

DO THROUGH GRDP, COOPERATIVES STILL HAVE A ROLE IN POVERTY ALLEVIATION IN INDONESIA?

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Abstract

This study aimed to explore the influence of active cooperatives on the Indonesian economy for the last 5 years and poverty alleviation. Based on the results, the increasing number of active cooperatives had no influence on GRDP, but directly had a significant role in poverty alleviation in Indonesia.

Keywords: Cooperatives, GRDP, poverty.

INTRODUCTION

Poverty is a global problem experienced by countries in the world, including Indonesia. Poverty is a crucial problem haunting many countries in the world. In Indonesia, although the number of poor people has tended to decline in the last three years, it is still above 10% of the total population of Indonesia. Every effort is made to overcome poverty. Cooperatives, is one of the many efforts suggested in various writings, to alleviate poverty.

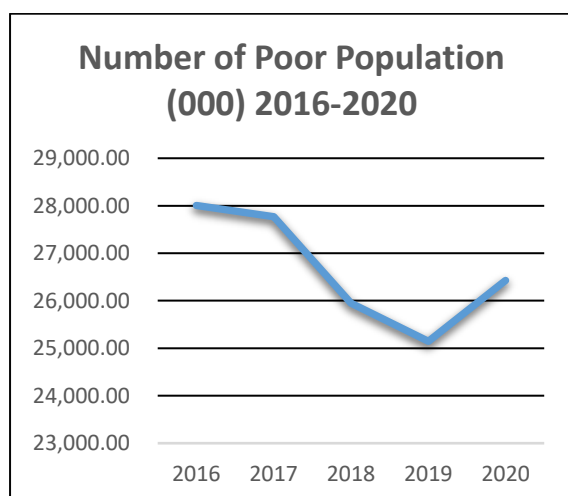


Figure 1: Number of Poor Population (000) 2016-2020

Based on the graph above, there is a decrease in the number of poor people in Indonesia. However, the number of poor people in Indonesia in March 2020 has increased, even though it has decreased in the last three years. The head of BPS, Suhariyanto, explained that the coronavirus pandemic caused the poverty rate in Indonesia to increase. The outbreak of the coronavirus has triggered a decrease in income levels for everyone, in this case, the lower class.

(<https://ekonomi.bisnis.com/read/20200715/9/1266356/tren-penurunan-angka-kemiskinan-berakhir-penduduk-miskin-kembali-naik>)

The use of an alternative approach, for Ife (2013), is an effort to alleviate poverty by migrating community economic activities, working focused on the interests of the community, revitalizing and developing the quality of people's lives.

According to (Ife, 2013), community economic development can be divided into 2 groups. First, the conservative group with the use of conventional parameters; and second, a more extreme approach, particularly in an effort to encourage a community-based economy. One type of region-based economy is microfinance

and microcredit. This activity is a part of the cooperatives. (Ife, 2013)

Gross Regional Domestic Product, hereinafter abbreviated as GRDP, is one of the markers of economic development in the region. GRDP is the net value of goods or services as a product created by various economic activities in a region within a period (1 year). The higher the GRDP, the higher the possible sources of regional income. The estimate of GRDP depending on constant prices is an illustration in measuring the rate of economic development.



Figure 2: *GRDP Indonesia 2016-2020*

Indonesia's GRDP is classified as good with numbers continuing to increase in recent years, but this has not been able to affect the reduction of poverty rates. However, many studies show that GRDP has opposite consequences on poverty rates in Indonesia (Suliswanto, 2010).

Cooperatives strive to be a way out of poverty in Indonesia and become a mainstay in the welfare of members and society. Cooperatives are people's economic institutions in Indonesia, even Muhammad Hatta mentioned that cooperatives are joint business entities. Cooperatives are a community economic movement to play a role in realizing a just and prosperous society within the framework of the national economy as a joint effort based on kinship and economic democracy.

