

The Role of Koperasi and UMKM in Improving Communities: A Case Study of Malang Raya

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ABSTRACT

This study aims to analyze the role of cooperatives and Micro, Small, and Medium Enterprises (MSMEs) in improving the welfare of the community in Greater Malang which includes Malang City, Malang Regency, and Batu City. The approach used is qualitative with a case study method through in-depth interviews, observations, and documentation studies. The results of the study show that cooperatives play an important role in providing access to capital, financial education, and strengthening the economic solidarity of members. Meanwhile, MSMEs are the main drivers of the local economy by creating jobs, increasing community income, and encouraging product innovation based on local potential such as culinary, handicrafts, and agro-tourism. Synergy between cooperatives and MSMEs is beginning to take shape, but it is still not optimal due to limited managerial literacy and low adoption of digitalization. Support from the government, universities, and the private sector is an important factor to strengthen the capacity of cooperatives and MSMEs in improving community welfare in a sustainable manner.

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1. INTRODUCTION

Greater Malang, which includes Malang City, Malang Regency, and Batu City, is known as a strategic area in East Java Province with fairly rapid economic growth. Based on data from BPS East Java in 2023, Malang Raya's economic growth is in the range of 5.2%, higher than the provincial average of 4.9%. The contribution of the MSME and cooperative sectors is one of the main supporting factors for this growth, especially in the tourism, culinary, agro-tourism, and creative industries sectors. This potential makes Malang Raya a prospective region in strengthening the people-based economy.

Cooperatives in Indonesia, as regulated in Law No. 25 of 1992, are business entities based on kinship and mutual cooperation, aiming to improve the welfare of members and the community. In Greater Malang, the existence of cooperatives is quite significant. Based on data from the Malang City Cooperatives and SMEs Office in 2023, there are more than 500 active cooperatives engaged in various

sectors such as savings and loans, agriculture, and consumers. Cooperatives are a strategic instrument in increasing access to capital for small communities that have difficulty obtaining loans from conventional banking institutions.

In addition to cooperatives, MSMEs have a very dominant role in encouraging local economic growth. Data from the Ministry of Cooperatives and SMEs (2022) noted that MSMEs contribute around 61.1% to the national GDP and absorb more than 97% of the workforce in Indonesia. In Malang Raya itself, MSMEs are spread across various sectors, ranging from culinary, handicrafts, fashion, to agro-tourism products. MSMEs in Batu City, for example, are famous for their processed apple and milk products, while Malang Regency excels in the wood and batik handicraft sector.

MSMEs not only contribute to the economy but also become the driving force for local product innovation based on cultural wisdom. According to (Wulandari & Parameswara, 2020), many MSMEs in Greater Malang take advantage of local potential such as Malangan's typical batik art, bamboo crafts, to traditional culinary such as Malang meatballs and Malang tempeh which now have competitiveness in the national and even international markets. This innovation strengthens local identity while increasing people's income.

Koperasi & UMKM in Greater Malang also play an important role in empowering communities, especially women and marginalized groups. Research by Cahyani et al. (2021) shows that the involvement of women in the management of UMKM and Koperasi in this area is able to increase family income and strengthen women's social roles in society. In addition, village-based cooperatives such as in Malang Regency are a means of strengthening the community's economy through collective management of local potential.

However, both Koperasi & UMKM in Greater Malang still face various challenges. Limited access to capital, low digital literacy, and weak managerial capacity are obstacles that are often faced. (Simangunsong, 2022.) emphasized that digital transformation is an urgent need for UMKM to expand the market, especially in the post-Covid-19 pandemic era. Cooperatives also need innovation in management and services to remain relevant in the midst of global economic changes.

Therefore, the study of the role of Koperasi & UMKM in improving the welfare of the community in Greater Malang is very important. This research is expected to provide an empirical overview of the contribution of both in strengthening the local economy as well as identify challenges and strategic solutions needed to improve community welfare in a sustainable manner.

Literature Review

Cooperatives and Community Welfare

Cooperatives are business entities based on the principles of kinship and mutual cooperation as stipulated in Law Number 25 of 1992 concerning Koperasi. Koperasi have a dual role, namely as a business entity and as a social movement that aims to improve the welfare of its members and the wider community (Siregar & Marliyah, 2022). Through cooperatives, people have easier access to capital, skills training, and business capacity building. According to (Pasaribu & Kusmilawaty, 2024), cooperatives provide direct benefits in the form of capital loans, educational scholarships for member families, and entrepreneurship training that have an impact on improving welfare.

