COOPERATIVE FINANCING IN THE LEGAL SYSTEM OF MICRO-FINANCE INSTITUTIONS VALUE-BASED JUSTICE WITH DIGNITY

Mairul
Anis Mashdurohatun
Amin Purnawan
Teguh Prasetyo

ABSTRACT

The potential for cooperative capital is always an interesting discussion to study and examine, because capital is the main source for running a business in order to achieve the objectives of the business activities carried out. The problem of the existence of cooperatives is still being debated between discourse and reality in the field, one of the reasons for this condition is that cooperative regulations have not been updated in accordance with developments in the activities of financial institutions in general so that regulations on cooperative capital are hampered which makes it difficult for cooperatives to develop. For this reason, this study aims to examine cooperative capital which is expected to obtain a formulation for the reconstruction of future cooperative regulations based on the value of dignified justice. To focus this research, this dissertation discusses issues including: What are the weaknesses in cooperative capital regulations in the Legal System of Microfinance Institutions in Indonesia? How is Cooperative Capital in the Legal System of Value-Based Microfinance Institutions for Dignified Justice?. To answer the formulation of the problem, the researcher uses a method with a sociological juridical research type with a legal sociology approach. The research results show that cooperative capital in the legal system of microfinance institutions is not based on the value of dignified justice due to the factors that influence it, namely the legal aspects and the development of the cooperative itself coupled with the intense competition in the global financial services industrialization, in addition to these conditions a shift in values and the norms in today's society's view of cooperatives are no longer a joint effort but rather individual interests so that cooperatives are run as a sideline and so on. There are still weaknesses in cooperative capital in Indonesia, the causes of the weakness are 1). Cooperative Policy in Indonesia which is not yet progressive 2). Cooperatives as business entities are still not legally incorporated as cooperatives. 3) Management of cooperatives that have not been maximized. 4). The influence of financial services industrialization competition on cooperatives. Cooperative capital in the legal system of microfinance institutions based on the value of dignified justice is urgently needed because it can be used to evaluate the Cooperative Law which was previously canceled by the Constitutional Court, formulate articles in the Cooperative Law for the reconstruction of these regulations so that they can become input for legal reform. cooperatives with the hope of constitutionally cooperative existence is not only a discourse on the implementation of Pancasila economic democracy.

Keywords: Capital Regulation, Cooperative, Dignified Justice

INTRODUCTION

According to Muhammad Hatta, a Pancasila economic democracy thinker, cooperatives are essentially a joint effort to improve the fate of economic life based on mutual help. Hatta further explained that the cooperative movement symbolizes hope for economically weak people based on self-help and mutual help among its members which creates a sense of self-confidence and brotherhood among them. The main objective of cooperatives is to improve the standard of living and welfare of its members. Cooperatives are not merely profit-seeking businesses like private businesses, namely firms or corporations, even though they try to improve the standard of living and prosperity of their members.[1]

Cooperatives are an association or economic organization consisting of people or entities, which provide freedom of entry and exit as members according to existing regulations, by working together as a family to run a business, with the aim of improving the welfare of its members. Article 33 of the 1945 Constitution stated as follows:[2]

(1) The economy is structured as a joint venture based on the principle of kinship.
(2) The branches of production which are important for the State and affect the life of the people at large are controlled by the State.
(3) Earth and water and the natural resources contained therein are controlled by the State and used for the greatest prosperity of the people.
(4) The national economy is organized based on economic democracy with the principles of togetherness, efficiency with justice, sustainability, environmental insight, independence and maintaining a balance of progress and national economic unity.

Discussing the potential for cooperative capital, the Cooperative Law initially did not regulate capital, then it was realized that capital is an important aspect in the development of cooperatives, so that in Law No. 79 of 1958 concerning Cooperative Associations then there were rules regarding capital. Until now, cooperative capital arrangements have developed with the presence of Law No. 25 of 1992 which states that obtaining cooperative capital makes it possible to obtain equity capital from both members and non-members.

However, the provisions on capital according to Law No. 25 of 1992 has not been able to solve cooperative problems. Some of these problems are related to the term savings which is understood by the public as deposits that exist in bank business

[1]Andjar Pachta W, Myra Rosana Bachtiar, Nadia Maulisa Banemay, Indonesian Cooperative Law, Kencana, Jakarta, 2005, p.14.
[2] Jimly Asshiddiqie, Economic Constitution.. PT. Kompas Media Nusantara : Jakarta. 2016. p. 262.

activities, but cooperatives use the terms principal savings and mandatory savings. In Article 41 paragraph (2) Law No. 25 of 1992, it has been stated that savings as part of the cooperative's own capital are capital that also bears the risk if the cooperative suffers a loss, but the public does not understand this, which means savings in the banking concept so that if a member leaves or the cooperative is disbanded due to a loss, the member still asks Deposits that have been given will still be returned. And/or some are of the opinion that it is necessary to establish a Cooperative Deposit Insurance Corporation such as at LPS (Deposit Insurance Agency) Bank.

