

A Qualitative Study in Indonesia Comparing the Institutional and Socio-Economic Roles of Banking and Cooperatives

Wira Ganet Aribowo¹, Syarifah Ratih Kartika Sari²

^{1,2}Universitas Merdeka Madiun

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ABSTRACT

The goal of this qualitative study is to compare the roles, operational structures, and socioeconomic contributions of banks and savings and loans cooperatives in Indonesia. Both entities are strategically responsible for supporting the national financial system, especially in providing financial services to the lower middle class. This study uses a case study approach and in-depth interviews with managers of banks and cooperatives in three different areas. The study also found that banks are better at following the law and running their businesses efficiently, while cooperatives are better at building social ties and community-based economic empowerment. However, management and professionalism is a big problem for cooperatives. The results of this study say that to strengthen an inclusive and sustainable financial system in Indonesia, the commercial banking approach and the cooperative social approach must work together.

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Corresponding Author:

Name: Wira Ganet Aribowo

Institution Address: Universitas Merdeka Madiun

e-mail: wiraganet@unmer-madiun.ac.id

1. INTRODUCTION

Cooperatives and banking are economic institutions that have existed for a long time and play an important role in promoting the country's economic growth. In Indonesia, both exist in formal institutional settings and are recognised by law. However, their progress shows a marked difference in the extent of their operations, management, and recognition in the country's economic system. Banking develops in an environment of contemporary capitalism that is closely monitored by Bank Indonesia and the Financial Services Authority (OJK), has access

to capital markets and a global liquidity network. Cooperatives are still limited in the people's economic sectors that have not received sufficient institutional space in national policies.

We can't separate these differences from the philosophical and historical foundations of each institution. Robert Owen, the founder of the modern cooperative movement, saw cooperatives as a way to improve society and fix the problems with the market system. Hermann Schulze-Delitzsch follows this thinking and emphasizes how important credit cooperatives based on legal

responsibility and professionalism are—a rapidly growing model in Europe. Walter Bagehot, on the other hand, took a systematic approach to banking to show how banks might be used as tools for stabilising the money supply, particularly by supporting the role of the state as the last lender. However, cooperatives in Indonesia do not have the same protection system, so their institutional position is much weaker than that of banks.

Therefore John Maynard Keynes asked several important questions of state intervention to improve the quality of the market, so it is very relevant in the macroeconomic context[1]. This method supports the idea that positive action is needed to improve cooperatives rather than allowing them to compete unfairly in an economy already dominated by corporations. This idea from Keynes became the theoretical basis for efforts to include cooperatives in the national development system through supportive institutional and fiscal policies.

It is very important to place the ideas of Mohammad Hatta and Sri-Edi Swasono in the Indonesian context in this discussion. Hatta saw cooperatives as a form of economic democracy that supported social justice and opposed liberal economics. Article 33 of the 1945 Constitution states that Sri-Edi Swasono must protect cooperatives as part of the economic concept. In practice, however, the state should provide more structural information on banking. As a result, the strategic role of cooperatives as the backbone of the national economy is lost[2][3][4].

Mubyarto added to this criticism by talking about the idea of "people's economy" and "Pancasila economy." These ideas say that the national economy should be built from the ground up, based on the needs and social conditions of people. Mubyarto said that cooperatives are the most real form of community economic institutions and should be empowered rather than controlled[3].

The fact that cooperative practices in the European Union show how important it is to reform cooperatives in Indonesia. Cooperatives are not just small institutions in Germany, France, the Netherlands and Finland; they are significant economic actors

in agriculture, energy and financial services. Cooperatives there grew due to the same regulatory support, professionalization of management, and systemic integration into national and supranational economic policies.

Unlike cooperatives in Indonesia, which are still small, not yet digitalized, and don't have the same capital, incentives, or risk protection as banks. Therefore, it is very important to conduct research that not only compares cooperatives and banking in general, but also delves deeper into the institutional basis, basic principles, and their position in the state policy system[5][6][7].

Cooperatives and banking are two economic institutions that are recognized juridically and historically in the economic structure of Indonesia. Both are responsible for building structures of economic inclusion and distributing financial resources. But, in reality, the position of banks and cooperatives does not develop in a balanced manner. Cooperatives often lag behind in systemic strengthening and institutional modernization, while banking undergoes highly progressive institutional and technological transformations. Because of this discrepancy, comparative research on the dynamics of management, operational, and regulatory aspects is needed[5].

Since the economic reform period of the 1980s, Indonesia's banking sector has moved towards a more professional and globally integrated system. Now, both private and national banks act as financial intermediaries, moving the real sector, and are tools for national monetary control [8]. Bank Indonesia and OJK have systematically supported the supervision and stability of the financial system. They also encourage digital transformation through financial technology (Bank Indonesia, 2022). On the other hand, cooperatives have not experienced growth or even regressed in recent decades (KEMENKOP UKM, 2021). Many cooperatives cannot deal with the problems of modern governance and digital transformation, and they rely only on small communities.

That shows a structural failure in developing cooperatives as equal economic

entities. Prof. Dr. Sri-Edi Swasono argues that cooperatives are a form of constitutional economy Pasal 33 UUD 1945. Cooperatives are not fringe entities, but rather teachers of the national economy who support economic democracy and distributive justice. Sri-Edi strongly opposed the application of market logic in development policy, which often discriminates against people's economic organizations such as cooperatives[2].

