

## Article

# Cooperative Resilience during the Pandemic: Indonesia and Malaysia Evidence

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**Abstract:** Two issues occur related to cooperatives’ entity resilience during the COVID-19 pandemic. The first comes from external stakeholders increasing the role of government in empowering cooperatives. Second is the strengthening of solidarity cooperatives members demonstrate in helping each other. To address these issues, the purpose of this study will be to explore the role of government in supporting cooperative resilience and to observe the internal values of cooperatives. Examining these two concerns will reveal how cooperatives engage external and internal stakeholders to handle unforeseen circumstances. Data were collected from two cognate countries, Indonesia and Malaysia. To gather data, 9 informants were interviewed, and 14 YouTube channels and 6 government websites were observed. The data were transcribed and analyzed. These data lead to the following two themes: the significant government support and the tight connected feeling of members to help each other, called gotong royong. These themes will be useful for understanding the optimal way to increase the engagement of external and internal cooperative stakeholders, as the key to cooperative resilience. It was found that government has a major role in the development of cooperatives, in both countries, Indonesia and Malaysia. Gotong royong, as the spirit of the cooperative movement, especially in Indonesia, saved the cooperative industry during the pandemic. This study supports the stakeholder theory and social capital theory and contributes to the literature on the practices of cooperatives in two countries.

**Keywords:** cooperative; stakeholder theory; social capital theory; Indonesia; Malaysia



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## 1. Introduction

Cooperatives are the oldest form of business in the world. As the oldest form of business, cooperatives should be a strong backbone for a country, but apparently, this business is not developing well [1,2]. The evidence that cooperatives have managed to survive during the pandemic is interesting [3]. Some researchers have been exploring the role of cooperative stakeholders, both external and internal, during the pandemic [4]. Therefore, two issues occur related to cooperatives’ resilience during the COVID-19 pandemic. The first comes from the external stakeholder, increasing the role of government in empowering cooperatives. Second is the strengthening of solidarity between cooperative members in helping each other. The unique factors entailed in the social capital of cooperatives have enhanced their resilience in times of crisis [5]. To address these issues, the purpose of this study will be to explore the role of government in supporting cooperative resilience and to observe the internal values of cooperatives, known as “gotong royong” value.

It is important to explore the role of government, as the primary external stakeholder, and member relationships, according to their solidarity during a challenging time. Examining these two concerns will reveal how cooperatives engage external and internal

stakeholders to handle unforeseen circumstances. Government is the primary external stakeholder for the cooperative.

The government seriously encourages this type of business with its regulations to develop them [6]. To improve the capital side, financial institutions are also involved to help with this [2]. The role of these stakeholders is important, to encourage the success of cooperative businesses. Some research explores why cooperatives are often left behind [1,2], not managed properly and not managed professionally, as there are many cases of mismanagement [7]. Based on data from the International Cooperative Alliance (International Co-operative Alliance/ICA, Brussels, Belgium), as of July 2019, there were 3 million business cooperative entities in today's world, with 1.2 billion individual members. In addition, cooperatives employ 280 million people worldwide, or 10% of the global workforce. "Our need to know that the income of the world's top 300 cooperatives can reach USD 2.1 trillion, or the equivalent of the 6th power of the world economy".

Cooperative business processes are carried out by members who are also stakeholders of the cooperative, where each decision is determined along with the implementation of stakeholder theory. Stakeholder theory, according to Freeman (1984), from a stakeholder perspective, means the business can be understood as a set of relationships among groups that have a stake in the activities that make up the business [8]. This study aims to explore the role of the government in enhancing cooperative entities during the COVID-19 pandemic, and the performance of cooperatives, based on close relationships between stakeholders as the main capital for developing cooperatives, which is explained in social capital theory.

The government is an external stakeholder with a critical role to play in cooperatives' long-term viability. The role of government in helping cooperatives revitalize is investigated using stakeholder theory [6,9,10]. Without community commitment, a policy will fail [11], particularly commitment from the government as a policymaker or commitment from the cooperative's management or members. Studies have extensively supported stakeholder theory, which has been linked to social [12,13], ethical [9], strategic management, and other challenges.

