

# LEGALITY AND IMPACT ON SAVINGS AND LOAN COOPERATIVES IN MANAGING SAVINGS FROM NON-MEMBERS

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## *Abstract*

*The writing of this research aims to explain the legality or validity when the Savings and Loan Cooperative raises funds from members outside the cooperative, describes the authority and supervision measures by the Financial Services Authority (OJK) and the Ministry of Small and Medium Enterprise Cooperatives (KUKM) for cooperatives that collect savings funds outside of cooperative members and to clarify the legal consequences if the Savings and Loan Cooperatives collect savings funds outside cooperative members. This article uses a normative juridical approach method. For secondary data sources, the study of original legal texts, secondary legal literature, and non-legal sources can conclude that: 1. There is a legal basis used in raising funds for non-cooperative members, which is based on Article 44 of the Cooperative Act No. 25 of 1992. 2. OJK and KUKM have authority over cooperatives that collect savings funds outside cooperative members. 3. There are legal consequences if the Savings and Loan Cooperative collects savings funds outside the cooperative members.*

**Keywords:** *Financial Services Authorities (OJK); Legality; Savings and Loan Cooperative (KSP)*

## **1. Introduction**

A cooperative is a business entity in the non-banking financial sector that operates voluntarily. The English words "co" (joint) and "operation" (work), signifying working together, are the origin of the word "cooperation.". In the context of economics, a cooperative is a voluntary economic organization that strives to enhance the prosperity of its members. According to Article 1 of Law No. 25/1992, cooperatives are business entities whose members consist of individuals and legal entities based on economic principles that prioritize the interests of the people and their families. A cooperative operates as a legal entity with an integrated work system, adhering to established regulations, which include applicable government laws and regulations, as well as establishment documents and operational guidelines agreed upon at a member meeting.<sup>1</sup>

Cooperatives in Indonesia have three main bases. First, the Pancasila ideal, which aims to achieve a fair and prosperous society, serves as the main foundation for cooperatives in Indonesia. Second, the 1945 Constitution's structural basis established cooperatives as crucial components of the national economy. Third, Article 33 of the 1945 Constitution, which organizes the Indonesian

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<sup>1</sup> Anto Mutriady, "Aspek Hukum Simpan Pinjam Pada Koperasi," *Juripol (Jurnal Institusi Politeknik Ganesha Medan)* 5, no. 1 (2022), <https://doi.org/10.33395/juripol.v5i1.11301>.

economy based on family principles, emphasizes public welfare over individual profit, a regulation further reinforced by Law No. 25/1992.<sup>2</sup>

Cooperatives, especially savings and loan cooperatives, face problems such as credit problems and misuse of funds, which require close supervision. The PPSK Law adds to the responsibility of the Financial Services Authority to supervise cooperatives. In addition, the Financial Services Authority is also trying to overcome the increasing problem of illegal online loans, with 4,567 cases from 2018 to 2022. A significant contributing factor is a lack of public awareness.<sup>3</sup> To overcome this, an entity similar to the Deposit Insurance Agency (LPS) can be established to provide assurances for storage in cooperatives. This institution will help cooperatives with liquidity difficulties. Other steps include educating the public about the risk of online loans, especially for MSME actors, and encouraging the discontinuation of financial institution operations that harm the community.<sup>4</sup>

The Savings and Loan Cooperative (KSP) operates on the principle of cooperation to help members with financial difficulties, offering low interest rates. Following Government Regulation Number 9 of 1995, the KSP collects and distributes savings and loan funds to members, prospective members, other cooperatives, and their members. Berjangka Deposit funds are paid once and can only be withdrawn according to the agreement. Cooperatives function under the principles of the Family and Family Principles, emphasizing mutual contribution and cooperation among their members.<sup>5</sup> Cooperatives and Microfinance Institutions (LKM) play an important role in supporting the economy, especially small and medium enterprises. Cooperatives, according to Law No. 25 of 1992, are business entities based on cooperative and family principles with an important role in financial inclusion and fintech utilization, as stipulated in Law No. 4 of 2023. Meanwhile, MFIs, based on Law Number 1 of 2013, provide financial services for low-income people without membership, similar to small banks but with more straightforward regulations.<sup>6</sup>

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<sup>2</sup> Menteri/sekretaris negara Republik Indonesia, "Undang-Undang Republik Indonesia Nomor 25 Tahun 1992 Tentang Perkoperasian," *Lembaran Negara Republik Indonesia*, 1992, <https://doi.org/10.1017/CBO9781107415324.004>.