Cooperatives not only existed in European countries such as Germany, the Netherlands and France, but also developed into important economic institutions working in agriculture, energy and finance. Chaves and Sajardo-Moreno (2004) conducted a study that found that cooperatives in Europe are treated the same as other types of businesses by law. ICE and Euricse (2021) found that banks like Cré it shows that cooperatives can be the mainstay of the modern economy if they have a strong legal and management structure[9].

Research conducted in Indonesia found that undeveloped research institutions are the main research cooperatives, not the model. Suyanto (2020) developed strategies for the development and adaptation of cooperative business models to cope with economic changes[10]. Nurhayati (2018) said that accountability and good governance are very important to make cooperatives more competitive[7]. Quantitative study said that the financial performance of cooperatives can still compete if they have a good management structure[7].

The difference is even clearer for banks that have started using Risk-Based Reporting, follow Basel standards, and are part of the global financial system. On the other hand, companies still have major problems with financial reporting, internal governance, and human resources[11]. Fitriyani and Yuliana (2020) conducted a study that showed that cooperative business models are actually more flexible to reach the grassroots segment. However, it is very difficult to obtain capital and technology[12].

Therefore, quantitative research is essential to learn more about the differences between cooperatives and banking in terms of

institutional character, operating system, management, and regulatory ecosystem. The study is not only descriptive-comparative, but also deals with how cooperatives affect the country's economy. This study will also look at how cooperative practices in European countries can be used as a strategic reference to change the structure of Indonesian cooperatives to suit the needs of the Times.

This study is expected to provide theoretical and practical contributions to make cooperatives as mainstream institutions in the development of a just and sustainable national economy by using constitutional economic approaches and institutional studies.

Many studies have looked at cooperatives and banks separately. However, there is still a lack of research involving both from the company, management, operational, and regulatory angles in the Indonesian economic system. Under the same legal system and state policy, previous research has established cooperation as a separate entity without involving the dynamics and interests of corporate and public banking institutions. In addition, the research carried out is quantitative and technical, but not many studies use a narrative-quantitative approach to obtain the value of ideology and the complexity of structural relationships. Another problem that limits strategic learning for the growth of cooperatives in Indonesia is the lack of reflection on how modern cooperatives work in developed countries. Finally, previous studies could not answer the fundamental question of why cooperatives failed to develop into mainstream economic institutions in the national economy because Sri-Edi Swasono's constitutional economic perspective that viewed cooperatives as the main form of economic democracy was not properly utilized.

2. LITERATURE REVIEW

In this study, we use an institutional and managerial approach to understand the basic differences between cooperatives and banks as legitimate and recognized economic entities in the national financial system.

2.1. Theory of Institutions

Development theory understands how social structures, policies, and policies affect organizational behavior. In this case, cooperatives and banks have different responsibilities. Scott (2001) posited three pillars of development: regulated, normative, and cognitive[13]. The central Bank is strong on the regulated pillar because it is closely monitored by the OJK and BI, while cooperatives are stronger on the normative and recognition pillars because they are based on fairness and the principle of solidarity. The difference in strength between the three pillars also affects the position of cooperatives in Indonesia.

2.2. Organizational Management Theory

We used classical and modern theories of organizational management, like Max Weber's (bureaucracy and rationality), as well as a resource-based strategic management approach, to compare institutions (Barney, 1991). Banks usually have a hierarchical structure, a strong internal control system, and a profit-centered strategy. On the other hand, cooperatives focus on sharing profits, getting members involved, and having an open economy. This has an effect on how decisions are made, how well the institution runs, and how accountable it is[5].

2.3. Theory Of Operational Financial Institutions

This theory is all about how banks and cooperatives get money, lend it out, and provide economic services to people. In practice, banks are more focused on the profitability and efficiency of their portfolios, while cooperatives are more focused on creating value for their members. It is quite important to compare the operational effectiveness of the two because of these differences in orientation.

2.4. Theories of Regulation and Good Governance

Regulation is one of the most important methods to ensure that financial institutions operate well and last a long time. This theory is used to see how regulatory asymmetry affects the professionalism and competitiveness of cooperatives compared to

banks. The Ministry of Cooperatives and SMEs manages cooperatives, which have more sectoral and looser rules. Meanwhile, banking is subject to OJK and BI systemically. In the long run, the structure of cooperative governance will be weaker without a special independent oversight body.

Using this theoretical framework as a basis for analysis, we can see that the differences between cooperatives and banks are not just in the technical aspects of their operations; they also differ in their institutional structure, regulatory framework, and management paradigms. This method was used in research to get a full picture of the role and problems of cooperatives in a system where traditional banks are in charge.

3. METHODS

This study uses descriptive-comparative quantitative research to study the differences and similarities between banking institutions and cooperatives in Indonesia. This study focuses on management, operations, and following existing rules. The choice of this method is based on the fact that the phenomenon under study is very complex and contextual and cannot be reduced to numbers or statistics. Creswell (2014) says that a qualitative approach is used to understand the subjective meanings that people or groups make in their social life. In such a situation, only methods that allow direct interaction between the researcher and the research subject can provide an in-depth understanding of institutional practices including management, decision-making, and responding to regulations[13][14].