The social capital theory explains why gotong royong is vital for cooperatives' resilience during pandemics [13–15], because cooperative business continuity is viable, as opposed to other enterprises that must close and go bankrupt. This study is unique in that it mixes stakeholder theory with social capital theory to describe the government's role in the economy. The social capital theory, according to Coleman (1988), argues that the notion of social capital has two elements in common, namely: (1) social capital covers several aspects of social structure, and (2) social capital makes it easy for people to do something within the framework of the social structure. A Cooperative is one form of business entity that has long been known. Compared to other forms of business, cooperatives are often considered less attractive and popular. Several cases that occurred due to mismanagement that led to the bankruptcy of the cooperative made this form of business unattractive [1,9,10]. However, the advantage of cooperatives, because this type of business is concerned with members, is one of the keys to encouraging the improvement of people's welfare.

This study is significant because it compares the scope of two different, but culturally comparable, countries, namely, Indonesia and Malaysia, to highlight features of these difficulties from stakeholder theory. Cooperatives, after the Royal and private sectors, are the third-largest contributor to Malaysia's economy, with millions of members and assets worth billions of ringgit (RM). This means that cooperatives have a lot of room for growth, as well as a lot of room for improvement (Malaysia's Cooperative Transformation Plan). President Jokowi of Indonesia, likewise, paid close attention to cooperatives, with the result that a thorough reform of cooperatives was agreed upon. This reform was implemented in three stages.

In Indonesia, cooperatives account for 60% of GDP [16], while in Malaysia, according to Entrepreneur Development and Cooperatives Minister, Datuk Seri Wan Junaidi, before the

pandemic, SMEs contributed 38% of Malaysia's GDP [17]. Malaysia is home to numerous cooperatives. Cooperatives are rapidly being recognized for their contributions to the Malaysian economy, both socially and economically [7,18]. Cooperatives have a significant role in the economies of these two countries. As a result, both countries' governments have a designated ministry in charge of establishing cooperatives.

By employing qualitative modes of inquiry, I attempt to illuminate the role of government and the members' interaction during the pandemic crisis. Therefore, observations were made on the websites of the ministries of cooperatives and related institutions in both countries. A focus group discussion was also held, involving cooperative management and government officials, to confirm the regulations set by the government. To gather data, 9 informants were interviewed, 14 YouTube channels and 6 government websites were observed. The data were transcribed and analyzed.

This research was carried out from March until December 2021. This period is a crucial period due to the surge of COVID-19 delta variants throughout the world, including Indonesia and Malaysia. Therefore, additional observations were also made via the internet, especially YouTube, regarding the role of government in cooperatives and what happened to cooperative members during these difficult times. The YouTube channel chosen is owned by government agencies and cooperative institutions, as well as related publication media. This is done so that the validity of the data can be trusted.

This study contributes to the theory by explaining the use of stakeholder theory in a dual role firm, as the cooperative objective is to increase the welfare of cooperative members. During times of crisis, the role of government is important, not only as a policymaker, but also for providing the real program for social grants in health, economic and human resource empowerment issues [19]. Stakeholder theory, as the umbrella theory in this research, explains the role of external stakeholders, which is focused on the government, and the role of internal stakeholders, which is focused on the interaction of cooperative members in strengthening each other during the pandemic. Social capital theory helps in elaborating how cooperative members delivered their concern, solidarity, and the "gotong royong" value.

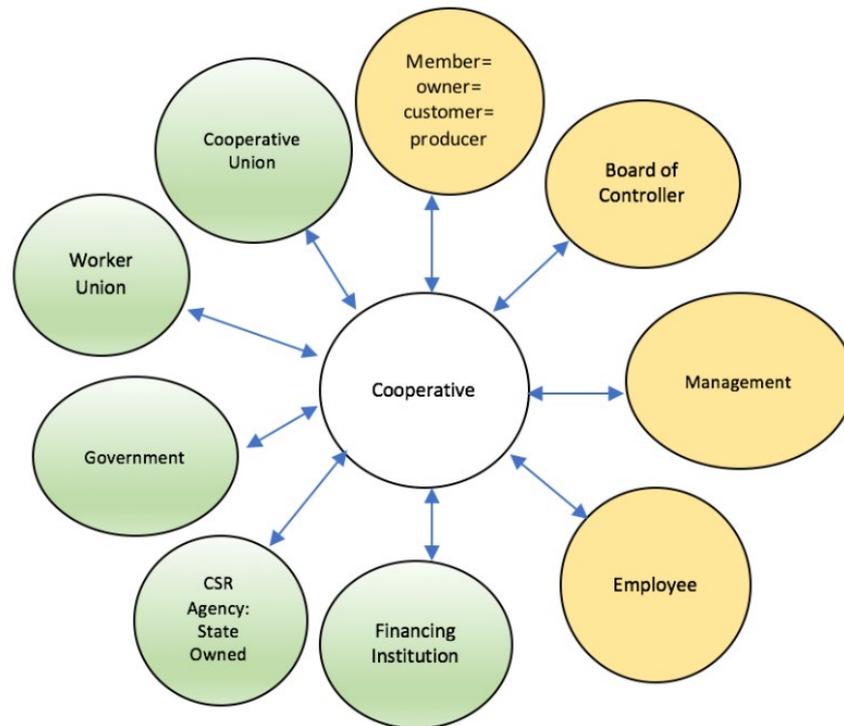
The article first provides a short introduction to the role of external and internal cooperative stakeholders during the pandemic. Then, we outline a theoretical framework for the stakeholder theory in cooperative entities and social capital theory, to elaborate on the cooperative member interaction among them. The internal value and principle of cooperation, called gotong royong, is also explained in detail. In the discussion, we compare the existence of cooperatives, the government regulation of cooperatives, and the government agency that is responsible for cooperative resilience, in both countries, Indonesia and Malaysia. We also elaborate, in depth, on the unique relationship among cooperative members in helping each other during the pandemic.

