

## EMPOWERMENT STRATEGY ECONOMY MEMBER THROUGH THE COOPERATIVE PROGRAM BASED ON INCLUSION FINANCE IN RURAL AREAS

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### ABSTRACT

Study this to explore the role of cooperatives in expanding financial inclusion and empowering the rural economy in Indonesia. Using a qualitative approach, data were obtained through interviews, questionnaires, and observations involving administrators, employees, and members of cooperatives in the village. The results show that cooperatives play an important role in providing access to finance, though they are constrained by low financial literacy and technological limitations. Employees feel satisfied with the social impact of their work, but they also express the need for improved technical training. Field observations highlight the use of manual recording, which requires digitalization to increase operational efficiency. This research supports previous findings that cooperatives can enhance socio-economic welfare in rural areas. To optimize the role of cooperatives, improvements in financial literacy for members and support from the government and other stakeholders are necessary.

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## 1. INTRODUCTION

Cooperatives have been recognized as an important tool in supporting economic empowerment for communities, especially in rural areas. In many countries, cooperatives play a crucial role in creating access to inclusive finance, which is expected to reduce poverty levels, increase welfare, and provide economic stability in society at the grassroots level (Asmara et al., 2023). Thus, the challenge of financial inclusion remains a significant global issue, particularly in rural areas that generally have limited access to formal financial services. The World Bank reports that more than 1.7 billion people in the world still lack access to formal financial services, many of whom live in rural areas (Wijaya & Hartini, 2022).

In Indonesia, the challenges in realize inclusion finances are also visible clear , especially in the area rural areas . Many communities a village that is not own access to service formal finance such as banking , credit , or insurance , so that hinder ability they For increase welfare economy. Cooperative programs based on inclusion finance own potential big For empowering member cooperatives and communities rural in a way more wide (Birchall, 2004). However , the utilization of cooperatives in Indonesia in support inclusion

finance Still not optimal, because low understanding , limitations source power , and lack of innovation in management cooperatives. Challenges This need a more approach strategic for cooperatives capable operate his role in a way effective in empowering economy members in rural areas. (Shrestha & Nursamsu, 2021).

A number of studies have previously shown potential for cooperatives to increase inclusive finance and economic empowerment, both in Indonesia and other countries. For example, research by Maulana & Susanti (2021) revealed that cooperatives implementing inclusive finance principles can increase members' income and reduce dependence on informal financing sources. Another study by (Rizal, n.d.) concluded that a cooperative focused on inclusive finance significantly influences members' economic welfare, especially in less developed areas. However, this research still does not discuss cooperatives' implementation strategy and effectiveness in developing inclusive finance at the rural level in depth. Kartika & Rahayu (2020) emphasized the role of cooperatives in enhancing economic welfare through access to more inclusive finances, particularly in underserved areas. This research shows how cooperatives can become a means for rural communities to access formal financial services that were previously limited, in line with government targets, to expand inclusive finance to rural areas. (Muzdalifa et al., 2018) studied the role of fintech in increasing inclusive finance in Indonesia, particularly through Islamic financial institutions. The results indicate that advancements in digital technology can boost access to finance for communities in isolated areas, reflecting the potential for cooperatives to use technology in support of inclusive finance 2019)

Although there is already extensive research examining the role of cooperatives in supporting inclusive finance, there is still a lack of literature regarding effective implementation strategies for cooperatives in rural areas, especially within the Indonesian context. The absence of strategic guidance to maximize the role of cooperatives in empowering members of rural economies highlights a gap that needs to be addressed (Mhembwe & Dube, 2017). This research aims to answer the need for more inclusive cooperative empowerment strategies and to explore how these strategies can be implemented in the socio-economic conditions specific to rural areas of Indonesia (Asmara et al., 2023).

Urgency study: This arises from the increasing need for enhanced financial inclusion in Indonesia, particularly in rural areas that have been left behind in terms of access to financial services (Napitupulu et al., n.d.). Considering the numerous government programs aimed at boosting financial inclusion, this research is relevant to support sustainable development (SDGs) objectives, especially in reducing poverty and economic inequality. This research will provide insight into the role of cooperatives in empowering rural communities through programs based on financial inclusion, which can support national and international agendas to expand access to finance. (Karim et al., 2020)

Study this offer approaches a new development of empowerment strategies for cooperatives based on inclusive finance, focusing on rural areas with limited access to finance. News from this study lies in exploring cooperative strategies that address not only economic aspects but also social aspects, which can have a long-term impact on repairing the social and economic structure in rural areas. An innovative approach to designing inclusive and appropriate cooperative strategies in the rural context is expected to contribute significantly to public empowerment in villages. (Surya et al., 2021)

This study aims to develop and analyze empowerment strategies for member cooperatives through inclusion programs in rural areas of Indonesia. It also aims to identify factors that influence cooperative success in increasing inclusion finance and reducing

existing obstacles. Thus, the research aims to provide strategic solutions that cooperatives in rural areas can implement to make the empowerment economy sustainable.

