



# **Influence of Green Economic Development through Local Wisdom, Economic Potential, and Role of Dairy Cooperative in Pasuruan**

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## **ABSTRACT**

The purpose of this study was to analyze the influences of green economic development through local wisdom, economic potential, the role of dairy cooperatives in Pasuruan. This research sample number of 120 members of dairy cooperatives in Pasuruan. Sampling by using proportional random sampling. Research questionnaire used as an instrument of primary data collection. Data analysis technique used is the analysis generalized structured component analysis. The variables used in this study, includes the construction of a green economy development, local wisdom, economic potential, and the role of dairy cooperatives. The results showed green economic development is influence by local wisdom, economic potential, and the role of dairy cooperatives.

**Keywords:** Green Economic Development, Local Wisdom, Economic Potential, Dairy Cooperatives

**JEL Classifications:** O1, Q5

## **1. INTRODUCTION**

The local culture is values or behavior of local communities in interacting with the environment in which they live wisely. Local wisdom refers to the values in the society and the balance of nature. According to the Law no.32 of 2009 provides an understanding of local wisdom, the noble values that apply in the governance of public life for, among others, protect and manage the environment sustainably. The values in the local wisdom into the main capital in building the local economy without damaging the social order with the natural environment.

Community economic culture is the nature of human perspective on the environment will be related to the economic activities in the supply of daily life. Farmers will always pay attention to the agricultural environment, as well as the farmer will pay attention to the environment so that animals can live decently with all types of feed available in the environment as a provider of food resources are unbroken. So also will develop tertiary base activity farms,

as economic actors of local communities. One form of tertiary businesses cattle farming dairy that are linear with the dairy cooperatives, as container breeders sell their products at a price that is stable and continuous, as a form of economic organization of local communities that are the identity, the member as the owner of the company and members as well as enterprise users, this dual nature that is suitable for the local community in conducting economic activities in harmony with the environment.

Rural communities or local communities have different characteristics with urban communities, rural communities are characterized by a strong mutual cooperation and help each other, solidarity and solidarity is high. Based on these characteristics it is the only entity in the spirit of rural communities are cooperative. Cooperative according to Law No. 25 of 1992 is a business entity consisting of twenty people or more. Legal entities cooperatives bases its activities based on the principle of cooperation as well as people's economic movement based on the principle of family. In Article 3 states that the purpose of cooperatives is to promote

the welfare of members in particular and society in general, and to help build a national economic order, in order to realize an advanced society, equitable and prosperous (Oktaviana, 2013).

Type cooperative was formed based on local needs. Pasuruan is one of the largest dairy producer in East Java, the type of cooperative activity is suitably carried out for the welfare of its members is through cooperative dairy. The existence of dairy cooperatives play an important role as a forum for improving the welfare of farmers and promote the development of local communities (Priyono and Priyanti, 2015). This is caused by the system of national dairy industry in Indonesia is largely a collaboration involving farmers, cooperatives. In this system, fresh dairy is distributed vertically from the breeder to the cooperative and then immediately distributed to the Dairy Processing Industry. Dairy cooperative role in providing services inputs such as the provision of production input concentrate feed, animal health services, artificial insemination, access to capital and loans creamery before being sold.

Dairy products in Indonesia is a monopsony market structure where the 90% market share controlled by the dairy processing industry. Although there are currently primary cooperatives and cooperative secondary but in fact the bargaining position of farmers are still low. The dependence of farmers on the IPS in the marketing of dairy, resulting in farmers that are in bargaining is low. Tawaf et al. (2009) states that the price of dairy at farm level is lower than the price of dairy at the consumer level. This adds to the obstacles faced in the national dairy industry as has been reported in previous studies conducted by Priyono (2013) with Krishna and Mansoor (2006). One knot the marketing of dairy products is a cooperative institution that has a strategic role in supporting the development of dairy in Indonesia.

