

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency



Iyasa Nafisah<sup>1</sup>, Ayub Miftah Hoerudin<sup>2</sup>, Siti Fatimah<sup>3</sup>, Ratna Marta Dhewi<sup>4</sup>

<sup>1,2,4</sup> Public Financial Accounting Faculty of Economy (FE), Universitas Terbuka, Indonesia

<sup>3</sup>Public Administration Faculty of Law, Social Sciences, and Political Science (FHISIP), Universitas Terbuka, Indonesia

**ABSTRACT:** The high level of living needs versus people's income, which tends to stagnate, is the main factor in the rampant practice of loan sharking in Tasikmalaya Regency, especially according to BPS data, where as many as 10.73% of people are still classified as weak economic categories. In practice, loan sharks offer easy and fast loan services but set interest rates high enough that they harm the level of public welfare. Therefore, all parties are expected to cooperate optimally with each other to strengthen the role of cooperatives as an alternative to better loan distribution. Considering that cooperatives are economic teachers who have long been instilled in this nation, The purpose of this study is to examine the role and efforts of cooperatives in reducing the practice of loan sharks. The method used is qualitative descriptive analysis with data collection through observation, interviews, and literature studies. The results of this study provide recommendations for strategies that can be applied by cooperatives to reduce financing practices that harm the community to create a more prosperous society and further strengthen the economy.

**KEYWORDS:** Loan Sharks, Cooperatives, Role of Cooperatives, Adverse financing, Cooperative strategies

### I. INTRODUCTION

Nowadays, Indonesian people are familiar with the term loan sharks, which is often an alternative solution for meeting their level of need. This is usually done by small and middle-class people who are experiencing problems with a lack of funds to meet their daily needs (Ayogi and Kurnia in Islamiyah 2020). Loan sharks are a form of financial practice that is considered troubling because it creates a heavy financial burden and is difficult to overcome. In Indonesia, moneylenders are known as people or institutions that lend money with very high interest rates, very inflexible payment methods, and relatively short repayment periods, making it difficult for borrowers to repay their debts. This becomes interesting when loan sharks flourish in an environment where people should better understand the prohibition of usury practices such as loan sharks, especially with a very high percentage, as is the case in the Tasikmalaya area, which is touted as the City of Santri. In practice, there are many ways or modes used by loan sharks to ensnare their customers, such as loan sharks under the guise of savings and loan cooperatives, commonly referred to as KOSIPA. Recently, OJK Tasikmalaya revealed the rampant mode of loan sharking practices under the guise of cooperatives, which transformed into illegal online loans, and so far, OJK has dismissed 50 illegal loan sharking entities circulating through cellphones and websites (Amiruddin, F, 2022). The Secretary of MUI Tasikmalaya Regency also said that his party received many complaints from the community because they were entangled in usury practices or loan sharks.

Loan sharks often take advantage of the poor economic conditions of the community as their target by charging relatively high interest, which in practice causes many problems and disrupts economic stability. Therefore, the rampant practice of loan sharks in Tasikmalaya Regency is allegedly one of the causes of the high poverty rate in this region, so it is included in one of the 10 poorest regions in West Java Province, with a percentage reaching 10.73% (BPS, 2023). Based on the results of observations, the main factor in the rampant practice of loan sharks in the Tasikmalaya Regency area is triggered by economic factors where the increase in community needs is not proportional to income generation, plus the difficulty of accessing loans from banks or other financial institutions is one of the drivers of the community to make loans to loan sharks even though the interest rate is relatively high. As a result, to meet their needs, the community is encouraged to borrow from loan sharks because of the fast and easy process without any collateral. At first glance, this practice is considered to help people who are experiencing problems

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

of lack of funds, especially urgent economic problems that cannot be postponed, but unfortunately, instead of making a positive contribution to the community's economy, this practice has turned out to have adverse consequences because the interest rate is relatively high, which in turn has contributed to a decline in the community's economic level. This is especially true in an agrarian region such as Tasikmalaya Regency, where the majority of the population depends on working as casual farmers, who then use the loans to fulfill consumptive needs. In addition, people who need capital, such as MSMEs, are easy targets for loan sharks. As stated by Tasikmalaya Regency Secretary Mohammad Zein, tens of thousands of MSME players are ensnared by loan sharks, which then has an impact on the welfare of business actors because they are considered to be a burden with very high interest rates.

In addition to setting interest beyond reasonableness, moneylenders also apply arbitrary rules, causing many cases in the community due to making loans to moneylenders. Because of the absence of supervision from the OJK, moneylenders do not hesitate to take action outside the rules if the customer experiences payment congestion. As happened in Kadipaten District, some people are entangled in moneylender debt because they are unable to pay. The moneylenders immediately confiscate the customer's valuables, often by intimidation and violence. Some cases lead to divorce due to loans that are not known by the husband until someone commits suicide because of the huge debt. The results of the literature study in online media also show that loan sharks are very dangerous to the community in the Tasikmalaya area because they have an impact on the crime rate in the community. In an example of a case that occurred in Tuguraja Village due to online loan debt, a moneylender customer was desperate to steal money and jewelry from his in-laws to pay his loan.

