority of the criteria in determining policies regarding the factors influencing the cooperative development program is as follows:

From the table above, it can be seen that the assessment of policy priorities regarding the factors influencing cooperative development programs indicates that the Institutional Capacity of Cooperatives (KK) is the primary factor to be optimized, having the largest level of importance with a weight of 0.3275 (32.75%). This is followed by the Cooperative Business (UK) as the second priority with a weight of 0.2481 (24.81%),

Table 2: Priorities for Factors Affecting Cooperative Development Programs.

Priority	Factors for Implementing Cooperative Development Programs	Weight
1	Institutional Capacity of Cooperatives (KK)	0.3275
2	Cooperative Business (UK)	0.2481
3	KSP/USP of Cooperatives (KSP)	0.2228
4	Skills of Cooperative Resources (SDK)	0.2016
Consistency Ratio (CR)		0.0863

KSP/USP of Cooperatives (KSP) as the third priority with a weight of 0.2228 (22.28%), and Skills of Cooperative Resources (SDK) occupying the fourth priority with a weight of 0.2016 (20.16%).

Table 3: Institutional Capacity of Cooperatives.

Priority	Policies	Weight
1	Enhancement of institutional capacity and quality of cooperative services	0.2218
2	Socialization and advocacy for cooperative development	0.2133
3	Organization and strengthening of cooperative management and operations	0.1987
4	Supervision of cooperative institutions through accountability	0.1493
5	Appreciation of high-achieving cooperatives	0.1301
6	Facilitation of cooperative ranking	0.1297
Consistency Ratio (CR)		0.0911

Table 4: Cooperative Business.

Priority	Policies	Weight
1	Enhancement of the business capacity of cooperatives and their members	0.3666
2	Provision of infrastructure and supporting networks for micro businesses and business partnerships	0.3405
3	Productive training through technical management guidance	0.2928
Consistency Ratio (CR)		0.0903

Table 5: KSP/USP of Cooperatives.

Priority	Policies	Weight
1	Capacity building for KSP/USP managers	0.4094
2	Strengthening control over savings and loan operations	0.3260
3	Improving the quality of services in KSP/USP cooperatives	0.2646
Consistency Ratio (CR)		0.0853

Table 6: Skills of Cooperative Resources.

Priority	Policies	Weight
1	Development of human resources for cooperative managers and their members	0.3396
2	Development of training programs for cooperatives and their members	0.2502
3	Productive training to enhance the role of women in cooperative activities	0.2105
4	Facilitation of the development of facilities and infrastructure for cooperative training centers and MSMEs	0.1997
Consistency Ratio (CR)		0.0946

At level III (alternatives), as seen in the tables above (Table 3 – Table 6), the eigenvalues for each policy alternative under the factors of Institutional Capacity of Cooperatives, Cooperative Business, KSP/USP of Cooperatives, and Skills of Cooperative Resources (Level II) have shown the consistency requirement, where the Consistency Ratio (CR) value obtained is less than 0.1. This indicates a consistency in the judgment regarding the importance of each element relative to the policy alternatives at the level above. Overall, the results of the Analytical Hierarchy Process (AHP) indicate that the weights of the hierarchical priority assessments are as follows:

The analysis results indicate that there are four main factors influencing the cooperative development program in Sumenep Regency: Institutional Capacity of Cooperatives (weight 32.75%), Cooperative Business (24.81%), KSP/USP of Cooperatives (22.28%), and Skills of Cooperative Resources (20.16%). These findings provide a clear picture of the aspects that need to be prioritized in empowering cooperatives in the region.

