



# The role of military cooperatives in supporting Indonesia's defense economy through improving soldiers' welfare

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## ABSTRACT

Military cooperatives have a strategic role in supporting a country's defense economy by improving the welfare of soldiers. The welfare of soldiers as one of the components in the *Minimum Essential Force* (MEF) is important in addition to other components such as Main Equipment of Weaponry Systems; Base Facilities and Training Areas; Defense Industry; and Organization and Budget. This paper analyzes how military cooperatives can be an effective economic instrument in creating welfare for military members. This research uses a qualitative-descriptive approach through Biddle and Thomas' (1966) role theory approach that focuses on role conflict and role ambiguity. The research was conducted by collecting secondary data from relevant literature, including journals, books, and official documents. The results of the analysis show that military cooperatives can improve the welfare of soldiers through increased income, education and ownership of assets such as residential houses, reduce dependence on third parties, and encourage efficiency in the management of military logistics needs. This has implications for strengthening the economy and national stability, which can be achieved through improving the welfare of soldiers, providing a multiplier effect for the community's economy, and reducing the burden on the state budget to maintain a stronger national defense. The role of military cooperatives must continue to be developed as an alternative solution to the problem of limited state budget towards the fulfillment of MEF in the framework of a strong national defense. This paper concludes that strengthening military cooperatives can contribute to the stability of the national defense economy.

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## 1. INTRODUCTION

The limited allocation of a country's defense budget, especially in meeting the minimum adequate defense budget allocation (Minimum Essential Force (MEF)), requires exploration of efforts to find solutions to these problems. These efforts are discussed in depth and comprehensively in Defense Economics, which is a crucial aspect in maintaining national stability (Saputro et al., 2021). Defense Economics is a branch of science that applies economics to national defense issues (Yusgiantoro, 2014).

The definition of defense economics has evolved over time and reflects the conditions of world geopolitical development, such as during the cold war, defense economics is the study of the economics of national defense, armistice, conversion (from the era of war to the era of peace) and how to create a more peaceful world (Hartley, 2007). It is interesting that economics is associated with national defense and all its dynamics, especially the dynamics of threat types and world geopolitical conditions (A. T. H. et. al; Tan, 2010). On the other hand, national defense as one of the types of public goods can only be financed by the Government of a country (Yusgiantoro, 2014), so that defense economics touches the aspects of the state budget and expenditure.

One important element that supports the defense economy is the welfare of soldiers, who act as the main component of military power. Improving the welfare of soldiers is needed, of course, apart from training and developing soldier competence, because soldiers are basically ordinary people like society in general who have basic needs. In economic theory, it is said that humans always try to meet their unlimited needs with limited resources to fulfill these needs. Welfare itself, is also actually has 2 (two) dimensions when viewed more deeply, namely the material and spiritual dimensions. The material dimension is included in the previous economic understanding (equal distribution of income and economic growth), and also has a more detailed understanding that leads to the measurement of ownership of income, health, education and housing. While the spiritual dimension is the happiness felt (Rinaldi, 2019). So this is the meeting point of the discussion regarding the fulfillment of soldiers' welfare in defense economics.

The fulfillment of soldiers' welfare has been stipulated in Law Number 34 of 2004 concerning the Indonesian National Army (TNI). The regulation explains that the welfare of soldiers has been covered in the defense budget allocation in the State Budget (APBN). However, if it is connected to the problem of the limited defense budget, then the exploration of something that can produce a contribution to overcome these problems is a logical thing. It is also interesting to look at one of the regulations that are technical instructions (juknis) from the regulations above (Law Number 34 of 2004 Concerning the Indonesian National Army, 2004), especially regarding TNI businesses, namely Presidential Regulation (Perpres) Number 43 of 2009 concerning the Acquisition of TNI Business Activities. The regulation explains that military cooperatives are not included in the absolute takeover by the Government, but only need to be fostered and/or merged, which means that military cooperatives as business entities or legal entities can continue to run in accordance with the provisions (Presidential Regulation No. 43/2009 on the Acquisition of TNI Business Activities, 2009).

Therefore, military cooperatives are present as economic entities designed to improve the welfare of military members. Cooperatives are actually not new to the Indonesian military because in some literature it is explained that cooperatives are a form of business that has been carried out by the Indonesian military since the 1950s (Angela, 2010). For example, there is a cooperative unit that has been established since 1963 in the Yonif 400 Raider Infantry Battalion unit at the IV / Diponegoro Military Region Command under the name Primer Koperasi Angkatan Darat (Primkopad) S-02 Jatayu, which currently after the era of Law Number 34 of 2004 concerning TNI changed its name to Primer Koperasi Kartika S-02 Jatayu (Wardani et al., 2012). During the regime of prohibiting the TNI from doing business through the mandate of Law Number 34 of 2004, then the cooperative became the key to be able to bridge the transition (from the 1950s to the emergence of the 1998 monetary crisis where at that time there were demands for reform on the TNI, one of which wanted the TNI to become a professional army and focus on national defense affairs only, not interfering in matters outside of national defense (politics and economy/business)) (Angela, 2010). On the other hand, cooperatives are considered to be an alternative option that continues to be explored in an effort to overcome the problem of fulfilling the Minimum Essential Force (MEF) with the limitations of the existing defense budget (Mandaladikari, 2020).