In this problem, to be able to reduce the existence of loan sharks, all parties are required to be able to work together, from the community to the government, to help low-income people who are experiencing financial problems. In addition, one way to reduce the practice of loan sharks is with cooperatives, considering that cooperatives have an important position as a pillar of the national economy. Moreover, historically, the initial purpose of the establishment of cooperatives by R. Wiria Atmaja was to help employees who were ensnared by moneylenders, and in 1908, the establishment of a historic youth organization, Budi Utomo, indirectly helped the national economy by utilizing the concept of cooperatives to improve and prosper the poor. In this case, it can be seen that the characteristics of cooperatives have their uniqueness. Cooperatives are a people's economic movement that helps build a democratic and equitable stage of the national economy, so they deserve to be optimized and socialized with the general public. Cooperatives can be an effective alternative to helping overcome the problem of loan sharks. As a business entity owned and managed by the community, cooperatives can provide easier and more affordable access to finance for the community. In addition, cooperatives can also provide financial education and training to their members so that they can be wiser in managing their finances.

**Table 1: Previous Research:**

No	Researcher Name & Research Year	Research Title	Research Methods	Research Results
1.	S Edi astar (2022)	OPTIMALISASI PERAN BMT DALAM UPAYA PENGHAPUSAN PRAKTIK RENTENIR	Quantitative Descriptive Analysis	The role of BMT Amal Atina Cooperative and BMT Berkah Mandiri Sejahtera in carrying out their function as a Sharia Microfinance Institution that frees the community from the Ribawi economy has shown its role to the community even though it has not been fully optimized.
2.	Benitto Sullivan (2016)	EFEKTIVITAS KREDIT KOPERASI DALAM MENCEGAH PERKEMBANGAN RENTENIR	(Case study in Asrikaton Village Pakis 2015)	The final results showed that the development of moneylenders experienced a decrease in the number of customers/debtors and the cessation of operations of several moneylenders in the research area due to changes in the mindset and attitude of the community towards moneylenders as well as the community being able to feel more benefits from the cooperative.
3.	Nisa Srimulyani, Alda Salsa Achiri Pebriani, Dewi Rahmi. (2022)	Efektivitas Peran Baitul Maal Wat Tamwil dalam	distributing questionnaires to 100 active	All indicators that determine the effectiveness of BMT Itqan's role in overcoming the practice of loan sharks

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

		Mengatasi Praktik Rentenir di BMT Itqan Kota Bandung	members of BMT IQan Bandung. The data analysis technique used is a descriptive statistical technique	are stated to be in the very effective category. These indicators are: (1) Target Accuracy with a percentage of 81.56% which is included in the very effective category, (2) Member Perceptions with a percentage of 82.42% which is included in the very effective category, (3) Program Socialization with a percentage of 82.16% which is included in the very effective category.
4.	Dinar Faolina (2017)	PERAN KOPERASI SYARIAH DALAM PEMBIAYAAN USAHA KECIL DAN MENENGAH	Case Study at KJKS BMT Insan Mandiri Sragen	The financing strategy carried out against small traders does not harm both parties with soft loan interest and light interest. With the many financing products offered by cooperatives, it can gradually eradicate the practice of loan sharks.

Some studies show that the role of cooperatives in reducing loan shark practices is quite significant. Research results by Arista, S.B. (2018) show that cooperatives can provide easier and safer access to finance for the community so that they are no longer dependent on loan sharks. Research by Surahma Asti Mulasari and Ana Nur Fatimah (Aquino et al. 2019) states that the bad impact of loan sharks can be overcome by the existence of formal financial institutions such as cooperatives, or BMTs. Cooperatives can be an effective alternative to lending money outside banks to suppress loan shark practices. However, previous research has not fully explored the potential of cooperatives to overcome the problem of loan sharks as a whole. Therefore, researchers are interested in examining and understanding more about the role of cooperatives that are required to continue to optimize their role as an alternative solution to reduce the practice of moneylenders that harm the community.

### Problem Formulation:

1. How is the cooperative strategy reducing loan sharking practices in the Tasikmalaya Regency community?
2. What is the role of cooperatives in reducing loan sharking practices in the community of Tasikmalaya Regency?

### Objectives :

1. To know and describe the cooperative's strategy for reducing the practice of loan sharks in the community of Tasikmalaya Regency
2. . To know and describe the role of cooperatives in reducing loan sharking practices in the community of Tasikmalaya Regency

### Benefits :

1. Being a source of knowledge to prove the suitability between the theories obtained and the practices that exist in the field.
2. Used as an addition to the library
3. Provide a better understanding to be considered by the community so that they no longer use or use the services of loan sharks by switching to financial institutions such as cooperatives.
4. It is useful for the development of cooperatives by optimizing their role in helping to reduce the practice of loan sharks.

## 2. LITERATURE REVIEW

### 2.1 Cooperative

Cooperatives are economic institutions in Indonesia that drive the people's economy. Cooperatives have a very important position as a pillar or the main pillar of the Indonesian economy. Cooperatives embody the people's economy with the principle of kinship prioritizing economic democracy, the nature of togetherness, and cooperation. Cooperatives are based on the 1945 Constitution of the Republic of Indonesia, Article 33, Paragraph 1, and Law No. 25 of 1992 concerning cooperatives. Article 33, paragraph (1), states that the economy is structured as a joint effort based on the principle of kinship. Article 33 contains the basis of economic democracy. Thus, business entities that are by the 1945 Constitution, Article 33, Paragraph 1, are cooperatives.

