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**Cooperative Management Innovation as a Strategy to Encourage
the Competitiveness of MSMEs: Analyzing Challenges and
Opportunities in the Digital Era
(Case Study of KSP Nasari Medan)**

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ABSTRACT

This study aims to analyze cooperative management innovations as a strategy to increase the competitiveness of MSMEs in facing the digital era, with a case study at KSP Nasari Medan. The method used in this study is a descriptive case study, which describes and analyzes the implementation of management innovations at KSP Nasari as well as the challenges and opportunities faced by its member MSMEs in transforming to the digital world. Data collection was carried out through in-depth interviews with cooperative administrators and members, as well as observation of programs implemented by cooperatives. The results of the study show that KSP Nasari has identified various challenges faced by its member MSMEs, such as limited digital knowledge, inadequate infrastructure, and difficulties in accessing the digital market. To address this, cooperatives are implementing various management innovations, including digital skills training and increased access to technology. KSP Nasari also leverages collaboration with the government, the private sector, and educational institutions to support the development of MSMEs. However, obstacles in digital transformation still exist, especially related to infrastructure limitations and costs. The conclusion of this study is that cooperative management innovations, such as digital training and external collaboration, play an important role in strengthening the competitiveness of MSMEs. A more integrated and sustainable follow-up strategy is needed to support the development of MSMEs in the digital era. The suggestion of this research is to strengthen digital training programs, improve infrastructure, and expand cooperation with various related parties.

Cooperative Management Innovation, MSME Competitiveness, Challenges and Opportunities, Digital Era.

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INTRODUCTION

Introduction Cooperatives, as a form of business entity that prioritizes the principles of justice, togetherness, and welfare of members, play an important

role in the Indonesian economy. In recent decades, cooperatives have developed into one of the pillars of the economy, both at the national and local levels. However, to continue to play an effective role in supporting the sustainability of Micro, Small, and Medium Enterprises (MSMEs), cooperatives need to adapt to the times, especially in the midst of rapid technological developments and digitalization (Hidayat, N. 2018).

The rapidly developing digital era brings challenges as well as new opportunities for cooperatives. The main challenge faced by cooperatives is how to integrate digital technology in their operations without losing the basic values of cooperatives. Meanwhile, the opportunities arising from digitalization provide cooperatives with the opportunity to improve operational efficiency, expand market reach, and increase the competitiveness of MSMEs that are part of their members. Therefore, innovation in cooperative management is a must to optimize this potential (Basri, 2018).

Cooperative management innovation as a strategy to encourage the competitiveness of micro, small, and medium enterprises (MSMEs) has an increasing urgency in the digital era, where information and communication technology is developing rapidly, creating new opportunities as well as challenges for business actors. MSMEs, as a sector that absorbs a large number of workers and contributes significantly to the national gross domestic product (GDP), need support in the form of funding, market access, and coaching to be able to survive and compete in an increasingly global market (Kalsum, 2024). Cooperatives, as a member-based financial institution established to improve the welfare of members and the community, have a strategic position to support MSMEs. The Nasari Savings and Loan Cooperative (KSP) in Medan is an example of a cooperative that tries to adopt management innovations to encourage the increase in the competitiveness of its MSMEs members in the digital era. Various changes have been made, ranging from modernizing the management system, implementing digital technology, to empowering members through financial education and digital literacy training. However, the process of innovation in cooperative management is inseparable from various challenges, such as limited resources, low digital literacy of members, and fierce competition with non-bank financial institutions, especially those based on financial technology (fintech) (Febryansyah, 2021).

In the midst of fierce competition and digital market dynamics, MSMEs often experience obstacles in terms of access to financing, marketing, and increasing the capacity of human resources (HR). These limitations make MSMEs vulnerable to rapid changes in the business environment and tend to find it difficult to survive in global competition. On the other hand, digital

technology presents new opportunities that allow MSMEs to expand their markets, improve their management systems, and improve operational efficiency. To face these challenges, cooperatives need to adopt an innovative management approach to bridge the needs of MSMEs and optimize the potential of digitalization (Purwanti, & Sudrartono, 2024).

Research on cooperative management innovation as a strategy to encourage the competitiveness of MSMEs, as implemented by several cooperatives, is in line with the findings of Yasin et al. who emphasized the importance of using digital technology to achieve business sustainability. Yasin et al. stated that through platforms such as SiPanka KopSyah, MSMEs can improve environmental performance, optimize resource use, and accelerate sustainable business growth. In this context, innovations carried out by cooperatives that are already digitally literate to strengthen the competitiveness of their MSMEs members in the digital era, including the development of digital skills and the adoption of new technologies, are important steps. Digital skills not only open up opportunities for MSMEs to utilize technology, but also provide tools and resources that support sustainable practices, so that MSMEs can improve business processes and adopt adaptive and targeted strategies (Yasin, et al, 2024).