### *1.1. Stakeholder Theory in Cooperative Entities*

According to stakeholder theory, a firm cannot exist solely for its profit, but must also help its stakeholders, i.e., shareholders, creditors, consumers, suppliers, government, society, analysts, and other parties [20–24]. This explains that stakeholder theory is concerned with joint business obligations, compared to other traditional obligations [25]. As a result, the existence of a corporation is heavily determined by the support it receives from stakeholders [26].

Stakeholder theory is frequently applied to understand the factors that influence the success of cooperatives and small and medium businesses [22]. Internal and external stakeholders are also present in cooperative business enterprises. Cooperatives are hybrid organizations that maximize value, instead of profit. They are owned, governed, and controlled by their members [5]. Therefore, in cooperatives, members play a role as owners, as consumers, and also as producers [5,10]. In Indonesia, the highest decision is at the annual meeting of members according to the Law of the Republic of Indonesia Number 17 of 2012 [27]. The role of the owner, who usually provides venture capital,

is replaced by membership dues. Koperasi Setia Bakti Wanita in Indonesia collects funds from all its members to build a new building and is willing, for five years, not to receive profit from business proceeds, in order to buy their second building [28]. Figure 1 explains the cooperative stakeholder. The yellow circle represents the internal stakeholder and the green one represents the external stakeholder. All stakeholders have an important role, but as the research focus and objective, only government and members are discussed in this research.



**Figure 1.** Cooperative Stakeholders.

### 1.2. Social Capital Theory in Cooperative Entities

Coleman, a sociologist, defines social capital as a component of the structure of interpersonal interactions that enable individuals to build new values [29]. The idea of social capital is well understood among cooperatives [30,31]. This is attributed to cooperatives' essential character, as a collection of individuals cooperating for common benefit [13].

The existing literature and research on cooperatives and social capital are unstructured and dispersed [30]. Several studies mention the keywords value of democracy, solidarity [3], mutual cooperation [32], togetherness [14], balance and consistency [33], which all indicate the existence of social capital theory in cooperative entities.

To improve organizational performance, social capital is essential [34,35]. Improved social relations among the organization's members improve performance. The current work will be more beneficial if social capital has become a part of them and influences every interaction between members [36]. When social capital has become a part of them and colors every interaction between members, the present work process will be more successful. There are six types of social capital: obligations and expectations, information networks, effective norms and consequences, hierarchies, adaptable social organization, and creative organization [29]. There is evidence of those social capital characteristics implemented in the cases of Indonesia [37] and Malaysia [33].

Cooperative entities are well-versed in the concept of social capital [30,31]. This is said to be due to cooperatives' fundamental identity as a group of people working together for the common good [13].

## 2. Materials and Methods

This is qualitative research, which aims to explore the role of cooperative stakeholders in supporting cooperatives in carrying out their business processes. Government documents, i.e., LAKIP (Performance report of Cooperative and Small Medium Enterprise Ministry of Indonesia and Malaysia Government document of Transkom Plan 2021–2025), videos (YouTube), interviews, and Focus Group Discussion meeting notes were used as primary data in this research.