According to Law No. 25 of 1992, cooperatives are "business entities consisting of people or cooperative legal entities based on cooperative principles as a people's economic movement based on family principles".

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

According to the father of Indonesian cooperatives, Mohammad Hatta, cooperatives are joint efforts to improve the fate of economic livelihoods based on the spirit of helping "one for all and all for one". The purpose of cooperatives is not to seek maximum profit but to serve common needs and provide a forum for small-scale economic actors.

Based on this understanding, it can be understood that cooperatives have a dual economic and social character. Cooperatives are business entities that must have profits as well as a people's economic movement with a social character.

The principles of cooperatives include voluntary and open membership; management is carried out democratically; the distribution of the remaining results of the business is carried out fairly and in proportion to the amount of business services provided by each member; the provision of limited returns on capital; independence; and cooperation between cooperatives. This cooperative is operated for the common interest and welfare, so this cooperative concept is very suitable to be applied in Indonesia because it has a family nature. In general, cooperatives play an important role in efforts to improve the quality of life of members and the surrounding community. Cooperatives can strengthen the people's economy as the basis for the strength and resilience of the national economy, with cooperatives as the main teachers. The presence of cooperatives can build the economy by reaching all levels of society because membership is voluntary and open. A cooperative can create justice for each of its members, administrators, or the general public.

### 2.2 Loan Sharks

Rentenir is derived from the word *rente*, which means rent or interest on money. According to the OJK, a renter is a person who lends money to the community and gains a profit from the applicable interest. Formal institutions that earn profits through the withdrawal of interest are called rent institutions, such as banks, cooperatives, and other credit institutions.

Riba practices in Islam are meant to be advantageous in transactions of borrowing or selling. Riba in Islam is a forbidden thing. This bargain is understood to relate to exploitation that has a detrimental impact on society.

According to this definition, a rentier can be understood as an unlawful enterprise managed individually by a policy or set of rules, obtaining the benefit of the applicable interest. This practice of pensioners usually provides loans to small and medium-sized communities that are not accessible by formal financial institutions. Easy requirements, rapid liquidation, and urgent needs are the main factors that motivate people to choose to lend to pensioners, even though the fixed interest rate is very high, around 10%-30%. Characteristics can be said to be the practice of renters, according to Muh. Aspar (Fakurradi M., Benazir: 2023) and consist of:

1. Capital funds obtained anytime and anywhere
2. Simple procedure and no need to fill out the application form
3. Trust each other without undermining guarantees.
4. The transaction costs borrowers incur are relatively low.
5. Quick liquidation of funds by urgent needs
6. The use of funds is free and unlimited for economic activities (production).

It is a source of income and investment for money owners who refuse to deposit money in formal financial institutions.

This pensioner's practice has been operating in society for decades. The reason renters have been able to operate for a long time up until now is easy borrowing procedures, no guaranteed trust capital, and easy business establishment. In simple terms, they are necessary for a society that needs quick funding.

Along with technological advancements, fast fund alternatives can be obtained through online loans. Online loans are financial institutions that provide capital (money) loan facilities online. This online loan is rife in the community because the loan procedure is easy and unsecured. This is almost similar to the practice of loan sharking so that to maintain loan sharking operations provide online lending facilities. Usually, loan sharks who switch online loans are not registered with OJK supervision or can be said to be illegal online loans.

The rise of loan sharking practices in society has caused many negative impacts. Including

- 1) Lowering the economic level of the community.
- 2) It is difficult to escape the trap of loan sharks because of high interest.
- 3) Disturbing the welfare of the surrounding community.
- 4) Increase and exacerbate inequalities among citizens

### 3. RESEARCH METHODS

The approach used in this research is descriptive qualitative which seeks to reveal the role of cooperatives and cooperative development strategies in Tasikmalaya Regency to suppress loan sharking practices in the community. Data

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

collection techniques in this study through interview techniques, literature studies, and documentation regarding the number of cooperatives in Tasikmalaya Regency.

Data sources consist of Primary and Secondary Data. Primary data from interviews with Key Informants using In-depth interviews. Key information is planned for as many as 2 people to the Tasikmalaya Regency Cooperative Office Staff, and 3 different cooperative managers. Local government as many as 1 person and 20 respondents from three sub-districts in Tasikmalaya Regency to find out the level of understanding of the community regarding cooperatives. And moneylender customers and former moneylender customers who became members of the cooperative as many as 15 people. Secondary data is taken from documents related to data on the number of cooperatives in Tasikmalaya Regency and reports on the activities and development of cooperatives in Tasikmalaya Regency for the last 5 years.

The technique used in this research is purposive sampling technique and snow balling to determine key informants because it is more representative so that the research objectives can be answered. Qualitative descriptive data analysis is used to analyze the cooperative development model to strengthen the role of cooperatives in reducing loan sharks in Tasikmalaya Regency.