**Contribution study** This covers the development of cooperative strategies that can be made into guidelines by stakeholders, such as the government, institutions of finance, and management cooperatives, to strengthen the role of cooperatives in rural areas. The resulting strategy can become a reference for other cooperatives in designing programs that focus on inclusion finance to expand the impact of cooperatives on welfare economy members. In addition, research this will also contribute to the academic literature with enriching studies about inclusion finance in the sector of cooperatives in developing countries, especially in Indonesia.

The study's expected implications can be felt by various parties involved in development cooperatives and the empowerment economy in the public village. The resulting strategy will guide cooperatives in increasing the effectiveness of inclusion programs' finance, which ultimately can reduce the public rural's dependence on loan sharks or other informal lenders. Further research is expected to have an impact on the socio-economic well-being of the public rural, reduce poverty, and strengthen the independence of the economy in the region that is still left behind.

Overall, research of this magnitude is urgent and provides a valuable contribution to strengthening the role of cooperatives as receptacles for inclusion finances that can empower economy members in rural areas. By exploring implementation strategies for cooperatives based on inclusion finance, research of this magnitude is expected to become a reference in designing more inclusive and sustainable policies and practices for the public rural Indonesia.

## **2. METHOD**

**Method Study:** This qualitative approach is used to explore, in-depth, cooperative strategies that expand financial inclusion and empower members of the economy in rural areas. Qualitative research was chosen because it aims to understand social phenomena deeply by examining the experiences, views, and perceptions of cooperative members and managers in the field. Data was collected through in-depth interviews, involving administrators and cooperative members as key informants to understand the strategies and challenges they face in implementing financial inclusion programs (Creswell & Creswell, 2017)

In addition to that, observational fieldwork is also conducted to understand the social context and operational aspects of cooperatives in everyday life, including how cooperatives serve their members in rural areas. Qualitative data analysis is performed using thematic techniques, where the collected data is analyzed to identify important themes related to economic empowerment strategies and financial inclusion. Data validity is ensured through source triangulation techniques, which compare the results of interviews, observations, and documentation to enhance the accuracy and reliability of the study. This method is expected to provide a comprehensive overview of the role of cooperatives in improving the economic welfare of members in rural areas.

## **3. RESULTS AND DISCUSSION**

### **Description General Respondents**

In a study, the respondents consist of administrators, member cooperatives, and employee cooperatives in rural areas of Indonesia. Respondents from administrator

cooperatives are individuals with more than five years of experience managing cooperatives in isolated regions, while member cooperatives consist of village residents with various economic backgrounds, some of whom work in agriculture or small businesses. The employees of licensed cooperatives include administration and finance staff who play a role in the daily operations of the cooperatives. A total of 50 respondents were involved, consisting of 10 administrators, 30 members, and 10 employees.

Table 1. Summary Demographics Respondents

Respondent Category	Amount	Average Age	Highest Education
Manager	10	45 years	Bachelor
Member	30	40 years	High School/Vocational School
Employee	10	30 years	Diploma

### Key Findings from Interview with Management

Interviews with cooperative administrators reveal that cooperatives play a significant role in providing financial access for the rural population, who previously had no formal banking access. Cooperative management emphasizes that they face various challenges, such as low financial literacy among members and limited access to digital technology. The cooperative has addressed several challenges by offering financial literacy training and utilizing simple technologies like mobile payments to make accessing cooperative services easier. (OJK, 2022)

A number of points important from interview among others:

- Cooperative has develop system savings mandatory and voluntary , which is proven effective in increase culture saving among member .
- Financing micro provided by cooperatives allow member For develop business small them , especially in the field of agriculture and trade small .
- Manager to put forward that cooperative very depend on trust between members and their importance education finance sustainable for inclusion programs finance can sustainable .

Based on the results of in-depth interviews with cooperative administrators, it was revealed that cooperatives play a significant role in expanding financial inclusion and empowering the economy in rural areas. Management highlighted that cooperatives provide basic financial services, such as savings and micro-loans, which allow members to access the capital needed for small businesses, especially in the agriculture and local trade sectors. However, they also identified several challenges in program implementation, such as low financial literacy among members. A lack of understanding about finance hinders many members from utilizing cooperative services optimally, which leads to sustainable dependency on loan services without significant improvement in their personal financial management (Wijaya & Hartini, 2022), (Shrestha & Nursamsu, 2021).

