

# The Cooperative Establishment Program as a Capital Solution for Fishermen in Surabaya

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Submitted: October 18<sup>th</sup> 2018; Revised: November 26<sup>th</sup> 2021; Accepted: January 24<sup>th</sup> 2022

## Keywords:

Cooperative legal entity  
Cooperative management  
Fishermen cooperative

**Abstract** This community service activity aims to provide training and assistance to the Nambangan and Cumpat fishermen group at Kedung Cowek Village, Kenjeran Sub-district, Surabaya. These programs are focused on solving the management problems of a fishermen cooperative. Fishermen groups are given training for establishing the cooperative legal entity and assistance for preparing the establishment documents. These fishermen group's training and assistance activities are considered effective in solving management problems in the cooperative way by the fishermen group named Koperasi 64 Bahari Surabaya. The result of this program is the collection of documents for the establishment of a cooperative legal entity at the Koperasi 64 Bahari Surabaya. These programs also increase the trust of the Nambangan and Cumpat fishermen groups towards the cooperative. It is evidenced by the significant increase in total member savings since December 2019.

## 1. INTRODUCTION

Based on the National Medium-Term Development Plan (RPJMN) 2015–2019, Indonesia is currently focusing on revitalizing the maritime sector as a booster for the nation's economy. All regions that have fisheries and marine potential are improving, including Surabaya. Surabaya has been known as a coastal and trading city from the 15th century to the early 17th century (Anggraini & Rahayu, 2013). Trade activities in Surabaya are developing rapidly because this city has Tanjung Perak port as the center of goods traffic in East Java.

As a trading city, Surabaya can be a metropolitan city with a significant economic stretch (Anggraini & Rahayu, 2013). In 2018, Surabaya's gross regional domestic product (GRDP) reached 387.33 trillion rupiahs, with an economic growth range of 6.2 percent. Surabaya's GRDP contributed a quarter of East Java's economy. The economic structure in Surabaya was dominated by the accommodation and food service activities as well as various sectors such as the wholesale and retail trade, industry, construction, transportation and warehousing sector. These sectors contributed to Surabaya's GRDP by 27.94 percent, 18.58 percent, 16.30 percent, 9.72 percent, and 5.35 percent in 2018 (BPS Kota Surabaya, 2018b).

The significant role of Surabaya as a trading center in East Java should be a strength for the development of the fisheries and marine sector,

considering that 12 of the 31 sub-districts in Surabaya have large fisheries and marine potential. Surabaya has a coastline of 47.4 km<sup>2</sup> and a sea area of 19,039 hectares (Dinas Pertanian Kota Surabaya, 2012). Therefore, fishermen, traders, and industries engaged in this sector should be able to take advantage of this opportunity optimally.

Fisheries potential in Surabaya is dominated by marine fishing catches. It can be seen from the number of marine fishermen who are the most among other types of fishermen. The number of marine fishermen, public water fishermen, fishpond farmers, and freshwater fish farmers in 2012 was respectively 2,226; 50; 901; and 547 people. Marine fish production in 2011 reached 7,119.89 tons per year with a value of 134.7 billion rupiahs (Dinas Pertanian Kota Surabaya, 2012). Meanwhile, it increased to 7,441.27 tons in 2013 (BPS Kota Surabaya, 2018a).

The Bulak sub-district is home to the majority of Surabaya's fishermen. There are approximately 624 people or 28 percent of fishermen living in this area. Almost all fishermen use outboard motors as their fishing fleet. The fish catchers that are widely used include gill nets, trammel nets, fishhooks, and shellfish collectors. The yield also varies, including ponyfish, ariid catfish, snapper fish, croaker, mullet fish, anchovy, cutlassfish, crab, shrimp, scallop, shellfish, and others (Dinas Pertanian Kota Surabaya, 2012).