In this context, this study aims to analyze cooperative management innovations as a strategy to encourage the competitiveness of MSMEs. This research will explore the challenges and opportunities faced by cooperatives in the digital era and provide recommendations to optimize cooperative management to support the growth and competitiveness of MSMEs in Indonesia.

RESEARCH METHOD

Research on cooperative management innovation as a strategy to encourage the competitiveness of MSMEs in the digital era, with a case study on KSP Nasari Medan, using a descriptive case study research method. This method was chosen to gain a deep understanding of the cooperative management strategy implemented by KSP Nasari Medan in facing challenges and taking advantage of digitalization opportunities for MSME empowerment. Qualitative descriptive research aims to describe in detail how KSP Nasari implements relevant management innovations, as well as how these innovations have an impact on the competitiveness of cooperative member MSMEs (Rusli, 2021). The qualitative approach provides flexibility in exploring complex phenomena related to the application of cooperative management innovations in the MSME environment. In this case, the researcher focuses on

the aspects of management and digitalization that have been implemented by KSP Nasari Medan, including strategies, challenges faced, and existing opportunities. This approach allows researchers to explore information from different perspectives, both from the management of cooperatives and MSME members who are targeted for empowerment.

RESULT AND DISCUSSION

The Needs and Challenges of MSMEs in the Digital Era

The Nasari Medan Savings and Loan Cooperative (KSP), which has been operating since 1998, is an institution that provides various financial services for MSME members. Before becoming a legal entity savings and loan cooperative, KSP Nasari was originally named the Nasari Multi-Business Cooperative (KSU), which was registered with Legal Entity Number 0021/BH/KWK.11-30/VIII/1998, with 25 members at that time. In 2002, KSP Nasari began operating in the Central Java region, after the amendment of the Cooperative Articles of Association was approved by the Central Java Provincial Cooperative and SME Service Office through Number 01/BH/PAD/KDK 11/II/2002. Over time, KSP Nasari has experienced significant development. This encourages the management to expand its operational area. With the issuance of a letter from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia Number 02/Dep.I/I/2003 on January 14, 2003, KSP Nasari began operating throughout Indonesia since that year.

On June 1, 2004, KSU Nasari officially changed to Nasari Savings and Loan Cooperative (KSP) with Number 55/PAD/MENEG. I/VI/2004. KSP Nasari then registered himself as a Taxpayer to the Directorate General of Taxes of the Ministry of Finance of the Republic of Indonesia, obtained a Taxpayer Identification Number (NPWP) 02.069.710.517.000, and Since 2006, each branch office has also been registered as a taxpayer. KSP Nasari also obtained a Savings and Loan Business License (SISP) with Number 165/SISP/Dep.I/2011 on December 12, 2012 and a Cooperative Company Registration Certificate (TDP) with Number 11.01.2.51.00380 on October 8, 2009.

Along with the development of technology, this cooperative focuses on empowering its members so that they can optimize their business potential in the digital era. One of the important steps taken by KSP Nasari is the identification of the needs and challenges faced by its member MSMEs in adopting digital technology. In identifying these needs and challenges, KSP Nasari has taken various approaches, one of which is by conducting surveys and direct interviews with cooperative members who are mostly engaged in the

MSME sector. This survey aims to collect information on the extent to which cooperative members have integrated technology in their business operations, as well as to identify the problems they face in adopting digital technology (KSPNasari.co.id, 2024).

Some of the results of the identification of needs and challenges faced by MSME members at KSP Nasari revealed that there are various obstacles in adopting digital technology. First, many cooperative members find it difficult to understand and utilize digital technology, especially in terms of product promotion and marketing through digital platforms such as *e-commerce* and social media. Most of them still rely on conventional marketing methods, which limits their ability to expand their market reach and compete with other MSMEs that are more digitally prepared. In addition, the limitation of technological infrastructure is a major problem, because many cooperative members do not have adequate devices, such as computers or smartphones that can support access to digital platforms, as well as a stable and fast internet connection, which is very important in running a business digitally (Vitaharsa, 2024). Although some MSMEs have products that have the potential to be marketed online, they find it difficult to access the digital market, due to a lack of knowledge on how to utilize platforms such as marketplaces or social media. In addition to technical and infrastructure challenges, many cooperative members also feel dependent on external assistance, such as government programs or other institutions, for the development of their businesses, but have not received sufficient training related to the adoption of technologies that can support business growth (Hakim, 2023). Recognizing these challenges, KSP Nasari formulated a strategy to overcome these problems, by providing digital skills training, facilitating access to technology, and providing a platform that can improve the digital knowledge of MSME members, with the aim of empowering them to be more independent and able to optimize the use of technology in developing their businesses.