Instead of the challenging solution to obtain data during the COVID-19 pandemic, YouTube is a crucial data source for qualitative study [38]. During the pandemic crisis, we monitored YouTube from respectable and official sources to explain and discover evidence regarding the function of government on cooperatives and member contact connected to “gotong royong” value (Table 1).

**Table 1.** Listed links to YouTube Discussions about cooperatives during the COVID-19 pandemic.

URL	Channels	Title	Duration (Minutes)
Indonesia:			
<a href="https://www.YouTube.com/watch?v=T-6_3io7KLA">https://www.YouTube.com/watch?v=T-6_3io7KLA</a> (accessed on 3 December 2021)	PPKL Kemenkop	Modern Cooperative	30.05
<a href="https://www.YouTube.com/watch?v=N8PRR4DbtTI">https://www.YouTube.com/watch?v=N8PRR4DbtTI</a> (accessed on 5 December 2021)	KemenkopUKM	Socialization of Government Regulation No. 7/2021 concerning Ease, Protection, and Empowerment of Cooperatives and MSMEs	2.08
<a href="https://www.YouTube.com/watch?v=RZWacyeMSiw">https://www.YouTube.com/watch?v=RZWacyeMSiw</a> (accessed on 5 December 2021)	Kompas TV	Cooperative Meeting Implement Strict Health Protocol	5.02
<a href="https://www.YouTube.com/watch?v=c0PgVPkzeuI">https://www.YouTube.com/watch?v=c0PgVPkzeuI</a> (accessed on 5 December 2021)	BeritaSatu	Policies to Help MSMEs During the COVID-19 Pandemic	10.02
<a href="https://www.YouTube.com/watch?v=LrGXFYbK77k">https://www.YouTube.com/watch?v=LrGXFYbK77k</a> (accessed on 6 December 2021)	Ilmu Ekonomi UTM	Cooperative Development Strategy in Facing the COVID-19 Pandemic in Indonesia	2.34
<a href="https://www.YouTube.com/watch?v=8hk3P_I5NqY">https://www.YouTube.com/watch?v=8hk3P_I5NqY</a> (accessed on 6 December 2021)	KompasTVDewata	Cooperatives Develop Hotel Business during the pandemic	3.19
<a href="https://www.YouTube.com/watch?v=p--UvSHc2vQ">https://www.YouTube.com/watch?v=p--UvSHc2vQ</a> (accessed on 7 December 2021)	Berita Satu	Commission VI of the House of Representatives Emphasizes the need for the spirit of gotong royong in building cooperatives	2.09
Malaysia:			
<a href="https://youtu.be/jrr8mP8gqkA">https://youtu.be/jrr8mP8gqkA</a> (accessed on 12 June 2021)	Suruhanjaya Koperasi Malaysia	Suruhanjaya Cooperative Malaysia Profile	5.42
<a href="https://youtu.be/D53G6QQ8ti4">https://youtu.be/D53G6QQ8ti4</a> (accessed on 12 June 2021)	Maktab Koperasi Malaysia Official	Maktab Cooperative Malaysia Profile	2.59
<a href="https://youtu.be/BzcnGiUIHW4">https://youtu.be/BzcnGiUIHW4</a> (accessed on 13 June 2021)	PMO Malaysia	Majlis Pelancaran Pelan Transformasi Koperasi Malaysia 2021–2025 (TransKoM)	46.35
<a href="https://youtu.be/zUkT4\$times\$8-UhY">https://youtu.be/zUkT4\$times\$8-UhY</a> (accessed on 13 June 2021)	Bernamea TV	Cooperative Malaysia Transformation	24.46
<a href="https://youtu.be/7ldsN6ExYJA">https://youtu.be/7ldsN6ExYJA</a> (accessed on 13 June 2021)	Institute Koperasi Malaysia	The legal structure of cooperatives in malaysia	1.06
<a href="https://youtu.be/KejiVThOe-4">https://youtu.be/KejiVThOe-4</a> (accessed on 14 June 2021)	Sinar Harian	Cooperative is a unique entity	4.40
<a href="https://www.YouTube.com/watch?v=iDUwf5wgSTo">https://www.YouTube.com/watch?v=iDUwf5wgSTo</a> (accessed on 14 June 2021)	PMO Official	Entrepreneur and cooperative program, organized by the ministry of entrepreneur and cooperative development	4.58

This research elaborates the role of government and cooperative members in government and cooperative official websites below (Table 2).