However, the level of welfare of the majority of fishermen communities in the Bulak sub-district is far

below the living standard of Surabaya society. It can be seen from the type and size of motorboat they use, which is only less than 5 GT. Hence, their fishing area is limited, and the fisheries yield is relatively small. Fishermen's settlements can also reflect the condition of their welfare, which appears shabby and apprehensive (Dinas Pertanian Kota Surabaya, 2012).

The poverty rate in the Bulak sub-district is still relatively high. In 2015, out of 110,117 poor households in Surabaya, 1,053 households or 0.96 percent were in the Bulak sub-district (BPS Kota Surabaya, 2016b). Kedung Cowek Village has the greatest percentage of poor households in Bulak sub-district, at 30.91 percent. There are 426 poor households in Kedung Cowek Village out of a total of 1378 households (BPS Kota Surabaya, 2016a).

Nambangan and Cumpat are home to the majority of fishermen in Kedung Cowek Village. Administratively, Nambangan is a part of the third RW (Community Unit) in Kedung Cowek Village and has 3 RTs (Neighborhood Unit), while Cumpat is a part of the second RW in Kedung Cowek Village and has 4 RTs. Both areas are densely populated coastal villages.

The economic conditions of fishermen in Nambangan and Cumpat still require special attention. It is because their work is very dependent on the weather. Extreme weather will reduce the fishery yield. Most fishermen in Nambangan and Cumpat do not have other profession. Therefore, they only spend time at home during extreme weather because they cannot go fishing. The storm that hit the coastal area of Surabaya on November 11, 2020, caused several losses to fishermen and the society in the village. The storm caused fishing boats to broke and sank, hence the fishery yields decreased sharply. A decrease in fishery yield will reduce the fishermen's income.

The poor economic condition of the fishermen group is also caused by their limited skills. The low education level of fishermen's families is the cause of their skill limitations. It is indicated by the recent education of the fishermen's patriarchs. Most of the fishermen's patriarchs only graduated from elementary school. Some even did not finish elementary school. The fishermen's patriarchs in the Bulak sub-district who finished elementary school were 56.5 percent, while those who did not finish elementary school were 16 percent. Only 23 percent of fishermen have attended junior high school to high school (Pristyandana et al., 2009). The low level of education is not only experienced by the fishermen's patriarchs but also by their family members. As the consequence, many fishermen struggle to manage their income. When the yield is abundant, only a few of them consider saving some of their income to fulfill their needs during extreme weather.

The low level of education also causes the low level of income of the fishermen. The education level is one of the qualities of human resources indicators that will determine whether a person is poor or not. People with low education levels have low productivity levels as well and it will have an impact on low income (Hamdani & Wulandari, 2013).

The average income of most people in Kedung Cowek village is less than 2 million rupiahs (Pristyandana et al., 2009). It causes the finance owned by the fishermen

to be limited, so most of them rely on unsophisticated equipments to catch fish. The limited access to advanced equipment makes the yield low. Moreover, they can't work and produce anything during extreme weather, while their daily needs still have to be met. Consequently, they prefer to apply for a loan from creditors. That problematic situation becomes the primary reason why most of them live in poverty. They must pay the high-interest rate on the loans with meager earnings.

Based on these problems, a movement is needed to change the fate of fishermen in Nambangan and Cumpat. One way to improve the fishermen's economy in Nambangan and Cumpat is to establish a fisherman cooperative. This solution is linear with several studies which state that cooperatives are an effective way to alleviate poverty through the active participation of society themselves (Adnan & Ajija, 2015; Miled & Rejeb, 2015). Cooperatives place the members as recipients and players in their economic activities directly. Thus, cooperative members can actively participate in developing businesses shaded by cooperatives (Anjari et al., 2016).