Apart from being in the form of savings as capital for establishment, cooperatives are also known to have reserve funds sourced from the remaining business results (SHU) which are set aside. SHU is the income earned by the cooperative in one financial year minus costs, depreciation and other obligations such as taxes. The existence of reserve funds is used to foster cooperative capital or cover cooperative losses for one financial year, however, if the cooperative is dissolved, Law No. 25 of 19992 does not regulate the distribution of reserve funds to be distributed to cooperative members.

Another source of capital is grants, in Article 41 paragraph (2) of Law No. 25 1992 mentions that grants from some circles do not approve of grants as a source of cooperative capital because they can undermine the authority of the existence of cooperatives. In addition, the cooperative law does not regulate the minimum capital limit for establishing a cooperative, like the establishment of a limited liability company. As a result, there is a habit of gradually accumulating savings so that it takes a long time to reach a certain amount for the establishment of a cooperative. This resulted in cooperatives not being able to run directly optimally waiting to be collected first or waiting for new members.

Other potential capital can use loan capital. Sources of loan capital can come from members of the cooperative itself, other cooperatives and/or their members, banks and other financial institutions, issuance of bonds and debentures and other legal sources. The lending model of these members is almost the same as voluntary savings. This could lead to the practice of time deposits which in turn equate banking activities. In issuing bonds, it is not certain that cooperatives are able to issue so that opportunities for additional capital for developing cooperatives will experience problems. Based on the description above, the problems that can be raised are: Why is the regulation of cooperative capital in the Legal System of Microfinance Institutions not based on the value of dignified justice, What are the weaknesses in regulation of cooperative capital in the Legal System of Microfinance Institutions in Indonesia. How to Cooperative Regulations in the Value-Based Microfinance Legal System for Dignified Justice.

RESEARCH METHODS

The paradigm used in this study is the paradigm of constructivism[3] in the field of law, namely legal constructivism, because this research is intended to produce a reconstruction of thoughts or ideas as well as a new order concept in research on the potential for cooperative capital in the legal system of Microfinance Institutions based on justice values dignified.[4]

To get accurate and factual data, primary data and secondary data are needed. Primary data sources, are data that are directly taken through the source based on the results of field research in connection with information related to the subject matter[5]. Secondary data[6] sources are information or information obtained from literature related to the research object.

After collecting data, it includes primary and secondary data. The data obtained is analyzed and processed based on the formulation of the problem so that it is expected to provide a clear (descriptive) picture of the conclusions or results of the research achieved. The description of the data obtained will then be described and explained in detail and adjusted to the problem to be studied[7].

DISCUSSION

1. Weaknesses of Cooperative Capital in the Legal System of Microfinance Institutions in Indonesia.

In any form of business activity, capital is needed. In this discussion, what is meant by capital funds or money that will be used as a means to carry out cooperative activities. In cooperatives there are special provisions that cooperative capital must come from members or fellow cooperatives engaged in the same or similar business fields. Cooperatives are different from limited liability companies, limited partnerships and individual companies which aim at profit and capitalism. There are many things that can be done by non-cooperative non-cooperative business institutions but "can't" be done by cooperatives, for example selling shares to fulfill working capital. Therefore raising capital is not easy, especially for credit cooperatives. According to Republic Indonesia Law no. 25 of 1992 article 41 the cooperative's own capital comes from savings, mandatory savings, reserve funds and others.

---

[3] Supri Yono et al, Reconstruction of Separate-Creditor Positions in the Process Declaring Bancruptcy in Indonesia Based on Justice Value, Scholars International Journal of Law, Crime and Justice, Nov, 2020; 3(11):pp. 334-341,

[4] Peter Mahmud Marzuki, Legal Research, Prenada Media Group, Jakarta, 2007, p.125.

[5]Soerjono Soekanto dan Sri Mamudji, Normative Legal Research: An. Short Overview, Singkat Rajawali Press.Jakarta.2015,p.14-15.