<sup>3</sup> Angkasa Angkasa et al., "Illegal Online Loans in Indonesia: Between the Law Enforcement and Protection of Victim," *Lex Scientia Law Review* 7, no. 1 (2023), <https://doi.org/10.15294/lesrev.v7i1.67558>.

<sup>4</sup> A S Ningsih et al., "Literasi Keuangan Digital Dalam Aspek Hukum Bagi Santri Pondok Pesantren As Shodiqiyah Kota Semarang," *Jurnal Pengabdian ...* 4, no. 4 (2023). <http://dx.doi.org/10.59431/ajad.v3i3.214>

<sup>5</sup> M W Batubara, "Peran Koperasi Syariah Dalam Meningkatkan Perekonomian Dan Kesejahteraan Masyarakat Di Indonesia," *Jurnal Ilmiah Ekonomi Islam* 7, no. 03 (2021). <http://dx.doi.org/10.29040/jiei.v7i3.2878>

<sup>6</sup> Agus Arifin et al., "Analysis Of Development Of Savings And Loans Unit In The Cooperative Of The Republic Of Indonesia Prosperous Of Cirebon District," *Journal of Social Science* 1, no. 1 (2020), <https://doi.org/10.46799/jss.v1i1.10>.

The main difference between cooperatives and MFIs lies in the principle of membership and the purpose of establishment. Cooperatives aim to empower their members by distributing profits fairly based on their contributions, whereas MFIs concentrate on offering financial services to communities that banks cannot afford. Against this backdrop, analysis of how cooperative regulation—mainly related to fintech under Law No. 4 of 2023—can support efficiency and financial inclusion becomes highly relevant.

Furthermore, the difference between cooperatives and savings and loan cooperatives (KSP) is that both are legal entities with similar goals of improving the welfare of their members. However, there are significant differences in regulations, supervision, and primary functions.

Savings and Loan Cooperatives (KSP) have an important role in the people's economy but with a different focus. KSP is more responsible for managing member funds, requiring strict regulation and supervision, including from OJK. Although the two share the same principle, differences in regulation and function indicate that the KSP is a microfinance institution located at the intersection of cooperatives and the formal financial services sector.<sup>7</sup>

There are legal issues regarding the authority of the KSP in fundraising. Initially, the KSP could only collect term deposits from its members. However, the enactment of OJK Regulation Number 19/POJK.05/2021, which defines Microfinance Institutions (LKMs) as institutions that can raise funds from the community, has created uncertainty. Meanwhile, the regulation still limits the KSP from collecting deposits only from members. This legal uncertainty requires further analysis of the overlapping authority between the KSP and the MFIs.

Based on the background explanation above, the author is interested in being able to conduct research under the title: "Legality and Impact on Savings and Loan Cooperatives in Managing Savings from Non-Members". Based on the above statement, the researchers formulated the following problems: 1. What is the legal basis for the Savings and Loan Cooperative's (KSP) collecting savings funds outside of the cooperative members? 2. How do the Financial Services Authority (OJK) and the Ministry of Small and Medium Enterprise Cooperatives (KUKM) exercise their supervisory authority and take action against cooperatives that collect deposit funds outside their members? 3. What legal consequences would arise if the Savings and Loan Cooperative were to collect savings funds from sources other than its members?

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<sup>7</sup> Afifudin Afifudin, "The Business Cooperation Monopoly of Saving and Loans Considered of Law No 25/1995 Concern of Cooperation," *Jurnal USM Law Review* 1, no. 1 (2018).

**Table 1.**  
**Comparison of aspects in general cooperatives and savings and loan cooperatives (KSP)**

<b>Aspects</b>	<b>General Cooperative</b>	<b>Savings and Loan Cooperative (KSP)</b>
Business Areas	Variety (production, trade, services, etc.)	Focus on financial services (saving loans).
Additional Regulations	Only follow Law Number 25 of 1992.	It is governed by Act No. 1 of 2013 and related rules.
Oversight	KUKM.	KUKM and OJK (if raising third-party funds).
Focus of Activity	Economic and social activities.	Deposit collection and lending.