## 4. RESULT AND DISCUSSION

### 4.1 Loan Shark Practices in Tasikmalaya Regency

Directly or indirectly the moneylender is a figure needed by rural communities who are unfamiliar with borrowing money from conventional banks. According to the responses of the community, the moneylender lends to the community with a daily, weekly, and monthly system with the requirement of a KTP as a guarantee that the money can be received by the customer, but with a short maturity and the interest set is very high. This is by the opinion (Nugroho 2001 in Islamiyah N) A moneylender is a person who offers money loans to the public to benefit from the interest charged to customers or can be interpreted as a person or legal entity that offers short-term loans with easy requirements and relatively high-interest rates. The reason why the people of Tasikmalaya Regency borrow from loan sharks includes economic factors, namely urgent needs and because loan applications are very easy, such as a statement from a housewife with the initials I who made a loan to a loan shark on the grounds of an urgent need to finance her child's education and a loan procedure that is not complicated, only using a KTP, the money can be received directly even though the interest set is high, reaching 14% per month, Mrs. I continues to make loans because of important and urgent needs.

Based on the observation, it can be concluded that loan sharks in the Tasikmalaya district area are divided into 3 types :

#### 1. Under the guise of a savings and loan cooperative (KOSIPA)

Loan sharks offer loans to the community on behalf of a savings and loan cooperative (KSP), but their practices are not by the provisions of the cooperative their practices lead to loan shark practices such as setting very high interest rates, no administrative requirements, and no collateral. This type of loan shark is usually referred to by the community as KOSIPA. With the requirement of submitting an ID card as collateral the interest charged is 10% to 30%. Whereas in cooperatives the interest set to members is a maximum of 3%.

This is confirmed by the Management of the Pondok Pesantren Al-Khoeriyah Cooperative and the Tasikmalaya Regency Cooperative Office that cooperatives that are legal entities in their implementation must comply with applicable rules and regulations and do not burden their members by providing high interest. The determination of interest has been regulated by the Financial Services Authority (OJK), namely the interest set at a maximum of 3%. They stated that there are indeed a lot of loan shark practices with various modes and names used such as naming savings and loan cooperatives even though they are not registered as official and legal cooperatives, so that in practice they move arbitrarily and run their businesses like loan sharks. A true cooperative will move by cooperative regulations such as the procedure of requirements to become a member and get their rights according to the provisions such as the right to express opinions and the right to know the results of the RAT (Annual Member Meeting) and here illegal cooperatives often name their customers as customers, not members. This then becomes one of the factors for the image of cooperatives in the community to be negative due to a lack of public literacy, low levels of education, and lack of socialization carried out both by cooperatives and the government. So many people think that cooperatives are the same practice as loan sharks.

#### 2. Private (Managing themselves with private money)

In addition to the guise of a cooperative, there are also loan sharks who use their money and then use it as a business to lend to people in need. In practice, they go directly to and offer to the community door to door and the interest set is also almost the same as loan sharks under the guise of KSP, which is 10%-30%. Some are also disguised as loan sharks and traveling merchants to trick the community that they are not loan sharks. This is often found in the Tasikmalaya area in Pamoyanan Village because a few years back there was a case of a community that was trapped by a loan shark and the loan shark committed an act of violence so that at that time the village officials made a regulation that all kinds of loan sharks were

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

prohibited from entering the area. Sadly, some people practice loan sharking from the results of their loans to legal and illegal financial institutions and then use them as a source of capital.

### 3. Pinjol (Online Loans)

The development of information or digital technology that facilitates the creation of online applications is driving the rise of loan sharking practices online. OJK Tasikmalaya revealed that many loan sharks under the guise of cooperatives have transformed into marketing their loans online in Tasikmalaya by operating like online loans (pinjol) or fintech peer-to-peer lending.

"Many cooperatives have turned into pinjol, but they are illegal pinjol". Head of OJK Tasikmalaya Edi Ganda Permana said, Saturday (07/30/2022) Detikjabar.

In practice, in addition to setting high interest rates, some activities violate the rules. For example, intimidating billing methods and hacking borrowers' data. So far, there have been 50 illegal pinjol entities dismissed by OJK. And again, Ojk revealed cases of loan sharks under the guise of cooperatives who used KUR loans as business capital by charging up to 30 percent interest, instead of being used as business capital that could improve and help the economy, it backfired and hurt both themselves and their environment.

### 4.2 Description of Cooperatives in Tasikmalaya Regency

The cooperative was established in Tasikmalaya on July 12 1947. The Cooperative Association in Indonesia was formed by SOKRI (Central Organization of the Republic of Indonesia). Although historically the establishment of cooperatives was in the Tasikmalaya region, it cannot cover the fact that cooperatives in Tasikmalaya have not been able to exist in the community, as seen from the data on the growth in the number of cooperatives in Tasikmalaya Regency. The following is the data on the number of cooperatives in Tasikmalaya Regency

**Table 1 Data on the Number of Active Cooperatives in Tasikmalaya Regency (2019-June 2023)**

Description	2023	2022	2021	2020	2019
number of cooperatives	246	238	195	787 On: 497 Disband: 290	777 On: 485 Disband: 292
Number of Members	<b>84.508</b>	<b>84.472</b>	<b>83.582</b>	<b>160.476</b>	<b>161.318</b>

Source: Tasikmalaya Regency Office of UMKM Cooperatives, Industry and Trade

Based on the above description, the growth of the cooperative from year to year has been slightly improved and tends to be stable. In 2019-2020 the number is counted as large because it is still merged with the number of cooperatives in the territory of the city of Tasikmalaya and 2021 the separation with the district is carried out. The Tasikmalaya District Cooperation Service stated that the growth of the cooperation in the district tends to be stable; each year the average increase of cooperation is only 5 cooperations, and in 2023 there is only an increase of 36 members. In Table 2, the number of registered cooperations has not been assessed for the active cooperation meeting the RAT (Annual Member Meeting). According to the co-operative spread data in the district of Tasikmalaya, there are only 246 registered cooperatives. Of these, KSP has 32 cooperatives, and USP has 226 cooperatives. This indicates that the cooperation in the district of Tasikmalaya has not yet been able to perform its role effectively and strongly. It was also said by the head of the Mitra Pamengkeut Asih Cooperation (KOMPA) Rajapolah, that the development of co-op in the county has not shown satisfactory results because it is still facing some obstacles. One structural obstacle to the mastery of the factors of production is capitalization, as well as the government, which has not fully supported cooperative development, which should be one of the priorities to be able to build the economy of the country through cooperation.

