

Cooperation Dilemma: Between Islamic Values and Digitalization

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Abstract

This study aims to look again at the existence of cooperation in the digital era in an Islamic economic review. Because in the current contemporary era, cooperation activities have experienced a decline caused by the onslaught of new competitors who utilize digital technology. This condition is, of course, a concern in itself because cooperation is an economic institution initiated by the nation's founding fathers and stipulated in the 1945 Constitution of the Republic of Indonesia (UUD 1945) which is in principle in line with Islamic economic values. Therefore, in the current contemporary era, cooperation is expected to be able to adapt in the digital context and the industrial revolution 4.0. Qualitative research with this type of case study reveals the implementation of cooperation systems in the digital era in three different cooperation, both in terms of operating principles and their basis. The findings in this study indicate that the implementation of cooperation in the three objects still needs to be optimally able to adapt to digital technology. The Islamic economic value has been carried out for cooperation that runs it while for others using state rules and regulations.

Keywords: *Cooperation, Digital, Islamic Economy*

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Introduction

The existence of cooperation is no longer popular. The presence of cooperatives is considered outdated, not adaptive, and unable to compete with other financial service institutions. Based on data from previous studies, it is known that the existence of cooperatives in Indonesia has increased in the last two decades. In 2001 the number of cooperatives was 110,776 with 23,644,850 members, and at the end of 2005, it grew to 123,191 cooperatives with 27,283,678 members. However, this condition is not directly proportional to the Remaining Business Results (SHU) obtained, where the SHU received in 2001 amounted to Rp3,134,446.41 million, then experienced a drastic decline as of July 2005 to Rp 1,871,926.70 million. In addition, the number of inactive cooperatives has increased from 21,010 (8.89%) to 29,381 (10.76%). It was further exacerbated by the drastic decline in cooperatives that held Year-End Meetings (RATs), with only one-third of all cooperatives in 2005. It is in stark contrast to the business sector managed by State-Owned Enterprises (SOEs), which had assets of 53.8% with a business value of 34.3%, or Private-Owned Enterprises (BUMS) with purchases of 45.4% and a business value of 61.7% in 2003. Compare this with cooperatives, which only had 0.8% of assets and 4.0% of business value in the same year.¹

Meanwhile, the condition of Islamic cooperatives in 2016 reached 150,223 units, with members reaching 1.4 million participants and capital valued at Rp. Nine hundred sixty-eight billion with external capital of Rp. 3.9 trillion through a business volume of Rp. 5.2 trillion.² Based on it, the inability of cooperative institutions to carry out and realize their essential goals and essence can be caused by many factors that surround them, both internally and externally. Cooperatives should become the basis for mutual upliftment, mutual assistance, and communal resiliency. In the sense of being able to unite and mobilize members who are not empowered to become more empowered with economic and community-based strength have instead become weak and neglected in meaning.³

The challenge of cooperation in today's contemporary era becomes very urgent when the economic world has penetrated the aspect of digital technology.⁴ It is evidenced by a large number of goods or services offered by service and goods providers using a digitization system, including several companies in Blitar,⁵ Kediri,⁶ and Tulungagung⁷ East Java. These various digital products are intended to adapt to developments in the digital 4.0 era, which demands fast, easy, and not so complicated with all requirements, especially if the target is young people and millennials. Digital products that have been familiar at this time, such as selling various products through online-shop media, online savings and loans, online motorcycle taxis, and others. They are expected to speed up the transaction process and reduce consumer costs. Of course, all data will be automatically recorded

¹ Andrzej Daniluk, "Cooperation between Business Companies and the Institutions in the Context of Innovations Implementation," *Procedia Engineering* 182 (2017).

² Admin, "Data Koperasi," *Kementerian Koperasi dan UKM*, 2016.

³ Mubiyarto, "Membangkitkan Ekonomi Kerakyatan melalui Gerakan Koperasi," *Jurnal Ekonomi Rakyat* 1, no. 6 (2002).

⁴ Tim Redaksi, "Hadapi Perubahan Zaman, Koperasi Harus Lakukan Transformasi Digital," *kominfo.go.id*, 03 Oktober, 2021.

⁵ Tim Redaksi, "UMKM Blitar Sudah Go Digital," *nasional.tempo.co*, 16 April, 2019.

⁶ Tim Redaksi, "Pikat Generasi Muda Tekuni Koperasi Melalui Transformasi Digital," *kediri.times.co.id*, 2022.

⁷ Tim Redaksi, "Kementerian Koperasi dan UKM Bersama Dinkop dan UM Tulungagung Adakan Pelatihan Digital Marketing," *medianasional.id*, 08 April, 2021.

by itself even though, at the same time, it will reduce the human labor sector and require consumers to master technology.⁸ Today, as a program of the Indonesian government, it is a form of concrete steps to commemorate the 74th Cooperative Day on July 12, 2021. Where Cooperatives in Indonesia need to get re-branded as a business entities that can compete in a modern era that is contributive and competitive. Furthermore, the Ministry of Cooperatives and SMEs targets to create 100 modern cooperatives that can go digital in 2021. Therefore, the Ministry of Cooperatives and SMEs encourages cooperative actors to utilize digital technology as much as possible to survive in the digital society.⁹