Institutional role of cooperatives as a very large dairy in supporting the needs of dairy farmers in the area of dairy cows nationwide. Cooperative institutions not only profit-oriented, but is also concerned with the welfare of members. Support government policy through Indonesian Presidential Regulation No. 28 Year 2008 concerning the National Industrial Policy which put dairy products as priority products to be developed at the provincial and district/city provided the impetus for the institutional development of the dairy. Although the chances of high dairy institutional development, but in particular institutional cooperative dairy is still located in a weak bargaining position, both from the aspect of pricing dairy, dairy sales, distribution and timing of sales (Priyono and Priyanti, 2015).

Asih et al. (2013) co-operative dairy has a major role in the marketing of dairy and an increase in productivity as well as helping farmers access to capital. Kasim and Sirajuddin (2011) strategies that can be done for the development of dairy cattle, among others carried out by increasing population, empowering business credit, land optimization, application of technology, business partnerships and improve the management of aquaculture. Determine the effectiveness of cooperative management mechanism in the development of national dairy industry. Word (2010) reported that the deterioration of several dairy cooperatives

in West Java is a result of poor management of the cooperative. Institutional constitute an order or pattern of relationship between organizational members that bind to cooperate and achieve common goals (Djogo et al. 2003). Cooperatives as one of the institutions in Indonesia are directed to grow and develop according to the identity of the cooperative, a forum of mutual interest to its members. Therefore, the dairy cooperative institution must be able to be a strong institution, independent and competitive in supporting the development of dairy in Indonesia.

Pasuruan has dairy production and dairy cow population is higher than the City of Stone. Determination of dairy development into matters related to the national dairy industry development planning, ranging from the provision of infrastructure, supporting facilities, technology, financing, processing, marketing as well as institutional and human resources. National dairy industry is a strategic industry potential, as demand continues to increase along with the increase in people's lives. Determine the effectiveness of cooperative management mechanism in the development of national dairy industry (Priyono and Priyanti, 2015).

Cooperative Dairy in Pasuruan sizeable four. KUTT Suka Makmur in Sub Grati Pasuruan with the production of 58 tons of dairy per day by the number of 4000 farmers. Dairy Cooperative Puspo sufficiency in Pasuruan with dairy production of 18 tons per day by the number of 7425 farmers. KPSP Setia Kawan Tuter Nongkojajar in the district of Pasuruan with dairy production of 71 tons per day by the number of 8125 farmers. KUD Dadi Jaya in the District Purwodadi Pasuruan with the production of 26 tons per day to 5570 farmers (BPS, 2013). Dairy products were still in the drinks as the products home industry in the area Nongkojajar.

Improving the ability of dairy cooperatives is very important, when offset by the implementation of a green economy. Green economy according to the Ministry of National Development Planning/ National Development Planning Agency and the Presidential Work Unit for Development Supervision and Control of the Republic of Indonesia in 2015 was defined as a way to achieve sustainable development with social justice, foster economic growth and at the same time keeping environmental quality. Indonesian Green Economy Model is built based approach to a dynamic system that allows simultaneous measurement of the impact of policy interventions with the social, economic and environmental. The use of a green economy is intended to enhance the ability of policy makers to compare the scenario of policy intervention in conditions business as usual scenario green economic policy interventions that could impact the economic, social and environmental different. Policy makers can analyze this impact in various intervals, such as 1, 5, or 10 years, allowing policy-making based on information that is sufficient.

Research on the role of cooperative institutions have also been carried out by Hellin et al. (2006) which states that the institutions have an important role in competitive conditions for the involvement of small farmers and local and national, as well as improving competitiveness and bargaining power. Blokland and Gouet (2007), the creation of agricultural marketing cooperatives generally as a strategy to generate economies

of scale and strengthen the bargaining position ketch scale producers. Ostrom (2004) states that social interaction between members of the cooperative on the basis of social norms, trust and reciprocity, as well as a part of internal and external networks. Di Falco et al. (2007) states that 0.1 members of the cooperative hopes to benefit from the coordination of production decisions, share access to inputs, enhanced market power and bargaining capacity more effectively. Thyfault (1996) found that members must be committed to market their products and buy their inputs through cooperatives. Cabaj (2004) found that this commitment is intrinsically based on mutual trust and mutual relationship among the members, so that the performance of the cooperative depends on their ability to build and maintain trust, confidence and commitment among members. The cooperative also described as a process in which community members trying to priority or goal themselves, usually based on common geography, common experiences, or common values.