[6]Faisal Sadad, Anis Mashdurohatun, & Gunarto, The Ideal Regulatory Construction Of Jointly Owned Waqf Land Based On Justice Values, Journal of Islamic, Social, Economics and Development (JISED), Volume: 4 Issues: 17 [March, 2019] pp. 89 - 103]. See to Carto Nuryanto, Gunarto, Anis Mashdurohatun, Reconstruction Of Criminal Sanction And Rehabilitation Combating On Narcotic's Victims Based On Religious Justice, Legal Reconstruction in Indonesia Based on Human Right, The 5th International Conference and Call for Paper Faculty of Law 2019, Sultan Agung Islamic University. UNISSULA Press, 2019.pp.91-95. See too Bambang S and Eman Suparman Anis Mashdurohatun, Legal Protection for Creditors in Providing Business Credit with Object of Inventory Warranties Based on Justice Values, J.Eng. Applied Sci, Volume 14. Issue. 12. 2019. pp. 4176-4182.

[7]Muhammad Fahrudin, Denny Kusuma, Anis Mashdurohatun, Islamic Banking Judicial Review in Accordance with Sharia Principles, Jurnal Akta, Volume 6 Issue 1, March 2019, pp.93-98. See too Desi Wulan Anggraini, Anis Mashdurohatun, Juridical Deed Review Of The Cooperation Agreement To Build Handover (Build Operate And Transfer) Bot Between Government And Private Sector, Jurnal Akta.Volume 6 Issue 3, September 2019,pp.93-99.

The lack of realization of cooperatives in the context of dignified justice illustrates the independence of cooperatives which should be authoritative to be able to compete with other institutions and not depend on certain sources of capital, so that the existence of cooperatives that are independent by developing activities can be realized based on what is aspired to.

In addition to the issue of cooperative capital, cooperative management must also pay attention to the form of activities carried out, not to violate cooperative principles such as carrying out banking activities and must pay attention to the level of financial soundness of cooperatives. The need for such attention is because cooperatives currently do not have a Deposit Insurance Corporation so that the risk that will occur if mismanagement will have an impact on cooperatives and cooperative members.

Based on the description above, it can be concluded that the factors that influence cooperative capital;

1) Cooperative capital mechanisms and regulations have not been maximized so that it seems that there is a weakness in Cooperative Arrangements in Indonesia
2) The development of cooperative regulations is quite slow in responding to developments in the activities of financial institutions and is influenced by the dynamics of legal politics in Indonesia which are not yet progressive.
3) The views of the Indonesian people on cooperative activities are still low, the human resources that manage cooperatives are less professional in the financial sector because they are considered to run cooperatives as social activities which can be used as a sideline to the main activities, thus impacting cooperative activities

The use of a systems approach requires assessment in a broad sense, where analysis and synthesis cannot be separated but are integrated together. The system approach sees the object of study as a system, namely the complexes of elements standing in interaction or a set of objects together with relationships. As a system, the legal system has system characteristics (components), namely: inputs, processes, outputs and feedback,[8] by understanding law as a system and all of its components, intrinsically respecting strong law that law is a rule and fact. Through such a vision, one will be able to carry out a legal constellation which is not only a normative abstraction but also in its form as a totality of empirical phenomena that exist in social entities. It must be admitted that the integration of a social activity can never be achieved perfectly, but in principle the social system always tends to move towards a dynamic balance.

The word system in a simple definition can be interpreted or interpreted as an arrangement, a unity of interdependent parts. In the opinion of R. Subekti, the system is an orderly arrangement or record, namely a whole consisting of parts that are related to one another and arranged according to a plan or pattern resulting from an idea to achieve a goal. So that in a good system, there should not be any duplication or overlapping between the parts. The system is a unified whole consisting of various parts or subsystems. These subsystems are interrelated and cannot conflict, if there is a conflict, then there is always a way to solve it. Likewise, the legal system must be composed of a number of parts called legal subsystems which together form a unified whole. The legal system is not just a collection of legal regulations, but each of these regulations is interrelated with one another, and there should not be conflicts or contradictions between the subsystems within it.

In a legal system affirming the existence of purity, because it is not contaminated, the meaning is that it cannot be dictated but is needed to regulate elements that appear to come from outside the system. But actually, all of that is an element in the legal system, when viewed from a legal perspective. According to Prof. Sudikno Mertokusumo, this is the case that the legal system is an open system. The legal system is indeed open but open in the sense of dictating outsiders, not dictated from outside.[9]

A legal system also contains the idea of sovereignty, a system is only called a legal system if it is sovereign or supreme. In the meaning of supremacy or sovereignty, every rule and principle that exists in the unity of the system cannot be opposed, like it or not, it must be followed because it contains the truth. Even though it is sovereign, the system must also contain the idea of being tolerant with the environment outside the system which also regulates the correct system of truth according to the system in question.