This research aims to explore the role of military cooperatives in supporting the defense economy, particularly through improving the welfare of soldiers. The research discussion is expected to provide an overview of the role of military cooperatives towards improving the welfare of soldiers in relation to supporting the development of the defense economy. Several previous studies have

indeed confirmed that cooperatives can improve the welfare of their members through increased income, education and housing conditions (Laudengi, 2024). However, this study intends to explore one of the cooperative units that specifically consists of TNI soldiers, and then focus on its relationship with the defense economy. Apart from that, this research also takes inspiration from what has been stated by the 8th President of the Republic of Indonesia that cooperatives must be used as a tool to strengthen the weak, become a tool for equitable development and a motor for Indonesia's economic progress (Subianto, 2023).

## 2. RESEARCH METHOD

This research uses a qualitative method with analysis and deepening on literature studies. Data sources were obtained from various sources including academic journals, books, annual reports of military cooperatives, and official government documents. In this study, data were analyzed using a qualitative-descriptive approach to identify the relationship between military cooperatives and the defense economy. This research uses a qualitative-descriptive approach through Biddle and Thomas' (1966) role theory approach that focuses on role conflict and role ambiguity. The use of descriptive design in this study refers to the description of the situation and relevance to the theory used (Purwohedi, 2022), especially in this case, namely the role of military cooperatives in supporting the defense economy through improving the welfare of soldiers.

Role theory is a science that studies human behavior that is characteristic in a context and with a process that varies and is more about the results, explanations and/or something that is affected by the behavior itself (Biddle & Subsidiary, 1956). Biddle and Thomas (1966) provide several indicators of behavior in relation to roles, namely: 1) *Expectation*; 2) *Norm*; 3) *Performance* (form of behavior); and 4) *Evaluation and Sanction* (Octafia, 2017). Furthermore, Biddle and Thomas (1966) emphasize several focuses of discussion, including role conflict and role ambiguity. Role conflict occurs when individuals face conflicting pressures from the various roles they hold, Kreitner and Kinicki (2014) explain that role conflict occurs when expectations are conflicting or inconsistent. While role ambiguity is unclear about role expectations, which can cause confusion and stress for individuals who hold the role, Kreitner and Kinicki (2014) also explained that role ambiguity is an unknown expectation (Triyono & Prayitno, 2017).

## 3. RESULTS AND DISCUSSIONS

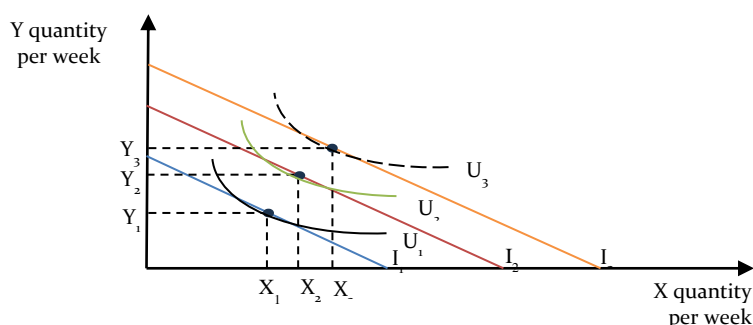
Military cooperatives in Indonesia have been operating for a long time. It is recorded that the Army Cooperative began operating in the early 1950s, and one of the first Primary Cooperatives at that time was the Intendans Saving and Loan Cooperative (abbreviated as KOPSINT) which was established on April 1, 1954 (Balkis, 2021). With the length of time military cooperatives have been operating, it should be in accordance with Law Number 25 of 1992 which explains that the purpose of cooperatives is to promote the welfare of members in particular and society in general, military cooperatives in Indonesia have been able to further the welfare of their members who are soldiers (Law Number 25 of 1992 Concerning Cooperatives, 1992).

Several studies have proven that the existence of military cooperatives, which has been around 70 (seventy) years, has succeeded in improving the welfare of its members, who are TNI soldiers. Increased welfare is generated through increased income, improved quality of education and ownership of property or assets such as houses. However, whether this has also supported the defense economy will be discussed further in this study.

There are results in previous studies that explain the benefits of military cooperatives, namely helping to improve the welfare of cooperative member soldiers and helping national defense from the economic sector which is part of non-military national defense (Mandaladikari, 2020). In an effort to optimize the achievement of the MEF target that has been proclaimed, although it has not been able to reach 100%, it must be recognized that the role of military cooperatives in this case is important, especially from the Defense Human Resources component. From the role of this component, it is not even impossible that the role can be increased to other components such as:

Main Equipment of Weaponry System (Alutsista); Base Facilities and Training Areas; Defense Industry; and Organization and Budget (Regulation of the Minister of Defense Number 19 of 2012 on Policy Alignment of the Minimum Essential Force Main Components, 2012).