The Blitar District Government is collaborating with Buka Lapak to launch the Online Entrepreneurial Village program in the Gogolatar-Kaweron-Talun Environment. The Deputy Regent of Blitar inaugurated this Online Entrepreneurial Village to assist and provide technology procurement solutions to market cooperation and MSME products more widely to help increase regional competitiveness and increase the sales turnover of cooperation and MSME products in Blitar. This program will be used by the Buka Lapak Community and residents of Blitar Regency through ngelapak classes, workshops, monthly meetings, and other potential development activities for women entrepreneurs. This forum is expected to encourage and support Blitar Regency residents who want to advance and master technology in online entrepreneurship.¹⁰

As the Blitar district government, the Kediri district government is also developing a program to digitize cooperatives and MSMEs (Micro, Small, and Medium Enterprises) to accelerate economic recovery after the Covid-19 pandemic. The Head of the Kediri Office of Micro Business Cooperatives and Labor (UMTK) explained that later, cooperation and MSMEs in Kediri will be included in a local platform created to market and sell cooperative and MSME products online. Through the creation of this online site, their products will be able to be seen and purchased online.¹¹

The Government of Tulungagung Regency is also not left behind to improve the economy of its people by encouraging MSMEs and cooperatives to go digital. Various innovations continue to be developed by the Government of Tulungagung Regency to further revive the MSME sector and cooperatives amid the Covid-19 pandemic. Through this program from the Office of Cooperatives and Micro Enterprises (Dinkop UM), it is hoped that it will encourage cooperative and MSME activists to go digital. The hope is that even in the pandemic era, cooperatives and MSMEs in Tulungagung Regency will continue to exist. So, MSME products are sold online. It can be purchased by local people and people from outside the region by utilizing digital applications either developed by themselves or using existing popular applications.¹²

⁸ Radita Gora Ahmad Zafrullah Tayibnapis, Lucia E. Wuryaningsih, "The Development of Digital Economy in Indonesia," *International Journal of Management & Business Studies* 8, no. 3 (2018).

⁹ Admin, "Koperasi Di-Rebranding Sebagai Entitas Bisnis Modern," *kemenkopukm.go.id*, 12 Juli, 2021.

¹⁰ Tim Redaksi, "UMKM Blitar Sudah Go Digital," *teras.id*, 16 April, 2019.

¹¹ Tim Redaksi, "Pemerintah Kota Kediri Membuat Suatu Program Berupa Digitalisasi Usaha Mikro, Kecil dan Menengah (UMKM) Guna Memulihkan Perekonomian di Tengah Pandemi Covid-19.," *mediaindonesia.com*, 02 Agustus, 2020.

¹² Tim Redaksi, "Dinas Koperasi dan Usaha Mikro Kabupaten Tulungagung Adakan Sosialisasi Pemasaran Melalui Aplikasi Lapak UMKM Online," *klikwarto.com*, 06 Oktober, 2021.

In delivering this research, the researcher conducted a research mapping to position this research on research distinction and novelty. The study by Achmad Nurdany and Anniza Citra Prajasari (2020) found that using digital media by cooperatives has not been widely used.¹³ Research by Purbasari et al. (2022) found that the digital transformation of cooperatives in the Greater Bandung area is good but still needs improvement.¹⁴ Research by Fitria Widiyani Roosinda and Farah Aulia Salshabila (2021) which states that several activities in the context of interior redesigning and digital marketing are one of the steps in rebranding the cooperative.¹⁵ Research by Fitria Widiyani Roosinda and Farah Aulia Salshabila (2021) states that several activities in interior redesigning and digital marketing are one of the steps in rebranding the cooperative.¹⁶ Andrzej Daniluk's research (2017) looks at the factors that influence cooperation in a business context. The results showed that there was little interest in cooperating with business environment institutions with a cooperative system in the group of companies studied.¹⁷

Based on some of the previous research described above, it seems that cooperatives have an urgency in developing the national economy. In particular, Islamic economics and cooperatives have a close relationship in developing cooperatives as a sector and the main landing of economic institutions that the state should set. However, in the current digital era, few studies connect cooperatives and Islamic economics with digital reform 4.0. Therefore, this research seeks to elaborate deeply through interdisciplinary studies to connect digital aspects and Islamic economic thought. As a form of novelty as well as distinction, this research will elaborate on various findings in the previous research above on the relationship between Islamic economics developed through an interdisciplinary research model with an effort to see its implementation in cooperatives and digital practices in the 4.0 era. Therefore, this research will answer the problems: (1) Are collaborative practices in the current digital era 4.0 still by Islamic economic values? (2) Have cooperatives in the current digital era 4.0 optimally utilized digital media in practice?

Method

This research uses a qualitative approach,¹⁸ with comparative model.¹⁹ The data collection techniques were through in-depth interviews, observation, and documentation. Secondary data were obtained through writings from various sources (articles, books, papers, etc.) related to cooperatives and digitalization. Data analysis in this study used cross-site

¹³ Achmad Nurdany & Anniza Citra Prajasari, "Digitalization in Indonesian Cooperatives: Is It Necessary?," *DE (Journal of Developing Economies)* 5, no. 2 (2020).

¹⁴ Ratih Purbasari & Samún Jaja Raharja, "Digital Transformation In Cooperative Business Processes: A Study On Cooperatives In The Greater Bandung Area," *Inovbiz: Jurnal Inovasi Bisnis* 10, no. 2 (2022).

¹⁵ Fitria Widiyani Roosinda & Farah Aulia Salshabila, "Rebranding Koperasi INTAKO Melalui Program Redecor Showroom dan Pemberdayaan Digital Marketing," *Jurnal Warta LPM* 24, no. 2 (2021).

