

Cooperative Business Competitiveness Model Based on Business Type in Palu City

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ABSTRACT

The advancement of science and technology has intensified global economic competition, often marginalizing community-based economic systems, such as cooperatives. Despite their constitutional role as pillars of Indonesia's national economy, cooperatives in Palu City struggle with internal and external challenges, weakening their competitiveness. While prior studies have examined cooperative strategies generically, this research introduces novelty by developing *type-specific competitiveness models* for savings and loan, service, consumer, and producer cooperatives in Palu City, integrating SWOT analysis with Porter's Generic Strategy and 2020 Indonesian Cooperative Empowerment Policies a framework underexplored in existing literature. Used a qualitative descriptive approach, 57 cooperatives were analyzed via purposive sampling, focusing on digitally adaptive and policy-aligned strategies. Findings reveal distinct strategies for each type: savings and loan cooperatives require aggressive digitalization and market expansion; service cooperatives need cost leadership and operational improvements; consumer cooperatives benefit from market network diversification and e-marketing; and producer cooperatives must prioritize branding and real-time bookkeeping. These tailored strategies address gaps in prior studies, which often overlook business-type heterogeneity. The study's implications extend to policymakers and cooperative managers, advocating for targeted interventions aligned with local conditions and national policies. Future research should evaluate the implementation efficacy of these models longitudinally and across regions to validate their adaptability.

INTRODUCTION

The progress of science and technology in the modern era has significantly transformed various aspects of life, particularly in the economic sector. Innovations driven by technological developments during the industrial revolution have led to the emergence of a new global economic structure (Mazloun Yar et al., 2022; Nugroho Sujiono & Astuti, 2024; Saied et al., 2023). This new structure is largely centered on individual profit, favoring capital owners characteristic of a capitalist or liberal economic system. While this system generates substantial wealth for investors and capital holders, it often exacerbates poverty among economically vulnerable communities (Aristawati & Hartati, 2022;

Sitepu & Hasyim, 2018). To effectively address poverty, an alternative economic system is needed one that doesn't merely benefit the wealthy elite. A promising alternative is the "people's economy (Hamonangan & Hidayat, 2015)."

The concept of the people's economy emphasizes economic practices that prioritize the welfare and livelihood of the general population, rooted in the principle of people's sovereignty. This system must be built from the grassroots level, where the public actively participates in and owns economic activities. The aim is to empower individuals to be self-sufficient and self-reliant, with initiatives sourced from and managed by communities themselves, to generate both economic and social value (Fazlina & Veranita, 2018; Hamonangan & Hidayat, 2015; Zuraidah, 2021). This philosophy underpins the creation of cooperatives, which are a key component of the people's economy. Cooperatives are widely regarded as a viable solution to socio-economic challenges, particularly in Indonesia. They play a significant role in facilitating collective economic efforts among people with limited financial means and align well with Indonesian cultural values of togetherness and mutual cooperation (Santi, 2019; Sitepu & Hasyim, 2018). Unlike other economic models, cooperatives are founded on a value-based ethical framework, guiding their operations through principles that shape their behavior as economic entities. Their democratic management by the members, for the members enhances transparency and inclusivity. Cooperatives are also strategically important within Indonesia's national economic framework, aligning with the principles of kinship and economic democracy to foster a society that is equitable, progressive, and prosperous, in accordance with Pancasila and the 1945 Constitution.

People must be given real opportunities to participate in economic activities that enable them to be self-reliant and empowered initiatives that originate from the community and are run by the community itself to produce both economic and social benefits (Hamonangan & Hidayat, 2015; Hanafi et al., 2023). This concept of an economy that champions the interests of the people forms the foundation for the establishment of cooperatives. Cooperatives, which are inherently aligned with the principles of a people's economy, are seen as a viable solution to socio-economic challenges, particularly in the Indonesian context. They play a crucial role in enabling collective business efforts among individuals with limited financial resources and are well-suited to the Indonesian culture, which values togetherness and mutual assistance (Edyliana Putri & Rizaldi, 2021; Mei Santi, 2019; Sitepu & Hasyim, 2018). What sets cooperatives apart from other economic models is the ethical value system at their core, which is reflected in their guiding principles. These principles serve as moral standards that shape the way cooperatives operate as economic entities. Furthermore, cooperatives are seen as having strong market potential due to their transparent governance, which follows the model of being run by the members, for the members, and through the members. Beyond this, cooperatives hold a strategic position in Indonesia's national economic structure, as they embody the values of kinship and economic democracy. Their existence supports the creation of a fair, progressive, and prosperous society, grounded in the ideals of Pancasila and the 1945 Constitution.