In addition, cooperative administrators disclose that trust among members is the foundation of a successful cooperative. With this trust in place, it becomes easier for cooperatives to run inclusion programs based on social finance, keeping in mind that interpersonal relationships play a significant role in the sustainability of cooperatives in rural

communities (Asmara et al., 2023). This supports the findings of previous studies which indicate that inclusion programs in finance in rural areas require a more personal and communal approach to achieve optimal results in local economic empowerment (Mento, 2024). Cooperative management also stated that improving financial literacy through regular training will be a priority in addressing this challenge, considering the importance of financial understanding for the long-term success of cooperatives and their members.

**Findings from Questionnaire Employee Licensed**

The questionnaire given to cooperative employees shows that they feel satisfied with their work, especially related to the role cooperative plays in increasing the welfare of society. However, some employees state challenges related to the limitations of technology and training they accept, which can hinder the effectiveness of the cooperative. The questionnaire data is collected using a Likert scale from 1 to 5.



Figure 1. Satisfaction Level Employee To Various Aspect Work

From image 1 above , we can seen that satisfaction highest is in the aspect of " Work " Own Impact Social," with average score of 4.5, while " Availability Technical Training " has score lowest at 3.2. This show the need improvement training technical for employees for cooperatives can Keep going adapt with development technology .

Results of the questionnaire given to employee cooperative licenses show a level of high satisfaction related to the impact of social work. Employees feel that role they in support inclusion finance through cooperative give contribution positive for welfare community , especially in limited areas access finances . However , the results The questionnaire also revealed more satisfaction low on aspects training technical , which is considered important For increase skills Work they . The low score on aspect This show need cooperative For strengthen training programs technical , especially in use digital technology for facilitate financial data management and speeding up administrative processes (Asmara et al., 2023).

Training technical proven essential for employee cooperative in ensure more services more efficient and accessible Good for members , as emphasized in studies that show that skills technology in the sector finance help cooperative adapt with rapid digital development (Mento, 2024). Referring to the study others , improvements training technical can increase

satisfaction Work employees and ultimately influence quality service cooperative in a way overall , the essential for sustainability cooperative in term length (Wijaya & Hartini, 2022).

### Observation Results

Observation field work done in study This covers observation to operational cooperatives in the village . Observation results show that cooperative succeed provide service finance basic , such as savings and loans , to its members , although available facilities Still limited . Operational space cooperative simple and use method manual recording , which shows the need digitalization For more efficiency good . Observation this also found that involvement member in activity cooperatives , such as meeting member yearly , enough high , shows existence level positive trust and participation .

Table following show frequency and type the most services used by members cooperative based on observation :

Table 2. Frequency and Type Most Used Services By Members Cooperative

Type of Service	Frequency of Use per Month	Percentage of Users
Savings	50	80%
Micro Loans	20	40%
Financial Education	15	30%

From the table said , can seen that service savings own frequency use the highest among member cooperatives , followed by loans micro and education finance. Observation field show that cooperatives in rural areas Still operate part big its operation manually , including recording transactions and administration members . This is hinder efficiency operational Because data management becomes more slow and vulnerable errors , especially when the transaction volume increased . Although cooperative This has provide service finance base like savings and loans very micro needed by society , limitations technology resulting in administrative processes become more complex and requires more Lots time . Observation This show that digitalization of administrative processes very required for cooperatives can operate more efficient and serving its members with more good (Wijaya & Hartini, 2022).

Beside limitations technology , observations also recorded importance interaction direct between administrator cooperatives and members , who help build connection trust . Studies previously also emphasized that interpersonal relationships are very important in success operational cooperatives in rural areas , where the ties social play role key in build commitment members and reduce risk credit traffic jam (Asmara et al., 2023) Yusuf & Tan, 2023). With existence strong relationship this , member feel more comfortable For participate in the cooperative program , although There is limitations technology needed overcome For support sustainability and effectiveness cooperatives (Mento, 2024).

### Interview Data and Interpretation of Interview Results

Interview results with administrator cooperative show that cooperative play role important in give service finance to rural communities , which in general No accessible to institutions formal finance . Cooperatives provide access to service savings and loans , which allows member For save and access loan micro for business capital . Management convey that one of challenge main issues faced cooperative is low literacy finance among members . Many members have not understand management finance basis , which results in inability they in optimize benefit from the programs offered cooperative .

From the interview this , can concluded that role education and literacy finances provided by cooperatives to member very important For increase understanding member about use service finance . Literacy low finances become inhibitor in empowerment economy through cooperative . The administrators also stated that build trust between members and cooperatives is base success operational cooperative , which shows that aspect social and emotional also play a role in operational cooperative .