¹⁶ Ratih Purbasari & Samún Jaja Raharja, "Analysis Of Modern Cooperative In The Digital Age: From Values To Greatness," *AdBis preneur: Jurnal Pemikiran dan Penelitian Administrasi Bisnis dan Kewirausahaan* 6, no. 3 (2021).

¹⁷ Andrzej Daniluk, "Cooperation between Business Companies and the Institutions in the Context of Innovations Implementation."

¹⁸ R Yin, *Case Study Research: Design and Method* (London: Sage Publication, 1994).

¹⁹ Writing: A method of inquiry. Dalam N. K. Denzin & Y. S. Lincoln (Eds.) L. Richardson&E. A. St. Pierre, *The Sage handbook of qualitative research* (Thousand Oaks, CA: SAGE, 2005).

analysis to show a form of comparison between research locations.²⁰ The location of this research is cooperatives located in Blitar, Kediri, and Tulungagung regencies/cities. The selection of several areas aims to obtain diverse cooperative characteristics so that even though the legal form is the same (in the form of a cooperative), the features of the cooperative's principles and bases of origin are different. There are those based on Islamic boarding schools (1 location/sharia cooperative / Blitar) and the general public (1 location/sharia cooperative / Tulungagung and 1 location / non-sharia / Kediri). This selection is expected to increase the findings and variation of the research data.

The research seeks to first understand a value in a group of people in an organization (cooperative) by trying to enter the conceptual world of the subjects under study in such a way that it is easy to understand how the level of understanding of a value (Islam and digitalization). How the issues then develop and actualize their behavior around events in practice. Through case study research, this research seeks to describe certain objects, settings, and events in depth and detail. It aims to study the in-depth history of social units, including individuals, groups, institutions, and communities. Research findings in the form of propositions are then subjected to comparative analysis and conceptual development to obtain abstractions about the relationship between the value of understanding and suitability in practice through a phenomenological approach.

Result and Discussion

Conformity of Cooperative Practices with Islamic Economic Values

Cooperative etymologically comes from English, namely cooperation, which means working together. While in terminology, a cooperative is an association or organization consisting of legal entities or people who work together with full awareness to improve the welfare of members voluntarily in a family manner.²¹ Apart from being engaged in production to produce goods and services, cooperative business entities can also be involved in financial assistance to collect and distribute funds. Law Number 17 of 2012 concerning Cooperatives states that a cooperative is a legal entity established by individuals or cooperative legal entities by separating wealth from its members as capital to run a business to fulfill aspirations and common needs in the economic, social, and cultural sectors with cooperative principles. Furthermore, a cooperative is an association of members based on equality as human beings to build needs together that are material or jointly dependent.²²

In application, a cooperative business pattern answers the weaknesses of the socialist and capitalist economic systems. In this case, the purpose of cooperatives is to empower the community through merging and financial strength that is expected to meet the community's needs at large. Therefore, togetherness in the cooperative system is crucial in developing and sustaining cooperatives in contemporary society. In its journey, cooperatives experience

²⁰ C. R. Kothari, *Research Methodology: Methods and Techniques* (New Delhi: New Age International Ltd. Publisher, 2004).

²¹ M. Ali Hasan, *Berbagai Macam Transaksi Dalam Islam (Fiqh Muamalah)* (Jakarta: Raja Grafindo, 2003).

²² Ropi Marlina & Yola Yunisa Pratami, "Koperasi Syariah Sebagai Solusi Penerapan Akad Syirkah Yang Sah. Amwaluna: Jurnal Ekonomi dan Keuangan Syariah," *Jurnal Ekonomi Dan Keuangan Syariah* 1, no. 2 (2017).

growth and development in the community. However, the spirit of practicing religious principles to provide updates to the cooperative system becomes an alternative form amid the gap between spiritual knowledge and the reality of conventional economic practices. It means that the concept of cooperatives as part of the practice of religious values is expected to provide the development of traditional financial methods. Therefore, the important matters in cooperatives are expected to be able to guide the community at large.²³

It is based on conventional cooperative practices that occur today, which some people still consider to have usury practices and unclear contracts in transactions. Whereas in religious concepts, usury practice is forbidden, as stated in the text of the Qur'an and Hadith. Likewise, the contract system does not have a clear basis and principles because it will have implications for losses for the parties to the transaction.²⁴ Therefore, strengthening the cooperative system needs to be supported by the sharia cooperative system. It is because the Islamic cooperative approach in the Ministry of Cooperatives and SMEs records has reached 150,223 units with 1.4 million members. The capital reached Rp. Nine hundred sixty-eight billion and external worth reached Rp. 3.9 trillion with a business volume of Rp. 5.2 trillion.²⁵

The existence of sharia cooperatives and their variants, according to Sholahuddin²⁶ are characterized by: 1) Profit-oriented businesses that aim to increase economic utilization for community members. 2) Emphasizes the usefulness and effective use of social funds. 3) Growing from the bottom based on the participation of the surrounding community. 4) Jointly owned by small communities from the BMT environment and not owned by individuals or people outside the community.

As for implementing economic practices, the basic principles of Islamic economics are applied in sharia-based cooperatives. The following are the basic principles of Islamic economics:²⁷ 1) The deed is explained in detail and with granularity. 2) The transaction agreement is carried out by determining the agreed maturity time. 3) There is an agreement on the terms that must be agreed upon. 4) Business profits shared based on mutual agreement. 5) Cooperation in the division of roles between the owner and the manager of capital. 6) Products sold are halal products. 7) The sale and purchase agreement is based on the principles of Ramallah that have been regulated in Islam. 8) Activities are free from elements of usury. 9) Avoid gharar (uncertainty) and maisir (gambling).