Quantitative descriptive research is used to provide a system and factual picture of progress in the field without changing variables. Sandelowski (2000) says that this method is great for providing detailed and direct explanations of the phenomena being studied, especially in applied fields such as public policy, institutional management and public services[13].

In addition, this study is comparative because it compares two types of financial

institutions, namely banking and cooperatives, from various institutional points of view. Yin (2018) suggests using the multiple case study method, or the double case study method, to compare different units of analysis. The goal of this study is to find out how different patterns of behavior and management are in different situations. This method doesn't just focus on descriptions; it also looks at the dynamics that come up. We used direct observation, document studies, and in-depth interviews to gather data. Interviews were used to find out about the perceptions, experiences, and management practices of banks and cooperatives, while field observations were used to understand the direct operational context. Data documentation such as AD/ART lembaga, standard operating procedures (SOP), annual reports, and relevant rules from OJK and Kementerian Koperasi are evaluated to support triangulation of data. Patton said in 2002 that triangulation was a very important way to make qualitative research more credible.

Subsequently, the method developed by Braun and Clarke (2006) was used to analyze the data. In this way, the researcher can find and group the main themes of the observations, interview transcripts and documents. Inductive analysis began with open coding, grouping subthemes, and writing a thematic narrative that compared the units of the institution. To make sure that the research results are correct, the strategies of member verification and triangulation of sources were used. Peneliti memikirkan bias dan interpretasi pribadi secara berkala agar tetap objektif. A clear analysis process, an audit trail, and talking with coworkers can all help people trust qualitative data more (Miles, Huberman, and Saldaña 2014)[15].

The two main sources of data sources are as follows:

Data Primer, which includes in-depth interviews with sources from active cooperatives, regional or private banks, officials from the Ministry of Cooperatives and SMEs, OJK/BI regulators, and focus group discussions (FGDs) with academics,

cooperative practitioners, and institutional economic observers.

Secondary Data derived from legal regulatory documents, such as Cooperative law, banking law, OJK regulations, BI regulations, and others. The government's policy documents, the annual reports of cooperatives and banks, the international research reports (ICA, ILO, EACB), and the scientific journals.

The method of collecting data was used to look at policy documents, institutional reports, and regulatory archives. Semi-structured interviews are conducted online and face-to-face to gather narrative data about the organization's management and operational practices. observation without participation in the activities of the organization, if possible, especially in matters of governance and service. Data analysis techniques using thematic analysis approach, namely:

Transcriptions of interviews and documents were systematically analyzed.

Identify key themes such as: institutional structure, management principles, the role of regulation, and institutional challenges.

Comparisons between narratives from banking and cooperatives are made to show differences and similarities in institutional principles, practices, and outcomes.

The narrative that is being developed will be used as an interpretive basis for understanding how the two institutions work within the framework of the national economy. Triangulasi sumber involves confirming primary and secondary data with each other and with different sources, such as regulators, cooperative managers and banks, and academics. Checking the results of the interpretation with different important informants increases credibility[13].

4. RESULTS AND DISCUSSION

Some of the main findings of the study are divided into four main themes: institutional structure, managerial and operational practices, regulatory framework,

with institutional reflection and socio-economic role between banking and Cooperatives: A Qualitative Study in Indonesia.

4.1. Institutional structure: differences in principles and orientation

The structure of cooperatives and banks is based on quite different principles and goals. You can use both institutional economics and constitutional economics to understand this. Pasal 33 UUD 1945 says that cooperatives are a kind of economic democracy. Sri-Edi Swasono (2003, 2010) says that a cooperative is an economic system that makes the people the main actors in the economy through participation and gotong royong. Some of the main findings of the study are divided into four main themes: institutional structure, managerial and operational practices, regulatory framework, with institutional reflection and socio-economic role between banking and Cooperatives: A Qualitative Study in Indonesia. In a cooperative, the goal of the organization is not to make money, but to help meet the economic needs of its members[10][16].

According to Douglass C. North's (1990) theory of institutions, economic institutions are shaped by the market and the formal and informal rules, norms, and values that affect how people act. Some of the main findings of the study are divided into four main themes: institutional structure, managerial and operational practices, regulatory framework, with institutional reflection and socio-economic role between banking and Cooperatives: A Qualitative Study in Indonesia.

The cooperative principle of "one member, one vote" is based on the interests of

the members, while the bank management principle is based on the interests of the shareholders. Indonesian populist economic figures, such as Mohammad Hatta, fought for Economic Democracy and stressed the importance of cooperatives as market balancing institutions to prevent the exploitation and domination of capital. Bachtiar (2016) and Nurhayati (2018) point out that cooperatives do not have the same structural support as banking. The Ministry of Cooperatives and SMEs still regulates cooperatives partially, being only responsible for administrative coaching. OJK and Bank Indonesia are actively developing a risk-based banking supervision system. Because of this structural discrepancy, cooperatives do not have the same institutional power as banks in the national financial system. Studies in Europe also emphasize how important it is to consider institutional design when helping cooperatives succeed. Chaves & Sajardo-Moreno (2004) say that clarity of legal status, regulatory equivalence, and institutional recognition as mainstream economic entities are important factors for the success of cooperatives in Europe. In the meanwhile, people in Indonesia still think of cooperatives as more of a supplement to the economy than as an important part of development[12][17].