Since most of residents have little knowledge about cooperatives, several programs must be implemented sustainably to improve the welfare of coastal communities in the Fishermen's Villages of Nambangan and Cumpat. Therefore, the Nambangan and Cumpat fishermen will need training and assistance to establish a cooperative. It can be achieved through a collaboration between the society, government, and universities. Based on these conditions, this community service activity is focused on training and assisting the members of the Nambangan and Cumpat Fishermen Groups in establishing a cooperative legal entity. The problem faced by the partners from the management aspect is the lack of fishermen's knowledge in the process of establishing a joint legal entity.

## 2. METHOD

This community service activity was done by training and assisting in the establishment of cooperative legal entities for the Nambangan and Cumpat Fisherman Groups. The activities were held on Friday, September 14, 2018, in Kedung Cowek Village, Bulak Sub-district, Surabaya City, East Java.

This community service activity is conducted through training and assistance, which is divided into three stages. The first stage is coordinations with the cooperative leader candidate. Then, it is followed by counseling from the Cooperatives and MSMEs Department of Surabaya and assistance in preparing the documents needed in the cooperative legal entity establishment.

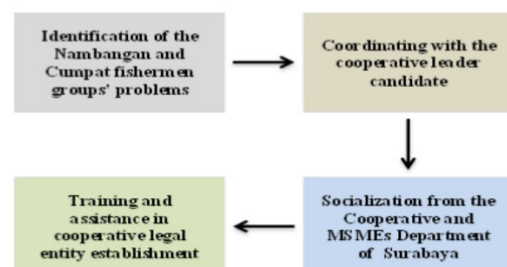


Figure 1. The Activity Implementation Stages

Coordination with the cooperative leader candidate is conducted to collect important information related to the cooperative legal entity establishment. This activity includes data collection on the cooperative's organizational structure or management structure, the history of the cooperative's formation, the cooperative's financial records, and discussions related to the cooperative's business plan for the coming year.

The second stage of this community service activity is socialization from the Cooperative and MSMEs Department of Surabaya held on Friday, September 14, 2018, at 14.00 - 16.00 Western Indonesian Time at the Kedung Cowek Village Office, Bulak Sub-district, Surabaya. Thirty cooperative members and four representatives from the Cooperative and MSMEs Department of Surabaya attended this event.

The final stage is to prepare the documents required for the establishment of a cooperative legal entity. Following the instruction of the notary registered as the maker of the deed of establishment and amendment of the cooperative's legal entity, 13 documents must be prepared, including the following:

1. The article of associations or deed of cooperative establishment drafts;
2. The cooperative establishment meeting notes;
3. The letter of authority to apply for legalization of a legal entity;
4. The attendance list of cooperative establishment meeting;
5. A copy of the cooperative members' ID card;
6. A copy of deposit slip at a government bank as the evidence of the cooperative's capital availability;
7. The cooperative's business plan, as well as revenue and expenditure budget plan for the next three years;
8. Opening balance of cooperative business activities in the last two years;
9. Recommendation letter of cross-district or city cooperatives from the head of the Department of Cooperatives and MSMEs of Surabaya;
10. Domicile certificate of cooperative office in Kedung Cowek Village;
11. Curriculum vitae of all cooperative managements and supervisors;
12. A list of working facilities prepared by the cooperative; and
13. A statement letter stating that the management and supervisors are not married.

### 3. RESULT AND DISCUSSION

#### 3.1 The Establishment of Cooperative Legal Entity

##### 3.1.1 First Stage: Coordinating

The cooperative legal entity establishment activity begins with a coordination between partners and the cooperative leader candidate. The activities include collecting data on the cooperative's organizational structure, history, and financial records, as well as discussing the cooperative's business plans for the coming year. The coordination between partners and cooperative leader candidate was documented in Figure 2.



