

# Indonesia

## Highlights of consumer co-ops

- ✓ Institutional and university co-ops are more active
- ✓ Smaller stores

## 1 . Co-operative movement in Indonesia

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According to the data of the Ministry of Co-operatives and Small and Medium Enterprises (31st December 2011), there were 188,181 co-operatives with 30,849,913 members and a share capital contribution of 35,794,284 million Indonesian Rupiah (IDR) in Indonesia. The turnover of co-operatives was 95,062,402 million IDR.

Credit co-operatives are most active in Indonesia, just as featured in most of other Asian countries. Producers', insurance, institutional, housing, workers', distribution, market traders, women, youth, banking and health co-operatives also take part in Indonesian co-operative movement.

Indonesian Co-operative movement started at the end of the 19th century. The co-operative idea was introduced by Mr. R. Aria Wiraatmadja in Puwokerto, Central Java.

The first co-operative was a credit co-operative, which was similar to Raiffeisen credit co-operative model. It was founded by the vice regent of Purwokerto to help citizens to escape from the trap of money lenders.

A genuine people's co-operative movement started early in the 20th century, with the establishment of housing co-operatives. The movement expanded and textile traders established their co-operatives.

After the independence of Indonesia, co-operatives held their first Congress in 1947. At the congress, the participants declared to form the Central Organization of the Indonesian People's Co-operative (SOKRI). SOKRI was the first national organization of Indonesian co-operatives, and later changed its name to Dewan Kpoerasi Indonesia (DEKOPIN : Indonesian Co-operative Council).

## Co-operative movement in Indonesia (contd.)

The role of DEKPIN is to make and execute strategic plans concerning advocacy, business development, human resource development, communication and domestic and international cooperation of co-operatives.

The co-operatives in Indonesia have a three-tier structure as follows:

- 1) Secondary co-operatives that have members in all provinces or more than one province are qualified to become DEKOPIN members.
- 2) Primary co-operatives and/or secondary co-operatives having members in one province or more than one municipality register to DEKOPINWIL (Provincial Co-operative Council).
- 3) Co-operatives having members in one municipality or district become members of

DEKOPINDA (District Co-operative Council).

A member of the International Co-operative Alliance since 1958, DEKOPIN is governed by a board of 11 directors from 35 national co-operative federations and 33 provincial co-operative councils. These bodies in turn represent 149,000 co-operatives with 28 million members.



## 2. Outline of consumer co-ops

The co-operatives in Indonesia are under the Ministry of Co-operatives and Small and Medium Enterprises. They are governed by the Co-operative Law. The government's role is to coordinate the regulation for co-operatives, facilitate their business and support the registration of co-operatives.

Unfortunately, it is difficult to accumulate the data of only consumer co-operatives.

Consumer based co-operatives doing only retail business are not so active in Indonesia. Most of the consumer co-operatives doing retail business in the city are in small size and run small stores.

The consumer co-operatives unified on national level are "institutional( employees)" or "youth (university)" co-operatives.

The biggest consumer co-operative affiliated to DEKOPIN is Induk Koperasi Pegawai Republik Indonesia (IKP-RI: The National Federation of Indonesian Civil Servants Co-operatives), which is a multi-purpose co-operative aimed to support the government employees. Its main business is credit and banking business and additionally it runs the stores for the welfare of its members.

Koperasi Pemuda Indonesia (KOPINDO: The Indonesian Youth Co-operatives), the activity of which is close to "university co-operative", is also a member of DEKOPIN.

Kopkar Keluarga Besar Petrokimia is another member of DEKOPIN and is an institutional multi-purpose consumer co-operative of a fertilizer company.

## 3. Representative Co-operative Societies

### 1. National Federation of Civil Servant Co-operatives (IKP-RI)

National Federation of Civil Servant Co-operatives (IKP-RI) is the national federation of the Indonesian republic officers' co-operatives. Its members are republic officers nationwide.

26 provincial organizations (10,400 primary co-ops and 1,828,739 individual members) are members of IKP-RI. Its share capital was 143 billion IDR and revenues 7.5 billion IDR in 2011. (1US \$ = 9648 IDR approx)

The main business of IKP-RI is banking. Due to the legal restriction, the banking institution is set up as subsidiary of IKP-RI. The banking

business is doing well and ranks in mid level among all banks in the country. Besides banking business, IKP-RI runs

credit, hostel and retail businesses. During the last 5 years, its retail business has not been doing well due to severe competition on the retail market.



### 2. Retail Project of LAPENKOP

The Co-operative Education and Training Institute (LAPENKOP) was founded in 1995. The aim of the institution is to meet the problems faced by co-operatives, especially in co-operative awareness and professional management fields.

It has programs to educate board members and staff of co-operatives in Indonesia. Part of programs are supported by the government. The training programs vary from training of basic principles of co-operatives, capacity building of store managers to marketing. It also conducts several projects in collaboration with the government and NGO organizations.