Because of this, the basic differences and orientations between cooperatives and banks are examples of two different economic paradigms: capitalist and democratic. Sri-Edi Swasono criticized that understanding these differences is very important to encourage the creation of institutional policies that are not biased by the market so that Indonesia's economy does not get stuck in institutional liberalization that ignores distributive justice and democratic values[2].

Comparative Table: The Structure of Cooperative Institutions vs. Banking

Aspect	Cooperation	Banking	Foundation Of Theory / Thought
Institutional Principles	Solidarity, economic democracy, mutual cooperation	Profit-oriented, shareholder-based	Sri-Edi Swasono (constitutional economics); Hatta (economic democracy)

Operation Orientation	Welfare of members, equitable distribution of benefits	Accumulated profit, asset growth	Mohammad Hatta; Konsep <i>stakeholder value</i> vs <i>shareholder value</i>
Principle of ownership and Voting Rights	One member, one vote	Voting rights according to the number of shares (proportional)	Principles of cooperatives according to ICA (International Cooperative Alliance);
Main Purpose	Service to the economic needs of members	Profitability, efficiency of financial intermediation	Douglass North (1990): institutions are formed from dominant norms and interests
Organizational Structure	Horizontal, collective	Vertical, hierarchical	Chaves & Sajardo-Moreno (2004); North (formal institutional structures)
Regulatory System	Regulated by KEMENKOP UKM; not yet fully integrated into the national financial system	Closely monitored by OJK and BI; part of the national financial system	Institutional analysis by Bachtiar (2016); regulation of institutional dualism
Recognition in the National Economic System	Recognized normatively (UUD 1945 Article 33), but institutionally marginal	Dominate the formal financial system; strategically nationally and globally	Sri-Edi Swasono: the institutional paradox between the constitutional ideal and the reality of the market economy
Technology and infrastructure involvement	Low; still limited to advanced cooperative	Digitalization and National Integration System	Inequality of access and institutional capacity (Nurhayati, 2018)
Role in the economy of the people	Directly touch the community; micro and sectoral	National and international scale; macro-economic	The role of cooperatives as the economic support of the people (Hatta; Swasono)
Fiscal treatment and state incentives	Limited and non-systemic	Get a variety of stimuli, incentives, and guarantees	Comparison of sectoral fiscal policies (World Bank, OECD study)

The table above shows a comparison of the institutions of cooperatives and banks in terms of their founding principles and their place in the national economy system. Mohammad Hatta dan Sri-Edi Swasono said that cooperatives are based on economic democracy and mutual aid, while banking is based on market capitalism focused on profitability and efficiency. This is the main difference in the orientation of the institutional base.

Every member of the cooperative has equal voting rights, no matter how large the

capital. It reflects the principles of participatory and social justice. On the other hand, in banking, the structure of the vote is based on ownership of capital—having more shares gives you more power in decision-making—which is similar to how corporations work. The structure of a cooperative is usually horizontal and collective, with leadership based on beliefs and the principle of serving members.

On the other hand, banking has a vertical and bureaucratic structure and professional management that focuses on

making money for shareholders. OJK and Bank Indonesia strictly supervises banking, while the Ministry of Cooperatives and SMEs is the only institution that has administrative authority and does not have strict institutional supervision. Banking has become an important part of the national financial system and has received support from fiscal policy, incentives, and integration with the international financial system.

Cooperatives still do not get equal institutional treatment, although in the 1945 Constitution referred to as "sokoguru perekonomian nasional." This creates a paradox between constitutional economic ideology and market economic practice, which Sri-Edi Swasono has criticized in many of his scientific works[18].

Banks have developed financial technology (fintech) - based services, while many cooperatives are still lagging behind in digital financial reporting and capital access. In general, this table shows that the differences between cooperatives and banking are the result of structurally, regulatory, and ideological unequal institutional designs rather than technical capabilities or human resources. Considering this situation, institutional change is necessary and policies must be based on institutional justice to allow cooperatives to grow alongside banks, which are the main economic element of the national system.

4.2. Management and operations: gaps in professionalism

In Indonesia, there are big differences between how banks and cooperatives are managed and run. This is the result of differences that have existed for a long time in history and the structure of institutions. Banking has developed in an environment that requires high professionalism, including strategic planning, risk management, and the application of digital technology. After the banking deregulation in the 1980s and the monetary crisis in 1998, the paradigm of banking management in Indonesia shifted towards full corporatization.

Otoritas Jasa Keuangan (OJK) and Bank Indonesia have improved accountability, internal control system,

external audit, and Risk-Based Supervision. In addition, the banking business uses advanced technology-based approaches, such as core banking systems, big data analysis, and fintech integration. This approach lets banks be effective, accountable, and competitive in the global market.

On the other hand, Indonesian cooperatives still have major management problems, such as an ineffective organizational structure, a lack of skilled human resources, and a lack of adoption of technology-based management systems. Sri-Edi Swasono emphasizes in many of his writings that the backwardness of cooperative management is not only an internal problem; it is more due to the absence of structural policies and political will that drives cooperatives into economic entities comparable to capitalist corporations. In this context, he reminds us that companies should be treated with positive asymmetric treatment (policy affirmative) so that they can compete fairly, not left to fight on a field that is already uneven from the start.