Several previous studies on the green economy is also expressed by Babonea and Joia (2012) reveals the green economy is one solution to integrate the environment in sustainable economic development. Ciocoiu (2011) found that a green economy can offer a solution in the long term. One of the responses to the challenges of climate change and ensure sustainable development is the Green Economy Knowledge. In general, a green economy can be the answer to predict changes in climate and global warming, as it promotes the economic and social sustainable development. Pop et al. (2011) found that the social aspect of the green economy in addressing climate change requires a new way of working that will affect the whole community. Green and Mccann (2011) identified five major issues in the implementation of the green economy, among others, the impact of organization and culture, develop the right leadership, creation, technology to create jobs and maintain the quality of life brought unintended consequences, as well as leadership in the economy green. Caprotti and Bailey (2014) describes a variety of important issues about the green economy, particularly related to geographic analysis. The first concerns the question about the development of the green economy, the economic transition, while the third addresses the needs of logic and critical assessment of governance mechanisms and transitional see the green economy as a key mechanism for the economic, social and environmental change. The fourth focuses on the important issues of the micro-level and individual practices and behaviors, and the relationship between individual behavior and the broader economic and governmental environmental and economic systems. conceptualization of the green economy.

## 2. LITERATURE REVIEW

### 2.1. Green Economy

The green economy according to UNEP (2011) defined as In the context of the definition, there is no universal definition of a green economy. However, as a reference, commonly used definitions developed by UNEP defines a green economy as “one that results in improved human wellbeing and social equity, while Significantly reducing environmental risks and ecological scarcities. It is low carbon, resource efficient, and socially inclusive.” UNEP definition emphasizes the importance of efficiency in the use of natural

resources, ecological risk reduction, low carbon economy and were able to reduce poverty. Indonesia’s position related to the green economy has also stressed on the aspect of the internalization of environmental costs because in accordance with Law No. 32 of 2009 on the Management of and Environmental Protection, which Indonesia has instruments to control the environment through the use of economic instruments such as fiscal instruments and instruments of other planning to internalize environmental costs. Indonesia also stressed the importance of an inclusive green economy with attention to poverty alleviation. Thus, the green economy is not positioned to put the brakes on economic growth, but what is in line with economic growth and environmental protection can create new growths through the use of natural resources and the environment to create jobs and reduce poverty.

### 2.2. Local Wisdom

Local wisdom is the ideas of local (local) that are wise, good-value embedded and followed by its members (Sartini, 2004). Local wisdom is also a view and traditional knowledge is the reference in the act and has been practiced by generations to meet the needs and challenges in the life of a community. Local wisdom and meaningful function in society both in the preservation of natural and human resources, preservation of tradition and culture, as well as useful for life (Permana et al., 2011). Another understanding of local wisdom is also revealed by Zulkarnain and Febriamansyah (2008) in the form of principles and specific ways embraced, understood and applied by local communities in their interaction with their environment and transformed into value systems and customary norms. Kongprasertamorn (2007) argues that local wisdom refers to knowledge that comes from the experience of a community and an accumulation of local wisdom. Local wisdom is found in the people, communities and individuals.

### 2.3. Economic Potential

Economic potential is the ability of your economic areas that may or should be developed so that it will continue to be a source of livelihood of the local people can even help the regional economy as a whole to grow by itself and continuously. The economic potential of a region is the ability of the economy in the region is possible and feasible to be developed so that it will continue to be a source of livelihood of the local people can even help the regional economy as a whole to grow by itself and continuous (Soeparmoko, 2002).

### 2.4. Role of Cooperatives

Cooperative established as a union of the weak to defend his purposes. Achieve his purposes at the cost of the cheap-cheap, that’s correct. At precedence cooperative joint needs, not profit. Cooperative is an association of people, usually have the economic capacity is limited, which through a form of organization of companies controlled democratically, each contribute equally to the necessary capital, and are willing to bear the risks and receive remuneration in accordance with the business they do (Baswir, 2000). Cooperative is an association whose members are individual persons or legal entities, which gives freedom to members to get in and out, by working in family run businesses to enhance the physical welfare of its members (Sitio and Halomoan, 2001). The definition of cooperatives in Indonesia is contained in Law No. 25



of 1992 on cooperative which states that the cooperative is a business entity consisting of persons or legal entities with the bases cooperative activities based on the principle of cooperation, as well as people's economic movement based on the principle of kinship.