**Figure 2.** The Coordination with the Leader Candidate of the 64 Bahari Cooperative. Source: Author's Documentation taken at 9<sup>th</sup> September 2018

The result of the first meeting between the partners and the fishermen's cooperative leader candidate is the collection of several documents required for the cooperative establishment. The documents include the cooperative's name, a list of the cooperative's management structure, an ID card copy of the cooperative's founder, and the curriculum vitae of the cooperative's management and supervisor. Koperasi 64 Bahari Surabaya is the name of the newly established cooperative. The number 64 in this cooperative's name is an acronym for Nambangan and Cumpat. In addition, partners assist cooperative members in making the cooperative's business plan for the next year in well-planned and concise reports. It is crucial because the cooperative's future business plan report is one of the requirements to manage a cooperative legal entity.

Meanwhile, the cooperative's financial position is solid. The balance sheet and financial statements are neatly arranged. Every transaction of cash inflow from principal savings, members' mandatory deposits, and the sale of cooperative business units has been recorded in the cooperative's ledger. However, the records made by the management are still concise and do not include evidence that should be attached, such as sales invoices. Therefore, during the meeting, the partners assisted in re-recording and tidying up the cooperative's cash inflows, as well as attaching evidence of cash inflows in the form of receipt. Attaching the evidence of cooperative cash inflows in the form of receipts is one of the cooperative legal entity establishment requirements. The receipt serves as evidence that the cooperative has cash inflows and the required capital.

##### 3.1.2 Second Stage: Socialization from the Cooperative and MSME Department of Surabaya

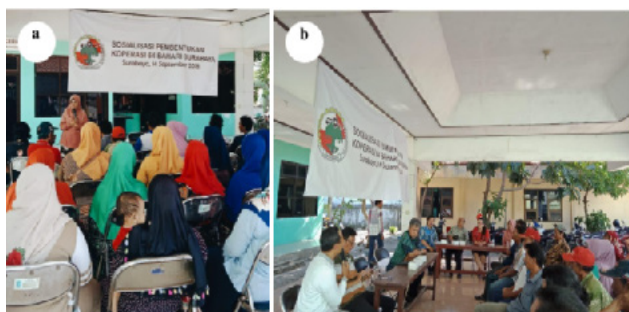
The second activity in this series of community service is the socialization of cooperatives legal entity establishment. In this socialization, the Cooperatives and MSMEs Department of Surabaya speakers provided information and explanations about cooperatives. This socialization activity aims to provide cooperative members with the provision and knowledge of cooperatives, how cooperatives work, members' rights and duties, and other topics related to cooperatives.

Although Koperasi 64 Bahari Surabaya has been active and running since 2017, it is not a legal entity yet. In addition, there are several obstacles faced by the cooperative management and members in the past year, such as:



1. For the current year, the cooperative management is considered less active in performing cooperative activities.
2. Members are not consistent in attending monthly meetings; and
3. Some members do not understand how to cooperate or are aware of their rights and duties.

Based on the obstacles faced by Koperasi 64 Bahari, an education about cooperatives is needed for cooperative management and members. The prospective members of the cooperative enthusiastically engaged in all socialization activities. Several members actively asked some questions and made remarks to the speakers during the discussion session. In addition, members also conveyed their suggestions and hope to the speakers, expecting that the government, especially the Cooperatives and MSMEs Department of Surabaya, would be able to help fishermen groups through a cooperative.



**Figure 3.** Socialization from the Cooperative and MSMEs Department of Surabaya: (a) Briefing from the Cooperative and MSMEs Department of Surabaya; (b) Discussion Session. Source: Author's Documentation taken at 14<sup>th</sup> September 2018

The Cooperatives and MSMEs Department of Surabaya revealed several things regarding the cooperative establishment. Cooperative must be independent to grow. Moreover, cooperative is expected to replace credit institutions, which are now prevalent in the lower middle class. The management and members of the cooperative must be aware of their rights and duties, and the cooperative must be managed under the visions and missions agreed during the members' meeting.

This socialization activity increases the understanding of cooperative management and members about cooperatives and how to establish cooperatives as legal entities. Thus, there will be no future issues arising from members' misunderstandings about cooperatives. Furthermore, the cooperative legal entity establishment is expected to improve the welfare of the Nambangan and Cumpat society, especially the cooperative members.