In the context of the local economy, cooperatives also contribute to strengthening social solidarity through collective resource management. (Fatimah & Darna, 2014) stated that cooperatives help strengthen the economic bargaining power of the community in the informal sector, as well as play a role in improving income distribution at the local level. Thus, cooperatives are not only an alternative financial institution but also an instrument of community-based community empowerment.

UMKM as a Pillar of the National Economy

Micro, Small, and Medium Enterprises UMKM have a significant contribution to the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia (2022), UMKM contribute around 61.1% to the Gross Domestic Product (GDP) and are able to absorb more than 117 million workers or around 97% of the total national workforce. This confirms that UMKM are the backbone of the national economy as well as the main driver of the regional economy.

According to (Tambunan, 2019), UMKM have high flexibility in adapting to market changes and consumer needs. During the 1998 economic crisis and the Covid-19 pandemic, UMKM proved to be more resilient than large companies because they were locally-based and had a lighter cost structure. In the Greater Malang region, UMKM are growing rapidly, especially in the culinary, handicrafts, and agrotourism sectors, which are in line with local cultural and tourism characteristics.

Product Innovation and Digitalization of UMKM

Product innovation is a key factor for MSMEs in increasing competitiveness and expanding the market. Putri & Widadi (2024) emphasized that innovations carried out by MSMEs are not only limited to physical products but also in business models, digital marketing, and business management. The use of digital platforms such as e-commerce, social media, and digital marketing is an effective strategy to increase the existence of MSMEs in the national and international markets.

Research by Sedyastuti (2018) shows that digitalization encourages UMKM to improve operational efficiency, expand market networks, and improve product quality in accordance with global standards. However, there are still many UMKM in areas such as Greater Malang that have not fully adopted digital technology due to limited infrastructure and low technological literacy.

Synergy of Koperasi & UMKM

Synergy between Koperasi & UMKM is an effective strategy to strengthen the local economy. Weda (2018) stated that cooperatives can be strategic partners for UMKM through the provision of raw materials, access to capital, and joint marketing facilities. This partnership model is also strengthened in Government Regulation Number 44 of 1997 concerning Partnerships, which encourages collaboration between large businesses, cooperatives, and UMKM to build a sustainable business ecosystem.

According to (Simangunsong, 2022.), the collaboration of Koperasi & UMKM has great potential in increasing production capacity, expanding global market access, and creating regional economic stability. With strategic partnerships, cooperatives can help UMKM in product development, quality improvement, and strengthen the competitiveness of local products in the domestic and export markets.

Community Welfare Indicators

Community welfare can be measured through various indicators such as income levels, access to education, health, and participation in productive economic activities (BPS, 2022). Koperasi & UMKM contribute to improving welfare by creating jobs, increasing family income, and strengthening people's purchasing power. In addition, the existence of Koperasi & UMKM in the regions also encourages the growth of social and economic infrastructure that strengthens sustainable development.

Development Challenges and Opportunities

Despite having a significant contribution, the development of Koperasi & UMKM in Indonesia, including in Malang Raya, still faces challenges such as limited access to financing, low managerial literacy, and limited access to the digital market (Pristiyanto, 2024). For this reason, more progressive

government policies are needed, such as the People's Business Credit (KUR) program, digital marketing facilitation, and strategic partnerships with the private sector and universities.