Henry Fayol emphasized the functions of planning, organizing, directing, coordinating, and supervising as essential parts of an effective organization from the point of view of management theory. The banking industry has implemented it regularly, but it is not yet common in cooperatives. Many family-based cooperatives still run informally, with manual bookkeeping and financial reporting that isn't standard. In the end, this weakens the role of cooperatives in the national economy.

Mohammad Hatta does not want cooperatives to be inferior entities in view of the popular economy. In other words, he saw cooperatives as modern economic entities that are run professionally, democratically, and with a focus on social and economic service rather than just as social organizations. However, the current reality shows that the professionalization of cooperatives is still being held back by poor managerial education, poor financial knowledge, and insufficient institutional support.

A comparison study in advanced countries like Germany and the Netherlands shows that successful cooperatives have management systems that are similar to those of large private companies. They use corporate governance, a system of ongoing managerial training, and get regulatory support that lets the cooperative grow

without being seen as a "second-class" institution. Because of this, the issue of professional inequality must be viewed from the standpoint of the cooperative's internal human resources capacity and the lack of public policy and institutional design that supports economic democracy.

Table of Comparison of Managerial and Operational Aspects: Cooperatives vs. Banks

Aspect	Koperasi	Banking
Goal Orientation	Service to members, common welfare	Profit maximization (profit oriented)
Organizational Structure	Horizontal, participatory, member-based	Vertical, hierarchical, professionalism-based
Decision Making	Democratic: 1 Person 1 vote	Proportional to the shares (owners of capital)
Leadership	Elected by members, not always professionals	Professional directors based on Business and financial competence
Management System	Often poorly documented, minimal SOP	Standardized, based on SOP, KPI, and OJK & BI regulation
Financial Reporting	Often manual, has not adopted PSAK in full	Using international accounting standards & internal-external audit system
Information Technology	Low or not integrated (except large cooperatives)	Highly advanced, connected to national and international systems (BI-FAST, SWIFT)
Surveillance System	Cooperative, Limited and administrative services	OJK and BI, with risk-based surveillance system
HR Management	The majority of non-professionals, come from members	Professional, certified and highly educated in finance
Operational Infrastructure	Limited (only simple offices in the community)	Physical and digital branches, e-banking, mobile banking
Access to capital	Limited to member deposits and internal capital	Wide access to money markets, capital markets and other financial instruments
Operational Related Regulations	UU No. 25/1992, PP No. 7/2021	UU Perbankan No. 10/1998, UU OJK No. 21/2011, UU BI No. 23/1999
Literacy & Training Levels	Minimal ongoing training, training depends on the initiative of the institution	Systematic and mandatory, in accordance with regulations and competency requirements
Global Affiliates / Networks	Rarely incorporated in the international network of cooperatives	Connected in the international financial system and global associations

As shown in the table above, there are many big differences between cooperatives and banks when it comes to the economic institutions of Indonesia. In terms of goal

orientation, cooperatives focus more on serving their members and achieving common prosperity. This strategy is in line with the ideas of Mohammad Hatta and

Robert Owen about social solidarity and economic democracy.

On the other hand, banks are more interested in making money, being efficient, and growing their assets. This is in line with the principles of a market economy that are professionally applied and monitored by modern laws proposed by Bagehot and Keynes. Co-operatives are typically horizontal, voluntary, and member-participation-based. When it comes to efficiency, having a strong formal hierarchy is also a good thing. On the other hand, a vertical banking structure with clear lines of authority makes it easy to keep an eye on management and report quickly.

The principle of "one person, one vote" means that the cooperative's decisions are not based on capital. This is a sign of the democratization of institutions, but it can also lead to inefficiency and conflicts of interest when members don't have the skills they need. On the other hand, banking decisions are usually made from the top down by management based on the company's structure or the number of shares it owns. This makes the decision-making process more flexible, but it also directly lowers public participation.

OJK and BI's rules have made the management of banking operations the same. Every bank must follow the SOP, have an internal audit unit, and use a strict risk control system. Many cooperatives, especially non-savings and loan cooperatives, still do not use contemporary operational systems. Lack of accountability leads to poor service quality, moral danger, and public distrust.

There are also big differences in how people use information technology. The Bank has combined its digital services, such as mobile banking and national and international bank connectivity. Cooperatives are still lagging behind in several ways, such as digitization of services, financial records, and integration of the National Payment system. There are institutional differences between these two entities in terms of oversight. Cooperatives are under the Cooperative Service and the focus is on

administrative guidance, not institutional risk supervision as the OJK does with banks.

The next difference is in human resources. Most of the people who run banks are professionals with degrees in economics, finance, and law. One part of the quality management system is continuous training. On the other hand, the managers of cooperatives are often members who don't have enough training and don't have the skills to run a business.

There are also big differences in access to capital and liquidity. Banks can access third-party funds, capital markets, and BI monetary instruments. Cooperatives, on the other hand, usually rely on members' deposits and sometimes have difficulty obtaining loans from formal financial institutions because their institutional status is not comparable to that of corporate business entities.