In interview data analysis with management cooperative , found that cooperative play role important in provide service finance base in rural areas , which is in line with study previously by (Wijaya & Hartini, 2022) which indicated that inclusion finance through cooperative contribute big in increase welfare economy members in the area not enough affordable . The managers the cooperatives interviewed disclose that , although the inclusion program finance effective , literacy low finances among member Still become obstacle significant in utilise service cooperative optimally

Findings this is also consistent with (Shrestha & Nursamsu, 2021), which states that improvement literacy finance is factor important For support effectiveness service finance in the region rural . Research they show that public with literacy good finance tend more capable manage loans and planning finance personal in a way more well , that reduces risk credit traffic jam

On the other hand , research (Asmara et al., 2023) emphasized that involvement active and educational financial from cooperative can strengthen connection with members and improve commitment member in utilise service cooperatives , especially in areas with ties social strong . Study This confirm findings interview that trust between member is the important basics for success operational cooperatives in rural areas

In general overall , interview with management cooperative show that although service finance the basis provided cooperative useful , challenge literacy finance and engagement social Still need overcome For strengthen impact inclusion finance in rural areas , as also described in research by (Mento, 2024) which highlights importance approach based on community For sustainability term long cooperative

### **Discussion of Questionnaire Results**

Results of the questionnaire given to employee cooperative show that part big from they feel satisfied with impact social from work they , however there is more satisfaction low related with availability training technical. The height satisfaction to aspect social show that employee feel that work they impact positive for society. However , the low satisfaction to training technical show that cooperative need improve training programs For ensure employee own required skills in manage service finance , especially those based on technology .

Analysis This indicates existence need For strengthen competence technical employee use support cooperative in implement digital systems and services . With increase ability employees , cooperatives expected can give more services effective and efficient , which in turn will increase satisfaction members and quality service cooperative in a way overall .

### **Analysis of Observation Results**

Observation field show that observed cooperative Still use method manual recording in administration daily . Although service finance base like savings and Loan Already run with well , limitations technology cause a number of obstacles , such as inefficiency time and

dependence on the administrator . On the other hand , the interaction direct between cooperatives and members create strong and constructive relationship trust .

Analysis from results observation This show that , although service finance has available , cooperative need adopt technology that can support digitalization of administrative processes For increase efficiency . With digitalization , operational processes can become more fast and accurate , which allows administrator For more focus on developing empowerment programs economy . However , adoption technology must customized with ability limited members and employees in use technology advanced .

### **Comparison with Study Previously**

Research result This in line with findings from (Wijaya & Hartini, 2022) who found that inclusion finance through cooperative can increase welfare socio-economic society . Wijaya and Hartini also noted that literacy finance play role important in the success of the cooperative program , which is supported by the findings study This that education finance become factor key for member For utilise service cooperative optimally

Study this is also in line with studies (Mento, 2024) stated that that improvement access to service finance can contribute to the reduction poverty in the area rural areas . However , research This add aspect limitations technology and skills , which have not yet Lots discussed in study previously , as necessary factors be noticed For increase effectiveness cooperative in support inclusion finance in rural areas

### **Implications Practical**

Findings study This give a number of implications practical for cooperatives and stakeholders interest others . First , the importance of literacy finance show that cooperative must in a way active develop educational programs that can increase understanding member about service finance . Training program This can covers management budget , management risk loans , and understanding base about savings and investment . Second , cooperatives need consider adoption technology For support efficiency operational , such as system digital recording for management savings and Loan .

Government and institutions finance others can also play a role with give support for cooperative in form training technical for employees and subsidies For infrastructure technology in rural areas . Improvement competence employee cooperative through training technical expected will support service more cooperatives good and expanding range service them , so that more Lots member rural communities that can enjoy benefit from service cooperatives . (Yusuf et al., 2023)

## **4. CONCLUSION**

This study concludes that cooperatives play an important role in expanding inclusion finance in rural areas of Indonesia by providing access to service savings and Loans for underprivileged society , which is accessible to institutions of formal finance. From the interview with the cooperative's administrator, it was found that the main challenge in implementing the service is low financial literacy among members and limitations on access to technology. The questionnaire given to employees indicates satisfaction with the social work; however, they show a lack of training and technical obstacles to the effectiveness of the operational cooperative.

Observations in the field disclose that cooperatives still use manual recording, which reduces operational efficiency and demonstrates the need to adopt digital technology.

Research also supports previous findings that inclusion finance through cooperatives has a big potential to increase welfare public village. To increase the role of cooperatives in the empowerment economy, improvement in training literacy finance for members and adoption of technology to increase efficiency are needed. Support from the government and stakeholders who are interested in others will also strengthen the role of cooperatives in reducing poverty and inequality in rural areas.

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