

# The Role of Islamic Cooperatives in Improving the Economy in Banda Aceh, Indonesia

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**Abstract--**The economy in Banda Aceh has been growing rapidly now days since the implementation of the sharia economic system. We can see this in Banda Aceh with the presence of sharia banks, sharia cooperatives, sharia tourism, sharia hotels, and others. The purpose of this study is to determine the role of Islamic cooperatives in improving the economy in Banda Aceh. The type of data used was primary data obtained from a questionnaire. The technique of data analysis used was a multiple linear regression. The result of this research shows that the partial variable of welfare economy played a positive and significant role in improving the economy in Banda Aceh. The partial variable implementing the principles of economic democracy, openings in job fields, and providing business opportunities for each member had negative and insignificant roles in improving the economy in Banda Aceh. Simultaneously, all variables had a positive and significant effect in improving the economy in Banda Aceh.

**Keywords--** Welfare economic; Economic democracy; Job opportunity; Business opportunities

## I. INTRODUCTION

Banda Aceh has a large Muslim population today, which pushes economic development towards a sharia economic system or Islamic economic system. Currently, the economy in Banda Aceh has been growing rapidly since the implementation of the sharia economic system. We can see this in Banda Aceh with the presence of sharia banks, sharia cooperatives, sharia tourism, sharia hotels, and others. Islamic economics is a multidimensional or interdisciplinary, comprehensive, and integrated, covering Islamic science derived from al-Quran and Sunnah as well as rational science. With this science human beings can overcome the problems of limited resources to achieve happiness (Veithzal Rivai and Andi Buchari, 2009). The Islamic economic system is an economic system based on Islamic teachings and values. This is certainly a great opportunity for Aceh to prove that Islam with all its systems can solve all existing problems of society.

The current economic system that will be the subject of discussion in this study is sharia cooperatives. Cooperative comes from the prefix “co-” and the word “operation.” These two words mean working together to achieve goals. Based on these two words, the cooperative can be defined as an association of persons or bodies that grants the freedom to enter and exit as members to work together in a familial way to run business for the welfare of its members. The sharia cooperative is based on Islamic Sharia. The purpose of establishing sharia cooperatives is not only to help their members prosper, but also to run the cooperative economy based on Islamic principles. Therefore, every activity undertaken by all members of the cooperative is based on Islamic Sharia itself. With this information in mind, what is the role of sharia cooperatives in improving the economy in Banda Aceh?

## II. LITERATURE REVIEW

### A. Cooperative

A cooperative is an association established by people or legal entities, with the separation of the wealth of its members as capital to run its business, which meets the values and principles of cooperatives (Adenk, 2013: 4).

From the above definition, it can be understood that the cooperative is an association, established by people who have limited economic means that aims to fight to improve the welfare of its members as a family, and is managed in a democratic manner where each member has the same rights and obligations.

#### *B. Sharia Cooperative*

Sharia Cooperative is a new form of Islamic term created by economists with many benefits, namely, giving benefits to members, providing employment for employees, providing financial assistance from some of the results of cooperatives to build houses of worship, and establishing social funds. Thus it is clear that this cooperative model does not contain the element of injustice (Hendi Suhendi, 2016).

As we all know, a Sharia cooperative is a cooperative run by society or certain institutions in accordance with Islamic Sharia based on Al-Quran and Hadith

#### *C. Role*

A role is an act of a person in a certain way in the effort to exercise his or her rights and obligations in accordance with the status he or she has. A person can be said to play a role if he or she is exercising his or her rights and obligations in accordance with his or her social status in society (Abdulsyani, 2012: 94).

So a role is an action that limits a person or an organization to perform an activity based on objectives and provisions that have been agreed upon in order to do their best. The sharia cooperative has many important roles in building and improving the economy in the community, namely:

1. Providing a welfare economy
2. Implementing the principles of economic democracy
3. Opening job fields
4. Providing business opportunities for each member

#### *D. Economic Welfare*

The welfare of the community is defined by the fulfillment of basic needs, as reflected by proper housing, sufficiency of clothing and food, and inexpensive and quality education and healthcare. Alternatively, welfare can be defined as the conditions in which individuals are able to maximize their utility at a certain budget level and in which there is adequate physical and spiritual fulfillment (Badrudin, 2012). Welfare economics is the framework used by most public economists to evaluate the income that society wants.

Upon examining the objectives of sharia cooperatives for the welfare of members and cooperatives, it can be seen that its role is not far from that of welfare organizations. The trick is to develop human resources in the realm of ownership. In this case the members of the cooperative continue to be trained and developed in order to be competent in managing Sharia cooperatives based on Islamic principles.

#### *E. Implementing the principles of economic democracy and kinship*

Economic democracy, in the elucidation of Article 33 of the 1945 Constitution, is the Pancasila Economy which is the national goal of the Indonesian nation. This overall goal involves the promotion of the general welfare and the intellectual life of the nation, as well as the implementation of social justice. "The principle of kinship is cooperative. The principle of kinship is the term Taman Siswa to show how the teacher and the disciples living with him live as a family. That's also the pattern of Indonesian cooperatives (Hatta).

Sharia cooperatives also run cooperatives based on economic democracy and kinship. Both principles lead to the embodiment of national economic development in sharia cooperatives. The principles of economic and kinship democracy run by Sharia cooperatives promote the principles of Islam itself.

*F. Opening job fields*

According to the Manpower Act No. 14 of 1969, “the workforce is anyone who is capable of doing work both within and outside the employment relationship to produce goods or services to meet the needs of the community.” Based on this logic, the development of manpower increases the effectiveness of the workforce to do work.