There are several reasons for developing cooperatives. First, in a limited scope, appropriate economic activities are cooperatives. Second, the socio-economic status of people with a low standard of living and education is a difficult problem to solve, therefore it is believed that cooperatives can overcome these problems. Third, as Bung Hatta

suspected, a large number of micro-business actors must be bound by cooperatives (Hudi, 2019).

Camelia Fanny Sitepu (2018) stated that the Indonesian public authorities are very interested in cooperatives because cooperatives are a "pillar". However, Indonesian cooperatives have not been able to complete their tasks properly and effectively. This is because cooperatives are actually still having structural and capital constraints.

However, in reality, after more than seventy years of Indonesian Independence, there is not much to highlight, both nationally and internationally. In the last ten years, the government has made strategic steps with "total reform of cooperatives" through reorientation, restoration, and repair. The change started in 2014 as an effort to change the direction of cooperatives in terms of quality, not quantity. Cooperatives as a mainstay is still a hidden dream.

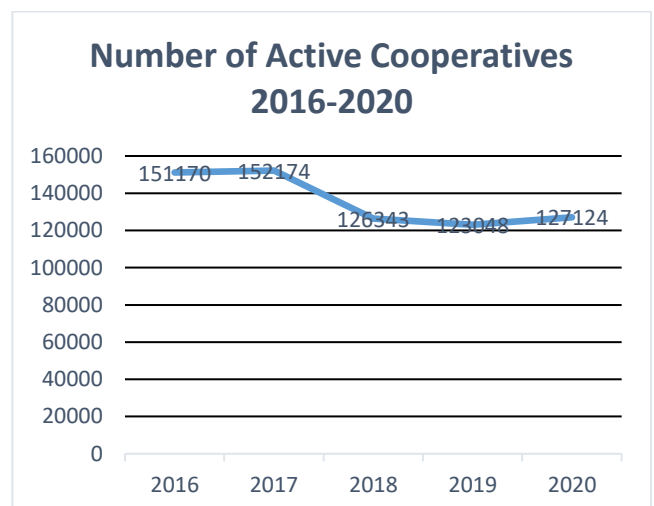


Figure 1: *Number of Active Cooperatives 2016-2020*

The above graph shows a declining pattern from 2016 to 2020. According to the Ministry of Cooperatives and Small and Medium Enterprises, more than 81,686 cooperatives in Indonesia have been dissolved in the last four years (2016-2019). In detail, in 2016 there were 45,629 cooperatives, in 2017 there were 32,778 cooperatives, in 2018 there were 2,830 cooperatives, and in 2019 there were 449 cooperatives. Based on observations, most of the cooperatives in Indonesia are currently no longer active because they are very dependent on external capital. In the case of Dekopin,

during the "new order" period, cooperatives received assets from the APBN (State Revenue and Expenditure Budget). This is what causes the weak independence of cooperatives in Indonesia. Whereas as a business institution, cooperatives should have risk-bearing activities. This government assistance has actually made the conditions of cooperatives in Indonesia worse and unable to be independent. Cooperatives in Indonesia are formatted to support the economic interests of the lower middle class.

(<https://www.beritasatu.com/ekonomi/654725/banyak-koperasi-tidak-aktif-karena-terlalu-andalkan-dana-dari-luar>).

Bung Hatta (Father of Indonesian Cooperatives) stated that the true reason for cooperatives is not to seek profit but to meet the common needs of cooperative members. This is an interesting thing, the quality of cooperatives is often the subject of discussion because cooperatives are used outside the interests of generic cooperatives. Likewise, at a macro level, the most basic question is related to the commitment of cooperatives to GRDP and poverty alleviation. Meanwhile, on a micro-scale, the fundamental question relates to the commitment of cooperatives to the welfare of members.

The basic question of this study is whether currently, the number of cooperatives in Indonesia is able to have a role in the GRDP and what is the role of the GRDP in mediating the effect of the number of cooperatives on the number of poor people in Indonesia. It is hoped that this will provide a clear picture of the role of cooperatives in Indonesia today.