### 3.1.1.3 Third Stage: Preparation of Cooperative Legal Entity Establishment Documents

The assistance of fishermen groups in preparing documents for establishing cooperative legal entities is necessary because of the limited knowledge of fishermen groups. Only a few (less than 10 percent) have graduated from high school or its equivalent. The process of assisting the preparation of this document went well since students were involved.

The following are checklists of documents that have been successfully prepared during cooperative legal entity establishment.

**Table 1.** Checklists of Documents for Koperasi 64 Bahari Surabaya Legal Entity Establishment

No.	Documents	Status
1	The article of associations or deed of cooperative establishment drafts	Ready
2	The cooperative establishment meeting notes	Ready
3	The letter of authority to apply for legalization of a legal entity	Ready
4	The attendance list of cooperative establishment meeting	Ready
5	A copy of the cooperative members' ID card	Ready
6	A copy of deposit slip at a government bank as an evidence of the cooperative's capital availability	Not Ready
7	The cooperative's business plan as well as revenue and expenditure budget plan for the next three years	Ready
8	Opening balance of cooperative business activities in the last two years	Ready
9	Recommendation letter of cross-district or city cooperatives from the head of the Department of Cooperatives and MSMEs of Surabaya	Not Ready
10	Domicile certificate of cooperative office in Kedung Cowek Village	Ready
11	Curriculum vitae of all cooperative managements and supervisors	Ready
12	A list of working facilities prepared by the cooperative	Ready
13	A statement letter stating that the management and supervisors are not married	Ready

As shown in the table above, two documents have not been successfully prepared. These documents are evidence of the cooperatives' capital availability, evidenced by a copy of the deposit invoice at the government bank, and a recommendation letter for cross-district or city cooperatives from the Head of the Cooperatives and MSMEs Department of Surabaya. The deposit invoice has not been collected due to the limited funds. The cooperative management must deposit at least 15 million rupiahs in government banks to receive the capital availability evidence. The cooperative management is currently constrained by the availability of funds, as most of the cooperative's funds are used for business. Meanwhile, a recommendation letter from the head of the Cooperatives and MSMEs Department of Surabaya has not been obtained

due to a transitional period in the mechanism of cooperative legal entity establishment. According to the information from an extension worker at the Cooperatives and MSMEs Department of Surabaya, this document will not be necessary for the cooperative establishment in the future because the cooperative permit is directly issued by the Ministry of Cooperatives and Small and Medium Enterprises.

#### 4. DISCUSSION

The training and assistance in establishing the cooperative legal entity for the fishermen groups of Nambangan and Cumpat resulted in a number of outcomes. Fishermen’s knowledge regarding cooperatives is growing through socialization activities. The fishermen become more aware of managing a cooperative and establishing a cooperative legal entity. Furthermore, partners were able to collect the required documents to establish a cooperative legal entity. Two documents, a copy of the deposit invoice at the Government Bank and a letter of recommendation for Cross-district/city Cooperatives from the Head of the Cooperatives and MSMEs Department of Surabaya, have yet to be obtained.

The fishermen groups of Nambangan and Cumpat increasingly trust the cooperative through the training and assistance programs in establishing cooperative legal entities. In addition, their enthusiasm in the cooperative also increases. It is shown by a significant increase in total member savings in December 2019. Total member savings in December 2019 increased by 394.5 percent compared to December 2018.