## **2. Method**

The study, "Legality and Impact on Savings and Loan Cooperatives in Managing Savings from Non-members," employed a normative juridical method and a conceptual approach to examine the legality and impact of Savings and Loan Cooperatives (KSP) activities in collecting savings from non-members. This descriptive-analytical study aims to describe and explain the legal basis of the KSP's activities in raising funds from outside members, the authority of supervision by the Financial Services Authority (OJK), and the actions that the OJK can take against the KSP for violating these provisions. Furthermore, this study scrutinizes the legal ramifications that may occur if the KSP persists in collecting savings funds from non-members despite its violation of applicable regulations.

The data collection method is carried out through a literature review, which includes identifying secondary data and related legal regulations, such as legislation, theory in civil law, and the Regulation of the Financial Services Authority (POJK) governing the KSP. Analysis of these various legal sources provides a comprehensive understanding of the legality and consequences faced by the KSP in violating the rules in collecting funds from non-members. This approach will aid in policy development and enhance the KSP's supervision.

## **3. Results and Discussion**

### **3.1. Legal Basis for Savings and Loan Cooperatives (KSP) in Collecting Savings Funds Outside of Cooperative Members**

We will delve into the brief history of savings and loan cooperatives within the Indonesian economy. On 7 April 1915, the Cooperation Union Regulation No. 43 of 1915 came into effect, which applied to all residents, including Europe, the Foreign East, and the indigenous peoples. The establishment of cooperatives is a challenge for the Indonesian people because of several factors, namely: 1) the creation of a certificate of establishment requires notary assistance with high costs,

2) minimum material costs of 50 guilders, and 3) the regulation of land rights must follow European law.<sup>8</sup>

Subsequently, in 1927, the Dutch colonial government issued the Ordinance of the Bumiputera Cooperative Association. This regulation could be considered more modern because it stated that the cooperative was an Indonesian society. Consequently, the establishment process no longer required the examination and approval of the Governor-General of the Netherlands. The Office of Advisors on People's Credit and Cooperatives Affairs continued to manage it. Then, in 1958, the government passed Act No. 79 of 1958 on Cooperatives. Additionally, the government issued Undang No. 14 of 1965, but it remained unimplemented. Following that, the government re-adopted Act No. 12 of 1967 on Cooperative Items. The Act No. 25 of 1992 on Cooperatives came into effect in 1992. These regulations recognize that the Savings and Loan Cooperative (KSP) activities are integral to cooperative activities.<sup>9</sup>

The legal or juridical basis for the Savings and Loan Cooperative in exercising its authority is as follows:

- a) Article 44 of the Cooperative Act (Act No. 25 of 1992) is the legal basis for the implementation of Savings and Loan Cooperative (KSP) activities. The chapter reads: "*Cooperation can raise funds and distribute them through savings and loan business activities from and for: a. members of the cooperative concerned; b. Other cooperatives and their members.*"
- b) Article 20 Regulation of the Minister of Cooperatives and Small and Medium Enterprises (KUKM) 19/PER/M.KUKM/XI/2008 on Guidelines for the Implementation of Savings and Loan Business Activities by Cooperatives: "*KSP and USP Cooperatives can carry out fund-raising business activities, in 2 (two) forms, namely cooperative savings and term savings.*"<sup>10</sup>
- c) Article 19 Minister of Cooperatives and Small and Medium Enterprises (KUKM) Regulation Number 2/PER/M.KUKM/II/2017 2017 Changes to Minister of Cooperatives Regulation Number 15/PER/M.KUKM/IX/2015 concerning Savings and Loan Business (USP) by Cooperatives: "*The savings and loan business activities include: a. collecting term deposits*

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<sup>8</sup> Suhaimi Suhaimi et al., "Islamic Law Analysis of Guidelines for Implementing Contracts in Nuri Savings and Loans and Sharia Financing Cooperatives (KSPPS) East Java," *International Conference on Islamic Economic (ICIE)* 1, no. 2 (2022), <https://doi.org/10.58223/icie.v1i2.182>.

<sup>9</sup> Karina Widyadhari A.A.P, Elisatris Gultom, and Anita Afriana, "The Annulment of Homologation in the Case of PKPU Application of Intidana Savings and Loan Cooperative in Review of Law Number 37 of 2004," *Riwayat: Educational Journal of History and Humanities* 6, no. 2 (2023), <https://doi.org/10.24815/jr.v6i2.31817>.