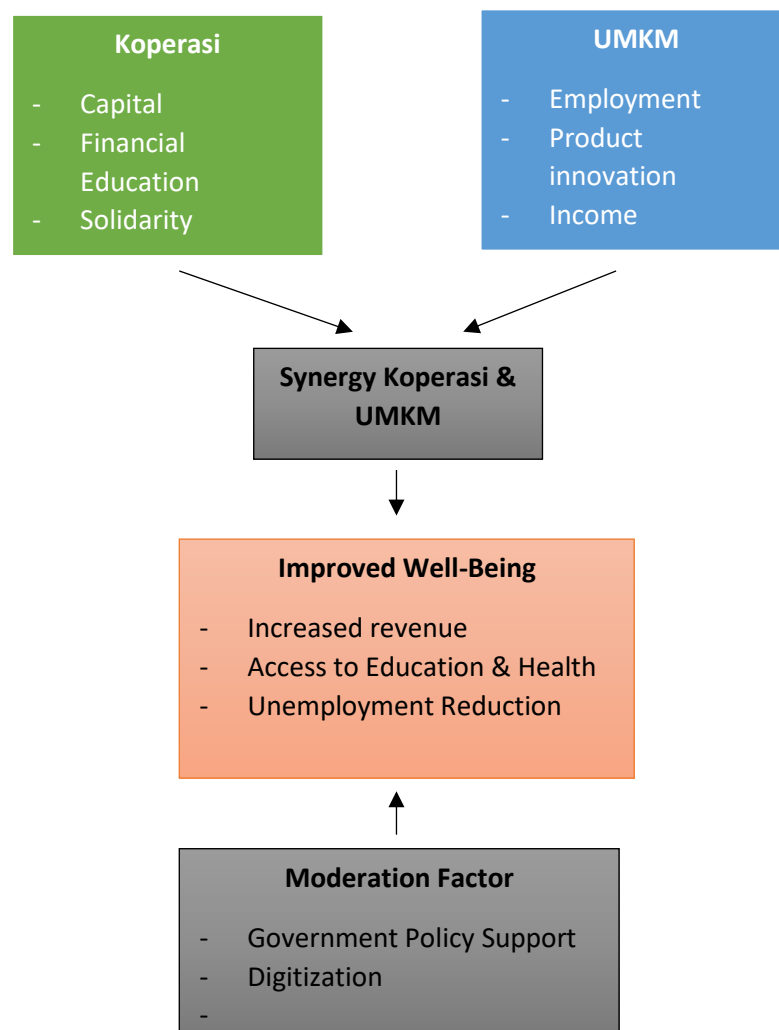


Chart 1. Theoretical Framework

This literature review is important to strengthen the theoretical foundation in analyzing the role of Koperasi & UMKM in improving the welfare of the community in Greater Malang. By paying attention to the social, economic, and technological dimensions, this research is expected to contribute to formulating strategies to strengthen Koperasi & UMKM at the local level in order to be able to compete and contribute optimally to improving community welfare.

2. METHODS

This research method uses a qualitative approach with a case study method to understand the role of Koperasi & UMKMin improving the welfare of the community in Greater Malang. Primary data was obtained through in-depth interviews with cooperative administrators, UMKM actors, and the local Koperasi & UMKM Office, as well as the community. Secondary data is collected from documentation, official reports, and related publications. Informants were selected using purposive sampling techniques. Data collection was carried out through interviews, direct observations in the field, and

documentation studies. Data analysis uses the Miles and Huberman model which includes data reduction, data presentation, and conclusion drawn. The validity of the data is maintained through source triangulation and member checks to ensure the validity of the information obtained.

3. FINDINGS AND DISCUSSION

This study found that cooperatives in Greater Malang have a significant role in providing access to capital and economic empowerment for the community. In Malang Regency, savings and loan cooperatives are a solution for farmers and UMKM actors who do not have access to formal banking institutions. Data from the Malang Regency Koperasi & UMKM Office (2023) noted that there are more than 380 active cooperatives, most of which are oriented to the agricultural and savings and loan sectors.

Synergy between Koperasi & UMKM is starting to be seen in the form of partnerships in the agriculture and handicraft sectors. Several cooperatives in Malang Regency, for example, have collaborated with MSMEs for the procurement of raw materials and product distribution, although they have not been running optimally institutionally.

The support of local governments, universities, and the business community in Greater Malang is starting to grow, but it is still uneven and integrated. Management training programs, product innovation, and digitalization from local governments and campuses such as Universitas Brawijaya and State University of Malang are examples of collaboration that have an impact on strengthening the capacity of UMKM.