These nine indicators are used in this study to answer the second focus of the study. The following presents the results of the findings in the field:

1) The deed is explained in detail and with granularity.

The three objects have provided a detailed and detailed explanation related to fundraising and fund distribution products to each prospective cooperative member. For the

²³ S. Burhanuddin, *Koperasi Syariah dan Pengaturannya di Indonesia* (Malang: UIN Maliki Press, 2013).

²⁴ Ropi Marlina & Yola Yunisa Pratami, "Koperasi Syariah Sebagai Solusi Penerapan Akad Syirkah Yang Sah. Amwaluna: Jurnal Ekonomi dan Keuangan Syariah."

²⁵ Ropi Marlina & Yola Yunisa Pratami.

²⁶ Muhammad Sholahuddin, *Lembaga Keuangan dan Ekonomi Islam* (Yogyakarta: Penerbit Ombak, 2014).

²⁷ Nur S. Buchori, *Koperasi Syariah* (Jakarta: Pustaka Aalfa Media, 2012).

two sharia cooperatives in Tulungagung and Blitar, also explain the differences in each aqad in each product, including if there is a similar aqad name but different products or how to calculate profit sharing, ujroh / fee. For example, what is the difference between savings products with mudharabah aqad and mudharabah aqad in financing products, and how do we calculate profit sharing or ujroh / fee from each of these aqad and their respective consequences. In Kediri cooperatives that use non-sharia principles, although there is no Islamic contract because there are only savings and loan products, the cooperative has explained from the beginning the regulations and rules of the game before the transaction. It is intended there is no misunderstanding of information from both parties in the future, including how to calculate interest or fees in each savings and loan product.

2. The transaction agreement must be made by specifying the agreed maturity time.

The three research objects have conveyed and explained the payment tempo in each deed agreed upon before the handover. It includes an explanation of when the contract ends, when the installment obligations that members must pay are due, or also related to the maximum time limit for tolerance of payment of member obligations along with their respective consequences. It's just that there are differences regarding the matters that occur if each member commits a violation because each location has its procedures according to the internal provisions in their respective institutions. However, in principle, the three areas prioritize the direction of deliberation before imposing a sanction on their members who commit violations. Even if a member commits an offense, the cooperative often takes the initiative to visit and find a solution to the problem.

3) There is an agreement on the terms that must be agreed upon.

In general, in each of the three locations, two requirements must be met by candidates or members before agreeing. The first is the requirement must be met by anyone before officially becoming a member and carrying out an aqad transaction. It includes being an Indonesian citizen with official documents (KTP, KK, etc.), an adult, physically and mentally healthy (mukalaf), willing to accept each other and not harm, have income, and others. If a financing member commits a default or indication of it, there are differences in procedures and internal cooperative parties that must be involved in deciding on the settlement agreement. In cooperatives located in Tulungagung, this is determined based on the results of deliberations of cooperative managers, especially the account officer and branch head, before being submitted to the member. While in the Kediri cooperative, the one who has the right to determine the final agreement is the deliberation of the entire cooperative management. As for the Blitar cooperative, the right to decide the final deal is for both parties.

4) Business profits shared based on mutual agreement.

The three cooperatives as the objects of this research each have provisions and rules on how to share the profits obtained by the cooperative. In the Blitar object cooperatives, the distribution of cooperative business profits is determined by the laws and the head office system. It is because all branch offices' daily, weekly, or monthly bookkeeping is integrated

and monitored directly by the head office system. Likewise, there are complaints from members regarding the distribution of profits. In that case, the cooperative will process them in a structured manner, starting from the region and continuing to the center if necessary. In contrast to Blitar, cooperatives in Tulungagung and Kediri, profit sharing is usually carried out by deliberation between the cooperative and members through Year-End Meeting (RAT) activities, which is generally the time to explain the terms of profit sharing to all members. If members feel aggrieved by the results of the decision at the RAT, the cooperative opens services both online and offline (in writing or meeting in person) to file the complaint so that the cooperative management can follow it up.

5) Cooperation in the division of roles between the owner and the manager of capital.

The findings in implementing this indicator are generally that the roles and patterns of cooperation have been by the initial agreement. Parties - owner (a party that deposited the initial establishment capital of the cooperative) and the capital manager - also agreed on the steps to be taken in the course of the loss experienced by the cooperative. Before the agreement is approved, the owners of capital and managers in Tulungagung and Kediri cooperatives first discuss the rules and conditions of cooperation and the roles and functions of each to advance their cooperatives. In the deliberations, the division of cooperation and the parts of each party contain elements of mutualism. As for cooperatives located in Blitar, they must follow the mechanism set by the central board. Because this cooperative has several branch offices in various provinces and has been tested so far, the role of the cooperative managers is not optimal.

In general, the desire of the capital owner to the capital manager is usually only limited to avoiding delinquent installment payments from cooperative members so that the cooperative can run normally. The relationship between capital owners and managers is not limited to official business matters. Several activities are used to strengthen kinship relations, one of which is in Tulungagung and Blitar cooperatives; they usually hold monthly deliberation, religious, and other social activities. While in Kediri cooperatives, istighasah activities and visits to employees' homes are generally held.

6) Products sold are halal products.

The three locations have obtained business licenses based on applicable laws and regulations, and their existence until now still exists. It shows that the entire practice of the products offered is reasonable and carried out in other cooperatives, including each cooperative's obligations. The researcher has never heard any slanted news or rumors about the practices of the three cooperatives. Certainty of guaranteeing the halalness of each product, cooperatives in Tulungagung and Blitar adhere to what is in the provisions and principles of Islamic law. The cooperative located in Kediri guarantees each product's halalness based on the state's positive direction. If there are still doubts, the cooperative will coordinate with the cooperative office.