<sup>10</sup> Endang Setyowati, Lazarus Tri Setyawanto, and Jawade Hafidz, "Legal Reconstruction of the Credit Union Operation in Indonesia for Community Welfare Based on the Pancasila Justice Value," *Scholars International Journal of Law, Crime and Justice* 5, no. 11 (2022), <https://doi.org/10.36348/sijlcj.2022.v05i11.005>.

*and savings of cooperatives from members, prospective members, other cooperatives and their members; b. providing loans to members, prospective members, other cooperatives and their members; and c. in savings and loan activities, it is mandatory to manage the balance of funds sources and loan distribution."*

Article 44 of Law Number 25 of 1992 concerning Cooperatives provides the legal basis for raising funds against members who are not cooperative members. The members of the cooperative in question, as well as those of other cooperatives, can carry out fund collection activities from the community, provided they cooperate with each other. Article 44 (1) states: "*Cooperation can raise funds and channel them through savings and loan business activities from: a. members of the cooperative concerned; b. other cooperatives and their members.*"

It is important to note that these fundraising activities cannot be done freely to anyone but are only permitted for cooperatives and cooperative members. There were differences in legal approaches when the government issued three government regulations, No. 9 of 1995, concerning cooperatives' implementation of savings and loan activities (KSP). According to Article 9 of Government Regulation No. 9 of 1995, cooperatives can collect savings from their members, prospective members, other cooperatives, and their members.

Currently, there is no apparent legal certainty regarding the protection of public funds stored in cooperative institutions. Only preventive efforts are available through regulations issued by the Minister of Cooperatives, Small, and Medium Enterprises.<sup>11</sup> The Regulation of the Minister of SMEs provides guidance to increase awareness, caution, and management of funds stored in savings and loan cooperatives. Although the articles in the KUKM regulations have some explanations that give an idea of protective measures, these explanations seem somewhat limited. Meanwhile, regarding Savings and Loan Cooperatives (KSP), the existing Deposit Insurance Agency (LPS) in the banking sector does not exist. Some Articles, such as Articles 25 and 34 of Act No. 25 of 1992 on Cooperatives, indicate this.<sup>12</sup>

Until now, there has been no clarity regarding the legal protection of public funds collected by the Savings and Loan Cooperative Institute. Law No. 1 of 2013 concerning Microfinance Institutions (LKM), responsible for collecting and distributing funds from and to members of the

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<sup>11</sup> Arief Rahman Susila, "Potensi Ekonomi Daerah Dalam Pengembangan Umkm Unggulan Di Kota Tangerang," *Fakultas Ekonomi Universitas Terbuka*, 2013.

<sup>12</sup> Arie Kartika, Rafiqi Rafiqi, and Windy Sri Wahyuni, "Penerapan Asas Primum Remedium Terhadap Penipuan Dan Penggelapan Dana Koperasi Jenis Simpan Pinjam," *Jurnal Ilmiah Penegakan Hukum* 9, no. 1 (2022), <https://doi.org/10.31289/jiph.v9i1.6895>.

Savings and Loan Cooperative (KSP), regulates this. Article 1, paragraph (1) of the Act defines MFIs as financial institutions:

*"The microfinance institution (LKM), which is further called the MFI, is a financial institution specifically established to provide business development and community empowerment services, either through loans or financing in micro-scale businesses to members and the community, savings management, and loans, as well as providing business development consulting services that are not solely profit-making."<sup>13</sup>*

The enactment of Act No. 1 of 2013 on Microfinance Institutions mandated the licensing, supervision, and enforcement of MFIs to be transferred to OJK.

Current regulations reflect concerns about the stability of cooperatives that raise funds from the community, mainly due to the lack of protection mechanisms such as LPS in the banking sector. Law Number 1 of 2013 gives OJK the authority to supervise cooperatives and establish stricter standards but increases regulatory burdens. Restrictions on collecting funds from third parties aim to protect the community and maintain cooperative stability but reduce operational flexibility, especially in the fintech era. Regulatory reforms, including the mechanism for guaranteeing deposits, can strengthen the public confidence that cooperatives face. This regulation encourages cooperative professionalism, but operational limitations remain, so innovation and compliance are the keys to stability and sustainability.<sup>14</sup>

### **3.2. Authority of Supervision and Action by the Financial Services Authority (OJK) and the Ministry of Small and Medium Enterprise Cooperatives (KUKM) Against Cooperatives that Do Activities to Collect Savings Funds Outside Cooperatives Members**

#### **3.2.1. Financial Services Authority (OJK)**

In collecting funds from the Savings and Loan Cooperative (KSP), protecting third-party fund owners is a crucial issue, especially considering the limitations of the guarantee mechanism that applies outside the banking system. Regulations related to consumer protection in the financial services sector, including the Financial Services Authority (POJK) Regulation on Consumer and Community Protection,

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<sup>13</sup> Peraturan Pemerintah, "Undang-Undang Nomor 1 Tahun 2013 Tentang Lembaga Keuangan Mikro," *Republik Indonesia* 26, no. 4 (2013).