The cooperative movement aligns well with the values and way of life of the Indonesian people. Although it faces various challenges, cooperatives continue to grow and evolve. The overall development of cooperatives in Indonesia has shown a positive trend, despite occasional fluctuations. According to data from the Ministry of Cooperatives and SMEs in 2019, there were 123,048 active cooperatives nationwide a decline of 2.6% from the previous year. However, the number of active members reached 22,463,738, marking a 12% increase compared to the previous year (Kemenkopukm, 2019). In Central Sulawesi, the growth of cooperatives has also been quite promising. In 2019, there were 2,087 active cooperatives, reflecting a 24.48% increase from the

previous year. On the other hand, the number of active members slightly declined by 1.7%, from 231,594 in the previous year to 227,558 in 2019 (DinkopMSME Sulawesi, 2019).

The development of cooperatives in Palu City has shown encouraging progress. In 2019, there were 215 active cooperatives an 18% increase from the previous year. However, the number of active members decreased by 7.2%, from the previous year's total to 24,307 in 2019 (Dinkopumkm Sulawesi, 2019). As a key economic tool, cooperatives play a crucial role in enhancing the welfare of the people in Palu City. Their presence contributes significantly to improving the economic well-being not only of their members but also of the wider community (Abdillah, 2018; Budiningrum & Subiyantoro, 2023; Supartoyo et al., 2023). The realization of these goals is attainable, particularly given the diversity of cooperative types that have emerged in the Palu City community. According to Law No. 17 of 2012, Article 82, cooperatives in Indonesia are categorized into several types: consumer cooperatives, producer cooperatives, service cooperatives, and savings and loan cooperatives. This diversity reflects an effort to serve various social groups by offering accessible economic services. For instance, savings and loan cooperatives are increasingly popular due to their easy, collateral-free loan offerings. Similarly, multi-purpose cooperatives have proven to be highly beneficial in meeting diverse community needs (Matdoan, 2017).

Cooperatives hold a distinct position within the national economic framework and continue to receive government attention (Nur Irawan, 2017; Sari et al., 2019). In fact, within the cooperative-based economic system, they are regarded as a foundational pillar. However, the significant responsibilities placed on cooperatives make their progress challenging. Many cooperatives struggle to fulfill their roles effectively due to limitations in key areas particularly in accessing and controlling production resources such as capital (Edy Syahputra et al., 2023; Sitepu & Hasyim, 2018). Each component of a cooperative must be properly understood and managed to ensure it can grow and function optimally (Ermaya, 2019). Although cooperatives, as part of the people's economy, are seen as a viable solution to socio-economic issues, in practice, they have yet to fully realize this potential. To date, the cooperative movement is still more prominent as a moral or ideological initiative rather than as a tangible economic force that significantly enhances the welfare of its members (Affanddy & Aqila, 2017; Hamonangan & Hidayat, 2015).

Cooperatives in Palu City are also grappling with a range of significant challenges. One of the main issues is the rapid and highly competitive nature of today's market, which places cooperatives in a difficult position amid intense business rivalry. As business entities, cooperatives must compete in an increasingly aggressive commercial environment. This competition spans across different types: among similar cooperatives involved in production and marketing, against banking and non-banking financial institutions in the case of Savings and Loans Cooperatives (KSP), and with modern retail businesses for Multi-Purpose Cooperatives (KSU). The situation is further complicated by the fact that most cooperative members are ordinary individuals, many of whom are micro-entrepreneurs such as small shop owners, street vendors, and vegetable sellers. The expansion of minimarkets and financial institutions, including those reaching into rural areas and serving small entrepreneurs, poses a serious challenge and even a threat to the survival and competitiveness of cooperatives in Palu City (Abdillah, 2018; Budiningrum & Subiyantoro, 2023; Supartoyo et al., 2023).

Departing from the urgency above, this study will analyze what strengths, weaknesses, opportunities, and threats will be faced or may be faced by cooperatives to increase confidence in running their businesses. Analysis of strengths, weaknesses, opportunities, and threats will be carried out on various types of cooperatives in Palu City. In addition, it is expected to find out their ability to apply their identity and identify their potential.