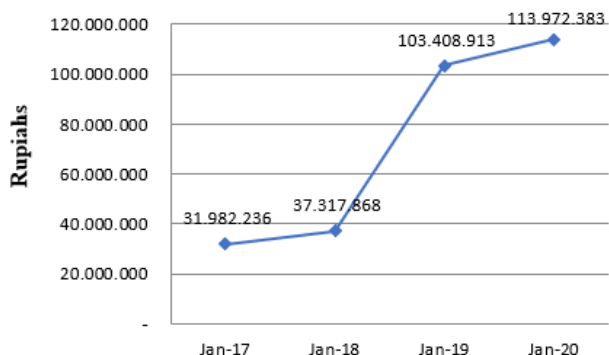


Figure 4. Total Savings of Koperasi 64 Bahari Surabaya members

The financial condition of Koperasi 64 Bahari Surabaya improved rapidly during the cooperative legal entity establishment process. Moreover, the overall assets, capital, and profits of the cooperative all increased significantly in December 2019. The total assets of Koperasi 64 Bahari Surabaya increased by 177.1 percent in December 2019 compared to December 2018. Cooperative capital consisting of principal savings, mandatory savings, and reserves also increased in December 2019 by 169.52 percent compared to December 2018. Meanwhile, cooperative profits in December 2019 increased by 361.73 percent compared to December 2018. The significant increase in profit was caused by fishermen who bought cooperative products. However, the cooperative’s profit declined drastically in December 2020 due to the pandemic and extreme weather storms

that hit the coastal area of Surabaya on November 11, 2020. The storm caused many fishing boats to break and sink. The fishermen were also unable to work during the storm.

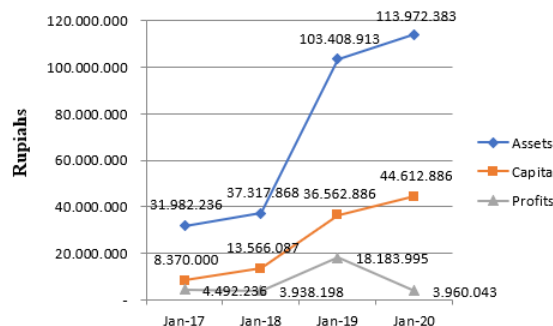


Figure 5. Total Cooperatives' Assets, Capital, and Profits

#### 5. CONCLUSION

From this community service program, it can be concluded that the establishment of cooperatives for fishermen can be a capital solution that has been an obstacle among them, especially traditional fishing fishermen. By joining the cooperative, fishermen can help each other. Fishermen who are overfunded can take advantage when saving money in cooperatives through a profit-sharing system. Fishermen who are underfunded, can get loans that are relatively much cheaper than on loan sharks as they have always done.

In addition, the cooperative management and members’ knowledge of cooperatives might benefit from training and assistance in cooperative legal entity establishment. Moreover, partners have successfully collected the documents required for the establishment of a cooperative legal entity through the establishment assistance. This training and assisting activity have also increased the Nambangan and Cumpat fisherman groups’ trust towards the cooperative. It is proven through a significant increase in several members’ savings since December 2019. Cooperative profits also experienced a significant increase in December 2019 because more fishermen bought products from the cooperative. However, the cooperative’s profit declined drastically in December 2020 due to the pandemic and extreme weather storm that hit the coastal area of Surabaya on November 11, 2020. The storm caused many fishing boats to break and sink.

However, this program still has several flaws, including the lack of training and assistance in preparing cooperative financial statements. It is crucial because many Koperasi 64 Bahari Surabaya administrators still did not understand how to make cooperative financial reports during the evaluation of document preparation assistance. Therefore, in the future, the successive community service program is expected to provide training and assistance in preparing financial reports for fisherman cooperatives to run independently and sustainably.

#### ACKNOWLEDGES

We are most thankful for Faculty of Economics and Business, Universitas Airlangga for the community service grant that has provided financial support for this program in 2018. We also express our great appreciation to our beloved student, Fawaid Kiki Usman,

Bachelor Degree of Economics 2015, who has unlimited loyalty in helping us accompany fishermen to establish the cooperative. Our peerless thanks also go to WALHI Surabaya, KNTI Surabaya, Pak Ahmad Sukron, Bu Hilma and all fishermen who are members of Cooperative 64 Bahari. Hopefully this small step brings benefits for all of us towards a better Indonesia.

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