

# The Role of Cooperatives in Reducing Poverty in Banda Aceh, Indonesia

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**Abstract**--Currently, the city of Banda Aceh is experiencing poverty. Hence this research would like to try to overcome this poverty with the role of cooperatives, a role which can be profitable. The existence of cooperatives can reduce poverty or support poverty reduction in Banda Aceh. This research uses primary data and also secondary data, where primary data consisted of using questionnaires of 20 respondents that were distributed online, and secondary data consisted of internet media used to find sources of support in this research. The results of this research indicate that improving people's lives has positive outcomes and can have an effect on reducing poverty in Banda Aceh. However the data were analyzed with e-views version 9 to examine how big independent variables influence dependent variable, the variables of partially Creating and Expanding Employment and Leading a Democratic Economic Life had negative outcomes and did not have an effect on reducing poverty in Banda Aceh. Simultaneously, the variables of variables of improving people's lives, creating and expanding employment and leading a democratic economic life had a positive and significant effect, showing the potential for cooperatives to reduce poverty in Banda Aceh.

**Keywords**-- Creating and expanding employment; Improving people's lives; Leading a democratic economic life

## I. INTRODUCTION

Banda Aceh is a harmonious, peaceful, and religious city. This is why the city dubbed the "Civil City" is Islamic. Other than the nickname, Banda Aceh is a civilized city. What is unfortunate is that Banda Aceh is one of the poorest cities in Indonesia. Although the number of residents categorized as "poor" in Aceh in September 2017 was 829,000 people, a decrease of 42,000 from March 2017, percentage-wise, Aceh ranked the 6<sup>th</sup> poorest province in Indonesia in September last year. The first to fifth positions are Papua, West Papua, Nusa, Maluku, and Gorontalo.

Based on this data, in order for Banda Aceh to not always stay in the rankings, there must be changes, although these changes might not be as fast as imagined. Here, we can imagine cooperatives as a means to build a glorious Banda Aceh, not only known as a civilized city but also as a prosperous city, peaceful and rich in resources. As we know, Banda Aceh is very rich in natural resources, ranging from abundant mines, coal, and also good soil fertility. The role of cooperatives cannot be ruled out as a means of slowing poverty.

We are not familiar with the term "cooperative" in the field of economics. A cooperative is "an association composed of persons or legal entities, which gives freedom to members to enter and exit, by cooperating in a family-friendly way to enhance the physical well-being of its members (Chaniago, 1984)". A cooperative is an organization that contains elements of kinship and mutual aid. So it cannot be ruled out that, with the existence of cooperatives, the economic outlook in Indonesia and especially Banda Aceh can be improved. This can also help us avoid poverty.

## II. LITERATURE REVIEW

### A. Cooperative

Cooperatives are associations consisting of persons or legal entities, which give freedom to members to enter and exit and cooperate in a familial way of doing business to enhance the physical welfare of its members" (Chaniago, 1984). In general, cooperatives are understood as associations of people voluntarily fight together to improve their economic welfare through the establishment of a business entity that is democratically managed (Sudarwanto, 2013: 19).

From what has been shown by experts about the cooperative, we know that the cooperative is a familial, inward-facing community, with the purpose of improving the welfare of its members and promoting kinship among members.

As we know, cooperatives can be formed if its members comprise 20 people. The cooperative's capital, known as its principal savings, is derived voluntarily from its members.

The following types of cooperatives exist:

Cooperatives based on function, e.g. Production co-operatives, consumption cooperatives, service cooperatives, sales cooperatives. Cooperatives based on level and area of work, e.g. Primary Cooperative, Secondary Cooperative, Cooperative Center, Combined Cooperative, Parent Cooperative. Cooperatives based on Membership, e.g. Producer Cooperative and Consumer Cooperative.

### *B. Poverty*

According to Friedman, "Poverty is an inequality of opportunity to exercise social power in the form of assets, financial resources, socio-political organizations, social networks, goods or services, knowledge and skills, and information". According to (Arsyad, 2010) "starving, homeless, when the pain does not have funds for medical care" poverty. According to the (BPS, 2012), poverty is seen as the inability of the economy to meet the basic needs of good and food that is not measured in terms of expenditure.