## 2.5. Classical Theory Relationship with Local Wisdom, Role of Cooperatives, Economic, Development and Green Economy

Classical theory is economic theory that was discovered by Adam Smith. Adam Smith in classical theory states that the determination of the level of prosperity is the ability of the human itself as a factor of production. Its main focus is the improvement of the individual through simplicity and good behavior, save and invest, trade and division of labor, education and the formation of capital, and the making of new technologies. He was more interested in increasing prosperity prosperity rather than divide the main principle is the classical school of personal interest and the spirit of individualism. Personal interest is the driving force of economic growth and the strength to organize his own welfare. Based on the principle of the adherents of the classical schools believe that the liberal economic system or a system where everyone is truly free to undertake any economic activity can achieve public welfare automatically. Liberal economic system, in which government intervention in economic activities is very small (can be considered non-existent), according to the school of classical can ensure the achievement of the level of national economic activity and optimal allocation of resources, both natural resources and production factors other in various economic activities, efficiently (Becker, 2007).

Linkage statement closely associated with Anriquez (2007) also suggested that the increased cultural or local wisdom is very influential on the level of income and welfare for the next community environmental development. It is also reinforced by the statement of Mitchell et al. (2000) which states that the concept of local wisdom rooted knowledge systems and local management or traditional, but it also Sirtha (2003) explains that the forms of local wisdom in the community can be: Values, norms, beliefs, and rules special will have an impact on the function of local wisdom among others, improvemet of conservation and preservation of natural resources, human resource development, development of culture and science. Potential local wisdom in the community can be used as an enhancement or development of the economic potential of an area. The economic potential of an area defined as the ability of the economy in the region is possible and feasible to be developed so that it will continue to be a source of livelihood of the local people can even help the regional economy as a whole to grow by itself and continuous (Soeparmoko, 2002). Based on the above it can be concluded that the classical theory which states that determining the level of prosperity is the ability of the human itself as a production factor very close relationship with the local wisdom and the economic potential of an area.

Adam Smith saw the production and trade as keys to unlocking prosperity. Production and trade in order to generate maximum and universal wealth, Smith suggested the government provide economic freedom to the people within the framework of free trade both in domestic and international scope (Skousen, 2005). Smith also agreed that basically acts of human behavior

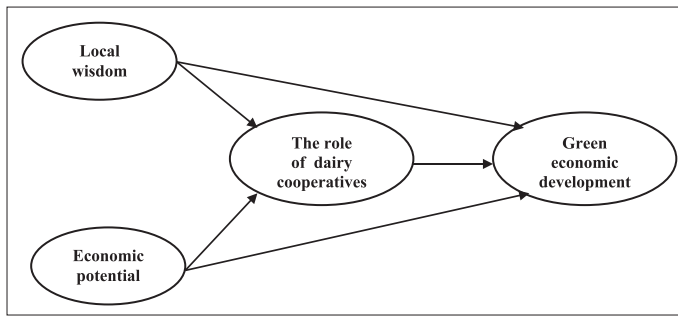
originated at interest instead of twelve pity nor humanity (Deliarnov, 1995). Smith concluded that labor productivity will be maximized if it is done the division of labor (division of labor), which means the division through the individual conducting specialization of production will result in better output and more efficient. Smith also describes the use of new technologies in production systems will improve production anyway. Smith believes in the power of investment in the purchase or use of (Button, 2014).