THEORETICAL REVIEW

Poverty

Poverty is a complex idea and has many perceptions. According to Lister (2010), there is no single concept agreed upon by experts. This is because poverty is the development of a certain culture. In fact, various environments construct the concept of poverty in different ways. Some see poverty as an economic concept, while others see it as a political concept.

The World Bank characterizes poverty as people with incomes below "dollar a day" (Dolar and Kraay, 2002: 221).

To measure poverty, BPS uses the basic needs approach. This concept refers to the Handbook on Poverty and Inequality published by the Worldbank. With this approach, poverty is seen as an economic inability to meet basic food and non-food needs measured from the expenditure side. Residents are categorized as poor if they have an average per capita expenditure per month below the poverty line (BPS, 2020).

To measure needs, BPS uses the capacity to address essential issues (basic needs approach). This idea alludes to the Handbook on Poverty and Imbalance distributed by the World Bank. With this methodology, poverty is seen as a monetary failure to meet essential food and non-food needs as expected from users. A population is categorized as poor if it has a normal monthly per capita consumption below the need line (BPS, 2020).

Basically, all definitions can fall into one of the following categories by Townsend (1979), Desai (1985), and Hagenaars (1986):

- A. Poverty is a condition of deficiency in something defined objectively, an absolute minimum condition
- B. Poverty is a condition of deficiency compared to others
- C. Poverty is the feeling of not having the ability to get along.

The first definition is absolute, the second definition is relative, and the third definition may be absolute or relative, or somewhere in between.

Basically, all definitions can be categorized as one of the accompanying classes as indicated by Townsend (1979), Desai (1985), and Hagenaars (1986):

- A. Need is a state of deficiency in something characterized fairly, the most uneven condition
- B. Poverty is a state of being difficult to contrast with others.
- C. Need is the sensation of not having the option of associating.

Poverty, as indicated by the first definition is direct and indicates destitution, according to the second definition it is relative, and according to the third definition, it may be direct or relative, or somewhere in the middle.

Gross Regional Domestic Product (GRDP)

In principle, GRDP is a concept of per capita income implemented on a regional scale. The amount of income per capita in a region reflects the aspect of income distribution by using the average value of the overall household income in the regional economy.

According to BPS, Gross Regional Domestic Product (GRDP) is defined as the amount of added value generated by all business units in a region or the total value of final goods and services produced by all economic units in a region. Gross Regional Domestic Product on the basis of current prices describes the added value of goods and services calculated using prices every year, while Gross Regional Domestic Product on the basis of constant prices shows the added value of goods and services calculated using prices in a certain year (BPS, 2020).

At the basic level, GRDP is per capita income at the regional level. Per capita income in a region reflects the share of circulating payments involving the normal value of the general family salary in the regional economy.

GRDP as shown by BPS is characterized as how much payment is given by all special units in a region or the exhaustive value of labor and certain products created by all monetary units in a region. GRDP at current costs shows the additional value of labor and products determined using costs consistently, while GRDP at constant prices shows the additional value of labor and products determined by cost in a certain year (BPS, 2020).

Per capita income describes the average income of people in a region. This concept is considered still relevant to explain the formation of the number of poor people in the region.

This means that the ability to meet basic needs in the region will also increase. If the ability to meet basic needs increases, the number of poor people in the region will decrease. On the other hand, if the per capita income in the region decreases, the average income ability of the people in the region will also decrease.

If the income to meet basic needs decreases, the number of poor people in the region will increase. Based on this explanation, GRDP per capita has a negative effect on the number of poor people.

Cooperatives

According to Law No. 25 of 1992, cooperatives are business entities consisting of a person or legal entity based on the cooperative principle as well as a people's economic movement based on kinship.

Cooperatives are a group of people working together for the common good. Indonesian cooperatives are people's economic organizations consisting of people and legal entities based on kinship (Kartasapoetra et al, 2007).

According to Article 3 Law No. 25 of 1992, the purpose of cooperatives is to promote the welfare of members in particular and society in general and to participate in building the national economic order in order to create an advanced, just and prosperous society based on Pancasila and The 1945 Constitution.