a. Cooperative Policy in Indonesia

The development of cooperative regulatory policies in Indonesia, specifically the rules governing cooperatives, have not yet met a meeting point or have not received a new format after the cancellation of Law No. 17 of 2012 which will replace Law no. 25 of 1992 concerning cooperatives. But with the fact that the Job Creation Law has an impact on cooperatives in terms of ease of access to business, it means that there are shortened requirements in the process of establishing cooperatives so that it is hoped that by reducing the number of founders, which previously were 20 people, it will be reduced by 3 to 9 people, so that there is no need for a large number of people, cooperatives can be established. . The problem is whether this convenience does not have an impact on the legitimacy of cooperatives which adhere to the principle of mutual cooperation for the welfare of members. Another weakness is the disharmony of cooperative law with other financial institutions, including the division of authority between the Financial Services Authority and the Ministry of Cooperatives and SMEs. In order to understand the weaknesses in cooperative arrangements, among others:

1) There has been no renewal of cooperative law after Law Number 17 of 2012 was annulled by the Constitutional Court. This is done fundamentally so that it seems that cooperative arrangements have not received priority on legal development.
2) Cooperatives are still in the form of legal entities, so the implication will have an impact on the establishment of cooperatives without legal entities. Like the many activities on behalf of cooperatives in the community.
3) Competition for the industrialization of financial institutions both nationally and globally has an impact on the readiness of cooperatives to face these challenges.

b. Legal entity cooperatives

Cooperatives that are not yet legally incorporated are referred to as Pre-Cooperatives, the Government or the Cooperative Movement must provide guidance so that the Pre-Cooperatives can develop themselves and make their entities a Cooperative legal entity. When connected between the MFI Law and the Cooperative Law, it can be understood that a form of business entity is

[8] Tatang M. Amirin,Principles of Systems Theory, Rajawali Press, Jakarta, 1996.p.30.

[9]The current understanding is that law is a unity of elements that seem to be influenced from outside, namely regulations and determinations that are influenced by cultural, social, economic, political, historical and other factors. For further reading, Teguh Prasetyo's book. Pancasila Legal System (System, Legal System and the formation of Legislation in Indonesia) Perspective of the Theory of Dignified Justice. Cetakan 1, Bandung ; Nusa Media. 2016, p.8.

determined by the form of legal entity, namely a business entity with a cooperative legal entity. In reality on the ground, legal entities show a preference for business entities with the characteristics of the shape of their organs. This means that each business entity may choose which legal entity to apply to the business entity it operates. The cooperative law defines cooperatives as business entities, so there is an opportunity for cooperatives as business entities to choose which legal entity to apply. However, the MFI Law shows that there is a choice of legal form of a cooperative or a limited liability company. The problem that will arise is what if a Cooperative that is already large and has a lot of assets is allowed to change its business entity in banking activities such as a savings and loan cooperative and choose a Limited Liability Company legal entity.

c. Management of cooperatives that have not been maximized

Management of cooperatives that have not been maximized can also be caused by a lack of cooperative management. Unprofessional management of cooperatives often occurs in cooperatives whose members and administrators have a low level of education. For example, many KUDs are found in remote areas. Many KUDs have gone bankrupt due to unprofessional management, both in terms of the business management system, in terms of human and financial resources. there are many cases of cooperatives that are only a place for administrators who are corrupt because of aid funds from the government which are disbursed a lot.

d. Effect of industrialization of financial services on cooperatives

Financial Technology (Fintech) is the result of innovation in the field of financial services which is trending and growing rapidly today, including in Indonesia. In addition, Fintech has a broad influence on the public in accessing financial products on the grounds that financial transactions are more practical, effective and efficient. Fintech emerges in line with changes in people's lifestyles which are dominated by users of information technology and fast-paced life demands. With Fintech, problems in buying and selling transactions and payments, such as not having time to look for goods at shopping places, going to banks/ATMs to transfer funds, reluctance to visit a place due to unpleasant service and reasons for traffic jumping can be minimized. In other words, Fintech helps buying and selling transactions and payment systems to be more efficient and effective. This development is a serious challenge for cooperatives and there must be efforts to change it.

2. Cooperative Capital in the Legal System of Value-Based Microfinance Institutions for Dignified Justice.

The theory of dignified justice is a science, in this case the science of law. As a science of law, the scope of the theory of dignified justice can be seen from the composition or layers in the science of law which includes philosophy of law in the first place, the second layer is legal theory, the third layer is legal dogmatics (jurisprudence), while the fourth arrangement or layer is law and legal practice.