The lack of public understanding of cooperatives makes the public's interest in establishing or joining cooperatives very low due to the lack of socialization carried out. Then the role of cooperatives has not yet been felt by society to the fullest extent. Internal issues include issues of membership, management, supervisors, managers, and employees of cooperatives, while external issues include cooperative relations with banks, other enterprises, and government agencies. Therefore, there is still a need for greater attention by the government so that the existence of cooperatives can truly become economic teachers as stipulated in the 1945 Basic Act. Besides, some cooperatives remain stable and are thought to be able to adapt to every development of the times so that they can perform their role optimally in helping the community meet their needs and reducing the loan shark practices that occur in society. From the interviews, 20 respondents admitted that with cooperatives they have better and safer lending alternatives and can improve their welfare, The results of the researchers' observations also showed



## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

that from the 10 areas visited there were striking differences between areas that had cooperatives and areas that did not have cooperatives. Areas where there are cooperatives can cover all the needs of members so that they are no longer in contact with loan sharks, on the contrary, areas that do not yet have cooperatives tend to have a fairly high level of dependence on loan sharks. This statement was later reinforced by the Field Officer of the Tasikmalaya District Cooperative Service, who stated that indeed, one of the problems of society's dependency on lenders is the absence of other alternatives that they consider easier and less rigid; besides, their access to borrowing from banks is quite difficult. As in the Rajapolah market area, before the establishment of the cooperative, almost all traders in the Rajapolah market, which is about 70% of traders, did transactions with lenders for their additional capital, but after the founding of the Marketing Cooperation (KOPPAS), named the Market Cooperation of the Association of Traders of the Rajapolah Market, it proved effective in reducing the lender practice because all the needs of the traders could be met by the cooperation.

### 4.3 The role of cooperatives in improving the economy of the community

Cooperatives play a very important role in supporting the economy in the middle of society, especially in the context of the economy of citizenship. Although the notion of a cooperative may vary, it is generally known as a financial institution that is closely linked to the well-being of its members. Citizenship economics is an economic concept that focuses on empowering people, including those with low incomes. In practice, the cooperative seeks to meet the economic needs of its members and aims to improve their collective well-being. As a member-side economy, cooperatives work to create an inclusive and equitable environment, ensure the active participation of members in decision-making, and share the benefits they derive. Thus, cooperatives and citizens' economies play a major role in reducing social and economic disparities in societies, as well as promoting more equal economic opportunities for all their members. The close relationship between cooperatives and the economy of citizenship has become one of the key pillars of building a more inclusive and equitable society. The role of loan-keeping cooperatives is very significant in responding to the needs of members or communities that are not met by other financial institutions (Londo, 2006). As far as cooperative roles are concerned, they are as follows:

#### a. Providing Business Capital

Banks and mortgage-holding cooperatives both provide financing services for the business activities of members of the cooperative, but there are differences in the ease of obtaining such capital. Banks impose many conditions, and sometimes the process is more complicated, including legality, data requirements, and guarantees. On the other hand, mortgage savings cooperatives offer capital loan funds without complicated requirements. Cooperatives do not require the fulfillment of the various criteria required by banks; even for small entrepreneurs or new (micro) enterprises, cooperatives still provide facilities for the provision of capital. In providing capital, banks also take into account the size of small enterprises and many other criteria to meet, but the loan-keeping cooperatives do not pay much attention to these factors.

#### b. Preventing the existence of loan shark practices

The need to develop the business prompted entrepreneurs to find additional capital quickly. However, the process of submitting loans to banks can be hampered by a variety of requirements, eligibility assessments, and high-interest rates. Alternatively, entrepreneurs can find a solution by applying for a loan to a loan-keeping cooperative, which offers a faster and even more unconditional process, dependent only on the trust between the management of the cooperative and its members. Unfortunately, many communities are still engaged in lender practices because of a lack of understanding of cooperation as a safer source of lending. Lenders often set very high-interest rates, thereby harming the community rather than providing benefits. Educating the public about loan-keeping cooperatives could be a more humane solution and reduce the detrimental lenders' practices. In this way, people can better understand and use cooperation as a more profitable alternative to financial issues.

#### c. Accelerating economic growth

Supporting the growth of the small and medium-sized enterprises (SMEs) sector is a strong reason for the existence of loan-saving cooperatives. For SMEs, the main challenge is access to the funding needed to produce new and quality products. Therefore, cooperatives play an important role in assisting members who manage SMEs, thereby having a positive impact on the acceleration of economic growth. With the support of borrowing cooperatives, the development of enterprises by SMEs will open up new job opportunities and address the unemployment problem, with a nationally perceived impact on economic growth as a whole.