Based on this expert opinion, poverty is a situation where a person cannot manage his finances, assets, goods, and so forth. Poverty can also be defined as a position where one cannot reach a basic standard of living. With regards to Banda Aceh, as is explained in the introduction section, the province in 2017 occupied the 6th highest level of poverty in Indonesia, where the positions of one to five were occupied by Papua, West Papua, Nusa, Maluku and Gorontalo. Thus, there need to be changes in Aceh, especially Banda Aceh, to further promote the economy in order to get out of the red zone. So by definition, poverty is seen from communities where they will face to the hungry season which means them hard to survive when the hungry season will come, homelessness and lack of income.

### *C. Role*

According to (Raho 2007), "Role is defined as the pattern of behavior expected by society of a person occupying a certain status. A number of roles are called role-sets. Thus the term role describes the completeness of relationships based on the roles that people play as they occupy certain social statuses".

Playing roles can promote or develop actions that can advance processes of progress. This research aims to examine the role that cooperatives have in reducing poverty in Banda Aceh today. This section will discuss the role of cooperatives, which are as follows:

### *D. Creating and expanding employment*

Cooperatives aim to improve the welfare of their members as well as society in general. In achieving these objectives, cooperatives try to undertake actions in accordance with the type of cooperative in question, such as in the field of craft, agriculture, and shopping. Expanding the field of cooperative businesses means giving opportunities to the workforce and absorbing human resources in general. We already know that the role of the cooperative is very helpful in eliminating unemployment and escaping poverty in Banda Aceh. With the cooperative's creation of jobs, it can become a very influential force in middle-class society by providing more manpower.

### *E. Improving people's lives*

Increasing the income of members of cooperatives means improving people's lives. Earning a high income makes it easier to meet the diverse needs of a person's life. The increase of the standard of living is one of the motivations behind consumers' desire to get a high salary or income according to their needs. The welfare of cooperative members in it is improved because the cooperative applies the system of kinship. And if the living standards of people in Banda Aceh meet people's needs, poverty in Banda Aceh will gradually decline and Banda Aceh will experience a stable economy with a reduction in both poverty and unemployment that leads to poverty.

#### F. *Living a democratic economic life*

In each action it takes, the cooperative acts not on the will of the board, but based on the wishes of the members, which must first be discussed. This is a reflection of the implementation of economic democracy.

According to Law Number 25 of 1992, Article 4, The Roles and Functions of Cooperatives are:

1. Build and develop the potential and economic capacity of members in particular and society in general to improve their economic and social welfare.
2. Play an active role in efforts to enhance the quality of human life and society.
3. Strengthen people's economic conditions as the basis of the strength and resilience of the national economy.
4. Strive to realize and develop the national economy, which is a joint effort based on kinship and economic democracy.

Cooperatives also participate in organizing the economic life of society in democratic ways. And it is clear that cooperatives are very influential in alleviating poverty in Banda Aceh today. With the implementation of democratic economic principles in life, people in Banda Aceh will experience prosperity in the future and gain experience in the field of regional finance. As stated by the Act, cooperatives play an active role in enhancing the quality of human life and society. In addition, with the existence of cooperatives, people's economic foundations will also be more solid and will support the national economy.

### III. METHODOLOGY

#### A. *Research Variables*

A variable is a concept that has variability. The concept is the depiction or abstraction of a particular phenomenon. A concept of any form or origin with varied characteristics can be referred to as a variable. Thus, the variable can be interpreted as anything that varies. In this research there are two types of variables, Independent Variables and Dependent Variables.

Independent Variables are variables that cause or influence, factors that are measured, manipulated or selected by the researcher to determine the relationship between observed phenomena. In this case, there are 3 Independent Variables: Creating and expanding employment, improving people's lives, and living a democratic economic life. The Dependent Variable is Reducing poverty.