At the end of the day, banks have become part of the international financial system that is directly connected through networks like the international clearing system and SWIFT. Local and community cooperatives in Indonesia don't have the same access to the structures of economic globalization as they do in Europe, where they have become an important part of the global value chain.

4.3. Regulations and Institutional Behavior

In Indonesia, the different roles of cooperatives and banks can be seen in the very different rules that govern them. Banking is tightly controlled by a number of laws and rules made by Bank Indonesia (BI) and the Financial Services Authority (OJK). This includes Law No. 10 of 1998 on Banking and Law No. 21 of 2011 on OJK, as well as BI and OJK rules on risk management, liquidity, governance, and consumer protection.

Meanwhile, cooperatives, which are constitutionally designated as the pillars of the national economy through Article 33 of the 1945 Constitution, are usually more administrative and do not have many regulations. Law No. 25 of 1992 on cooperatives, which is the main law, has not been able to solve the challenge of transforming cooperative organizations into

the era of digital economy and global competition. There has been talk of changing and making a new cooperative bill, but these efforts are often stopped by political interests and the weak structure of the cooperatives itself[19][19].

In terms of institutional treatment, banks are considered an important part of the national financial system. The Deposit Insurance Agency (IDIC) supervises them and provides them with access to a guaranteed Monetary Fund. This system improves banking liquidity and stability while fostering high public confidence. On the other hand, the cooperative does not get the same treatment. Most cooperatives are not protected by the national savings insurance system, do not have administrative oversight, and do not have access to liquidity or emergency funds like banks do.

This behavior causes a very large institutional imbalance. For example, there is no system like the lender of last resort to help businesses that fail. This makes it hard for the cooperative to compete with other conventional financial institutions. In fact, based on the principles of economic

democracy and development inclusiveness, cooperatives should get supportive regulations or treatment so that they can rise in class and be equal in the national financial ecosystem.

It is worse because the institutions of cooperatives, fiscal policy, and monetary policy do not work together, which means that cooperatives are often outside of the national economic policy. Compared to European countries such as Germany or the Netherlands, the same laws as corporations, get fiscal incentives, and are integrated in the national banking system. In Indonesia, there is still a divide between the people's economy and the market economy, with cooperatives seen as subordinate institutions[20].

From the point of view of legal supervision and protection, cooperatives often do not have a strong resolution system or legal mechanisms to deal with conflicts between members, administrators, or defaults. The differences between cooperatives and banks are getting bigger since people can't get legal and technological help.

Table of Comparison of Institutional Regulations and Treatment: Cooperatives vs. Banks

Aspect	Banking	Cooperation	Analytical Notes
Legal Basis	UU No. 10/1998 on Banking, Law No. 21/2011 on OJK, law No. 24/2004 about LPS	UU No. 25/1992 on cooperatives (considered obsolete)	The legal framework of cooperatives has not been thoroughly revised, it is not responsive to digital developments and modern management.
Supervisory Authority	OJK and BI (micro and macroprudential supervision)	Ministry of Cooperatives & MSMEs, Regional Cooperative Office	Cooperative supervision tends to be administrative, not overseeing institutional risks such as banking.
Fund Guarantee Scheme	Guaranteed by LPS	There is no national guarantee system for cooperatives	The risk of public confidence is low in cooperatives because there is no deposit guarantee.
Access to liquidity	Can access Bank Indonesia Liquidity Facility (FLBI), money market	Limited to Member capital or loans from certain institutions	Cooperatives are vulnerable to liquidity failure because they do not have direct access to systemic funding sources.
Integration Of National Systems	Connect to national payment	Generally not integrated with the national system	Digital inequality and systemic connectedness are very high.

	systems, SWIFT, BI-FAST, QRIS		
Access Fiscal & Monetary Policy	Accommodated in the monetary & fiscal policy of the country (eg. incentives, credit easing)	Not directly accommodated in the design of national fiscal/monetary policy	Cooperatives are not yet part of the macroeconomic policy ecosystem explicitly.
Management Standards and reports	Required to follow PSAK, periodic reporting to OJK, independent audit	Not all cooperatives run reports based on national accounting standards	Raises issues of transparency and institutional accountability.
Conflict resolution and law	Have a system of corporate law and Commercial Court	Tend to be informal, dependent on AD / ART	Conflict resolution in cooperatives does not have a legal apparatus as strong as the banking world.
Access to external funding sources	Can collect deposits, issue bonds, sukuk, and interbank loans	Limited and only from certain institutions (LPDB, CSR, etc.)	Cooperatives have no bargaining position in modern financial instruments.
Treatment in the national economy	Considered a pillar of the national financial system	Positioned as an alternative economy/citizenship	Normatively cooperatives are important, but do not noticeably acquire a strategic position in the economic system.
Role in the Economy	Strategic, part of the national monetary and fiscal system	Limited to the community, not yet the main institution of the economy	Part of the national economic architecture, integrated in supply and export chains
Public Image	Professional, reliable, symbol of economic progress	Lack of trust, associated with cases of default or poor management	High, trusted by the public and government, including as a mainstream economic actor

The comparative table shows significant differences in state regulation and institutional treatment between cooperatives and banks. Broad and contemporary policies, such as Law No. 10 of 1998 on Banking, The Financial Services Authority (OJK) law, and deposit insurance through the Deposit Insurance Agency (LPS), are used by the banking industry. On the other hand, Act No. 25 of 1992 on cooperatives is still the basis for cooperatives. However, this law has been updated to meet the demands of Contemporary Governance and the development of the digital economy. Without Deposit Insurance Institutions for cooperatives, institutional treatment becomes

more unequal, which reduces public confidence.