Four types of savings can be distinguished in a loan savings cooperative, namely:

- 1) The substantive savings is the amount of money given by the member when he first joined the cooperative.
- 2) A compulsory deposit is the amount of money that is routinely collected from a member and must be paid within a certain period. These funds can be withdrawn over a fairly long period and are usually used as guarantees for old days.

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

3) Cooperative savings is the amount of money deposited gradually, and withdrawal of funds is only permitted for the member concerned.

4) Co-operative futures savings are funds deposited once in a given period by the agreement in force.

Loan savings cooperatives offer solutions to society, especially in running businesses with an economic approach. With the existence of loan-saving cooperatives, business development becomes more likely to result in higher income.

d. improve the quality of human resources and competence

Improving the quality of human resources is indeed a challenge. To improve the quality of human resource, there is a process of personal formation that includes the improvement of the skills, loyalty, and ability of individuals in the endeavor. Similarly, in the context of the company, having a good quality of human resource has a positive impact on the company's progress. Therefore, the development of SDM in the company should be a priority. However, in micro and small businesses, entrepreneurship is still low. This is seen as small and microentrepreneurs tend to use their earnings to improve everyday life, while efforts to enhance enterprise are ignored. This condition caused their endeavors not to undergo significant progress.

e. Increase Fund Resource

Increasing funding resources is a crucial aspect for micro and small enterprises. Funding is not only necessary to carry out its activities but also becomes the primary commodity as a source of financing for such undertakings.

The above illustration confirms that cooperatives have a strategic and significant role in improving the economy and the level of well-being of members and societies. From interviews conducted with some members of the KOMPA Credit cooperative in Rajapolah territory, they acknowledged that having joined the cooperative, they experienced an improvement in financial well-being, and their education on financial literacy also increased due to the training provided by the cooperatives as well as making them more accustomed to saving. With the existence of cooperatives, people can get loans safely and easily because the fixed interest is very low, but besides that, the knowledge of the outside community about cooperatives is still low. Members admit that they have not fully understood about cooperation. From the observations that we made with 20 respondents, a lot of society does not know about cooperation. There are also mentions that cooperation is a rentier that they often call KOSIPA, which causes the image of cooperation to be bad in the view of the public. The low level of public knowledge about cooperatives indicates that the role of cooperatives is not fully optimal and the spread of cooperative activities in each region is not even. Cooperation, as one of the vessels of the nation's economy, is considered necessary to be developed by the government along with other business activities. By empowering the cooperatives, it also means empowering society, which will ultimately be able to empower the national economy.

### 4.4 Co-operation Strategy in the Reduction of Rents

#### A. KOMPA Cooperation Rajapolah (*Mitra Pameungkeut Asih*)

This cooperative has been established for 28 years and until now has more than 1000 members, with the management of cooperative management is adequate, this cooperative has become one of the cooperatives that has considerable capital strength. Adhering to the principles and objectives of establishing the KOMPA Credit Cooperative has a very important role, especially in its role to prevent the community, especially members, from being entangled by loan sharks. There are several strategies used by the KOMPA cooperative to prevent the community's dependence on loan sharks, including:

1. Gives light flowering, because keeping loans in the cooperative is aimed at balancing the entire membership. The flowers of the established cooperation range only 1-2.5% depending on the loan product used. If compared with the renters with the 10–30% interest rate range, the cooperation is relatively cheap, even lower when compared to other financial institutions. The hope can reach all sections of society who need extra capital for their businesses as well as other economic needs to have a safe and unburdened alternative loan option in their payments.

2. Provide a lot of storage product services, such as:

- SIMKHUS (Special Storage): storage that can be used for emergency recovery needs or financial arrangements to meet daily needs.
- SIKARYA (Career Travel Savings): Savings of travel employees deposited within 3 years; if the cooperative does not hold a travel employee, then the Sikarya loan balance can be taken, or the member who does not follow the travel staff can swing the annual savings balance after an admin cut of 5000 rupees.
- SIPENDIK (Educational Savings): Savings allocated for member loans for the benefit of education or school members and families that are dependent on members.
- Buildings (building storage) storage is intended as proof of the contribution of the entire member in establishing and maintaining the office building.



## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

- SIFITRI (Idul Fitri Storage) Savings are intended to help members dispense money away from the day to meet the needs of the Day of Idulfitri.
- KOMPA's first-rate savings are savings that are intended to prepare for future membership requirements that may take two more years.

With a wide range of storage products available, people can choose the product that suits their needs. This can increase the culture of saving among the members of the cooperative who can prosper in their lives, like the admission of Mother E, who admitted that she admitted after joining the cooperative, her well-being increased in financial matters. Unlike the average pensioner, who has a culture of debt-paying, which makes the increase in their income diminish due to the high-interest rate burden,

3. Training and Training on Financial Literacy, The training given by the cooperative to the members can make anggota wise about the literacy of the coalition so that the society its members can better know how to organize and manage the prosperity and risks if making loans to the wrong institutions such as renters.

4. The socialization of the cooperative through the way of mouth-to-mouth, is one way for society to know the opposite of cooperative with the presence of socialization, although socialization is done only through the mouth to mouth by the members of the cooperative the increase in the number of Angora is increasingly regrettable to date amounts to 1,132 members. It's an effective way to promote a product because in its enforcement there's a close personal relationship that makes the indicator of confidence higher.