#### B. *Population and Sample*

In this study the population studied is the society of Banda Aceh. A study sometimes is concerned with a very large population, making it impossible to conduct thorough research. The sample size that is feasible in this study is 20 respondents, which was determined based on efficiency and time constraints.

The types of data in this research are primary and secondary. Primary data is data collected individually by an individual or an organization directly from the object under study and for the interest of the study concerned. This can take the form of interviews or observation. Primary data in this research consists of questionnaires from a Google form that were filled out online. Also, this study used secondary data, consisting of information that we found on the Internet.

### IV. FINDING AND DISCUSSION

TABLE I. THE MULTIPLE REGRESSION RESULTS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	0.044228	0.342205	0.129245	0.8988
X2	0.942650	0.358280	2.631044	0.0182
X3	0.115709	0.153128	0.755640	0.4608
C	-0.485410	1.128266	-0.430227	0.6728
R-squared	0.872200	Mean dependent var		6.800000
Adjusted R-squared	0.848237	S.D. dependent var		1.399248
S.E. of regression	0.545102	Akaike info criterion		1.801168
Sum squared resid	4.754175	Schwarz criterion		2.000314
Log likelihood	-14.01168	Hannan-Quinn criter.		1.840043
F-statistic	36.39841	Durbin-Watson stat		1.509253
Prob(F-statistic)	0.000000			

Note: Y= Reducing poverty; X<sub>1</sub>= Creating and expanding employment; X<sub>2</sub>= Improving people's lives; X<sub>3</sub>= Living a democratic economic life

Based on Table I, the following findings could be summarized:

1. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 0.12$  with a probability score of 0.8988 at a significance level of 5% (0,05). Hence  $H_0$  was rejected or  $H_1$  was accepted, which means that Creating and expanding employment showed a negative and insignificant role of cooperatives in reducing poverty in Banda Aceh.
2. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 0.35$  with a probability score of 0.0182 at a significance level of 5% (0,05). Hence  $H_0$  was rejected or  $H_1$  accepted, which means that partial variable Improving people's live showed a positive and significant role of cooperatives in reducing poverty in Banda Aceh
3. Based on the  $t_{count}$  obtained from the regression results with the program Eviews 9.5,  $t_{count} = 0.15$  with a probability score of 0.4608 at a significance level of 5% (0,05). Hence  $H_0$  was rejected or  $H_1$  accepted, which means that partial variable Living a democratic economic life showed a negative and insignificant role of cooperatives in reducing poverty in Banda Aceh
4. As shown in Table 1, we found an F value of 11.93 and a significance of 0.000000, which is smaller than 0.05. That means that there are simultaneous influences of variables Creating and expanding employment, Improving people's lives , and Living a democratic economic life on poverty reduction Reducing poverty .
5. The R-squared is 0.87, which means that X has only an 87% influence on Reducing Poverty; meanwhile, 13% of Reducing Poverty is affected by other factors

## V. CONCLUSION

Based on the results of the e-views sample t-test, it can be concluded that there is an Improving people's lives significant effect on reducing poverty in Banda Aceh ( $p\text{-value} < 0.05$ ). Creating and Expanding employment and Living a democratic economic life did not significant to reducing poverty in Banda Aceh. Simultaneously, variables Creating and expanding employment, Improving people's lives, and Living a democratic economic life show that overall, cooperatives have a positive and significant role in reducing poverty in Banda Aceh.

The results of the research above show the role of cooperatives to reducing poverty in Banda Aceh in the forms of the following: Creating and expanding employment, improving people's lives, and living a democratic economic life. These make up a framework that can be used for reducing poverty in Banda Aceh, but there are other factors that can also support poverty reduction in Banda Aceh, in addition to the factors already described above.

Based on this study, here are also some suggestions for further research:

1. Future research should involve primary data collection not only with questionnaires, but with other methods as well. It is necessary to conduct field observation and direct interviews with respondents so that the results of analysis can be more comprehensive.
2. Future research should increase the number of variables included in the study of the role of cooperatives in reducing poverty. he results of subsequent research can then be viewed and assessed from a broader perspective in order to reduce poverty in Banda Aceh.

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