Military cooperatives play a role in increasing soldiers' purchasing power by providing basic necessities at lower prices compared to the general market. In addition, cooperatives also provide financial services such as low-interest loans that assist soldiers in meeting urgent needs. An illustration of individual consumption behavior derived from consumption theory is depicted through the consumption and income balance curve as follows (Nicholson, 2000):



If income increases from  $I_1$  to  $I_2$  and then to  $I_3$ , the optimal choices (maximum utility ( $U$ )) at  $X$  and  $Y$  are indicated by the higher points of intersection (shifting to the right). The budget constraint will shift in parallel because its slope (which is

Figure 1. Consumption and income equilibrium curve

The equilibrium curve illustrates that if a person experiences an increase in income (which is shown by the line ( $I_1$ )) then income increases to ( $I_2$ ) and increases again so that it shifts to the right ( $I_3$ )) then there will be more goods that can be consumed so that if the equilibrium points that occur due to an increase in income are connected to each other it will produce a curve from the lower left to the upper right which indicates an increasing economy of *scale*.

### Military Cooperative Roles: Role Conflict and Role Ambiguity

Military cooperatives can play a role in optimizing the fulfillment of other components such as helping to finance the maintenance of Alutsita, especially of lighter weapons. Another example is that military cooperatives can also initiate the optimization of base facilities and training areas through income obtained from cooperative businesses (International Cooperative Alliance (ICA), 2019). Military cooperatives also contribute to logistical efficiency by managing the distribution of soldier necessities in an organized manner (Garba, 2020). This reduces dependence on third parties and ensures that soldiers' needs are met on time. It is also possible that military cooperatives that already have high assets and *cashflow* can help finance military research and development (*R&D*), thereby helping to ease the burden on the state budget for defense. Mechanisms that may be pursued include *Public-Private Partnership*, or in Indonesia known as *Kerjasama Pemerintah dengan Badan Usaha* (KPBU). This is possible due to the nature of defense which cannot be financed entirely (100%) by the private sector, especially the private sector which has no military elements at all (Dwiguna et al., 2022).

### Role Conflict

Conflicts over the role of military business occurred after the issuance of Law No. 34/2004 on the TNI. The regulation stipulates that professional soldiers are soldiers who are trained, focused, not in politics and not in business. However, in subsequent arrangements that have been regulated in the regulation and clarified by a more technical regulation, namely Presidential Regulation Number 43 of 2009 concerning the Takeover of TNI Business Activities, that cooperatives are a form of legal entity that is allowed to continue operating to support the duties and functions of the TNI in strengthening national defense.

In previous research, it was also found that conflicts of *interest* occurred between actors from within the TNI (including the TNI Commander, Kasad, Chairman of Inkopad, and Chairman of Puskopad) and actors from outside the TNI (including the Government, DPR, Ministry of Defense (now Ministry of Defense), Academics and NGOs) regarding the regulation of the professionalism of the TNI's duties and functions, which are not in business and not in politics (Angela, 2010). On the other hand, the government is also "overwhelmed" in allocating resources to meet the defense budget for better welfare of soldiers, especially since the MEF has not yet been 100% achieved. Military cooperatives are considered to be a middle way to be a solution to these problems.

### Role Ambiguity

As a result of the conflict of roles that occurred opened up opportunities for uncertainty about the role of cooperatives, especially when the issue of controlling shares in Limited Liability Companies (PT) by military cooperatives was considered to violate the perception of arrangements in Law Number 34 of 2004 and Presidential Regulation Number 43 of 2009 (Angela, 2010), giving rise to the unclear position of military cooperatives. In this position, there was ambiguity in the role of cooperatives and foundations managed by the military at that time. However, along with the increasingly stable conditions and regulations regarding the TNI, which then further clarified the role and position of military cooperatives which are still allowed to continue in accordance with statutory regulations (Ministry of Defense RI, 2021).

Currently, the ambiguity of the role of military cooperatives has been resolved by the establishment of the TNI Business Activity Control Team in accordance with the mandate of Presidential Regulation Number 43 of 2009 and Minister of Defense Regulation Number 22 of 2009 concerning the Implementation of the Acquisition of TNI Business Activities, and completing its duties, where one of its tasks is to provide guidance to all military cooperative units and if necessary, merge (Regulation of the Minister of Defense Number 22 of 2009 on the Implementation of the Acquisition of TNI Business Activities, 2009).

## 4. CONCLUSION

Military cooperatives have an important role in supporting the defense economy through improving the welfare of soldiers. By optimizing the function of military cooperatives, the state can improve the efficiency of defense resource allocation and ensure national economic stability. Military cooperatives as an effort to find solutions to the problem of limited defense budgets in order to meet the Minimum Essential Force (MEF) is an alternative option that deserves to be explored continuously so that its role is increasingly real and significant. This study recommends strengthening the regulation and supervision of military cooperatives to ensure their sustainability and effectiveness. Military cooperatives with high economies of scale and large, strong and stable capital can help support the defense economy through improving the welfare of soldiers, providing a multiplier effect for the community economy and is expected to reduce the burden on the state budget to organize a stronger national defense. By improving the welfare of soldiers, military cooperatives indirectly support the defense economy. Prosperous soldiers are more productive and focused on defense tasks, which in turn improves economic stability and national security.

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