## 2.6. Green Economic Development, Local Wisdom, Economic Potential, and the Role of Cooperatives Dairy

Framework hypothesis green development impact through local wisdom, economic potential, and the role of dairy cooperatives formed under the theory of the phenomenon and *research gap* previousstill partial. As for the explanation as follows:

1. The influence of local wisdom towards green economic development.  
Influence of local wisdom to the development of green economy has been investigated by Lepp (2007), Teh and Cabanban (2007), Wang et al.(2010), Anriquez (2007), the Coordinating Ministry for Economic Affairs (2015), Sutikno and Hakim (2016)  
 $H_1$ : Local wisdom influence the development of green economy.
2. The influence of local wisdom against on the role of dairy cooperatives.  
Influence of local wisdom on the role of cooperatives has been investigated by Blokland and Gouet (2007), Ostrom (2004). and Sutikno and Hakim (2016).  
 $H_2$ : Local wisdom influence the role of dairy cooperatives
3. The influence on the economic potential of green economic development.  
Influence of the economic potential of the green economy development has been investigated by Hellin et al. (2006), Blokland and Gouet (2007), Di Falco et al. (2007). Coordinating Ministry for Economic Affairs(2015).  
 $H_3$ : The economic potential influence on the development of green economy.
4. The influence of the economic potential of the role of dairy cooperatives.  
Influences of the economic potential of the role of cooperatives has been investigated by Cabaj (2004), Hellin et al.(2006), Blokland and Gouet (2007), Kasim and Sirajuddin (2011), Asih et al.(2013), and Sutikno and Batoro (2016).
5. The influence of the role of dairy operations towards green economic development.  
Influence of the role of cooperatives towards green economic development has been investigated by Hoyt (2004), Firman (2010), Majee and Hoyt (2009), Asih et al. (2013), and Sutikno and Batoro (2016).  
 $H_5$ : The role of dairy cooperative influence the development of the green economy.

Based on the above, the conceptual framework of the study are shown in Figure 1.

**Figure 1:** Research model

### 3. METHODOLOGY

#### 3.1. Sample and Data Collection

Sampling by using proportional random sampling. The approach used in this research is quantitative approach using positivist paradigm (positivism). This study was conducted in the district of Pasuruan. When the study between the months of April 2016 to October 2016. The questionnaire was distributed by the researchers were 120 for members of dairy cooperatives in Pasuruan. Number of questionnaires returned by 120 questionnaires. Table 1 shows the characteristics of respondents.

Table 1 shows the respondents' answers regarding the educational background of the respondents, 6.7% S1 educational background, 25% high school, 10% of junior high school, and 58.3% SD. Filling the questionnaire showed that the majority of the educational background of dairy farmers who completed primary school is 70 respondents (58.3%). KUD origin 15.8% of the respondents indicated KUTT Suka Makmur, 29.2% Dairy Cooperative Sembada, KPSP Setia Kawan 32.5%, and 22.5% KUD Dadi Jaya. Filling the questionnaire showed that the majority of respondents were most filled in a questionnaire is KPSP Setia Kawan respondents from a total of 39 respondents (32.5%).

The number of dairy cattle owned by the respondent or the dairy farmers showed 6.7% had dairy cows as much as 1–5 tails, 58.3% had dairy cows as much as 6–10 tail, 25% have as many as 11–15 dairy cows tails, and 10 % had dairy cows of > 15 tails. Filling the questionnaire showed that the majority of respondents have as many as 6–10 tails of dairy cows, as many as 70 respondents (58.3%). Works of respondents currently showing as many as 75% are dairy farmers, 16.7% of the farmers, and 8.3 % entrepreneur. Filling the questionnaire showed that the majority of respondents work are dairy farmers, as many as 90 respondents (75%). Age farmer dairy cattle showed 58.3% were aged 25–30 years, 16.7% were aged 31–35 years, 8.3% aged 36–40 years, and 16.7% aged over 40 years. Filling the questionnaire showed that the age of the majority of dairy cattle farmers aged 25–30 years, as many as 70 respondents (58.3%).