Banking and cooperatives are only supervised by the Ministry of Cooperatives and MSMEs and regional offices, which are administrative and ineffective in mitigating financial risks. On the other hand, OJK and Bank Indonesia keep an eye on banking in a more integrated way, using both micro prudential and macroprudential approaches. This regulatory asymmetry reduces competition among institutions.

Banks have joined national payment infrastructures such as BI-FAST, QRIS, and SWIFT, and have access to monetary and fiscal policies. Cooperatives do not yet have

such a relationship. Many cooperatives have not been digitized, do not have a standardized financial reporting system, and have not been explicitly incorporated into macroeconomic policy design.

When liquidity management schemes like FLBI (Fasilitas Likuiditas Bank Indonesia) don't include cooperatives, it means that cooperatives don't have easy access to the facilities that support the national financial system.

In addition, the treatment of cooperatives in the national economy is still based on norms and ideologies, and there are no real rules that support it. Article 33 of the 1945 Constitution placed the cooperative as a philosophical and constitutional pillar of the economy. However, cooperatives do not yet have a bank-like strategic position in institutional practices, such as access to Money Markets, Capital Markets, inter-institutional lending, and institutional investment support.

Banks must prepare their financial statements in accordance with PSAK, periodically audited, and subject to the principles of transparency and strict governance as part of institutional management. On the other hand, many cooperatives still use weak internal administrative standards, don't have a standard reporting system, and aren't audited by an outside party.

As a result, we can say that the differences in the structure of regulations and institutional treatment have led to the fact that Indonesia's institutions have different levels of quality. The government hasn't given cooperation, which is a people's economic entity, systemic support yet, and it isn't seen as an important part of the national financial system yet. Because of this, institutional and regulatory reforms are needed to help cooperatives grow into professional, trustworthy, and systemically integrated economic entities like banks[21][22].

4.4. Reflections of the cooperative practices of the European Union

Strategic reflection of the institutional practices of cooperatives in EU countries is essential for the development of cooperatives

in Indonesia. Koperasi has grown into a very competitive economic entity in Europe, with professional management and the same legal status as other businesses. For example, agricultural cooperatives like Royal FrieslandCampina in the Netherlands, retail cooperatives like S-Group in Finland, and financial service cooperatives like Raiffeisen Bank in Austria show how cooperatives can be important players in strategic industries without losing their democratic and economic solidarity identities.

Cooperatives in the European Union have key advantages in terms of legal framework and fair and inclusive institutional treatment. The European Union (EU) made it clear that cooperatives were part of its economic policy and supported them with tax incentives and fiscal policy through the European Cooperative Law (ECS). This made cooperatives not only sustainable but also able to grow. There are strong and flexible rules for cooperatives there, so they have the same access to funding, digital networks, and market opportunities as other businesses[23][24].

Cooperatives in the European Union have implemented high professional standards in terms of governance and management. They combine international cooperative principles, including the ICA Principle, with current business standards like regular audits, transparency, IFRS-based reporting systems, and data-based participation to get members involved in strategic policy-making. This shows that the principles of participation and operational efficiency don't have to be at odds with each other. On the other hand, both of them can be combined to create a strong and modern cooperative institution[23].

Another important reflection is how cooperatives across Europe are involved in macroeconomic development, not only community development. Professional service cooperatives serve as government partners in social services, agricultural cooperatives help national exports, and energy cooperatives help the green energy transition u. In situations like this, cooperatives are no longer seen as alternative

or complementary economic institutions; instead, they are seen as important and recognized economic institutions in the country's economic structure[25].

This difference is very clear when you look at the situation in Indonesia. Cooperatives in Indonesia are still experiencing problems with institutional literacy, business scale, governance, and regulations that do not support competitive growth. Reflections from Europe show that encouraging co-operatives is not only a popular economic ideology but also institutional and regulatory political reform.

Cooperatives will remain outside the national economic system if there is no fundamental policy reconstruction.

Because of this, the cooperative practices in the European Union offer an interesting and flexible institutional model that can be used as a basis for building a new cooperative base in Indonesia. Not to copy completely, but to take relevant approaches and principles, such as equal regulation, integration of digital systems, professionalization of management, and recognition of cooperatives in the context of inclusive national economic development.