7. The sale and purchase agreement is based on the principles of Ramallah that have been regulated in Islam

As the findings in the 6th indicator above, the two cooperatives in Blitar and Tulungagung use sharia principles. Both have tried their best to apply the laws of muamalah in running their respective cooperative operations. Each contract from each product has its characteristics and consequences. In these two locations, each has two sharia supervisory boards whose task is to ensure and supervise that the cooperative can run by Islamic law, not only in the sale and purchase contracts but also including the practice of wadiah contracts (savings, deposits, and deposits). The cooperative is located in Kediri, although it does not use the principles of muamalah in running its business. The owner is a devout Muslim, generous, and respected, so he tries to keep the cooperative operation always trustworthy and does not put pressure on other parties, let alone intersect with legal issues. In its operations, this cooperative holds the positive laws of the country and, as much as possible, does not violate religious law.

8) Activities are free from elements of usury.

In cooperatives located in Blitar and Tulungagung, each product, especially in financing products, uses the basis of ujroh (wages), profit sharing, or a ratio. The excess of the cost of goods on certain contracts in each cooperative product is also allowed by the law of muamalah and is not part of usury. It is also proof that these two cooperatives apply the principles of muamalah law that prohibit the practice of usury. However, among contemporary scholars, there is still debate regarding the definition and classification of usury. While in the object of Kediri, cooperatives use service fees for loan products and service fees for savings or deposit products. They are reluctant to call it usury because the practice is legal according to business law and is also practiced by other non-sharia cooperatives. The amount of the service fee or the return of service also provided still refers to the state regulations (in this case, referring to the maximum amount of the central bank interest rate).

9) Avoid *gharar* (uncertainty) and *maisir* (gambling)

All cooperatives in these three cities have obtained state authorization for their respective operational licenses. Consequently, these cooperatives must comply with all applicable regulations and have obligations that the cooperatives must be fulfill to avoid having their licenses revoked or suspended. The cooperative user community has the right also to supervise all practices carried out by the cooperatives of which the users are members, in addition to being supervised by the local cooperative office. Therefore, each product offered by each cooperative must be explained and known in detail by all parties until everyone understands and understands before they -both parties- sign a transaction from the product of raising funds or distributing cooperative funds. Each product and its amount have calculations and consequences as agreed upon rules. Likewise, if there is a problem between the cooperative and the members, the three cooperatives prioritize the deliberation path to get mutual justice. It could be triggered by members' lack of understanding of the agreement's contents before signing it. The three cooperatives also do not hesitate to provide leeway in

the form of additional time without additional fines if there is a delay in paying installments from members as long as it is within certain limits and there is prior notification. It is done so that the principle of kinship inherent in the cooperative is maintained.

The data and facts concluded that the practice of cooperatives in the three objects of this study is in accordance with Islamic economic values. In two cooperatives that use sharia principles, it even provides enlightenment about the peculiarities of each product and the aqad itself so that the elements of da'wah about muamalah also appear. It is different from non-sharia cooperatives when conveying products to avoid misunderstanding information between the two parties. Nevertheless, it can be further explained that there are some similarities in the practice of implementing Islamic economic principles, both by the two sharia-based and non-sharia-based cooperatives, mainly related to four principles which include: 1) the aqad must be detailed, 2) the aqad must be carried out by determining the agreed period, 3) there is an agreement on the terms that must be agreed upon, and 4) cooperation in the division of roles between the owners and managers of capital. The other five principles of Islamic economics include: 1) profits from the business will be shared based on mutual agreement, 2) the products sold are halal products, 3) the sale and purchase contract is based on the principles of muamalah that have been regulated in Islam, 4) activities are free from elements of usury, and 5) avoid gharar (fraud) and maisir (uncertainty).²⁸ It is certainly difficult to implement in cooperatives that are not sharia-based in practice.

However, cooperatives that are not sharia-based have their arguments for applying the last five principles, including not using the term usury for additional member loans but using service considerations, not using the principles of muamalah textually but using the basis of positive state law. Using surveys and communicating with the cooperative office to avoid businesses prohibited by the state and religion, even they establish brotherhood among members and administrators with the media istighasah and silaturrahmi culture. It is done because the cooperative owner, although not sharia-based, is known as a person who cares about others and religion, is active in the activities of religious organizations, is respected in his city, and has the title of a hajj. The value is almost close to the characteristics of sharia cooperative institutions; although the implementation is somewhat different from Sholahuddin's theory, the spirit is the same.

Digitalization Practices in the Cooperative World in Era 4.0

The push of technological advancements has proven the rapid growth of knowledge in the last few decades. It has led to a paradigm shift in telecommunications and technology, which has implications for the business sector. In today's digital era, the 4.0 industrial revolution is known, caused by the development of technology, information, and communication aspects. Therefore, development and transformation in the business sector need to be done to maintain the existence of business institutions.²⁹ It means that changes to

²⁸ Nur S. Buchori.