Hypothesis

H1 : Number of Active Cooperatives has an influence on GRDP

H2 : Number of Active Cooperatives has an influence on Number of Poor People with GRDP as mediating variable

METHOD

Type and Source of Data

This study used secondary data from BPS and the Ministry of Cooperatives and MSMEs for the 2016-2020 period, compiled by provinces in Indonesia.

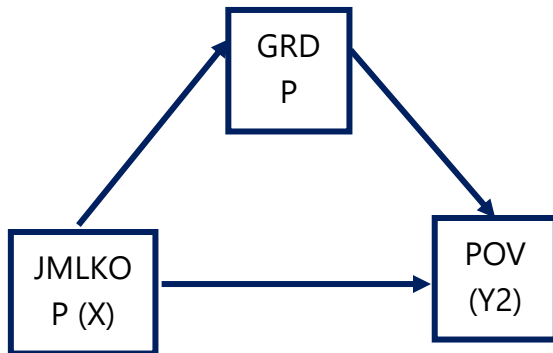
Variable

This study used several variables namely:

- Number of poor people in Indonesia (POV) as a response variable (Y2)
- Gross Regional Domestic Product (GRDP) as a mediating variable (Y1)
- Number of Cooperatives (JMLKOP) as a predictor variable (X)

Analysis

This study used forecasting with panel data regression analysis. The econometric model used was path analysis with EVIEWS. Figure 1 shows the Path Analysis Model with the following regression equation:



The logarithmic equations obtained are as follows:

Sub Structure 1

$$\text{Log GRDPit} = \alpha_i + \beta_1 \text{LogJML_KOPit} + \epsilon_{it} \dots\dots\dots 1$$

Sub Structure 2

$$\text{Log POVit} = \alpha_i + \beta_5 \text{Log GRDPit} + \beta_6 \text{LogJML_KOPit} + \epsilon_{it2} \dots\dots\dots 2$$

RESULTS AND DISCUSSION

Estimation of Panel Data Regression Model

This study used Number of Active Cooperatives di Indonesia sebagai variabel independen, number of poor people di Indonesia sebagai variable dependen dan GRDP sebagai variable mediator.

Table 1: Results of Panel Data Regression Model

No	Model	Method	Test	Results	Selected Model
1	Sub Structure 1	<i>Hausman test</i>	<i>Random Effect Model Vs Fixed Effect Model</i>	The probability value (prob) of random cross-section was 0.8161 or greater than 0.05	<i>Random Effect Model</i>
2	Sub Structure 2	<i>Hausman test</i>	<i>Random Effect Model Vs Fixed Effect Model</i>	The probability value (prob) of random cross-section was 0.000 or less than 0.05	<i>Fixed Effect Model</i>

Significance Test of Sub Structure 1 Parameters

The following is the results of significance test:

Table 2: Significance Test of Sub Structure 1 Parameters

Variable	Fixed Effect Model	
	Coefficient	Prob.
LOG(JMLKOP)	-0.048523	0.4000
C	10.85614	0.0000
R-squared	0.004244	
Prob(F-statistic)	0.398678	

Discussion

Based on the results, the increasing number of cooperatives di Indonesia had no influence on GRDP. Many studies explain that one sign of intensity in the market can be estimated from the share or commitment of output to GRDP.

Empirically, the commitment of Cooperatives, BUMS, and BUMS to Total National Output (Gross Domestic Product) was studied by Lestari Agusalim, et al (2018). According to the Ministry of Cooperatives, Ministry of BUMN, Economic Planning Agency, and BPS in the period 2009-2014, the influence of cooperatives on Gross Domestic Product was below 5%. Meanwhile, BUMS still dominated the private sector with a share of 67% and BUMN of 28%. This reality shows that the intensity of cooperatives compared to BUMS and BUMN is still very weak.