Focus Group Discussions were also conducted for members and management of cooperatives to explore how the pandemic affected the operationalization of cooperatives (Table 3).

**Table 2.** List of websites for cooperative organizations in Indonesia and Malaysia.

Indonesia		Malaysia	
URL	Official Website	URL	Official Website
<a href="https://kemenkopukm.go.id/">https://kemenkopukm.go.id/</a> (accessed on 13 June 2021)	Cooperative and Small Medium Enterprise Ministry	<a href="https://www.medac.gov.my">https://www.medac.gov.my</a> (accessed on 13 June 2021)	Kementerian Pembangunan Usahawan dan Koperasi (MEDAC)?
<a href="https://diskopukm.jatimprov.go.id/">https://diskopukm.jatimprov.go.id/</a> (accessed on 13 June 2021)	East Java Cooperative and SME Office	<a href="http://www.skm.gov.my">http://www.skm.gov.my</a> (accessed on 13 June 2021)	Suruhanjaya Koperasi Malaysia
<a href="https://ppkl.kemenkopukm.go.id/">https://ppkl.kemenkopukm.go.id/</a> (accessed on 13 June 2021)	Cooperative extension worker, cooperative and SME ministry	<a href="http://www.ikkm.edu.my">http://www.ikkm.edu.my</a> (accessed on 13 June 2021)	Institute Koperasi Malaysia
<a href="https://dekopin.coop/">https://dekopin.coop/</a> (accessed on 13 June 2021)	Indonesian Cooperative Council	<a href="http://angkasa.coop/">http://angkasa.coop/</a> (accessed on 13 June 2021)	Office of Malaysian Cooperative Movement
<a href="https://setiabhaktiwanita.com/">https://setiabhaktiwanita.com/</a> (accessed on 13 June 2021)	Setia Bakti Wanita Cooperative	<a href="https://kospeta.coop/">https://kospeta.coop/</a> (accessed on 13 June 2021)	The Peninsular Malaysia Berhad Local Authority Employees Multipurpose Cooperative

**Table 3.** Profile of discussants invited to the Focus Discussion Group.

Number	Informant	Country	
1	E	Indonesia	Head of Pundi Arta Cooperative Secretary of Woman Cooperative (APUKW)
2	T	Indonesia	Head of Mojo Jaya Cooperative
3	A	Malaysia	Employee of Suruhanjaya Koperasi Malaysia
4	F	Malaysia	Employee of Suruhanjaya Koperasi Malaysia
5	DS	Indonesia	academician
6	R	Indonesia	academician
7	MZ	Malaysia	academician
8	Y	Indonesia	Employee of Cooperative Office of East Java Local Government Province
9	R	Indonesia	Management of SBW Cooperative, Surabaya

Qualitative research methods by conducting literature studies and Focus Discussion Groups (FGD) aim to conduct discussions on research topics with correspondence following competencies in the field of the cooperative. Discussions were held to find out any similarities and diversity related to the role of government and members to cope with the difficulties during the pandemic.

### 3. Results

#### 3.1. Cooperatives Movement in Indonesia and Malaysia

The cooperative movement is critical to economic development [39]. Based on Pancasila and the 1945 Constitution of the Republic of Indonesia, Indonesia Cooperative is regarded as the most appropriate institution for improving the welfare of its members and society, as well as contributing to the development of the national economy to create a more advanced, fair, and prosperous society [40].

The development of cooperatives in Indonesia is still influenced by human capital, financial capital, social capital, knowledge capital, and economic infrastructure [41]. The cooperative was expressly established as the basis of a nation-based economy after Indonesia earned independence in 1945, according to Article 33 paragraph one of the 1945 Constitution. During the post-independence era, the cooperative movement split into two

types: KUD (Village Unit Cooperative) and non-KUD cooperatives. The KUD differed from the other cooperatives in that it was founded in villages to help farmers with their products and needs. Meanwhile, civil servants, the armed forces, industrial workers, and dealers were in charge of the non-KUD cooperatives.

Since 1922, the cooperative movement has thrived in Malaysia, for almost a century. Prior to 2008, the co-operative movement's growth could only be quantified in terms of the number of co-operatives, their members, share capital, and assets. After 2008, the cooperative sector began to make a constructive contribution to the country's development [32].