The theory of dignified justice originates from the tug of war between lex eterna (upper current) and volksgeist (lower current), in understanding law as an attempt to approach God's mind according to a legal system based on Pancasila. The theory of dignified justice uses a legal approach as legal philosophy, legal theory, legal dogmatics as well as law and legal practice, with a systematic dialectic. The purpose of dignified justice is to explain what law is. The purpose of law in the theory of dignified justice emphasizes

Justice, which is interpreted as the achievement of laws that humanize humans. Justice in the sense of building awareness that humans are glorious creations of God Almighty, is not the same as the Western view, for example that developed by Thomas Hobbes, that humans are animals, political animals, wolves, who are ready to prey on fellow wolves in life, including political, economic, social, cultural and so on.

Dignified justice is a legal theory or what is known in the English language literature with the concept of legal theory, jurisprudence or philosophy of law and knowledge of the substantive laws of a legal system. The theory of dignified justice also reveals all legal principles and principles that apply in the legal system, in this case the legal system in question is the Indonesian positive legal system; or legal system based.

Pancasila. The Pancasila legal system is a dignified system because it is based on the spirit of the nation (volksgeist). Pancasila as a positive ethic which is the source of all sources of law, the soul of the nation (volksgeist) contains the completeness needed for the administration of the state. As a positive ethic, Pancasila contains ethics, the highest and upheld values (values and virtues), including political ethics, as a moral foundation, which is basically expected not only to enlighten, but to provide a path for the journey of the life of a nation and a state.

The Dignified Justice Theory as a legal theory or legal theory, is a system of legal philosophy that leads to all the principles and principles or substantive legal disciplines. Included in the substantive legal disciplines are value networks that are intertwined, and bind one another. The network of interrelated values can be found in various rules, principles or networks of inherent rules and principles within which values and virtues are interrelated and bind one another.

Theory of Justice with Dignity, is called dignified because the theory in question is a form of adequate (scientific) understanding and explanation regarding the coherence of legal concepts in the applicable legal principles and principles as well as doctrines which are actually the face, structure or arrangement of the essence and spirit of society and the nation within the legal system based on Pancasila, which is explained by the theory of dignified justice itself.

Dignified justice as a grand theory of law views Pancasila as the highest basic postulate, namely as the source of all sources of juridical inspiration to make the ethics of cooperative management and development the most concrete manifestation of economic democracy that can create a dignified and prosperous society. That way the law is able to humanize humans; that the law (including the rules and principles governing the ethics of cooperative management, along with their enforcement) as a whole system treats and upholds human values according to the essence and purpose of life. It was stated, that: This is because humans are noble creatures as creations

God Almighty as stated in the 2nd precept of Pancasila, namely a just and civilized humanity. The precepts contain the value of acknowledging human dignity with all its rights and obligations and that humans also get fair treatment from other humans, and get the same thing for themselves, the environment and God.[10]

The theory of Dignified Justice, or Dignified Justice (dignified justice) contains a theoretical view with a postulate that all activities in a country must be based on applicable laws and regulations. Pancasila, in the perspective of dignified justice, is the highest law, the source of all sources of law. It is said that the laws and regulations are the highest because in the perspective of dignified justice, Pancasila is the First Agreement or the nation's agreement. Those who study law understand this in the expression pacta sut servanda (the agreement is binding law as befits law for those who make it).

As a law, the law can be forced, for those who do not want to obey and implement it. As the source of all sources of law, in the perspective of dignified justice, all laws and regulations in Indonesia are derivations ("soul mate") of Pancasila. In other words, all laws and regulations related to cooperatives are a reflection of the values born of Pancasila, because they share the spirit of Pancasila, do not conflict with Pancasila, do not oppose Pancasila.

This theory of dignified justice is a grand theory (main theory) which the author will use as a basis for analyzing research results for the preparation of legal materials and facts to answer problems in the context of legal reconstruction of the study of potential capital in cooperatives in the legal system of microfinance institutions that based on Pancasila economic democratic values.

This theory will also be used to explain the argument that the Indonesian nation's economic development must be characterized and characterized by social justice and social welfare as mandated by the 1945 Constitution[11] in Article 33, so that the policies developed are not influenced by capitalist and liberalist economic missions and others. However, people's economic development is able to create just and civilized social welfare.

Progressive legal theory holds that law is just a means, and even grows along with the development of society. The law cannot force the realization of social order, but the law must adapt to human interests, because according to him the law is made for humans, not the other way around. Progressive law enforcement is implementing the law not just in black and white words from the regulations (according to the letter), but according to the spirit and deeper meaning of the law or law. The application of law is not only based on intellectual intelligence, but with spiritual intelligence. In other words, the implementation of the law is carried out with full determination, empathy, dedication, commitment to the suffering of the nation and accompanied by the courage to find a different way than what is usually done.[12]

Furthermore, Satjipto Rahardjo understands progressive law by not only understanding law as an institution that is absolutely final, but highly determined by its ability to serve humans. So that in the context of such thinking, the law is always in a process to continue to be. Law is an institution that continuously builds and transforms itself towards the level of perfection for the better. The quality of perfection here can be verified into the factors of justice, welfare, concern for the people and so on. Therefore this is the nature of "law as a process, law in the making."[13] Satjipto Rahardjo quoted Taverne's words, namely "give me good prosecutors and judges, so even with bad regulations I can make good decisions". Prioritizing human behavior (behavior) over laws and regulations as a starting point for a paradigm in law enforcement, will then lead us to understand law as a process and a humanitarian project.