Apart from the low commitment of cooperatives to GRDP, the increase in the number of cooperatives also shows unpleasant conditions. From 150,000 cooperatives in Indonesia, around 75,000 cooperatives were declared bankrupt. Indeed, around 43,000 cooperatives have been

disbanded

(<https://ekonomi.bisnis.com/read/20170511/87/652881/3-strategi-kemenkop-ukm-mereformasi-koperasi>).

According to Subiyakto Tjakrawerdaja (2014), the idea of cooperatives did not come from Indonesia, but from European countries. As a result, the function of cooperatives in Indonesia is not the same as in various European countries. In many countries, cooperatives are used as a type of business element owned by many people, with the guidelines of one member, one vote. However, cooperatives in Indonesia are a medium in poverty alleviation. This difference in thinking causes cooperatives in Indonesia to have no choice to run according to their form.

Lestari Agusalim, et al (2018), these conditions are considered reasonable, the issues of cooperatives weakness are caused by,

1. Lack of full government involvement.
2. The image of cooperatives as second-class economic institutions is still embedded so that it becomes a bit of an obstacle in forming cooperatives into large, advanced, and competitive business units.
3. The advancement of cooperatives in Indonesia starts from the top-down not bottom-up, this implies that cooperatives were founded in Indonesia, not from public awareness, but rose from government support moving downwards. Meanwhile, overseas, cooperatives are formed based on public awareness to help each other overcome problems so that the government only acts as a supporter and protector.
4. Member participation is still low, this is because socialization has not been optimal.
5. The low level of education results in the unprofessional management of cooperatives.
6. The funding provided by the government is a strong justification for why Indonesian cooperatives are not progressing. Many cooperatives are assisted by the government through capital without assistance and supervision, as well as grant assistance.
7. Lack of self-development.
8. Lack of cooperation between cooperatives.

Those are the reasons why the progress of cooperatives in Indonesia has not been maximized. Sukidjo (2008) clearly explained the reasons for the failure of most of the cooperatives in Indonesia, namely:

1. The main function of cooperatives cannot be executed properly
2. Business irregularities
3. Low human resource quality
4. Lack of supervision.
5. Dishonesty of management and members

The above conditions show that although there was an increase in the number of cooperatives, cooperatives still cannot contribute to GRDP. The problem lies in the quality of cooperatives that do not develop.

Significance Test of Sub Structure 2 Parameters

The following is the results of significance test:

Significance Test of Sub Structure 2 Parameters

Variable	Fixed Effect Model	
	Coefficient	Prob
LOG(GRDP)	-0.063402	0.0040
LOG(JMLKOP)	0.099975	0.0000
C	5.890906	0.0000
R-squared	0.999507	
Prob(F-statistic)	0.000000	

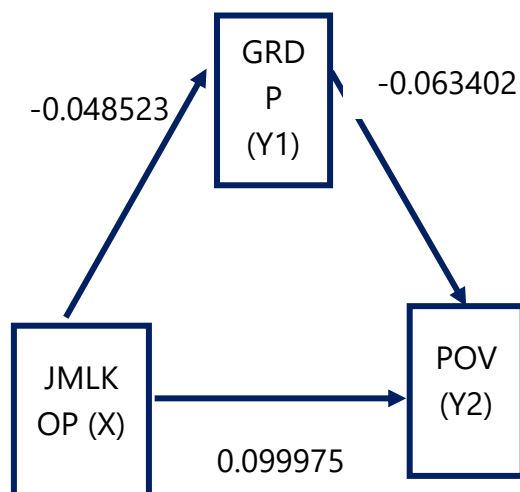
Discussion

Based on the table above, all variables (variables X and Y1) either partially or simultaneously had an influence on Y2. This is in line with a study by Myanti Astrini and Putu Purbadarmaja (2013), Parwata, et al (2016), Lily Leonita, Rini Kurnia Sari (2019). In this study, GRDP has a negative constant of -0.063402 showing the opposite relationship between GRDP and poverty so that the higher the GRDP, the lower the poverty rates. This indicates that the rate of growth in the production of goods and services in each province is able to help reduce poverty rates. The increase in the production of goods and services in each sector in each province can reflect that every resident already has an income. In addition, the number of active cooperatives also had an influence on a number of poor people.