This study aims to investigate and analyze the competitiveness models of various types of cooperatives in Palu City, including consumer cooperatives, producer cooperatives, service cooperatives, and savings and loan cooperatives, to understand their operational frameworks and competitive dynamics. This study introduces novel contributions by developing type-specific competitiveness models for four cooperative types in Palu City savings and loan, service, consumer, and producer cooperatives addressing a gap in prior research that often treated cooperatives homogenously (Sitepu & Hasyim, 2018). Unlike generic SWOT analyses or isolated policy studies (Kemenkopukm, 2020), it innovatively integrates SWOT, Porter's Generic Strategy, and Indonesia's 2020 Cooperative Empowerment Policies to create tailored strategies, such as digitalization for savings cooperatives and branding for producer cooperatives. This tripartite framework advances beyond prior works like Gemina et al. (2013) on intellectual capital, or Ermaya (2019) on single-case strategies, while addressing contemporary needs like e-marketing and real-time bookkeeping, underscoring its relevance for policymakers and practitioners in Indonesia's evolving digital economy.

METHODS

This research employed a qualitative descriptive approach. The study focuses on 57 cooperatives in Palu City, categorized into four business clusters: 20 Savings and Loan Cooperatives, 4 Service Cooperatives, 20 Consumer Cooperatives, and 13 Producer Cooperatives. The sample was selected using the quota technique, with purposive sampling as the extraction method. The sampling criteria include cooperatives that have held member meetings in the last two years, received a rating assessment from the Central Sulawesi Provincial SME Cooperative Office in 2021, and were willing to participate in the study by completing questionnaires.

Data analysis was conducted using SWOT analysis, which evaluates strengths, weaknesses, opportunities, and threats to formulate strategic recommendations. The findings from this analysis will identify one of four potential strategies for each cooperative type: Aggressive Strategy, Diversification Strategy, Turnaround Strategy, or Defensive Strategy. To ensure a comprehensive competitiveness model, these strategies will be aligned with Porter's "Generic Strategy" and three key government policies for cooperative and MSME empowerment in 2020. The final output will be a tailored competitiveness model based on each cooperative's business type.

RESULTS AND DISCUSSION

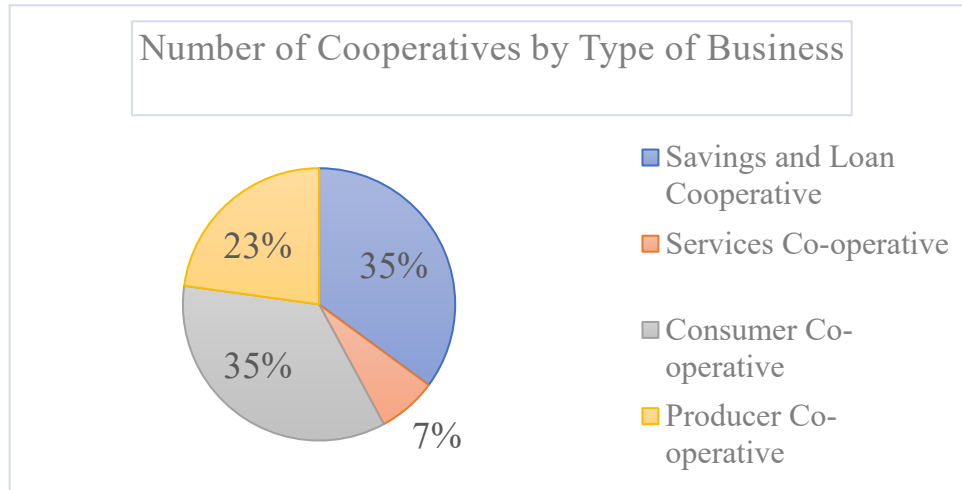


Figure 1. Diagram of the Number of Cooperatives by Type of Business

Source: Palu City SME and Manpower Cooperative Office

Considering the sampling method used in this study, one cooperative was selected to represent each type of business. Through a SWOT analysis comparing the Internal Factor Analysis Summary (IFAS) and the External Factor Analysis Summary (EFAS), a "competitiveness strategy" was identified for each cooperative type. To create a more comprehensive competitiveness strategy, the results were then aligned with Porter's Generic Strategy framework and three key Government Policies for Cooperative and MSME Empowerment issued in 2020. This integration ultimately led to the development of a "business-type-based cooperative model in Palu City." The resulting cooperative competitiveness model based on business types in Palu City is as follows:

Savings and Loan Cooperatives

The competitiveness model for savings and loan cooperatives is formulated by integrating the outcomes of the SWOT analysis (which indicates an aggressive strategy), Porter’s Generic Strategy framework, and the three policy directions issued by the Minister of Cooperatives and MSMEs of the Republic of Indonesia in 2020, as outlined below:

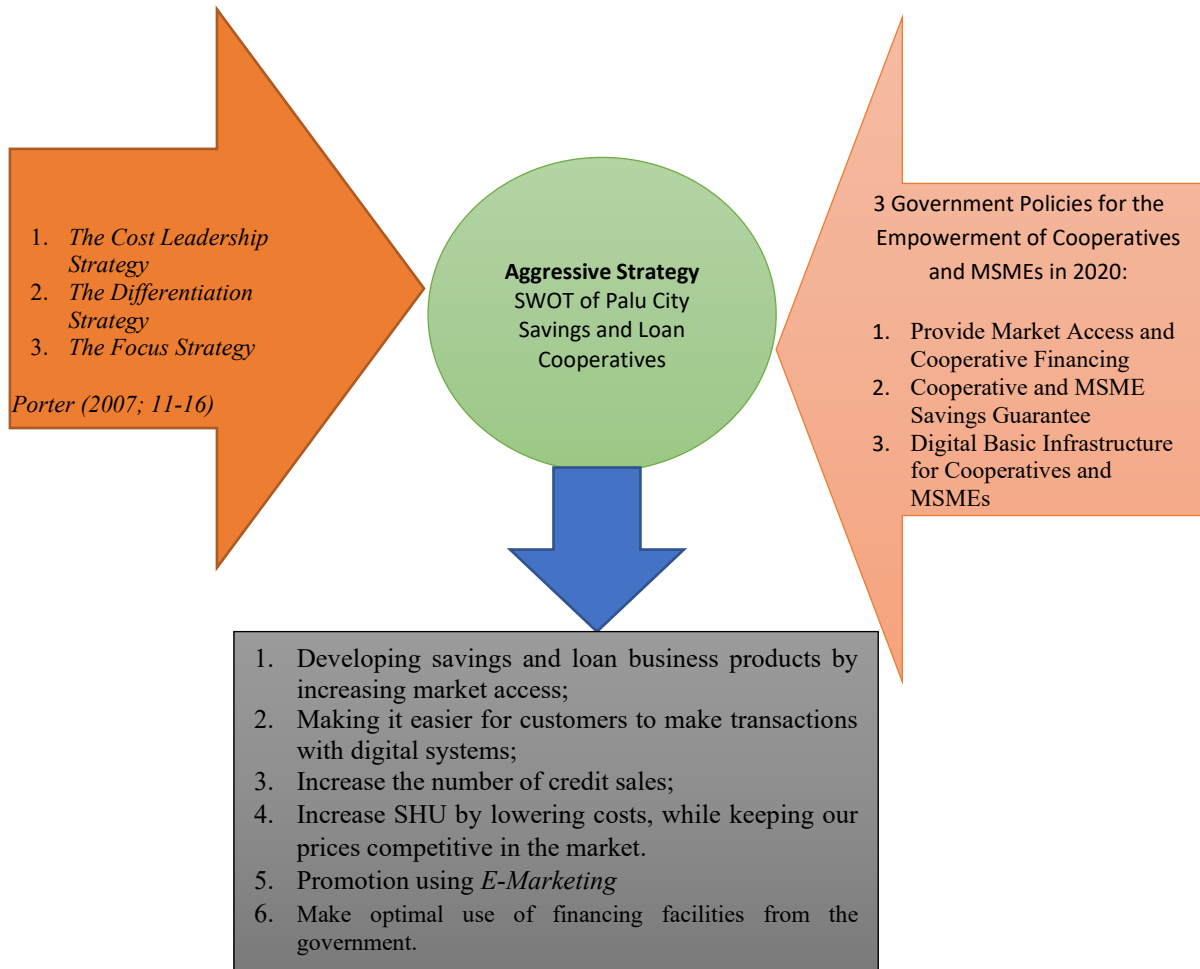


Figure 2: Competitive Model of Savings and Loan Cooperatives in Palu City

Service Cooperatives

The competitiveness model of service cooperatives is obtained by combining the results of the SWOT (*defensive strategy*) assessment, the generic strategy (Porter), and 3 (three) policies of the Minister of Cooperatives and MSMEs of the Republic of Indonesia in 2020 as follows:

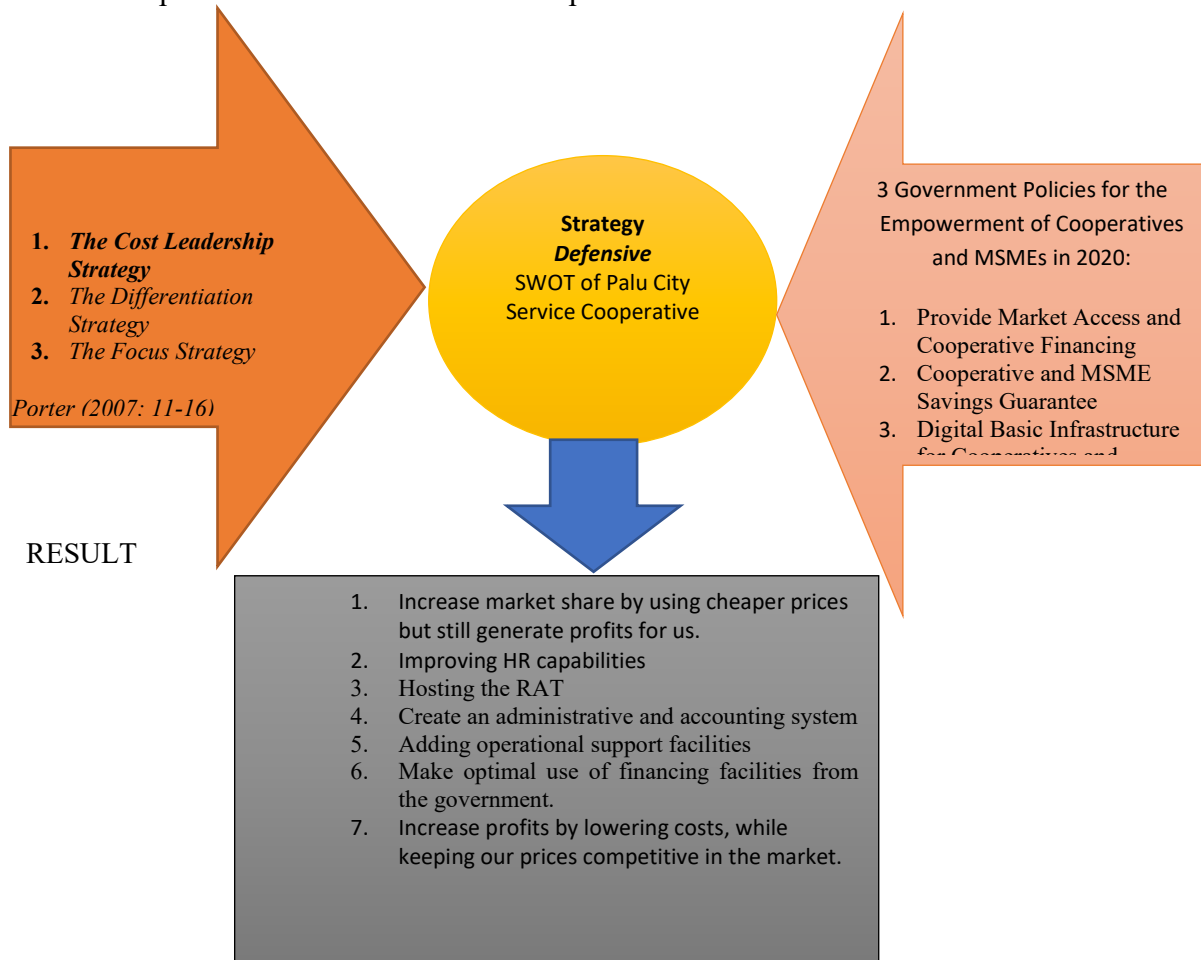


Figure 3: Competitiveness Model of Service Cooperatives in Palu City

Consumer Cooperatives

The competitiveness model of consumer cooperatives is obtained by combining the results of the SWOT assessment (turnaround strategy), the generic strategy (Porter), and 3 (three) policies of the Minister of Cooperatives and MSMEs of the Republic of Indonesia in 2020 as follows:

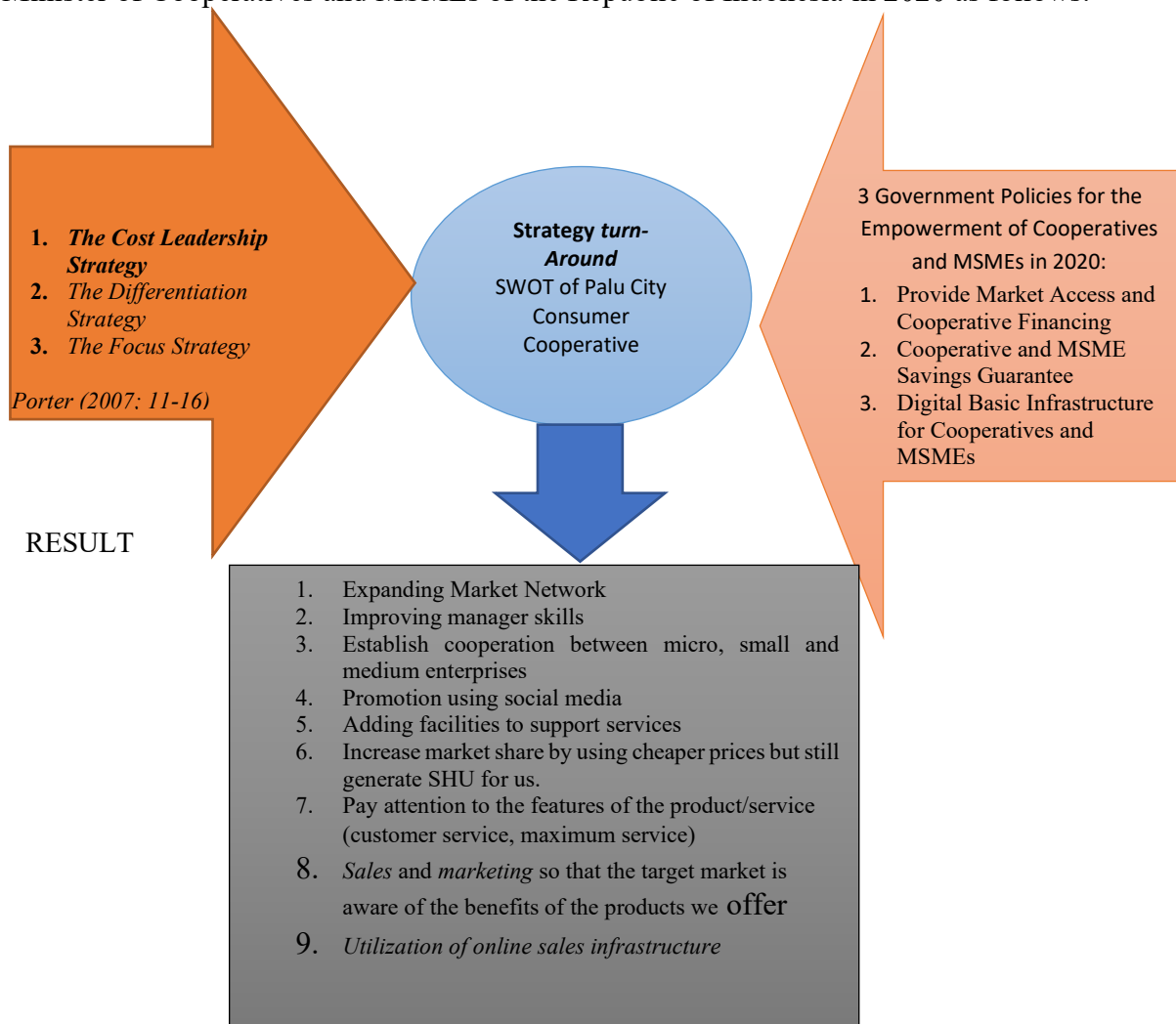


Figure 4. Consumer Cooperative Competitiveness Model in Palu City

Producer Cooperative

The competitiveness model of producer cooperatives is obtained by combining the results of the SWOT (diversification strategy) assessment, the generic strategy (Porter), and 3 (three) policies of the Minister of Cooperatives and MSMEs of the Republic of Indonesia in 2020 as follows:

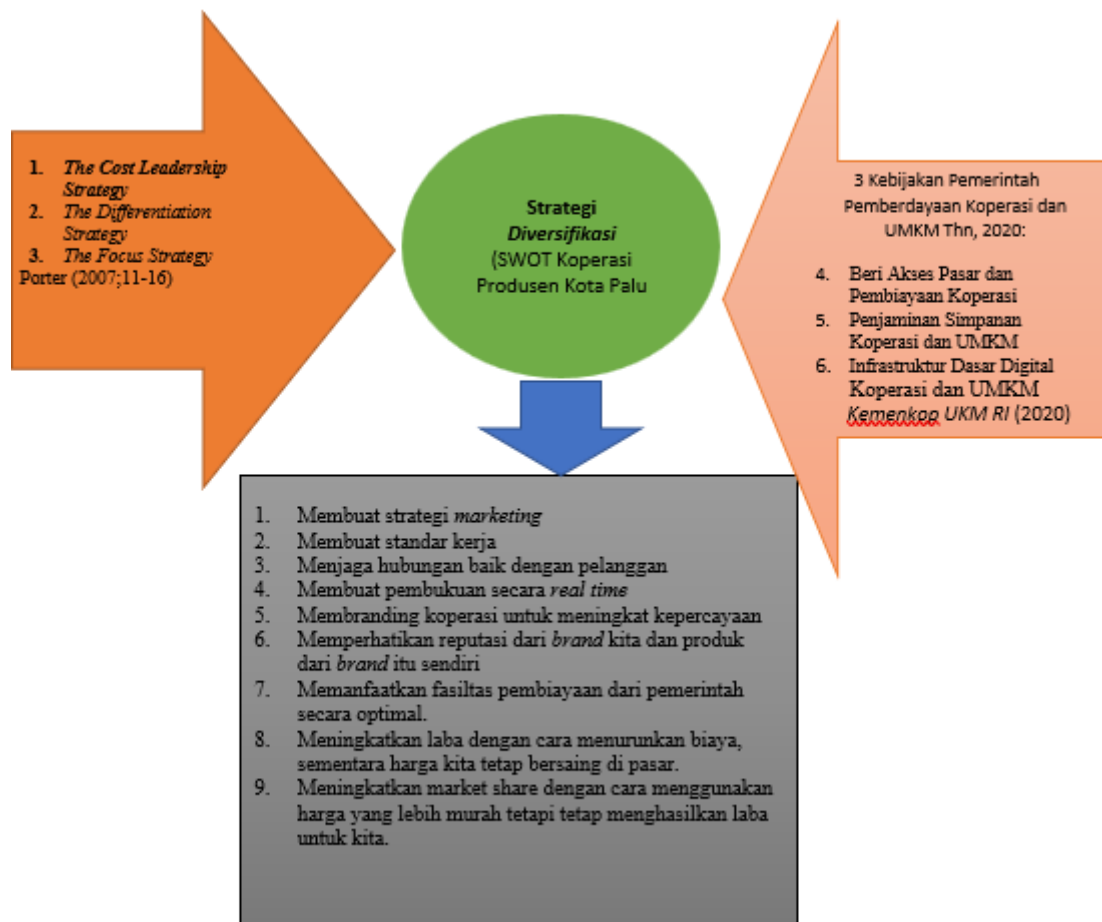


Figure 5. Producer Cooperative Competitiveness Model in Palu City

CONCLUSION

This study identifies key competitiveness strategies for different cooperative types in Palu City: savings and loan cooperatives should enhance digital transactions, expand market access, and leverage e-marketing; service cooperatives need to strengthen human resources, optimize pricing, and improve operational systems; consumer cooperatives should broaden market networks, boost digital promotion, and enhance service quality; while producer cooperatives must focus on branding, real-time bookkeeping, and cost-efficient marketing. Future research should evaluate the real-world effectiveness of these strategies through longitudinal studies, compare their applicability across regions, assess the impact of government support programs, and gather stakeholder feedback to refine implementation approaches.

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