Table of Comparison: European Union Cooperatives vs. Indonesian Cooperatives

Aspect	The European Union Cooperatives	Indonesian Cooperatives
Legal Basis	European Cooperative Statute (ECS), an adaptive national law	UU No. 25 of 1992 (less responsive to contemporary economic dynamics)
Institutional Treatment	Equivalent to corporations, recognized in macroeconomic policy	Still seen as an alternative or secondary economic institution
Supervision and Audit	Managed by professional supervisory agencies; independent internal and external audits	Supervised by Kemenkop and Dinas; often unaudited independently
Capitalization Access	Access to development banks, capital markets, and government subsidy support	Limited to member deposits and sporadic assistance from the government
Digitalization and Technology	Integrated in the national digital system (ERP, cloud-based financial reporting)	There are still many that are manual or have not been digitized
Managerial Professionalism	Managed by professional managers with KPI system and high accountability	Many are still managed by members informally
Operation Scale	National to multinational scale (exporters, international market players)	Generally local or community, with a narrow geographic and business scope
Member Involvement	Modern participatory system: digital voting, training, open distribution of surplus	Low participation; many passive cooperatives and minimal involvement of members
Contribution to GDP	Significant contributions in the energy, agriculture, retail, and professional services sectors	Contribution is relatively small; not yet a major pillar in the national economy
Involvement in policy	Be part of the formulation of national and EU economic sector policies	Not involved in the formulation of National Strategic Economic Policy
Deposit Guarantee	There are underwriting and risk mitigation schemes as in other formal financial sectors	No cooperative LPS; vulnerable to default and crisis of public confidence

Relationship with Capital Markets	Several large cooperatives listing on the capital market and investing across sectors	There are almost no cooperatives connected with capital markets or strategic investments
Access to HR experts	Accessing professionals from colleges and regular training	Limited human resources, minimal managerial training and financial literacy
Government Support	Fiscal incentives, access to strategic financing, systemic institutional strengthening	Aid is uneven, there has been no structural affirmation or long-term financing
Public Perception	Considered on a par with private companies;	Often perceived as weak, informal, and less transparent

Comparison between cooperatives in Indonesia and in the European Union shows significant institutional differences. Cooperatives have become important economic institutions in EU countries with a strong and flexible legal basis such as the European Cooperatives Act (ECS), to enable them to operate across countries and sectors. The older Law, Law No. 25 of 1992, still applies to cooperatives in Indonesia. This law doesn't take into account the changing nature of the digital economy, globalization, and modern business models.

Cooperatives are on the National Economic Map and the European Union, and are treated the same as other companies in Europe[26]. They have access to fiscal policies, incentives, and legal protections, much like other big economic entities. On the other hand, people often think of cooperatives as social institutions or extras rather than as strategic economic entities. As a result, they are often left out of national trade and industry policies.

In terms of governance, cooperatives in Europe are run professionally, with a complex organizational structure, performance-based management, and strict oversight both inside and outside the company. Meanwhile, many cooperatives in Indonesia are still managed informally by members themselves, who lack good management skills and are not responsible for their finances.

Cooperatives in Indonesia usually operate on a small-local scale with limited scope and low business diversification, while cooperatives in Europe have large economies

of scale and are involved in international trade, exports, and market integration. Several problems, such as digitalization, difficulties in obtaining long-term capital, and labor shortages, hinder the transformation process of cooperative organizations in Indonesia.

Cooperatives in Europe must also follow the same rules as other companies, such as risk guarantee schemes and access to capital markets. Cooperatives in Indonesia do not have IDIC protection like banks, so they are vulnerable to a crisis of confidence in the event of financial failure. Overall, this table shows that cooperatives in the European Union have made their way into the contemporary economic environment through the application of regulation, Professional Regulation, and incorporation into national development strategies. Indonesia must think and learn from this to redesign its cooperative institutional system to become an economic pillar comparable to other organizations.

5. CONCLUSION

This study shows that in Indonesia's economy, cooperatives and banks are structurally and functionally different. Banking has developed into a contemporary economic institution that is integrated into the national and global financial system with the support of regulation, technology, and professional governance. On the other hand, Indonesian cooperatives still have big problems, especially when it comes to management, getting capital, the size of their

operations, and getting regulatory recognition.

Despite this, cooperatives have a strong philosophical and constitutional basis as the national economic backbone. Reflections on cooperative practices in the European Union show that cooperatives can be effective, professional, and strategic mainstream institutions as long as they are supported by an equal legal framework, affirmative regulation, and integration into National Economic Policy. Because of this, the differences in institutions are not only due to the nature of cooperatives, but also because there is not yet any systemic support for the transformation of cooperatives in Indonesia.

Advice

- 1) Cooperative regulation reform: the government should create new laws that support cooperatives as strategic economic institutions and provide equal legal and fiscal treatment to other business entities. The new law for cooperatives should have clauses that support, tax breaks, and legal protections to encourage cooperatives to enter the strategic sector. Professionalization of Cooperative Management: Cooperatives should encourage the acceptance of professional Employees,

- 2) the implementation of accountable financial reporting standards, such as SAK ETAP or IFRS, and the use of sophisticated management information systems.
- 3) Integration of cooperatives into the National Economic ecosystem: Cooperatives should be incorporated into national supply chains, industrial partnerships, and strategic government programs, such as downstream, food, and renewable energy, so as not to be viewed as separate micro-institutions.
- 4) Learning from the international practice of governments, cooperative associations, and academia should encourage comparative study, Policy Research, and institutional replication of successful cooperatives in the European Union. There is access to Capital Markets, global cooperatives, and a cooperative digital ecosystem.
- 5) Expansion of institutional literacy and socialization of cooperative values: more modern cooperative education should be provided to cooperative members, the younger generation, and the general public. We need to bring back cooperatives as a tool for empowerment that is relevant to the 21st century economy.

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