<sup>14</sup> Suci Binta Rihmaniya and Elfrida Ratnawati, "Perlindungan Hukum Nasabah Koperasi Simpan Pinjam (KSP) Intidana Pasca Pailit," *Jurnal Tana Mana* 4, no. 1 (2023). <https://doi.org/10.33648/jtm.v4i1.261>

According to Law No. 21 of 2011 concerning the Financial Services Authority (OJK), the Financial Services Authority has the authority to supervise the financial sector, including granting permits, coaching, and prosecuting the Savings and Loan Cooperative (KSP). The OJK can also draft regulations to implement the Act. Article 28 states that the Financial Services Authority (OJK) has the authority to take precautions to protect consumers and the public, including providing education, asking financial services institutions to stop adverse activities, and other measures following legislation.<sup>15</sup>

The Financial Services Authority has closed several savings and loan cooperatives (KSP), leading to legal issues. The Financial Services Authority maintains that they cannot directly act upon KSP institutions without a permit from the Financial Services Authority. The Financial Services Authority (OJK) views this situation as a complaint review, during which it will take action based on complaints from individuals who feel disadvantaged by the financial institution.<sup>16</sup>

Afifi Alfarisi, the Head of the Non-Bank Financial Industry Supervision Subsection (IKNB) at the OJK 5 North Sumatra Office, has the authority to act on savings and loan cooperatives (KSP) registered with the Financial Services Authority (OJK). Through the Education and Consumer Protection section, organizations consistently encourage people to avoid financial risks by using financial institutions with official, legal, and rational permits.

### **3.2.2. Ministry of Small and Medium Enterprise Cooperatives (KUKM)**

The Minister of Cooperatives and SMEs plays a significant role in the operation of the Savings and Loan Cooperative (KSP) and the Savings and Loan Unit (USP), supported by the Cooperative Office at the provincial and district/city levels. Supervision is important to ensure that cooperatives achieve their goals, with regulations stipulated in the Minister of KUKM Regulations, such as Regulations Nos. 02/2017 and 17/2015 concerning Cooperative Supervision.<sup>17</sup> The Minister of KUKM is also responsible for establishing cooperatives, coaching, supervision, and enforcement. Under Presidential Regulation No. 24 of 2010, the Minister of Cooperatives and

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<sup>15</sup> Siti Rosmayati et al., "Education And Training To Improve The Performance Of Save And Loan Cooperative Employees In Bandung District West Java Province," *International Journal of Educational Research & Social Sciences* 2, no. 5 (2020), <https://doi.org/10.51601/ijersc.v2i5.153>.

<sup>16</sup> Zulfri, "The Function of Financial Services Authority (FSA) in Dispute Settlement Banking Customers in Indonesia," *EUROPEAN RESEARCH STUDIES JOURNAL* XX, no. Issue 3A (2017), <https://doi.org/10.35808/ersj/696>.

<sup>17</sup> Ayup Suran Ningsih, Duhita Driyah Suprapti, and Nurul Fibrianti, "The Importance of Applying the Membership Value toward Savings and Loans Cooperatives in Indonesia," *Sriwijaya Law Review* 3, no. 2 (2019), <https://doi.org/10.28946/slrev.vol3.iss2.235.pp225-234>.