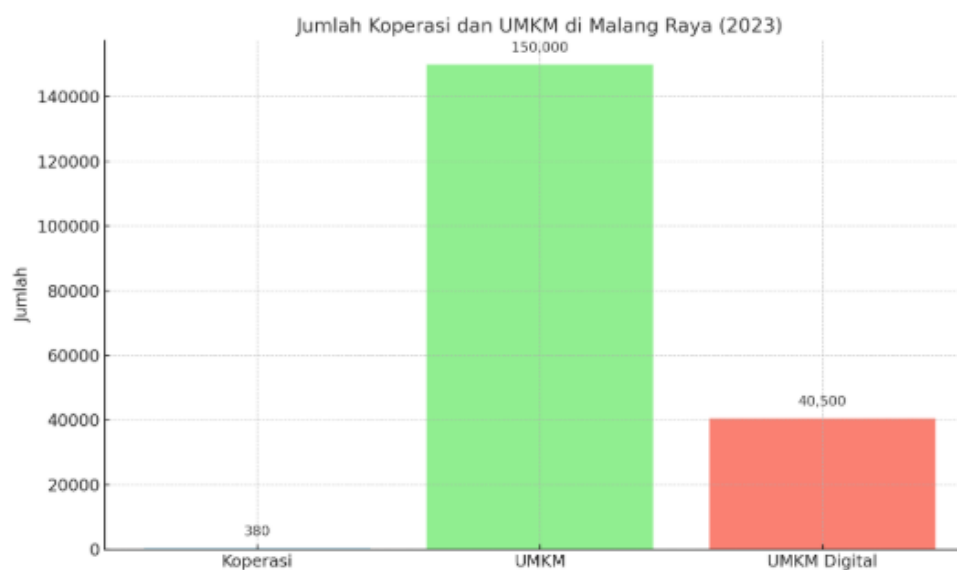


Chart 2 visualization of the Number of Koperasi and UMKM in Greater Malang (2023)

Information:

- 380 active cooperatives
- 150,000 active UMKM
- 40,500 UMKM have been digitized (27% of the total UMKM)

The findings of this study strengthen the theory put forward by Siregar & Marliyah (2022) that cooperatives have a dual role as alternative financial institutions as well as a forum for community-

based community economic empowerment. Cooperatives in Greater Malang not only provide access to capital but also build social and economic solidarity through financial education for their members.

On the other hand, UMKM as a pillar of the national economy as emphasized by Tambunan (2019), have proven to have an important role in driving the local economy in Greater Malang. The contribution of UMKM to the absorption of labor and the increase in people's income is increasingly evident, especially in the culinary and agrotourism sectors which are the region's distinctive strengths.

However, digital and managerial literacy challenges are the main obstacles. According to Simangunsong (2022), there are still many MSMEs that have not been able to utilize technology to expand the market and increase production efficiency. This is in line with BPS East Java data (2023) which shows that the penetration of MSME digitalization in East Java is still below 30%.

In the context of strengthening the synergy of Koperasi and UMKM, the concept of partnership regulated in Government Regulation No. 44 of 1997 concerning Partnerships should be a strategic reference in the regions. Collaboration between cooperatives as capital providers and UMKM as production drivers can create a sustainable local economic ecosystem.

The role of local governments and universities is very important in overcoming these limitations. Training programs based on digital marketing, product innovation, and management strengthening need to be continuously developed to ensure that koperasi and UMKM not only survive but also be able to compete in the era of the digital economy and globalization.

Tabel 1. trends in the number of Koperasi, UMKM, and Digital UMKM in Greater Malang (2019-2023):

Year	Number of Cooperatives	Number of MSMEs	Digital of MSMEs
2019	420	130.000	18.000
2020	410	135.000	21.000
2021	400	140.000	27.000
2022	390	145.000	43.000
2023	380	150.000	40.500

This table shows that the number of cooperatives has decreased every year. Then the number of MSMEs continues to increase from year to year. Digitized UMKM have grown significantly, but are still below 30% of the total UMKM.

Thus, Koperasi and UMKM in Greater Malang have the potential to be the main drivers in improving people's welfare, but this success requires targeted policy support, multi-stakeholder collaboration, and sustainable human resource capacity strengthening.

4. CONCLUSION

This study concludes that Koperasi and UMKM in Greater Malang have a significant role in improving community welfare through increasing access to capital, job creation, and economic empowerment based on local potential. Cooperatives contribute to strengthening the financial capabilities and economic solidarity of members, especially in the agriculture and savings and loan sectors. Meanwhile, UMKM are the main drivers of the local economy, especially in the fields of culinary, handicrafts, and agro-tourism which help strengthen regional identity and increase community income.

However, major challenges are still faced, especially related to the low rate of digitalization adoption, limited managerial literacy, and limited market access. The synergy between Koperasi and UMKM has not been optimal, so the potential for collaboration has not been fully utilized to expand the reach of the local economy.

Support from local governments, universities, and the private sector is urgently needed in the form of management training, digital marketing, strengthening product innovation, and financing facilitation. If this synergy and support continues to be strengthened, Koperasi and UMKM in Greater Malang will be able to play a greater role in improving people's welfare in a sustainable manner and encouraging inclusive regional economic growth.

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Conflicts of Interest: The authors declare no conflict of interest."

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