Management Innovation to Increase the Competitiveness of MSMEs

KSP Nasari focuses on the application of managerial innovations involving technology to support the development of its member MSMEs. This innovation aims to increase the competitiveness of MSMEs in the digital era by optimizing the use of resources, improving service quality, and introducing member products to a wider market. The following are some of the management innovations implemented by KSP Nasari and their impact on the competitiveness of its member MSMEs (Sianturi, 2020):

1. Digitalization of Financial Services

One of the first steps taken by KSP Nasari to help its members in facing the digital era is to digitize the financial service system. The system allows members to make transactions online, access financial statements, and monitor their loans and savings digitally. With this system, members no longer need to physically come to the office to make transactions, which obviously improves time and cost efficiency. In addition, the system also reduces the possibility of administrative errors and improves data accuracy, which is essential for the financial transparency of cooperatives.

2. Digital Training and Member Empowerment

To answer the challenge of limited digital knowledge among its members, KSP Nasari has held various digital training programs. This training includes a basic understanding of the use of social media for marketing, e-commerce account management, and other digital marketing strategies. This training aims to provide members with the skills they need to grow their businesses online. With this increase in digital skills, members are expected to be better prepared to market their products to a wider and more competitive market.

3. E-Commerce Platforms and Marketplaces

KSP Nasari also provides access to an e-commerce platform that can be used by MSME members to sell their products. The cooperative provides assistance in the registration process, as well as ways to manage the online store. This move provides a huge advantage for members who previously struggled to introduce their products to a wider market, both locally and nationally. With the help of this platform, MSME members can sell their products to more and more diverse consumers, increasing their income.

4. Provision of Technology Infrastructure

KSP Nasari understands that to make the most of technology, member MSMEs need adequate infrastructure. Therefore, cooperatives provide assistance in the form of internet facilities and technological devices to support the business activities of their members. Adequate infrastructure allows MSMEs to access digital platforms, make online transactions, and participate in online training or seminars. This is part of the cooperative's efforts to reduce the digital divide among its members.

5. Product Innovation and Service Quality Improvement

In order to support member MSMEs, KSP Nasari also encourages product innovation and service quality improvement. Through various empowerment programs, cooperatives facilitate members to conduct research and product development to better suit the demands of the

digital market. In addition, the cooperative also encourages members to improve the quality of services provided to customers, such as through digital-based customer service management and online customer feedback management.

6. Optimization of SOPs and Managerial Policies

To ensure that these innovations can run sustainably, KSP Nasari also optimizes standard operating procedures (SOPs) and managerial policies. A more efficient and transparent SOP can help in managing cooperative members and resources more effectively. The managerial policies implemented by cooperatives also focus on increasing the capacity of members in facing business challenges in the digital era.

So, the management innovation implemented by KSP Nasari shows significant results in increasing the competitiveness of its member MSMEs. By providing access to digital technology and training, cooperatives have successfully helped their members to overcome the challenges that arise in the digital era. Digital training, e-commerce platforms, and the provision of adequate technological infrastructure all contribute greatly to improving the efficiency and competitiveness of member MSMEs. In addition, with the managerial policies and innovations implemented by cooperatives, their members now have greater opportunities to develop and compete in an increasingly digital market (Terttiaavini, ET AL, 2024). Through this innovation, KSP Nasari not only increases the competitiveness of its members but also plays a role in encouraging digital transformation among Indonesian MSMEs. This is a strategic step that can be exemplified by other cooperatives in supporting their members to adopt technology and improve the quality of their products and services in the digital era.

Barriers and Strategies in Digital Transformation

Digital transformation at KSP Nasari faces various significant obstacles. One of the biggest obstacles is the limitation of human resources who have adequate digital skills. Most of the members of KSP Nasari still rely on conventional methods in running their businesses, and they are not used to using technology for daily operational purposes. For example, many members have not been able to utilize digital platforms for marketing their products. They still prefer to use traditional methods such as face-to-face or relying on promotions through physical flyers and brochures. This limited understanding of digital marketing causes many MSMEs who are members of this cooperative to have difficulty in expanding their market and increasing their competitiveness, especially in markets that are increasingly geared towards digital (Yasin, et al, 2024).

In addition, limited infrastructure is also a major obstacle in the digitalization process. Many cooperative members do not have adequate hardware, such as a computer or smartphone of good quality, that can be used to access digital platforms or even to communicate with customers through digital applications. The limitations in fast and stable internet access also affect their ability to carry out operational activities digitally. In certain areas, unstable internet connections are the main obstacle in accessing e-commerce platforms or digital payment systems that are increasingly commonly used.