Constitutionally, Indonesia's economic development system is based on the principles of balance, certainty and justice, which are then managed and regulated by the state. With such an understanding that this nation has the common goal of obtaining economic sovereignty rights in the life of the nation and state. Starting from that, economic sovereign rights can be explicitly seen in Article 33 paragraphs 1, 2 and 3 of the 1945 Constitution of the Republic of Indonesia which as a whole and as a whole can be used as an orientation for the Indonesian economic system. It can be understood that this constitutional mandate is not only intended as a legal basis for the Indonesian economic system, but at the same time as a basis for the implementation of democracy in Indonesia's economic development.

When looking at the basic concept of Article 33 paragraphs 1, 2 and 3 of the 1945 Constitution in a progressive legal framework, in fact it is still in the sociological perspective that law is intended to serve the interests of society. As stated in the constitutional mandate, "that land, water and natural resources along with the branches of production which affect the livelihoods of many people are controlled by the state and used as much as possible for the prosperity of the people. In essence, this notion is a process of giving shape to a number of desires for the economic sovereignty rights of the Indonesian nation. Thus what is put forward is to create a legislative structure that has an orientation towards economic development policies with a rational structure and departs from a portrait of the social structure of society. Such a paradigm is of course in dealing with problems, without leaving the problem at the grassroots subject.

Regardless of the clarity of the form and objectives of the Indonesian economic development system, one thing needs to be emphasized here. With the stipulation of Article 33 paragraphs 1,2 and 3 of the 1945 Constitution as the basic concept of the goals of Indonesia's economic development, this does not necessarily mean a rejection of the absence of foreign investors by carrying out economic activities through companies that are not in the form of State-Owned Enterprises (BUMN). However, the problem is that the presence of foreign companies exploring and exploiting the natural resources they own, actually makes Article 33 of the 1945 Constitution no longer have the legitimacy of people's economic sovereignty. Because between realizing the ideals of democratization of people-based economic development based on the mandate of the constitution, there will always be tension with the reality that so far foreign companies have only exploited our natural wealth, without contributing in a balanced way to what this nation is entitled to. Of course this nation does not always close its eyes, how can the portrait of what is happening in

[10] Anis Mashdurohatun, Andri Winjaya Laksana, HM Ali Mansyur, Valuation Method of Intellectual Property Rights for Copyright Products of Small and Medium Enterprises as Objects of Credit Guarantees Benefit-Based in the Digital Era, 1st UMSurabaya Multidisciplinary International Conference 2021 (MICon 2021), Atlantis Press 2023.pp.72-83.
[11]Anis Mashdurohatun, Erman Suparman, I Gusti Ayu Ketut Rachmi Handayani, Authority of the Constitutional Court in the Dispute Resolution of Regional Head Elections, Lex Publica, Volume.6. Issue. 1.2019.pp.52-60.
[12] Satjipto Rahardjo, Law Enforcement A Sociological Review, Genta Publishing : Yogyakarta, 2009, p.13.
[13] Faisal, Breaking Through Legal Positivism, Rangkang Educatio, Yogyakarta, 2010, p.72.

Papua, the abundance of natural wealth, and Freport as a foreign company from the United States which exploits natural resources in Papua, only a small percentage of the results from mining can be enjoyed by the people of Papua . It is proven that the phenomenon of malnutrition is a threat to the people of Papua, and this problem is an indicator of the failure of the current system of economic development.

Progressive legal science pays attention to social inequalities that occur with consideration of economic development, carried out through a neo-liberal economic system. The economy is actually a chain that is closely related to one another. The presence of globalization as a process of liberal economic capitalization, is rooted in nothing but the behavior of individual humans who indulge in worldly greed, and do not hesitate to sacrifice the interests of society as a whole.