Poverty as a whole is the economic failure of individuals to meet the normal needs of life in a region. The inability to cope with these problems is illustrated by the low ability of income to be able to cope with important problems such as clothing, food, and shelter. Economic growth is an indicator to see the achievement of improvement and is an important condition for reducing poverty rates. One of the signs of regional economic development can be seen from the GRDP. GRDP provides an overview of periodic economic improvements with the aim of making the provincial economy clearer. GRDP is used to show the general level of economic development from one year to another.

Path Analysis

The figure below shows the direct and indirect influence of independent variables on the number of poor people



Description:

*** significant $\alpha=1\%$ ** significant $\alpha=5\%$ * significant $\alpha=10\%$

Discussion

- Path “a” shows the influence of X on Y1. Based on the above output, path a coefficient was -0.048523 and not significant with $p<0.05$.
- Path “c” shows the influence of X on Y2 or direct effect of X on Y2. Path c coefficient was 0.099975 and significant with $p<0.05$.
- Path “b” shows the influence of Y1 on Y2. Path b coefficient was -0.063402 and significant with $p<0.05$.
- Path “a*b” is an indirect effect of X on Y2. From the output above, the indirect effect was 0.03.
- Path “c” is the total effect of X on Y. The total effect can also be calculated by adding up the direct effect plus the indirect effect or adding the path a + path (a*b) or $-0.048523 + 0.03 = 0.09$. The total effect coefficient was 0.09 and significant with $p<0.05$.

Because path “a” was not significant and path “b” was significant, then according to Baron and Kenny (1986), there was no mediator role in the influence of number of active cooperatives on number of poor people in Indonesia.

To strengthen the results, here are the results of the Sobel Test for the variables studied:

No	Sobel Test	B ₁	Std E ₁	B ₂	Std E ₂	Value
	JMLKOP à GRDP à POV	-0.048523	0.122888	-0.063402	0.041743	0.382

Testing the mediation hypothesis can be performed with the procedure developed by Sobel (1982). Based on the Sobel test above, the z value was 0.382 or $0.382 < 1.96$ at a 5% significant level. This proves that GRDP was not able to mediate the influence of the Number of Active Cooperatives (JMLKOP) on the number of poor population (POV) in Indonesia.

CONCLUSION AND RECOMMENDATION

The existence of cooperatives is expected to be able to contribute to the economy in Indonesia through GRDP. However, share cooperatives on GRDP are almost unchanged at less than 5%. This is proven as follows:.

1. Number of Active Cooperatives Had No Influence on GRDP

Based on the results, Number of Active Cooperatives had no influence on GRDP. This result can be seen from the probability value of $0.4000 > 0.05$ where the R-squared was very small, only 0.004244

2. The Influence of Number of Active Cooperatives through Number of Poor People Mediated by Gross Regional Domestic Product.

Partially, Number of Active Cooperatives and Gross Regional Domestic Product had a significant influence on Number of Poor People, but Gross Regional Domestic Product did not mediate the influence of Number of Active Cooperatives on Number of Poor People in 34 provinces in 2016-2020. This is evidenced by the Sobel Test showing the z value of the mediation effect of 0.382 or greater than the z table, namely 1.96 at a 0.05 significance level.

Based on this, researchers can provide recommendations as follows:

The inability of the Number of Active Cooperatives to play a role in GRDP shows that the number of cooperatives is not important in the role of GRDP. As explained above, most of the active cooperatives have not been able to appear as pillars of the economy as expected. Once again, in addition to the role of the government, it must always be consistent for the revitalization of cooperatives in Indonesia with policies favoring cooperatives. However, cooperatives themselves are required to be able to adapt to the demands of dynamic development. The inability to adapt will result in cooperatives being in "Death". Increasing numbers, however, do not contribute anything to the welfare of members or society.

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