5. Improved Cooperative Management, one of the important requirements in running an organization is good management. In its development, the KOMPA cooperative continues to improve management both internally and externally. Such as increasing human resources pursued with people who are competent in their fields and always scheduling training to be carried out to management in cooperative organizations.

6. Rewarding, to encourage the motivation of members to always be consistent and eager to make cooperatives as an alternative to the community's main choice in terms of finance, for people who often save or have more contributions than others, cooperatives usually give gifts as appreciation for the contributions that have been given. these rewards vary can be in the form of cash or increases in loan limits and other prizes as determined cooperation.

### *B. Pondok Pesantren Al-Khoeriyah Cooperative*

This cooperative was awarded the best cooperative in the district in 2019. Considering that from early history the purpose of establishing the Al Khoeriyah Islamic Boarding School cooperative was to prevent the community from dependence on loan sharks, the efforts and strategies used to suppress the rampant practice of loan sharking in the cooperative area are as follows:

1. Cooperative collaboration with local government , local government is needed to reduce the loan shark. The government of the village became the tip of the spear in the success of the construction. The only thing that can be done is to make policies or regulations. Like the Rules on the refusal of entry of pensioners in the area. The village government is working with cooperatives as an alternative to financing. As was done in the Village Pageurageung and Village Padawaras district of Tasikmalaya voiced a rejection of all practices carried out by renters while presenting a banner with a written agreement to reject the presence of renters signed by the village apparatus, the heads of the BPD, MUI, DMI, LINMAS Coordinator, the leader of the Pondok Pesantren, the head of Karang Taruna as well as the chairman of the NU Ranting and the whole community campaigned against all the practices of landslide. With this kind of campaign, it has a very significant impact on the reduction of pensioners' practices in its territory.

2. Socialize about cooperation and educate the pensioner about the dangers of borrowing from the loan shark, nowadays, the notion of a cooperative becomes overlapping between a co-operative and a rentier who uses a similar system of cooperatives or can be called an emok bank, and a case of fraud that overlooks the name of the cooperative makes the image of the co-op bad. It's a sign that people don't know much about cooperative practices. Therefore, it is necessary to enhance the socialization of good and righteous cooperatives. The socialization carried out by the Pondok Pesantren Al Khoeriyah Cooperative was at a time when there was a study where many communities gathered so that the majority of the members of the cooperative today are members of the study. Besides the socialization of cooperatives, people need to be educated about how dangerous banks are around or rented. The circular bank has administration facilities, and the money only uses the KTP. Loans can be obtained instantly. However, it is necessary to see how dangerous it is for the renters to pay high-interest rates so that money can only be paid for the flowers and not for the substantive loans.

3. Collaborate with other parties for capital reinforcement, one of the obstacles to cooperation is financing. Often, capitalization becomes a problem, so cooperatives are not running optimally. Things that can be done are related to financing, among other things, by strengthening the structure of financing and increasing the capacity for the utilization of financing. The programs that

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

can be implemented include increasing the number of loans, creating a variety of facilities for obtaining business financing, increasing the availability of resources, and developing various financial institutions such as credit and insurance guarantees.

4. A more friendly margin and a more friendly system, are the strategies used to attract the interest of members. The margin of cooperation with this friendly system is expected to increase public confidence in cooperation and enhance the image of good cooperation. This is at the same time a distinction between the co-operation and the pensioner, where in practice if the pensioner fails to pay, the pensioner will immediately seize the goods that the customer owns, different from the cooperation that advances the family base. If such a thing happens, the party will approach first to then be given the opportunity of extension of time in paying it.

### 5. CONCLUSION

In its development, cooperatives are required to continue to be able to progress and exist in the community, moreover, cooperatives have a very deep history and an important role in helping to improve the economy and improve community welfare. The rise of loan sharking practices in the Tasikmalaya Regency area indicates that the role of cooperatives is increasingly weak, especially with low literacy, high consumptive levels, and a lower economic background which will become a time bomb for the microeconomic sector and middle-level communities as economic drivers. In addition, several cooperatives are considered to have carried out their role for the common purpose of improving the welfare of members and the wider community so that the community is no longer dependent on loan sharks. From several observations and interviews conducted by researchers, several strategies can be implemented by cooperatives so that cooperatives can continue to exist and reduce loan sharking practices, namely:

1. Lighter flowers and a friendly system
2. Socialize about the dangers of making loans to loan sharks
3. Collaboration with local authorities to eradicate loan sharks
4. Provide a variety of products that can be chosen by the community as needed
5. Provide simple procedures
6. Cooperate with other parties to strengthen capital
7. Training and Coaching on Financial Literacy
8. Improved Cooperative Management
9. Rewarding

In addition, one of the factors that hinder the development of cooperatives is the lack of government role in supporting the performance of cooperatives. Therefore, the role of the government is needed so that in carrying out its role cooperatives can be more optimal so that it is expected to create a strong economy and improve community welfare.