One of the projects LAPENKOP is now engaged in is "Co-op Mart Project". It is executed in co-operation with SCC (Swedish Co-operative Center). Co-op Mart Project is aimed at supporting DEKOPIN member co-operatives to open stores with same facade and merchandising assortments.

Currently, there are 8 Co-op mart stores in Indonesia. 6 to 7 will be opened additionally in 2012, in West and Central Java area.

The decision of opening stores is based on the agreement among individual members of Project member co-operatives. Currently, Credit co-operatives and women co-operatives are members of this Project. It may be a cross-sectoral project.



## 3. SB Mart Koperasi Sejahtera Bersama

SB Mart is a retailing business unit of Koperasi Sejahtera Bersama (Common Wealth Co-operative). Koperasi Sejahtera Bersama was founded on the 5th Jan. 2004 and the membership reached 30,000 in 2011. The motto of the Co-op is “comfortable” and “fulfill the satisfaction of members”.

Koperasi Sejahtera Bersama started its retailing business in 2010 to meet the needs of its members. Currently, there are 87 stores in West Java area with 700 employees. 2 additional stores will be opened in 2012.

The co-operative sets the target of retail business to “Muslim families”. The stores are mid-sized, approximately 100 to 150 square meters, and deal with 5,000 items of products on an average.

The co-operative owns its product storage and processing center to realize a central processing and packaging of products for the stores.

The best selling items in the stores are daily commodities such as rice, cooking oil and margarines.

The next goal of the co-operative is to have a partnership with micro, small and medium enterprises and sell products through their retail channels. They are also planning to rent a space for themselves so that they can sell their products as well.

In order to strengthen the collaboration with these enterprises, they would like to offer them a membership in the co-operative.





## Outlook of Retail Market in Indonesia

The majority of retail market in Indonesia is composed of “Pasar”, the traditional wet markets and individual grocery stores.

Since late 1990s, the government allowed foreign retailers to come into Indonesian retail market.

Currently, with the growth of middle class consumers, the retail market in Indonesia is growing rapidly.

Traditional markets have been replaced by modern type outlets such as hypermarkets, supermarkets and mini-marts that can give “a variety of choice” to consumers. Hypermarkets have attracted the Indonesian con-

sumers since they have been introduced.

There is a tendency that the modern retailers are concentrated in Java area. In fact, traditional retailers are still dominant especially in rural areas. More than 60% of retail market share in the country is occupied by the traditional retailers.

Among the modern retail outlets, hypermarkets and mini-marts are growing. This tendency may continue due to the consumers’ high demand of “convenience” and “variety of choice”.

It is estimated that the modern type retailers will enjoy further growth in the future.



## 4. Problems and future visions

### 4.1 Problems of Indonesian co-operatives

From the government’s point of view, the biggest problem that the co-operatives, especially small co-operatives, are facing now is the vulnerability of financial structure.

Stability of membership is strongly linked to this problem. Both the stable management system and membership are required to stabilize the financial structure of the co-operatives.



### 4.2 Problems of consumer co-operatives

The problems of consumer co-operatives in Indonesia are summarized in two parts:

#### 1. Government’s point of view

- ✓ Vulnerability of financial structure,
- ✓ Lack of distribution systems and IT network,
- ✓ Lack of competitive advantage in globalization.

#### 2. DEKOPIN’s point of view

- ✓ Lack of network among members,
- ✓ Lack of network between vertical stages, lack of distribution systems and network,
- ✓ Lack of retail professionals,
- ✓ Lack of competitiveness in the severe retail market globalization.

## 4.3 For the future

DEKOPIN and the Indonesian government is working together to revitalize co-operatives in the country.

Consumer co-operatives are not the exception and a 5-year plan is now under consideration in DEKOPIN for the future revitalization.



# DEKOPIN

## 5. Relationship with the Government

Co-operatives have strong relationship with the government especially in local area. The local governments support small co-operatives by subsidizing them.

In addition to providing services related to the business of co-operatives, the government supports them by providing educational services. The trainings vary from the general management of co-operatives to such practical trainings as “How to make a financial report”.

Those co-operatives with less than 50 million IDR in share capital and earning less than 300 million IDR are provided with financial assistance by the government.

In addition, the local governments support the co-operatives by providing them with technical assistance. Some training courses are held at LAPENKOP and the courses are partially funded by the government.

The Ministry of Co-operatives and Small and Medium Enterprises published “Revitalization of co-operatives and small medium enterprises” in 2010.

According to this document, the strategy of

the government is to strengthen the potential of co-operatives by increasing the membership, especially in the credit and savings sector.



# Basic Information on Indonesia

## 6. Basic Information on Indonesia

Name	:	Republic of Indonesia
Capital	:	Jakarta
Largest city	:	Jakarta
Government	:	Unitary presidential constitutional republic
Area	:	1,904,569 km <sup>2</sup>
Population	:	237,424,363 [2011 census]
GDP (PPP)	:	US\$1.124 trillion [2011 estimate]
Currency	:	Rupiah (IDR)



*From: Wikipedia*