#### 3.1. Measurement

Variables local wisdom is formed of several indicators measured using 5-point Likert scale. The indicator refers to the results of research Sutikno and Hakim (2016) and Sartini (2004), namely, the participation of members, care, use of the environment, development of culture and science, human

**Table 1: Characteristics of respondents**

Characteristic respondents	Total (%)
Educational background	
S1	8 (6.7)
SMA	30 (25)
SMP	12 (10)
SD	70 (58.3)
Origin cooperative	
KUTT Suka Makmur	19 (15.8)
Cooperative of Sembada dairy	35 (29.2)
KPSP Setia Kawan	39 (32.5)
KUD Dadi Jaya	27 (22.5)
Number of dairy cattle owned by	
1–5 tail	8 (6.7)
6–10 tails	70 (58.3)
11–15 tails	30 (25)
>15 tails	12 (10)
Employment	
Farmers cow	90 (75)
Farmer	20 (16.7)
Self employed	10 (8.3)
Age of dairy cattle farmer	
25–30 years	70 (58.3)
31–35 years	20 (16.7)
36–40 years	10 (8.3)
>40 years	20 (16.7)

resource development, and the conservation and preservation of natural resources.

Variable role of dairy cooperatives formed from some indicators are measured using 5-point Likert scale. The indicator refers to the results of research Sutikno and Batoro (2016), Asih et al. (2013) and Majee and Hoyt (2009), namely, coaching, institutional, partnership members, capital, training of members, and well-being of variable economic potential is formed of several indicators measured using 5-point Likert scale. The indicator refers to the results of research Sutikno and Batoro (2016), arijati (2007), Hidayat and Azra (2006), and Setiadi (2006), i.e., the dairy cattle business, the environment, and skills, investment, human resources, and technology.

Variable green economic development made up of several indicators measured using 5-point Likert scale. The indicator refers to the results of the Ministry of National Development Planning/ National Development Planning Agency and the Presidential Work Unit for Development Supervision and Control of the Republic of Indonesia (2015) and Sutikno and Batoro (2016), namely, economic growth, income, green jobs, the economy, social culture, and environment.

#### 2.3. Data Analysis

The data analysis used in this study using the Generalized Structured Component Analysis (GSCA).

#### 2.4. Test Goodness of Fit

Test results goodnes-of-Fit Overall GSCA Model final stage is presented in Table 2.

FIT shows the total variance of all the variables that can described by particular model. FIT value ranging from 0 to 1. The model

forms can explain all its variables 0.52. The diversity can be explained by local wisdom, economic potential, the role of dairy cooperatives, and development of the green economy in the model is 52% and the rest (46%) can be explained by other variables.

AFIT similar to the adjusted R squared regression analysis. AFIT value in this study was 0.511. The diversity can be explained by the model is 51.1% and the rest (48.9%) can be explained by other variables. The analysis showed that the values obtained for 0.991 GFI, this suggests that the overall model is very good. SRMR value is almost similar to the value of RMSEA on SEM analysis. The results of the analysis, obtained 0.102 SRMR value, it indicates that overall the model accordingly.

**2.5. Hypothesis Testing**

Analysis hypothesis test results of each lane of the study are presented in Table 3 and Figure 1.

Table 3 and Figure 2 shows that the results of the analysis coefficient models the direct influence estimate on local wisdom variable has a positive and significant impact on the role of dairy cooperatives variable with a value of 0.233 with SE amounted to 0.095. Local wisdom variable has a positive and significant

influence on green economic development variable with a value of 0.179 with SE amounted to 0.067. Variable economic potential has a positive and significant impact on the role of dairy cooperatives variable with a value of 0.302 with SE amounted to 0.078. Variable economic potential has a positive and significant impact on the variable green economic development with a value of 0.214 with SE amounted to 0.058. Variable role of cooperatives has a positive and significant impact on the variable green economic development with a value of 0.621 with SE to be 0.080.

**4. DISCUSSION**

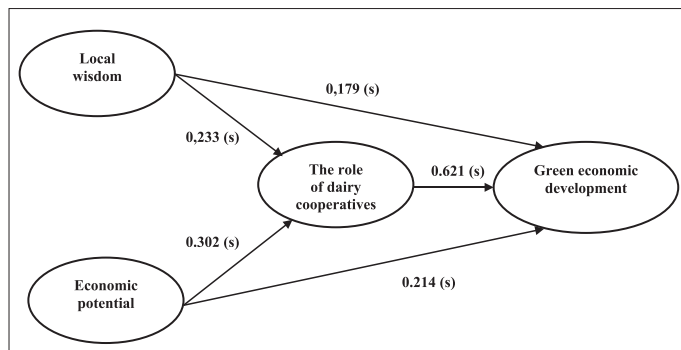
**4.1. The influence of Local Wisdom on Green Economic Development**