Cooperatives were first introduced to Malaysia by the British colonial administration in 1922, when the Cooperative Societies Enactment was passed. The goal of their creation was to encourage members to save, give competitive loans to farmers and government employees with significant debts, and minimize deficit spending [42]. On 21 July 1922, the Federation of Malaya Postal and Telecommunications Cooperative Thrift and Loan Society Limited became the first cooperative in Malaya. This date also marked the annual commemoration of Malaysia's National Cooperative Day. The purpose of establishing a thrift and loan cooperative was to encourage saving and provide competitive loans.

The number of cooperatives has increased steadily from only 11 in 1922 to about 14,417 cooperatives in 2019 (Malaysian cooperative statistics, 2019). Starting as a small-sized business movement that provided basic services, cooperatives have now turned into competent and resourceful businesses. As seen today, cooperatives have received great support from the public and are significantly involved in activities that contribute to the country's economic growth.

To date, cooperative movements are categorized into nine sectors, namely, banking, credit or finance, housing, industrial, consumer-adult, consumer-school, construction, transportation, and services. According to the data provided by Malaysian Cooperative Statistics (2019), there were more than six million cooperative members as of June 2019. In other words, about 20% of the Malaysian population are cooperative members.

### *3.2. Cooperative Regulation in Indonesia and Malaysia*

The effectiveness of government rules in empowering cooperatives in two nations is examined in this study. Cooperatives are viewed as a critical instrument by the governments of Indonesia and Malaysia, for improving people's welfare and supporting each country's economy. Both countries are responsible for the existence of a ministry dedicated to cooperative empowerment. Indonesia and Malaysia have introduced many regulations since the cooperative movement was built a long time ago (Table 4).

The Indonesian economy is built as a collaborative effort, based on family principles, according to Article 33 paragraph (1) of the 1945 Constitution. Furthermore, the explanation of Article 33 indicates, among other things, that the community's prosperity is prioritized over individual prosperity, and that building a corporation in accordance with it is a cooperative. Cooperatives are economic pillars that play a critical role in maximizing and developing people's economic potential, as well as realizing life economic democracy with democratic features, such as togetherness, kinship, and openness.

Cooperatives are self-governing groups of people that come together voluntarily to achieve their economic, social, and cultural needs and ambitions, through democratically owned and managed business activity. As a result, the cooperative has an identity created by, and for, its members, as well as in carrying out its activities in accordance with cooperative principles. Thus, according to the General Explanation of Cooperative Law No. 25 of 1992, addressing cooperatives and social character, the cooperative is an economic organization that is stable, democratic, independent, and participatory.

Cooperative Development aims to encourage cooperatives to engage in business activities and play a significant part in people's economic lives. This statute requires ratification of budget modifications before granting Cooperatives legal entity status. The power and responsibility of the Government is the foundation and development of cooperatives. The Government may delegate authority to the Minister in charge of Cooperatives for execution.

However, this does not imply that the government is interfering in a cooperative organization's internal issues and that the ideal of cooperative independence is being ignored. The federal government, at both the national and regional levels, establishes and develops climates and situations that encourage growth and cooperative correction.

**Table 4.** Cooperative Regulation in Indonesia and Malaysia.

INDONESIA	MALAYSIA
1. Law Number 25 of 1992 concerning Cooperatives (State Gazette of the Republic of Indonesia of 1992 Number 116, Supplement to the State Gazette of the Republic of Indonesia Number 3502);	1. Cooperatives (Amendment) Act 2021 [Act A1634]
2. Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises (State Gazette of the Republic of Indonesia of 2016, Number 181–Number 93, Supplement to the State Gazette of the Republic of Indonesia Number 4866);	2. Cooperatives Commission of Malaysia Act 2007 [Act 665]
3. Government Regulation Number 17 of 2013 concerning the Implementation of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (State Gazette of the Republic of Indonesia of 2013 Number 40, Supplement to the State Gazette of the Republic of Indonesia Number 5404);	3. Malaysian Cooperative Commission (Amendment) Act 2014 [Act A1470] RULES: Cooperative Commission of Malaysia (Cooperative Deposit Account) Regulations 2014 Malaysian Cooperative Commission (Central Liquidity Fund) (Amendment) Regulations 2014 Malaysian Cooperative Commission (Central Liquidity Fund) Regulations 2010 Cooperatives (Cooperative Emergency Assistance Fund) Regulations 2010
4. Presidential Regulation Number 98 of 2014 concerning Licensing for Micro and Small Enterprises (State Gazette of the Republic of Indonesia of 2014 Number 222);	4. Cooperatives Act 1993 (Amendment 2007) [Act 502] RULES: Cooperative Regulations 2010 Cooperatives (Amendment) Regulations 2021_P.U. (A) 141 Determination of the Effective Date of the Cooperatives (Amendment) Act 2021_P.U. (B) 174 Cooperatives (Cooperative Development Trust Fund) Regulations 2010 Cooperatives (Compounding of Offenses) Regulations 2010
5. Presidential Regulation Number 62 of 2015 concerning the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (State Gazette of the Republic of Indonesia of 2015 Number 106);	5. Cooperatives Act 1993 [Act 502] RULES: Cooperatives Regulations 1995 Cooperatives (Development Trust Fund) Regulations 1996
6. Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 08 of 2015 concerning Organization and Work Procedure of the Ministry of Cooperatives and Small and Medium Enterprises (State Gazette of the Republic of Indonesia of 2015 Number 1555).	
7. Regulation of the Minister of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 02/Per/M.Kukm/I/2016 concerning Assistance for Cooperatives and Micro and Small Enterprises.	