Another problem faced is the low level of digital literacy among cooperative members. KSP Nasari as an institution that focuses on empowering MSME members has identified that many members have difficulty understanding the basics of technology, such as the use of software for accounting or financial management, customer data management, and the use of social media for promotion. This exacerbates MSMEs' dependence on technology that is only basic and conventional, without touching the potential of more sophisticated technology that can increase business productivity and efficiency (Zulkifli, & Pakkanna, 2022).

To overcome these obstacles, KSP Nasari needs to implement a series of strategies that include increasing digital skills training for cooperative members. This training can include an introduction to digital tools, how to use social media for marketing, as well as training in financial management using digital applications that can improve efficiency and accuracy in record-keeping. In addition, cooperatives can work with internet service providers or technology companies to improve the digital infrastructure that supports cooperative members, such as providing access to more adequate devices and strengthening internet connections. KSP Nasari can also introduce a technology-based platform to facilitate transactions and communication between cooperatives and members and third parties, such as raw material providers or product distributors.

Potential Collaboration to Support Management Innovation

In addition to facing internal challenges in implementing digital transformation, KSP Nasari also has a great opportunity to strengthen its position by building collaboration with external parties. This collaboration is important to support cooperative management innovation and to strengthen the competitiveness of its member MSMEs. Some potential collaborations that can be considered include cooperation with the government, the private sector, and educational institutions. Cooperation with the government has a very important role in supporting the digital transformation of KSP Nasari. The Indonesian government through various ministries and institutions has issued

various policies that support the development of MSMEs and cooperatives, especially in the aspects of digitalization and technology-based economic empowerment. For example, through programs such as the National Movement of 100 Smart Cities and the Digital MSME Empowerment Program, the government provides training assistance, access to technology, and even financing to support MSMEs in transforming into a digital world. KSP Nasari can take advantage of these programs to gain access to digital training, as well as financial assistance to modernize their technology infrastructure. This collaboration can also expand the market reach of its member MSMEs through platforms provided by the government, such as marketplaces encouraged by the government to market MSME products (Febryansyah, 2021).

The private sector, especially technology companies and digital platforms, also has great potential to collaborate with KSP Nasari. Technology companies can provide the software and hardware needed to digitize the business of cooperative member MSMEs. In addition, they can also help in terms of training and mentoring to improve the digital literacy of cooperative members. E-commerce platforms such as Tokopedia, Bukalapak, or Shopee can also be partners in helping cooperative members to access a wider market. In this case, KSP Nasari can be an intermediary to facilitate its member MSMEs in registering and selling their products on these digital platforms, as well as providing training on how to manage online stores and digital marketing (Kalsum, 2024).

Educational institutions can also play an important role in supporting cooperative management innovation. Collaboration between cooperatives and universities or educational institutions can result in training and research programs that benefit cooperatives and their members. For example, students or lecturers majoring in economics, management, or information technology can collaborate with KSP Nasari to design a digital skills training program that is more relevant to the needs of MSMEs. In addition, through research and development, educational institutions can assist cooperatives in formulating more effective data- and technology-based business strategies, as well as developing product innovations that are in line with digital market trends.

This integrated collaboration between cooperatives, the government, the private sector, and educational institutions can create a mutually supportive ecosystem in order to increase competitiveness (Purwanti, & Sudrartono, 2024). MSMEs. With this collaboration, KSP Nasari can accelerate the digitalization process and increase the managerial capacity of cooperative members, which in turn will strengthen the competitiveness of MSMEs in an increasingly competitive market. Therefore, this collaboration not only provides short-term

advantages in terms of access to technology and training, but also builds a long-term foundation that can support the sustainability and sustainable growth of MSMEs.

CONCLUSION

Cooperative management innovations at KSP Nasari Medan have proven to be an effective strategy to increase the competitiveness of MSMEs members, especially in facing the challenges of the digital era. Despite facing obstacles such as limited digital knowledge, inadequate infrastructure, and difficulty accessing the digital market, KSP Nasari has successfully formulated strategic measures, including digital skills training and technological infrastructure improvement. Collaboration with governments, the private sector, and educational institutions also plays an important role in strengthening managerial capacity and driving wider adoption of the technology among cooperative members. KSP Nasari needs to continue to strengthen digital training programs and expand cooperation with the private sector to improve technology infrastructure. The government is also expected to be more active in providing support in the form of policies and access to digital platforms for MSMEs. In addition, collaboration with educational institutions can produce new innovations that are relevant for the development of cooperatives and MSMEs, such as research and development programs that utilize technology. Increasing digital literacy in a sustainable manner will be the main key for KSP Nasari in strengthening the competitiveness of its member MSMEs in the digital market.

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