²⁹ Lihat dalam Nur Widiastuti, "Dampak Penggunaan Ekonomi Digital terhadap Biaya Tenaga Kerja UMKM Industri Bakpia di Kota Yogyakarta," *Jurnal Riset Manajemen* 9, no. 2 (2022).

the design of the business sector that can apply digital technology are ideals realized. It is to maintain the existence of the business sector in the digital 4.0 world.³⁰ The relationship between society, business, and the digital sector is inseparable. Therefore, the business sector is under pressure to have the right strategy in facing the digital era.³¹

The development of digital technology aspects has a very significant impact on small and medium enterprises and cooperatives. Small and medium enterprises and cooperatives established by limited human resources certainly have gaps in terms of cognition and capabilities. Such conditions require in-depth adaptation by their managers to the aspects of digital transformation.³² The need for adaptation to digital transformation is due to the organization's basis in community aspects of poverty alleviation, job creation, and social change transformation. Although in practice, the development of this institution still faces a steep road and a decline in public trust. There are still many cooperative administrators who lack the ability as entrepreneurs to sustain the organization, including not being able to utilize digital technology. Therefore, cooperative administrators are needed with characters with a creative spirit who can utilize digital technology well. Cooperatives need workers who master technology that can keep up with developments in the current 4.0 era. Cooperatives must ultimately utilize digital technology as optimally as possible in its implementation because of the times in the current digital 4.0 era.³³

Mrugalska, M.K. Wyrwicka suggested three paradigms that mark industry 4.0 as follows:³⁴ "First, Intelligent products where it is possible to bring in the required resources and coordinate the production process because the product has the ability to store its operational data and standards individually. Second, Intelligent machines where the hierarchy in the traditional production system is replaced by a self-organizing system that is decentralized so that the production line is more flexible. Third, the addition of operators with automation knowledge in order to promote flexibility and adaptability in the production system".

Adapting cooperatives to the development of digital transformation is expected to expand the acceleration of cooperatives that limited resources have hampered. The realization of SMEs and cooperatives 4.0 is expected to attract the millennial generation to cooperate. The digital cooperative and SME movement is experiencing an important aspect when the world deals with Covid-19.³⁵ Therefore, after the Covid-19 emergency, cooperatives and SMEs, as pillars of the community's economy, are expected to be able to

³⁰ Lihat dalam Fitra Prasapawidya Purna Dony Arung Triantoro, Tri Wahyuni, "Digital Philanthropy: The Practice of Giving Among Middle to Upper-Class Muslim in Indonesia and Soft Capitalism," *QIJIS: Qudus International Journal of Islamic Studies* 9, no. 2 (2021).

³¹ Lihat dalam Bagaskara Sagita Wijaya Siti Aminah Caniago, Denny Mustoko, "Challenges, Strategies, and Islamic Ways for Effective Indonesian Economic Digitalization in the Post Covid-19 Pandemic," *Hikmatuna* 7, no. 1 (2021).

³² Tim Redaksi, "Jadi Tulang Punggung Ekonomi Nasional, Menkominfo Dorong BUMDes hingga Koperasi Adopsi Teknologi Digital," *kominfo.go.id*, 30 Juni, 2021.

³³ Camelia Fanny Sitepu & Hasyim Hasyim, "Perkembangan Ekonomi Koperasi di Indonesia," *Niagawan* 7, no. 2 (2018): 60.

³⁴ B. Mrugalska & M.K. Wyrwicka, "Towards Lean Productionin Industry 4.0," *Elsevier*, 2017, 469.

³⁵ Rio, "Gerakan Revolusi Koperasi dan UKM 4.0, 'Tiada Hari Tanpa IT,'" *innnews.co.id*, 26 April, 2018.

adapt to the digital context.³⁶ One of these efforts is to encourage the utilization of information technology as digital marketing for SMEs and cooperatives.³⁷

Based on the results of research on 3 (three) cooperatives in Bali Province conducted by Surya Dewi Rustariyuni, et al. it was found that there are several considerations for cooperatives to be able to utilize information technology:³⁸ "First, to maintain or preserve the credibility of a cooperative institution. By utilizing information technology, it is hoped that the credibility of the cooperative can be maintained because it can always provide services to its members under any circumstances so that trust in the cooperative is maintained. Second, cost considerations. This is also an important thing to consider for cooperatives. Because the use of information technology to digitize services in cooperatives requires a lot of money. In addition to the cost of buying the information technology device itself, it also costs money to train the technology users themselves. In addition, it is also necessary to consider that information technology is constantly evolving. Therefore, in the future there will also be costs for maintenance and upgrading of the technology. Third, facilitating conditions. The successful implementation of digitalization of cooperative services requires support from various parties. No matter how good the technology is, if it is not supported by all cooperative members, it will not work. For this reason, support from stakeholders is also one of the considerations for cooperatives before deciding to utilize technology in their services."

Pereira et al. said that the industrial revolution 4.0 brought significant influence and radical changes to various production activities and business operations where various technologies emerged that made business operations more efficient, the presence of innovative business models, and the emergence of new goods and services. These situations and conditions present opportunities for business actors in general, and cooperatives are no exception. Among other things, the emergence of interactions between business actors and consumers will be more intense and personalized with advances in communication technology and internet networks, increasingly efficient production systems, reduced energy costs, more flexible business operations, and increasingly fierce competition between business actors.³⁹

Meanwhile, according to Setiawati, specifically said that the opportunities for cooperatives to develop in the era of the industrial revolution 4.0 include,⁴⁰ "First, the cooperative business base at the grassroots level is quite strong, where cooperation to synergize between cooperatives can be carried out to strengthen the business base, both in terms of capital, production, and marketing. Second, the development of information

³⁶ Nailul Fithroh & Rifqi Syarif Nasrulloh Zulfatun Ruscitasari, "Strategi Peningkatan Aspek Keuangan dan Manajerial Koperasi Seruni Putih," *Jurnal Manajemen Strategi dan Aplikasi Bisnis* 5, no. 1 (2022).