### ACKNOWLEDGEMENTS

We would like to acknowledge the supports from Universitas Terbuka Jakarta

### REFERENCES

- 1) Shoba, Aristha Nurus (2018). Peran Koperasi BMT Al-Fithrah Mandiri Syariah dalam Mereduksi Praktik Rentenir Di Masyarakat Kecamatan Kenjeran Surabaya. Thesis. UIN Sunan Ampel Surabaya
- 2) Afvan, Aquino., Waldelmi, I., Listihana, W. D. (2019). Strategi Penanggulangan Praktek Rentenir. Jurnal Daya Saing, 5(2). <https://doi.org/10.35446/dayasaing.v5i2.371>
- 3) Astar, E.S. (2022). Optimalisasi Peran BMT Dalam Upaya Penghapusan Praktik Rentenir. Jurnal Teknologi Dan Bisnis, 4(2), 97–112. <https://doi.org/10.37087/jtb.v4i2.95>
- 4) Benitto S. (2016). Efektivitas Kredit Koperasi Dalam Mencegah Perkembangan (Studi kasus di Desa Asrikaton Pakis 2015) Jurnal Ilmiah Mahasiswa FEB Universitas Brawijaya Vol.4 No.2
- 5) Srimulyani, N., Pebriani, A. S., & Rahmi, D. (2022). Efektivitas Peran Baitul Maal Wat Tamwil dalam Mengatasi Praktik Rentenir pada BMT Itqan Kota Bandung. Jurnal Ilmiah Ekonomi Islam, 8(02), 1848-1861. [doi:http://dx.doi.org/10.29040/jiei.v8i2.4773](http://dx.doi.org/10.29040/jiei.v8i2.4773)
- 6) Faolina Dinar (2017) Peran Koperasi Syariah Dalam Pembiayaan Usaha Kecil Dan Menengah (Studi Kasus Di KJKS BMT Insan Mandiri Sragen). Thesis. Universitas Muhammadiyah Surakarta.
- 7) DetikJabar. (30 Agustus 2022). "Koperasi Adalah: Sejarah, Asas, Fungsi, Tujuan, Prinsip, dan Jenisnya." Retrieved from: <https://www.detik.com/jabar/bisnis/d-6262301/koperasi-adalah-sejarah-asas-fungsi-tujuan-prinsip-dan-jenisnya>

## Optimizing the Role of Cooperatives in Reducing Loan Sharks in Tasikmalaya Regency

- 8) Wiss Indonesia. (13 Sep,2019). "Peran Koperasi dalam Perekonomian Indonesia dan Fungsinya." Retrieved from: <https://wiss.co.id/read-21-peran-koperasi-dalam-perekonomian-indonesia-dan-fungsinya.html>
- 9) Kartika, L. D. (2021). "Peran Koperasi Simpan Pinjam dalam Upaya Pengembangan Usaha Mikro dan Kecil Menengah (UMKM) pada Koperasi Simpan Pinjam Limbago di Nagari Cubadak Kecamatan Lima Kaum." Thesis, Faculty of Islamic Economics and Business. IAIN Batusangkar..
- 10) Badan Pusat Statistik Kabuapten Tasikmalaya : Retrieved August 15, 2023. <https://tasikmalayakab.bps.go.id/>
- 11) Siboro. (2015). " Rentenir (Analisis Terhadap Fungsi Pinjaman Berbunga Dalam Masyarakat Rokan Hilir Kecamatan Bagan Sinembah Desa Bagan Batu). Jurnal Fisip Vol 2(4).
- 12) Islamiyah, N. (2020). "Implementasi Strategi Baitul Maal Wa Tamwil (BMT) Dalam Mengurangi Dampak Negatif Rentenir ( Studi Kasus di BMT Al-Kahfi Jombang ). JIES: Journal of Islamic Economics Studies Vol (1) No.1
- 13) Amiruddin, F .Detik Jabar. (30 Juli 2022). "Rentenir Berkedok Pinjol di Tasikmalaya Disorot OJK." Retrieved from: <https://www.detik.com/jabar/bisnis/d-6207370/rentenir-berkedok-pinjol-di-tasikmalaya-disorot-ojk>
- 14) Firdaus, M. Ayo Tasik.com (6 Maret 2020). "Marak Rentenir, Kabupaten Tasik Darurat Riba?" Retrieved from: <https://www.ayotasik.com/info-priangan/amp/pr-33849501/Marak-Rentenir-Kabupaten-Tasik-Darurat-Riba>
- 15) R, Rasti. (9 March 2020). "Masih Banyak UMKM Tasikmalaya Rawan Dengan Rentenir". Retrieved from : <https://mnews.co.id/read/fokus/masih-banyak-umkm-tasikmalaya-rawan-dengan-rentenir/>
- 16) Khasanah, U. (2019). Dampak Praktik Rentenir terhadap Kesejahteraan Pedagang Eceran dalam Perspektif Ekonomi Islam. JHES:Jurnal Hukum Ekonomi Syariah. Vol.3 No.1
- 17) Rukanda, H. (6 Juli 2023) "Terlilit Utang Pinjol, Seorang Menantu di Tasikmalaya Nekat Curi Brankas Uang dan Perhiasan Mertua. Retrieved from : <https://tasikmalaya.inews.id/read/316781/terlilit-utang-pinjol-seorang-menantu-di-tasikmalaya-nekat-curi-brankas-uang-dan-perhiasan-mertua>



There is an Open Access article, distributed under the term of the Creative Commons Attribution – Non Commercial 4.0 International (CC BY-NC 4.0) (<https://creativecommons.org/licenses/by-nc/4.0/>), which permits remixing, adapting and building upon the work for non-commercial use, provided the original work is properly cited.