The influence of local wisdom on green economic development has a positive and significant influence. Hypothesis test results showed positive influence on the local wisdom of green economic development shows that the better local wisdom made by dairy farmers in the dairy cattle business, it will be a significant and positive impact on the development of green economy. Indicators dominant local wisdom is an indicator of the development of culture and science. Indicators of development of culture and science reflects dairy farmers who always develop the culture in the cattle business management and critical look at the development of science in farming and cooperatives.

Some aspects related to the benefits of the green economy approach by the Coordinating Ministry For Economic Affairs (2012) include; resource efficiency, use of environmental services, the development of low-carbon economy, both of which are land-based, technology-based or community economy, reducing environmental risk, bio-based economy, the impact on the macro economy, and the benefits for regional economic development. Principles for a Green Economy by Stoddart et al. (2012), among others; equitable distribution of prosperity, equity and economic justice, equity between generations, a precautionary approach, the right to development, internalization of externalities, information, participation and accountability, consumption and sustainable production, strategic, coordinated and integrated to provide planning sustainable development, green economy and poverty alleviation, redefining welfare, preserve biodiversity and preventing pollution of any part of the environment.

This finding is consistent with Lepp (2007), Teh and Cabanban (2007) and Wang et al. (2010) which states that rural communities should explore their culture in strengthening their economic resources for the development of community development. Anriquez (2007) also pointed out that improving people’s culture is very influential on the level of income and welfare for the next community environmental development. Research on the green economy has been carried out by the Ministry of National Development Planning/National Development Planning Agency and the Presidential Work Unit for Development Supervision and Control of the Republic of Indonesia (2015) in Central Kalimantan which resulted in a recommendation development model Green Economy in Borneo Central to assess long-term impacts of policy interventions that have been implemented in Central Kalimantan 2011-2015 and 2016-2020 formulate policy direction, which can

**Figure 2:** Result analysis of the model



Description: S=Significantly

**Table 2: Test of goodness of fit**

Model fit	
FIT	0520
AFIT	0511
GFI	0991
SRMR	0102
NPAR	0520

**Table 3: Results of the analysis test of the hypothesis**

Influence between variables	Estimate	SE
Local wisdom → The role of dairy cooperatives	0.233	0.095
Local wisdom → Green economic development	0.179	0.067
Economic potential → The role of dairy cooperatives	0.302	0.078
Economic potential → Green economic development	0.214	0.058
The role of dairy cooperatives → Green economic development	0.621	0.080



help planners and policy makers to analyze simultaneously the social, economic and environmental policy of the past and future front.

#### **4.2. The Influence of Local Wisdom to the Role of Dairy Cooperatives**

The influence of local wisdom to the role of dairy cooperatives have a positive impact and significant. Hypothesis test results showed positive influence on the local wisdom the role of dairy cooperatives shows that the better local wisdom made by dairy farmers in the dairy cattle business, it will be a positive and significant impact on increasing the role of dairy cooperatives. Indicators dominant local wisdom is an indicator of the development of culture and science. Indicators of development of culture and science reflects dairy farmers who always develop the culture in the cattle business management and critical look at the development of science in farming and cooperatives.

These findings concur with those of Ostrom (2004) which states that social interaction between members of the cooperative on the basis of social norms, trust and reciprocity are part of internal and external networks. Blokland and Gouet (2007), the creation of agricultural marketing cooperatives generally as a strategy to generate economies of scale and strengthen the bargaining position of small-scale producers. Lepp (2007), Teh and Cabanban (2007) and Wang et al. (2010) states the rural community should explore their culture in strengthening their economic resources for the development of community development. Anriquez (2007) suggested that the increased cultural influence on the level of income and welfare for the next community environmental development. Sutikno and Hakim (2016) found that community cultural variables influence significantly to the development of their local communities with green economic indicators.