³⁷ Rustam Efendi & Boy Syansul Bakhri, "Konsep Koperasi Bung Hatta dalam Perspektif Ekonomi Syariah," *Jurnal Al-Hikmah* 15, no. 1 (2018).

³⁸ dan Dias Satria Surya Dewi Rustariyuni, M. Pudjiharjo, M. Umar Burhan, "Pemanfaatan Teknologi Digital pada Koperasi di Provinsi Bali di Masa Pandemi Covid-19," *Jurnal Riset Manajemen dan Bisnis Dewantara (JMD)* 4, no. 2 (2022).

³⁹ F. A.G. Pereira, Lima, T.M. & Charrua Santos, "Industry 4.0 and Society 5.0: opportunities and threats," *International Journal of Recent Technology and Engineering* 8, no. 5 (2020).

⁴⁰ Rosti Setiawati, *Peluang dan Tantangan Koperasi di Era Digital 4.0 dalam Pemikiran Koperasi dalam Menghadapi Industrial Era 4.0. and Society 5.0* (Sumedang: Penerbit Ikonin, 2020).

technology that can support the development of cooperative business activities and the potential to reach a wider market. Third, the industrial revolution 4.0 opens up opportunities for the presence of various needs for new products and services, where cooperatives can act as business actors from the opportunities that present themselves."

Meanwhile, Putri and Rizaldi said that the positive effects of the industrial revolution 4.0 to increase the role of cooperatives in national economic development are as follows:⁴¹ "First, Efficiency in the use of factors of production and increasing global production. The ability to focus on improving the efficiency of production and business processes can increase the income potential of cooperatives. Secondly, free trade and the expansion of the domestic market that makes consumers have more alternative choices than before. This is an era where consumers want a wide range of alternative choices of the products they need. So that in this condition cooperatives can take a role to compete by providing alternative product choices. Business development can be done not only in the aspect of product development but also in the aspect of market development. Third, the availability of capital for economic development with increasingly active investment activities. This condition provides opportunities for access to various sources of capital to be relatively easier so that business development obstacles caused by financial factors can be resolved. Fourth, foreign trade activities are increasingly intense and continue to grow. Market expansion is no longer limited by national borders. World trade is no longer rigid by national boundaries. The availability of various global market places helps and facilitates foreign trade. If in the previous period foreign trade could only be carried out by large companies, then in the era of the industrial revolution 4.0 even small companies can carry out foreign trade as part of a market expansion strategy."

By taking three cooperative objects in Tulungagung, Kediri City and Blitar Regency, it is expected to be able to describe the current condition of cooperatives in the use of digital technology to survive and be able to adapt to the times. Referring to the concept introduced by Tapscott in 1997 that the digital economy is a social phenomenon that affects the economic system, where the phenomenon has characteristics such as an intelligence space, including 1) Information, 2) Access to information instruments, 3) Information capacity and 4) Information processing. These four components will also be used as indicators in answering the second study focused on the objects related to the use of digital systems in cooperative practices.

The findings of this research indicate that: First the Information Indicator. All cooperative objects have digitally disseminated information. Among them are related profiles, products and procedures for becoming members that are available through online digital systems side by side with the marketing events of each cooperative. Regarding access to online member registration, the three cooperatives both allow online registration through the application provided. However, prospective members are still required to come to the cooperative office directly for the factual verification process, including proof of

⁴¹ Putri N. E. & Rizaldi A., "Perkembangan Koperasi Di Indonesia Dalam Menghadapi Tantangan Revolusi Industri 4.0 di Era Globalisasi," *Transekonomika: Akuntansi, Bisnis dan Keuangan* 1, no. 6 (2021): 528–35.

completeness of personal data and supporting documents, before officially signing as a cooperative member.

Second, Instrument access indicators. Namely supporting instruments that must be carried out by prospective members and members of the cooperative so that all processes become easier and do not require a long time to make a decision. The practice of accessing this instrument shows that there is still a lack of access to the instrument carried out by the three selected objects. It is done to maintain the principle of prudence. It aims to avoid misunderstanding of members or prospective members due to certain reasons, such as the ease of identity forgery, different levels of knowledge, and understanding of each prospective / member.

Third the Capacity Indicator. Namely the practical ability to be precise and inexpensive when using digital technology by managers or users (potential customers). Generally, the three objects have used digital facilities. In this case, even though they are still limited to using applications via the web, WhatsApp, Facebook, telegram and other familiar applications, except for the research object located in Blitar, which already has a separate mobile application. It is possible because this cooperative is one of the branches of one of the largest boarding school-based Kopsyah (Sharia-based cooperatives) in Indonesia, which has hundreds of branch offices in several provinces in Indonesia.

Fourth is the Information Order Indicator. Namely access to information orders related to the rights owned by members as a follow-up after they officially become cooperative members. All research objects have generally sought these information orders through digital media, although they are still limited to certain matters. Even then, as found in the third indicator, it is done through applications already familiar to the general public and not through a separate application made by each cooperative. Among them are: 1) Members want to make certain agreements online with the cooperative, 2) Members want to know the calculation of service fees, 3) Members want to know the SHU results along with a complete detailed report, or 4) The integrity of a Cooperative employee. One of the practices is submitting an agreement between the cooperative and its members regarding a matter. The cooperative uses digital media to agree on consultation hours but does not serve the submission of delays or extensions of the agreement tempo through digital media. The member must come directly to the office so there is no misunderstanding, or the contract can occur and be done directly.