The Institutional Capacity of Cooperatives, which has the highest weight, highlights the importance of strengthening organizational aspects and governance of cooperatives. This aligns with government policies that emphasize institutional strengthening, including improvements in management capacity and financial reporting. Policy priorities for this factor include enhancing institutional capacity and the quality of cooperative services. The Cooperative Business factor, as the second most important, emphasizes the significance of developing and diversifying cooperative businesses. This is relevant to government efforts in encouraging cooperatives to become competitive business actors, particularly in the context of Special Economic Zones. Policy priorities for this factor include enhancing the business capacity of cooperatives and their members. The KSP/USP of Cooperatives factor highlights the importance of financial and capital aspects in cooperative development. This aligns with government policies aimed at

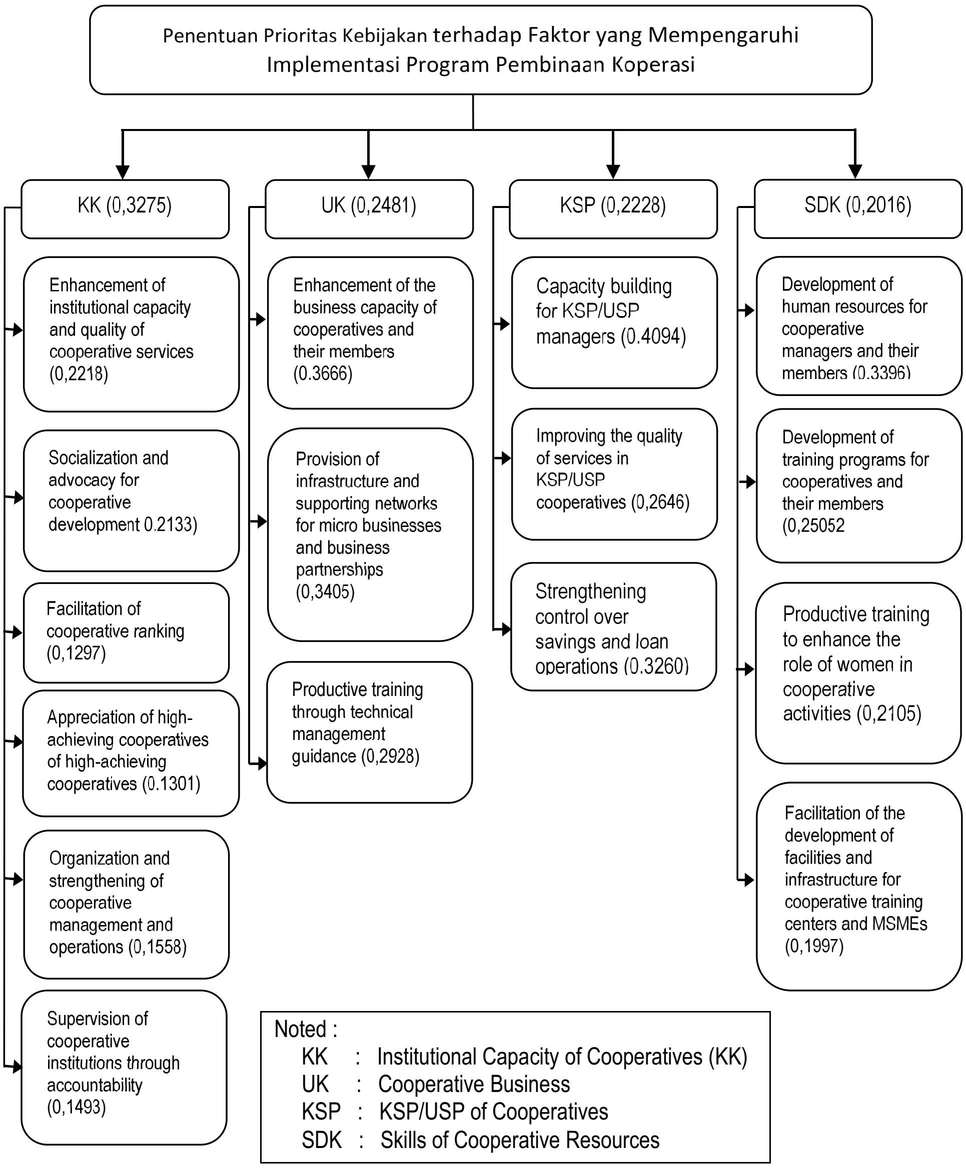

Figure 1: AHP Assessment Weight Diagram.

providing capital assistance to cooperatives. Policy priorities for this factor include enhancing the capacity of KSP/USP managers. The Skills of Cooperative Resources factor emphasizes the importance of improving the quality of human resources in cooperative management. This is relevant to government policies focused on empowering cooperatives through innovation and technology. Policy priorities for this factor include enhancing the human resources of cooperative managers and their members.