So the paradigm of progressive law always digests the changes that occur in the dynamics of society. With such qualities, the progressive law will always be restless in seeking and liberating. The search continues, because the nature of knowledge is to seek the truth. At least the progressive legal paradigm provides a way in the form of an alternative in the midst of the degradation of the orientation of Indonesia's current economic development system. The question is, what actions need to be taken fundamentally and at the same time lay the foundations for implementing Indonesia's economic development in a more just, participatory and sustainable manner? This article intends to answer this question. For this reason, the role of the state in the politics of Indonesia's economic development, especially in the development of cooperatives, as mandated by Article 33 paragraphs 1, 2 and 3 of the 1945 Constitution, is emphasized in terms of making laws and regulations to regulate the course of people-based economic development. The goal is to ensure that the prosperity of society is always prioritized over the prosperity of an individual and so that the reins of production do not fall into the hands of an individual which makes it possible to carry out the oppression of the people at large by a few people in power.

The agenda for developing cooperatives in Indonesia, which is assumed to be a progressive economic development agenda, is based on continuous efforts to create democratization of capital with full balance, justice and certainty for the greatest possible prosperity for the welfare of the people.

In addition to institutional strengthening of cooperatives, there are a number of reinforcements related to the development of cooperative capital potential that need to be reconstructed with the aim of maximizing the existence of cooperatives and the independence of cooperatives as the pillars of the nation.

Formulation of Reconstruction of Articles in the Cooperative Law
related to Cooperative Capital Potential

No	The article currently in force is the	Article resulting from the Reconstruction
1	Article 1 paragraph (1): Cooperatives are business entities consisting of individuals or cooperative legal entities with the basis of their activities based on cooperative principles as well as economic movements. people based on the principle of kinship.	article 1 Cooperatives are legal entities made up of associations of people who unite voluntarily and are autonomous in nature to meet their economic, social and cultural needs and aspirations through joint ventures that are organized based on mutual help and the principle of kinship.
2	Bab VII. Modal Koperasi	Cooperative Capital
3	Article 41 paragraph (1): Cooperative Capital consists of from own capital and loan capital	Cooperative Capital consists of 1. own capital, 2. loan capital and 3. equity capital
4	paragraph (2): Own capital can come from: a. principal savings; b. mandatory savings; c. reserved fund; d. grant.	Own capital comes from: a. Membership fees b. Member Contribution Capital: 1. Required stock savings 2. Special savings c. Grant d. Reserve e. Additional Capital or Cooperation Partner Capital f. Conversion capital
5	Paragraph (2): Loan capital can come from: a. Member; b. Other cooperatives and/or their members; c. Banks and other financial institutions; d. Issuance of bonds and other debentures; e. Another legitimate source.	Loan capital can come from: a. Member; b. Loans from other parties such as trade payables, loans or credit, bank financing a. Banks and other financial institutions; b. Issuance of bonds, Medium Term Notes (MTN) and other debentures; c. Another legitimate source.
6	CHAPTER IX RESULTS OF BUSINESS RESULTS	CHAPTER IX COOPERATIVE BUSINESS RESULTS
7	Article 45 (1) (1) The remaining results of Cooperative Operations are Cooperative income earned in one financial year reduced by costs, depreciation and other liabilities including taxes in the relevant financial year.	The results of Cooperative Operations are Cooperative income earned in one financial year.

8	Implementation of the form of Cooperative Activities carried out by; Activities of Conventional Forms and Activities with the implementation of sharia principles
9	The form of Cooperative with Sharia Principles is Baitul maal wat-Tamwil (BMT)

The resulting concept is the theory of cooperative development as the embodiment of the state's goal of "advancing the general welfare". This effort is carried out through cooperatives as a form of joint effort based on the principle of kinship. So as to emphasize the formation of cooperatives as people's economic institutions that effectively become a means of equalizing people's welfare and narrowing the gap in income distribution and ownership of wealth in various social groups in Indonesian society. The scope of the reconstruction of legal renewal regarding cooperatives is in the form of arrangements that reinforce the identity of cooperatives, principles and objectives, membership, organizational instruments, capital, supervision, the role of the cooperative movement and the government, the imposition of sanctions that can contribute to achieving the goal of developing cooperatives that are just and dignified justice.