From the data, it concluded that the use of digital media in practice in cooperatives has generally been carried out for the service of its members. However, it is still done and is very limited. Digital media functioned only to expand cooperatives' reach so they could be widely spread to the community. However, the overall conclusion from the analysis of this first study is that the utilization of digital media has been applied even though it is not optimal because it does not cover all indicators of the digital economy concept.

These findings raise concerns about the future of this institution. It is feared that cooperatives are full of populist economic values. It has the characteristics of the Indonesian nation that will gradually no longer be able to survive and compete with the banking world or online loan service providers that are now rampant and growing. Online loan service providers are aggressively utilizing the digital world to be more easily accessible to consumers

who demand. They want a fast-paced, straightforward way, accessible anywhere and anytime, especially by those belonging to gen Y and gen Z. However, the cooperative world's customers have long been believed to have their characteristics. As described by Ratih Purbasari, this condition arises due to a paradigm shift in the internet, telecommunications, and cellular technology that greatly affects the business world.⁴²

This phenomenon also impacts small and medium enterprises and cooperatives, which are characterized as business organizations with limited resources, with gaps in cognitive assets and organizational capabilities. Unfortunately, as stated by the Public Relations of the Ministry of Cooperatives and SMEs, the development of cooperatives still faces many problems, both in the institutional field and in the cooperative business itself. There are still many cooperative administrators who lack the ability as entrepreneurs to sustain the organization's existence, including the lack of ability to utilize digital technology.⁴³

It also reinforces Nurdany and Anniza's findings that the use of digital media by cooperatives has not been widely used for certain reasons.⁴⁴ The findings above also prove that Pereira's theory,⁴⁵ Tapscott,⁴⁶ and Zimmerman⁴⁷, It is still far from the expected reality in the cooperative industry, including cooperative managers who are still dominated by those who are not young. As a result, cooperatives are less able to attract new millennial members. Therefore, as the findings of Ratih Purbasari and Jaja Raharja Samún related to cooperatives in this digital era, cooperative administrators with characters have a creative spirit and can utilize digital technology well. Cooperatives need workers who master technology that can keep up with developments in the current 4.0 era. Cooperatives must ultimately utilize digital technology as much as possible as a consequence of the times in the current digital 4.0 era.⁴⁸ So that cooperatives are suitable and identical to rural or suburban areas and can adapt to technological developments, they can compete with other macro and micro competitors while maintaining their characteristics while maintaining compatibility with Islamic economic values. Therefore, through digitalization, cooperatives can be rebranded.⁴⁹ Andrzej Daniluk's research suggests that cooperatives are less attractive to some large companies as partners in business cooperation.⁵⁰

⁴² Ratih Purbasari & Samún Jaja Raharja, "Analysis Of Modern Cooperative In The Digital Age: From Values To Greatness."

⁴³ Tim Redaksi, "Hari Koperasi ke-74, Koperasi Di-rebranding Jadi Entitas Bisnis Modern," *tempo.co*, 17 Juli, 2021.

⁴⁴ Achmad Nurdany & Anniza Citra Prajasari, "Digitalization in Indonesian Cooperatives: Is It Necessary?"

⁴⁵ Dalam pandangan Pereira bahwa revolusi industry 4.0 menghadirkan pengaruh signifikan dan perubahan radikal pada berbagai kegiatan produksi dan operasional bisnis dimana muncul berbagai teknologi yang membuat operasional bisnis menjadi semakin efisien, hadirnya model bisnis yang inovatif, serta munculnya barang dan jasa yang baru. A.G. Pereira, Lima, T.M. & Charrua Santos, "Industry 4.0 and Society 5.0: opportunities and threats."

⁴⁶ Don Tapscott, *The digital economy: promise and peril in the age of networked intelligence*.

⁴⁷ Hans Dieter Zimmerman, "Understanding the Digital Economy: Challengers for New Business Models," *AMCIS*, 2000.

⁴⁸ Ratih Purbasari & Samún Jaja Raharja, "Analysis Of Modern Cooperative In The Digital Age: From Values To Greatness."

⁴⁹ Fitria Widiyani Roosinda & Farah Aulia Salshabila, "Rebranding Koperasi INTAKO Melalui Program Redecor Showroom dan Pemberdayaan Digital Marketing."

⁵⁰ Andrzej Daniluk, "Cooperation between Business Companies and the Institutions in the Context of Innovations Implementation."

Conclusion

Operational practices in cooperatives, whether in sharia-based cooperatives or not, in the current 4.0 era are generally still by Islamic economic values, although there are differences in carrying out some of these Islamic principles. It is because sharia-based cooperatives use references to muamalah law. Those that are not sharia-based use references to state laws and regulations. The utilization of digital media in cooperative practices in both sharia-based and non-sharia-based cooperatives is still carried out in a simple and limited manner. State attention through training and mentoring in the use of digital technology by relevant parties such as the Kemenkop UKM, Kominfo and other agencies to cooperative actors is needed as a stimulus and an effort to convince the cooperative world not to hesitate to make breakthroughs in accelerating the use of technology and collaborating with young people. It is because there are several reasons for the stigma that can hinder the use of digitalization in cooperatives that require large funds, cooperative consumer markets that are different from other competitors, and understanding technology is very difficult for certain ages. Humanitarian reasons are because they have to shift the role of parents who have long worked in cooperatives, which are dominated by the lower middle class and have limited education. They are unfamiliar with the digital world and can be pursued as soon as possible so that cooperatives can compete in the upcoming 5.0 era.

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