SMEs must manage the affairs of cooperatives and small and medium enterprises in the government, supporting the President in carrying out the duties of the state government.<sup>18</sup>

The management of the Savings and Loan Cooperative (KSP), which is governed by Law Number 25 of 1992, concerning cooperatives, involves the Minister of Cooperatives and SMEs in licensing, supervision, and dissolution. Meanwhile, Law Number 1 of 2013 concerning Microfinance Institutions (LKM) appointed the Financial Services Authority (OJK) to regulate microfinance institutions, including KSP.<sup>19</sup> OJK has the authority to supervise KSP, but many KSPs do not have an institutional permit from OJK, so this authority is limited. According to I Ketut Widiana from OJK, the cooperative law does not cover sufficient criminal or protection elements, making handling fraudulent investments through cooperatives difficult. We need more decisive amendments to the law to prevent the potential loss of community funds, like those in the Ponzi scheme.<sup>20</sup>

Based on the above description, several parties are obliged to understand the authority of the Financial Services Authority (OJK) and the KUKM to the KSP, namely: 1) Cooperatives, so that they can carry out their activities following the applicable laws and avoid sanctions; 2) People to be protected from irresponsible KSP practices; 3) The government so that it can create a business climate that is conducive to the development of healthy and sustainable KSP.

Therefore, we expect the distribution of KSP supervision authority between OJK and the Ministry of Cooperatives and SMEs to enhance the effectiveness of supervision and fortify the national financial system. By understanding the authority and responsibilities of each party, the KSP, the community, and the government can work together to create a healthy and competitive cooperative sector.

In this case, Savings and Loan Cooperatives (KSP) have an important role in the Indonesian economy. Cooperatives provide various services for members, while KSP focuses on raising and distributing funds, making it a microfinance institution. However, the rules became more complex when the KSP involved third-party funds. The differentiation of roles in licensing, approval, and supervision between the Financial Services Authority (OJK) and the Ministry of Cooperatives and

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<sup>18</sup> Presiden Republik Indonesia, *Peraturan Presiden Republik Indonesia Nomor 24 Tahun 2010 Tentang Kedudukan, Tugas Dan Fungsi Kementerian Negara Serta Susunan Organisasi, Tugas, Dan Fungsi Eselon I, Demographic Research*, 2010.

<sup>19</sup> I. G. K. Baskara, "Lembaga Keuangan Mikro Di Indonesia," *Buletin Studi Ekonomi* 18, no. 2 (2013).

<sup>20</sup> Massimo Bartoletti et al., "Dissecting Ponzi Schemes on Ethereum: Identification, Analysis, and Impact," *Future Generation Computer Systems* 102 (2020), <https://doi.org/10.1016/j.future.2019.08.014>.

Small and Medium Enterprises (KUKM) is important to ensure the smooth operation of the KSP and the protection of the community.

The differentiation of the role between OJK and KUKM in supervising the Savings and Loan Cooperative is critical to maintaining the sustainability and stability of the microfinance sector. Cooperatives operating in the service financing sector, like savings and loan activities, must adhere to safe and transparent financial standards through the enforcement of OJK regulations and supervision.

**Table 2.**  
**Differentiation of the role of OJK and KUKM in the Indonesian Economy**

Aspects	Minister of Cooperatives and Small and Medium Enterprises (KUKM)	Financial Services Authority (OJK)
Permission and Approval: OJK vs. Ministry of Cooperatives	Cooperatives generally do not require operational permits from the Financial Services Authority. As an institution focusing on the people's economy, cooperatives only need recognition and registration from the Ministry of Cooperatives and SMEs to operate, following the provisions listed in Law No. 1. 25/1992 on Cooperatives.	Cooperatives that carry out savings and loans with third-party funds must obtain permission from OJK, according to Law Number. 1 Year 2013 on MFIs. The Financial Services Authority (OJK) has the authority to regulate and supervise the KSP in the financial services sector. The Financial Services Authority ensures that KSP complies with regulations related to capital, transparency of financial statements, and the principles of managing financial institutions.
Supervision: OJK and KUKM dualism	Cooperatives outside the financial services sector are supervised by the Ministry of Cooperatives and SMEs to ensure compliance with cooperative principles and economic activities for members. KUKM oversees cooperatives' administration, management, annual reports, and business activities so that cooperatives continue operating according to volunteerism, democracy, and fair profit sharing.	Supervision became very important after KSP was involved in savings and loan activities, especially by raising funds from third parties. The Financial Services Authority ensures that the KSP complies with the capitalization, transparency, and risk management standards and has the authority to sanction or revoke permission if the KSP violates the provisions.
Differentiation in Function and Effect on KSP	Cooperatives provide socio-economic benefits to their members, such as providing goods or services at lower prices or providing benefits to their members. As a people's economic institution, cooperatives operate more as entities that empower members through active participation in economic activities.	KSP provides microfinance services such as deposit collection and loan provision. If collecting third-party funds, KSP is in the financial services sector and must comply with strict regulations. KSP under OJK faces complex rules, including maintaining the balance of funds and loans and ensuring operational transparency and financial statements.