This aligns with the spirit of strengthening the role of cooperatives as reflected in various government policies. An example of good cooperative management that plays a positive role is cooperatives in complementing the Islamic financial industry, where Malaysia is a key player on the global stage (Hassan et al., 2018). These findings highlight the importance of formulating appropriate development strategies that consider both internal and external factors of cooperatives to enhance their performance and success. This research provides a relevant empirical foundation for examining the cooperative development priority model, given the vital role of cooperatives in empowering rural economies (Hendriani, 2018). Research by Hendriyanto et al. (2023) on the GoEkopz platform offers important insights into the potential of cooperative digitalization and its synergy with MSMEs in the era of Industry 4.0. This study proposes an e-cooperative platform model that integrates cooperative services with MSME marketplaces. The platform is designed to enhance operational efficiency, expand marketing reach, and facilitate access to capital for MSMEs. By leveraging digital technology, GoEkopz aims to revitalize the role of cooperatives in the people's economy while supporting the competitiveness of MSMEs in the digital era. Another example is the establishment of the Islamic Financing Cooperative Angkasa (KOPSYA) in Malaysia in 2011 as part of an initiative to promote sharia-based financing (Jabar et al., 2018). KOPSYA implements the musharakah mutanaqisah (MM) scheme for housing financing, which is considered more aligned with sharia principles compared to conventional schemes.

In addition, many cooperatives in Indonesia have not performed optimally, including in Sumenep Regency. This is reflected in the number of cooperatives that are inactive or even bankrupt, indicating that the financial performance of cooperatives is still lacking. For example, data from the Cooperative and MSME Office of Semarang City shows that out of 105 Republic of Indonesia Employee Cooperatives (KPRI), 14 cooperatives, or 15.38%, did not hold the Annual Members Meeting (RAT) in 2014 (Khafid, M., 2017).

A similar situation exists in Malaysia, although relatively fewer cooperatives are well-managed. Research by Shabri, S.M. (2016) on the impact of internal control systems on the profitability of Koperasi ABC Berhad revealed that although all components of the internal control system based on the COSO Framework were effectively implemented, the cooperative still faced losses due to inefficient cost control, not because of weak internal controls. Furthermore, it was noted that the government has provided financial and non-financial support to single-parent cooperatives in Malaysia, but the performance remains unsatisfactory, with 61% of cooperatives classified as inactive. Several factors influencing the performance of cooperatives include limited resources, dependency on subsidies, managerial incapacity, and low member participation (Jelani et al., 2021).

4. Conclusions

The results of the AHP analysis indicate that enhancing institutional capacity and the quality of cooperative services is the highest priority for the Institutional Capacity of Cooperatives factor. This aligns with the finding that the institutional aspect carries the highest weight in cooperative development. For the Cooperative Business factor, priority is given to increasing the business capacity of cooperatives and their members. This includes efforts to improve the competitiveness of cooperative products and services, as well as empowering members to actively participate in cooperative business activities. Regarding the KSP/USP of Cooperatives, priority is placed on enhancing the capacity of managers. This is important considering the crucial role of KSP/USP in supporting the capital of both members and the cooperatives themselves. Professional and prudent management will ensure the sustainability of cooperative financial services. Meanwhile, for the Skills of Cooperative Resources factor, priority is directed towards improving the human resources of cooperative managers and their members. This includes comprehensive training and development programs to enhance managerial, technical, and entrepreneurial capacities.

The implementation of targeted policies based on the identified priorities is expected to encourage cooperatives to be more adaptive in facing global economic challenges, as well as to enhance the competitiveness of cooperatives as the backbone of the national economy. In the context of Sumenep, this strategy can be tailored to local potentials and challenges, such as the development of cooperatives in the agriculture, fisheries, and tourism sectors, which are regional strengths.

This research makes an important contribution to formulating a comprehensive cooperative empowerment strategy, considering the complexity of challenges and specific needs of the cooperative sector in Indonesia, particularly in Sumenep Regency. The approach used allows for the identification of more measurable and targeted policy priorities, serving as a reference for stakeholders in developing effective programs and policies.

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