The existence of sharia cooperatives increasingly fosters more jobs. Sharia cooperatives have capital for members who want to create employment for others. When the business run by members of a sharia cooperative grows, it can open more branches. This will require more human resources to work. From there more and more employment opportunities will be formed and continue to grow due to the role of sharia cooperatives based on Islamic principles.

*G. Providing business opportunities for each member*

A business opportunity is a process involving an individual or group that uses certain efforts and means to create a growing value to meet a need without paying attention to the resources used (Robbin & Coulter, 2010).

An important role of sharia cooperatives is also to provide business opportunities for each member. This becomes an advantage for members who join the sharia cooperative. By joining a sharia cooperative, a member has the opportunity to open a business, because the business capital is provided by the cooperative. This capital must of course be used in keeping with the principles of Islam itself. Through these roles, sharia cooperatives can continue to grow for the welfare of many people.

**III. METHOD**

Research methodology is a way to know the result of a specific problem, where the problem is also called a research problem. In methodology, researchers use different criteria to solve existing research problems. Different sources mention that the function of different types of methods is to solve the problem. The word "methodology" is a way of finding or solving research problems (Research Institute Industrial, 2010).

*A. Population and Sample*

This study uses quantitative methods in order to provide accurate and efficient data. The sample for this research is people who live in Banda Aceh and know about sharia cooperatives, and the sample size used in this study was 50 respondents. In Banda Aceh there are 8 sharia cooperatives registered in Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia.

*B. Data collection*

The technique of data retrieval used consisted of distributing questionnaires to obtain primary data. The data collection technique used was a questionnaire that aimed to obtain data on the role of Islamic cooperatives in improving the economy in Banda Aceh. The questionnaire aimed to help strengthen the primary data in detail.

The process of collecting data in this study as follows:

*A. Questionnaires*

Distribution of questionnaires containing questions and statements relating to role of Islamic cooperatives in improving the economy in Banda Aceh with used Google form.

*B. Empirical Model*

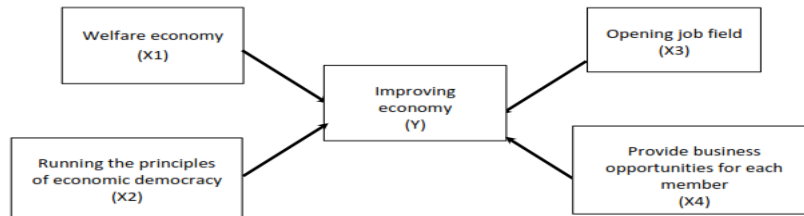


FIGURE I. THE PROPOSED EMPIRICAL MODEL

Based on the chart, a linear regression can be formulated:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where Y is the improvement of economy, a is a constant, X<sub>1</sub> is the welfare economy, X<sub>2</sub> is the implementation of the principles of economic democracy, X<sub>3</sub> is the Opening job fields, X<sub>4</sub> is the business opportunities for member, and e is an error term

#### IV. RESULTS AND DISCUSSION

The findings of this study are provided in Table I. As observed from Table I, the summarizes the following findings:

1. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 4.99$  with a probability score of 0.000 at a significance level of 5% (0,05). Hence, Ho was rejected or Hi was accepted, which means that partial variable X<sub>1</sub> (Welfare economy) has a positive and significant effect in improving the economy in Banda Aceh.
2. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 1.08$  with a probability score of 0.2849 at a significance level of 5% (0,05). Hence, Ho was accepted or Hi was rejected, which means that partial variable X<sub>2</sub> (Implementing the principles of economic democracy) has a negative and insignificant effect on improving the economy in Banda Aceh.
3. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 0.013$  with a probability score of 0.9121 at a significance level of 5% (0,05). Hence, Ho was accepted or Hi was rejected, which means that partial variable X<sub>3</sub> (Opening job field) has a negative and insignificant effect on improving the economy in Banda Aceh.
4. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 0.16$  with a probability score of 0.2811 at a significance level of 5% (0,05). Hence, Ho was accepted or Hi was rejected, which means that partial variable X<sub>4</sub> (Providing business opportunities for each member) has a negative and insignificant effect on improving the economy in Banda Aceh.
5. As shown in Table 1, the F value was shown to be 11.93 with a significance level of 0.000001, which is smaller than 0.05. That means that there are simultaneous influences of variables (X<sub>1</sub>), (X<sub>2</sub>), (X<sub>3</sub>), and (X<sub>4</sub>) on improving the economy (Y).
6. The R-squared is 0.51, which means that the variables examined have only a 51% influence on Y; meanwhile, 49% of the variation in Y is caused by other factors.

#### V. CONCLUSIONS

Based on the result of the independent sample t-test, variable X<sub>1</sub> (Welfare economy) has a positive and significant effect on improving the economy in Banda Aceh, variable X<sub>2</sub> (Implementing the principles of economic democracy) has no significant effect on improving the economy in Banda Aceh, variable X<sub>3</sub> (Opening job field) has no significant effect on improving the economy in Banda Aceh, variable X<sub>4</sub> (Providing business opportunities for each member) has no significant effect on improving the Economy in Banda Aceh. Simultaneously, all variables have a positive and significant effect on improving the economy in Banda Aceh.

For further studies on the role of cooperatives to the economy, the study suggests that:

1. In this study, we lacked respondents. The data would be more credible and accurate if we had gotten more respondents.
2. In this study, we just used questionnaires to collect data., the data would be more credible and accurate if we used other types of field research, such as interviews or others.
3. In this study, we used just 4 variables. We hope that in the next research, the researcher may use many more variables than we did.

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