### **3.2.3. As a Result of the Law, if a Savings and Loan Cooperative Collects Savings Funds Outside of Cooperative Members**

A cooperative is a legal entity that serves as an economic institution with an integrated system and various components in its structure. Cooperatives operate according to laws, government regulations, and operational guidelines resulting from member meetings. One type is the Savings and Loan Cooperative (KSP), which collects and distributes funds to members, prospective members, other cooperatives, and its members, according to Government Regulation No. 9 in 1995.<sup>21</sup>

One of the activities carried out by cooperatives is Termang Savings, or raising funds. According to the definition in Article 1, Paragraph (5) of Government Regulation No. 9 of 1995, Future Savings is a deposit in a cooperative involving a one-time deposit, and withdrawal of funds can only be made at a fixed time following the agreement between the depositor and the cooperative concerned. Only cooperative members, adhering to the cooperative's basic principles of the Family Principle and the Cooperative Principle, can access this Future Savings activity.<sup>22</sup>

Cooperatives can collect and distribute funds through savings and loan businesses, especially for other cooperatives and cooperative members. Access to cooperatives is limited to members and is not permitted to outside parties. In addition, Financial Services Authority Regulation No. 1 19/PJOK 05/2021 defines microfinance institutions (LKMs) as entities established to provide business development services and community empowerment. MFIs provide microloans or financing, savings management, and business consulting services with a purpose that is not only profit-making.<sup>23</sup>

The public entrusts "savings" to the Microfinance Agency as savings or deposits under the agreement, as stated in paragraph 4. Only the general public can collect future deposits, and only cooperative members can collect cooperative term deposits. Therefore, the savings and loan

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<sup>21</sup> Andre Ramora Sirait and Cece Cece, "Analysis of The Role of Savings and Loans Cooperatives An Effort to MSMEs Case Study on Ksp. Credit Union Harapan Kita," *Jurnal Sains Dan Teknologi Industri* 21, no. 1 (2023), <https://doi.org/10.24014/sitekin.v20i2.22928>.

<sup>22</sup> Inanna Inanna and Rahmatullah Rahmatullah, "Desain Modul Elektronik Interaktif Untuk Meningkatkan Pemahaman Teoritik Konsep Dasar Koperasi," *Economic Education and Entrepreneurship Journal* 5, no. 1 (2022), <https://doi.org/10.23960/e3j/v5i1.12-22>.

<sup>23</sup> Titi Yulmaida et al., "The Influence Of Leadership Style On Employees Of Surya Mandiri Muhamadiyah Surya Mandiri Cooperation In Lhokseumawe," *International Journal of Social Science, Educational, Economics, Agriculture Research and Technology (IJSET)* 2, no. 3 (2023), <https://doi.org/10.54443/ijset.v2i3.117>.

cooperative that collects term deposits from non-members violates the Cooperative Law. The Financial Services Authority regulations will impose legal consequences if this practice persists.<sup>24</sup>

Actions that do not follow the provisions of the Cooperative Law can potentially become criminal violations in the banking sector. As stipulated in Law No. 10 of 1998 on Amendments to Law No. 7 of 1992 on Banking, the banking sector involves institutional aspects, business activities, and methods and processes for carrying out its business activities.<sup>25</sup> Law No. 10 of 1998, which amends Law No. 7 of 1992 on Banking, regulates all matters related to criminal offenses in the economic sector, particularly in the banking sector.

According to Article 46, paragraph 1 of Law No. 10 of 1998 on Banking, which is an amendment to Law No. 7 of 1992 on Banking, it is stated that "it is the first law to be amended by Law No. 7 of 1992 on Banking.