B. Conclusion

Cooperative capital in the legal system of microfinance institutions is not yet based on the value of dignified justice due to the development of cooperatives in Indonesia which is inseparable from the factors that influence regulation of cooperative capital such as legal aspects of cooperatives, cooperative capital arrangements that have not materialized dignified justice and the paradigm of society in understanding and carry out cooperative activities. As for future challenges, it is a concern that must be studied in order to save future cooperatives. Therefore, it is important to update cooperative regulations immediately. There are still weaknesses in cooperative capital in the Legal System of Microfinance Institutions in Indonesia, which result in underdevelopment of cooperatives due to weaknesses, especially in the legal aspects of cooperative arrangements in Indonesia caused by a). cooperative policy in Indonesia is less progressive in responding to current developments in economic activity, b) cooperatives are still limited to business entities and there has been no confirmation as legal entities so that the result has not been the realization of legal certainty. c) the community that manages cooperatives is not maximized such as human resources, management, and the community still considers cooperatives to be only a side, d) intense competition in the industrialization of financial services is a challenge for cooperatives to improve. For this reason, from these weaknesses, the national legislation program must prioritize the creation of a new cooperative law so that it is not regulated in the form of ministerial regulations and so on. Some of the articles being reconstructed are related to Cooperative regulations in the Legal system of Microfinance Institutions (LKM). One of them is the understanding of cooperatives in Article 1, the aim is in the framework of legal certainty and legal protection for cooperative members. Because the Law on MFIs and the Law on Banking has emphasized the form of a legal entity, so if cooperatives are still in the form of corporations in the form of business entities, this is an opportunity that can be misused by irresponsible parties.

BIBLIOGRAPHY

Andjar Pachta W, Myra Rosana Bachtiar, Nadia Maulisa Banemay, Indonesian Cooperative Law, Kencana, Jakarta, 2005.

Anis Mashdurohatun, Andri Winjaya Laksana, HM Ali Mansyur, Valuation Method of Intellectual Property Rights for Copyright Products of Small and Medium Enterprises as Objects of Credit Guarantees Benefit-Based in the Digital Era, 1st UMSurabaya Multidisciplinary International Conference 2021 (MICon 2021), Atlantis Press 2023.

Anis Mashdurohatun, Erman Suparman, I Gusti Ayu Ketut Rachmi Handayani, Authority of the Constitutional Court in the Dispute Resolution of Regional Head Elections, Lex Publica, Volume.6. Issue.1.2019.

Bambang S and Eman Suparman Anis Mashdurohatun, Legal Protection for Creditors in Providing Business Credit with Object of Inventory Warranties Based on Justice Values, J.Eng. Applied Sci, Volume 14. Issue. 12. 2019.

Carto Nuryanto, Gunarto, Anis Mashdurohatun, Reconstruction Of Criminal Sanction And Rehabilitation Combating On Narcotic's Victims Based On Religious Justice, Legal Reconstruction in Indonesia Based on Human Right, The 5th International Conference and Call for Paper Faculty of Law 2019, Sultan Agung Islamic University. UNISSULA Press, 2019.

Desi Wulan Anggraini, Anis Mashdurohatun, Juridical Deed Review Of The Cooperation Agreement To Build Handover (Build Operate And Transfer) Bot Between Government And Private Sector, Jurnal Akta.Volume 6 Issue 3, September 2019.

Faisal Sadad, Anis Mashdurohatun, & Gunarto, The Ideal Regulatory Construction Of Jointly Owned Waqf Land Based On Justice Values, Journal of Islamic, Social, Economics and Development (JISED), Volume: 4 Issues: 17 [March, 2019].

Jimly Asshiddiqie, Economic Constitution. PT. Kompas Media Nusantara : Jakarta. 2016.

Muhammad Fahrudin, Denny Kusuma, Anis Mashdurohatun, Islamic Banking Judicial Review in Accordance with Sharia Principles, Jurnal Akta, Volume 6 Issue 1, March 2019.

Peter Mahmud Marzuki, Legal Research, Prenada Media Group, Jakarta, 2007.

Satjipto Rahardjo, Law Enforcement A Sociological Reviews, Genta Publishing : Yogyakarta, 2009, Faisal, Breaking Through Legal Positivism, Rangkang Educationfasial, Yogyakarta, 2010.

Soerjono Soekanto dan Sri Mamudji, Normative Legal Research: An. Short Overview, Singkat Rajawali Press.Jakarta.2015.

Supri Yono et al, Reconstruction of Separate-Creditor Positions in the Process Declaring Bancruptcy in Indonesia Based on Justice Value, Scholars International Journal of Law, Crime and Justice, Nov, 2020; 3(11).

Tatang M. Amirin,Principles of Systems Theory, Rajawali Press, Jakarta, 1996.

Teguh Prasetyo. Pancasila Legal System (System, Legal System and the formation of Legislation in Indonesia) Perspective of the Theory of Dignified Justice. Cetakan 1, Bandung ; Nusa Media. 2016.

Mairul
Sultan Agung Islamic University, Semarang, Indonesia

Anis Mashdurohatun
Sultan Agung Islamic University, Semarang, Indonesia
Email: anism@unissula.ac.id

Amin Purnawan
Sultan Agung Islamic University, Semarang, Indonesia

Teguh Prasetyo
UPH, Jakarta, Indonesia