## 4. Discussion

### 4.1. The Existence of the Ministry of Cooperatives Is a Manifestation of the Government's Role in Assisting Cooperatives in Indonesia and Malaysia

The Minister of Cooperatives and Small Medium Enterprises of the Republic of Indonesia issued Regulation No. 02/Per/M.KUKM/I/2016 on Assistance for Cooperatives and Micro and Small Enterprises. Cooperative and Micro and Small Enterprise empowerment must be accompanied by market-oriented, cross-Deputy, and relevant Ministries/Institutions that are based on local resource potential. Mentoring is a process in which Assistance Institutions and Individual Assistance Personnel provide direction, counseling, and advocacy to help cooperatives and small enterprises boost their productivity and competitiveness. Individuals or organizations that assist in the mentoring of cooperatives and small companies are known as cooperative mentors. The purpose is to improve the efficiency of support, in the context of empowering cooperatives, microbusinesses, and small businesses.

The government's participation in encouraging cooperatives has been felt in Malaysia since the cooperative movement began in 1922, making it over a century old. It was previously known as the cooperative development position, and since then, several ministries have had cooperatives under their jurisdiction. His job has been under the ministry of business development and cooperatives since 2018. Transform 2021–2025, a cooperative transformation program, was initiated in 2021. This program attempts to improve cooperative performance in the age of rapidly changing information technology. Several initiatives in Malaysia, including the Government Transformation Plan, Economic Transformation Plan, and Rural Transformation Plan, include transformative rural development [33].

Cooperatives should be able to adjust to changing market conditions. In Malaysia's century of cooperative existence, there have been 14,668 cooperatives around the country, with a membership of over a million people.

#### 4.2. “Gotong Royong” as Cooperative Spirit Culture and Local Value in Indonesia and Malaysia

“Gotong royong” is a spirit of having cohesiveness in participating in national teamwork [43,44]. The phrase Gotong Royong comes from the Javanese [45], literally meaning to work (gotong), and together (royong) [46,47]. These terms are closely related to Indonesian culture [14,15]. In the past, rural communities in building their houses were assisted by neighbors, providing physical labor or other assistance, without asking for anything in return. The owner of the house provides food for them. This spirit is the foundation for kinship in Indonesia. This cultural uniqueness functions as social capital and is the driving force for the effectiveness of various government programs for the empowerment of cooperatives [13].

The spirit of mutual cooperation became increasingly visible during the pandemic. Joint cooperatives in West Java carried out social actions by distributing staple foods to poor people who were stricken with the disease. Indonesian informants support this statement.

*Cooperative members are required to buy products made by members. So from and for cooperative members. So during the pandemic, cooperative members work together (gotong royong). We feel one heart and one soul. So we have to support each other . . .*

(Informant E)

*“The spirit of gotong royong, which is the foundation of this nation, we feel that via cooperatives we will be able to overcome the issues we are now facing, especially the COVID pandemic” (<https://dekopin.coop/dr-sri-untari-bisowarno-ketua-umum-dekopin-tanpa-integritas-tak-akan-ada-trust> (accessed on 10 January 2022))*

“Gotong royong” is also known in Malaysian culture [36,48,49].