*"Whoever collects funds from the community in the form of deposits without a business license from the Head of Bank Indonesia as defined in Article 16, is punished by imprisonment for at least 5 (five) years and at most 15 (fifteen) years and a fine of at least Rp. 10,000,000,000 (ten billion rupiah) and at most Rp. 20,000,000.00 (twenty billion rupiah)."*

Thus, it can be revealed that the practice of Savings and Loan Cooperatives involved in collecting term deposits outside of members, following the provisions of the Financial Services Authority Regulations, is in line with the provisions of the Financial Services Authority Regulations. It can be categorized as a violation of the law following Article 46 (1) of the Law of the Republic of Indonesia Number 10 of 1998 concerning Banking, which is an amendment of the Act of the Republic of Indonesia Number 7 of 1992 concerning Banking.<sup>26</sup> This is because only institutions that have obtained permission from the Head of Bank Indonesia have the right to collect term deposits, while cooperatives do not. The following are the points of legal consequences of raising funds from non-members:<sup>27</sup>

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<sup>24</sup> Soraya Hafidzah Rambe and Paramitha Sekarayu, "Perlindungan Hukum Nasabah Atas Gagal Klaim Asuransi Akibat Ketidaktransparanan Informasi Polis Asuransi," *JURNAL USM LAW REVIEW* 5, no. 1 (2022), <https://doi.org/10.26623/julr.v5i1.4073>.

<sup>25</sup> Handoyo Wirastomo and Sulhan Hadi, "The Effect of Savings and Loan Cooperative Credit on Increasing Income of Damai Savings and Loan Cooperative (KSP) Members, Gangga District, North Lombok Regency," *Journal Of Applied Business And Banking (JABB)* 2, no. 1 (2021), <https://doi.org/10.31764/jabb.v2i1.5361>.

<sup>26</sup> Ahmad Shubhan Rafie and Ilham Abbas, "Juridic Review Concerning Implementation of Cooperative Save-Loan Credit Agreements Based on The Book of Civil Law," *Golden Ratio of Law and Social Policy Review* 1, no. 1 (2022), <https://doi.org/10.52970/grlspr.v1i1.190>.

<sup>27</sup> Firli Adri Ridhotama, Hary Sulaksono, and Tamriatin Hidayah, "The Effect of Work Placement and Work Discipline on Employee Performance Through Job Satisfaction Case Study of the Surya Kencana Lumajang Savings and Loan Cooperative," *ABM : International Journal of Administration, Business and Management* 4, no. 1 (2022), <https://doi.org/10.31967/abm.v4i1.579>.

1) Violation of the Cooperative Law

The collection of term deposits from non-member cooperatives violates Article 16 of Law Number 25 of 1992, which states that cooperatives may only collect funds from members. These violations can lead to legal consequences.

2) Potential Criminal Violations in the Banking Area

Collecting deposits from non-members also violates the Banking Act, which stipulates that collecting funds without Bank Indonesia's permission is criminal. Article 46, paragraph 1 of Law Number 10 of 1998, states the threat of imprisonment for 5-15 years and fines of up to IDR 20 billion.<sup>28</sup>

3) Obtaining Administrative Sanctions

Cooperatives that collect funds from non-members can be subject to administrative sanctions following Law No. 25 of 1992, Government Regulation No. 9 of 1995, and Ministerial Decree KUKM/IX/2004. The harshest sanction is the dissolution of cooperatives.

4) Impact on Cooperative Members

Violations of cooperatives in raising funds from non-members can lower members' trust, reduce the amount of savings, and disrupt the financial stability of the cooperatives. Members are also at risk of losing their savings if the cooperative is dissolved.

#### **4. Conclusion**

Savings and Loan Cooperative (KSP) plays an important role in the Indonesian economy by providing financial services to the public, especially those with difficulty accessing formal banking. However, the KSP faces challenges related to the legality of fundraising from non-members, which is regulated in Article 44 of Law No. 25/1992 on Cooperatives. Although OJK plays an important role in overseeing financial activities to protect consumers, its authority is limited as many KSPs do not have official permits. On the other hand, the Ministry of KUKM is also responsible for developing and supervising KSP. However, there is a duality in handling KSP between KUKM and OJK, which confuses regulation and enforcement.

In practice, KSP collecting savings funds outside of cooperative members can cause legal uncertainty regarding protecting public funds stored in KSP. Although some regulations provide guidelines on managing savings funds, there is still no clear legal protection. This could result in

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<sup>28</sup> Matdio Siahaan et al., "Financial Ratio Analysis to Measure Financial Performance of Cum Anugerah Bekasi Cooperative," *International Journal of Professional Business Review* 8, no. 7 (2023), <https://doi.org/10.26668/businessreview/2023.v8i7.2371>.

a risk to the public, which keeps its funds in the KSP. Nevertheless, the government and relevant authorities must ensure that cooperatives follow applicable regulations to protect cooperative members. Strict monitoring and decisive action against violations are key to ensuring that cooperatives function according to their goals and provide maximum benefit to their members.

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