*Starting from 1922 until now, the cooperative has left many historical and heritage records that are very valuable to the community and the country of Malaysia. For centuries, our society has been very famous for its culture of helping and helping each other. In line with the value philosophy of the principle of “Working Together for the Common Benefit” held by the cooperative*

(Informant A)

During a disaster, the community works hand in hand to help each other. For example, when a flood hit Kedah in 2021, all groups of people from various ethnic groups helped clean the houses of the affected residents. <https://www.YouTube.com/watch?v=cWUYMnHz2NA> (accessed on 5 January 2022).

A cooperative is a business that is dedicated to the well-being of its members. Members can locate clients by joining a cooperative, since cooperative members prefer to buy products sold by cooperative members. They collaborate to aid one another. This spirit is social capital; there is a strong network, as well as a strong sense of belonging. Unfortunately, incompetence and poor management are to blame for the failure of many cooperatives in developing nations [9].

In times of pandemic crises, cooperatives’ strong social capital is extremely beneficial. Many members face financial difficulties when food becomes limited, owing to movement restrictions or sales prohibitions.

*Our cooperative is a combination of women’s cooperatives in East Java. During the pandemic, we market via online or WhatsApp groups. During the pandemic, we as administrators encourage members to buy their own cooperative member products. During the pandemic, the number of cooperative members increased. This is because, during a pandemic, members need capital, they can make loans easily.*

(Informant E)

During a pandemic, cooperative members are aided because they are part of a very powerful network. The difficulties they face are due to their insufficient understanding of technology. According to T., an informant.

*My cooperative is not affected by the pandemic. The majority of my cooperative members are elderly, so it is difficult to get capital. They have difficulty understanding technology and cannot use the facilities available on their cell phones. So the difficulties of online marketing are helped by their children.*

*The government helps us with production training and marketing training. In Surabaya, there is the “Peken” application, which is very helpful to market my product which has increased to 30 million rupiahs. Peken is an online application created by the Surabaya city government that helps market the products of small entrepreneurs and cooperatives.*

(Informant T)

The Malaysian government is, likewise, concerned about the issue of cooperative technological mastery.

*During the pandemic, the period is difficult for cooperatives to continue their business. Many cooperatives find it difficult to accept the new normal. Cooperatives can only increase profits. For example, user cooperatives, previously unable to use online, are now able to use online applications.*

(Informant A)

If cooperatives are to survive and compete in today’s digital economy, they must innovate and grasp information technology. The internet has a good impact and plays a vital part in everyday life [50], not only for society, as evidenced by the many benefits of the internet, but also in other spheres of life, such as the world of MSMEs and cooperatives. Modern cooperatives who have employed IT have been able to enhance their income or, at the very least, have changed their management patterns, with the ultimate goal of advancing the cooperative itself. Furthermore, with the use of IT, all cooperatives will be able to undertake financial management more easily, and members will be able to see how much money the cooperative has saved immediately, eliminating the need for members to return to the cooperative [51].

## 5. Conclusions

“Gotong royong” is a term that is closely related not only to Indonesian culture nor Malaysia. In the past, rural communities in building their houses were assisted by neighbors by providing physical labor or other assistance without asking for anything in return. The owner of the house provides food for them. This spirit is the foundation for kinship in Indonesia. This cultural uniqueness is the social capital and is the driving force for the effectiveness of various government programs for the empowerment of cooperatives.

This study elaborates on the effectiveness of government regulations and work programs in empowering cooperatives in two countries. A policy will not succeed without commitment, especially commitment from the government as a policymaker or commitment from the management or members of the cooperative itself. Stakeholder theory has been widely accepted by researchers and has been widely associated with social, ethical, strategic management [52], and other issues. In the realm of cooperatives, social capital theory explains why gotong royong is important for cooperatives’ resilience during the pandemic, where cooperative business continuity is sustainable, compared to other businesses that have to close and go bankrupt. This is the novelty of this research, which combines stakeholder theory and social capital theory to explain the role of the government in supporting cooperatives in the same family, Indonesia, and Malaysia.

The theoretical implication of this research contributes to the use of stakeholder theory in cooperative organizations. A member’s presence is essential, since it functions as both an owner and a producer. In the form of togetherness, mutual support, and solidarity for member welfare, it is also supported by social capital theory.

While the paper focuses on cooperative resilience in the face of pandemics, the main managerial implication is that the government, as the primary external stake-

holder, must establish policies to allocate budgets to cooperatives in the form of financial assistance and programs to improve cooperative members' human resources. As the findings reveal, the more concerned members are, the more committed they are to participating in cooperatives.

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