#### **4.3. The Influence of the Economic Potential of the Green Economy Development**

The influence of the economic potential of the green economy development has a positive and significant influence. Hypothesis test results showed positive influence on the economic potential of green economic development shows that the better the economic potential of dairy cattle business, it will be a significant and positive impact on the development of green economy. Indicators dominant economic potential is an indicator of skill. Indicators reflecting the dairy cattle business skills require special skills or obtained through family activities/habits raising dairy cows, shared by all members of the family, and the ability to overcome problems in dairy cattle breeding.

Competitive conditions for the involvement of small farmers and local and national, as well as the role played by rural institutions in order to improve competitiveness and bargaining power (Hellin et al., 2006). Creation of agricultural marketing cooperatives generally as a strategy to generate economies of scale and strengthen the bargaining position of small-scale producers (Blokland and Gouet, 2007). members of the cooperative hopes to benefit from the coordination of production decisions, share access to inputs, enhanced bargaining power and capacity market more effectively (Di Falco et al., 2007). Research on the

green economy has been carried out by the Ministry of National Development Planning/National Development Planning Agency and the Presidential Work Unit for Development Supervision and Control of the Republic of Indonesia (2015) in Central Kalimantan to produce recommendations policy formulation 2016-2020, so it can help planners and policy makers to analyze simultaneously the social, economic and environmental policies of the past and the future.

#### **4.4. The Influence of the Economic Potential of the Role of Dairy Cooperatives**

The influence of the economic potential of the role of dairy cooperatives have a positive impact and significant. Hypothesis test results showed positive influence on the economic potential role of dairy cooperatives shows that the better the economic potential of dairy cattle business, it will be a positive and significant impact on the role of dairy cooperatives. Indicators dominant economic potential is an indicator of skill. Indicators reflecting the dairy cattle business skills require special skills or obtained through family activities/habits raising dairy cows, shared by all members of the family, and the ability to overcome problems in dairy cattle breeding.

Competitive conditions for the involvement of small farmers and local and national, as well as the role played by rural institutions in order to improve competitiveness and bargaining power (Hellin et al., 2006). Creation of agricultural marketing cooperatives generally as a strategy to generate economies of scale and improve bargaining position of small-scale producers (Blokland and Gouet, 2007). This commitment is intrinsically based on mutual trust and mutual relationship among the members, so that the performance of the cooperative depends on their ability to build and maintain trust, confidence and commitment among members. The cooperative also described as a process in which community members trying to priority or goal themselves, usually based on common geography, common experiences, or common values (Cabaj, 2004).

Asih et al. (2013) co-operative dairy has a major role in the marketing of dairy and an increase in productivity as well as helping farmers access to capital. Kasim and Sirajuddin (2011) strategies that can be done for the development of dairy cattle, among others carried out by increasing population, empowering business credit, land optimization, technology implementation, business partnerships and improve the management of aquaculture. Determine the effectiveness of cooperative management mechanism in the development of national dairy industry. Majee and Hoyt (2011) co-operative can be an effective participatory strategy to increase low-income people into the mainstream of socio-economic. Cooperatives can promote the group to meet the needs of individuals and society. This interaction allows members to use their knowledge of one another and cooperative to be involved in monitoring their counterparts in business behavior, thus lagsung can strengthen the business and society. Woolcock and Narayan (2000) and Nemon (2000), stating that the social model adapted to show the potential of cooperative business development and control of socio-economic destiny.

#### 4.5. The Influence of Dairy Cooperative Role towards the Development of Green Economy

The influence of dairy cooperative role towards green economic development has a positive and significant influence. Hypothesis test results showed dairy cooperative role positive influence on green economic development shows that the better the dairy cooperative role, it will have a positive impact and significant to the development of green economy. Indicators dominant role of dairy cooperatives are training indicator member. Indicator reflects the ability of the training of members either owned dairy cooperative in providing training on improved productivity of livestock members and business financial management to its members.

Asih et al. (2013) co-operative dairy has a major role in the marketing of dairy and an increase in productivity as well as helping farmers access to capital. Bijman (2007) and Valentinov (2004) refers to external factors (e.g., rare adaptation to the demands of the market) and internal (i.e., opportunistic behavior of members and conflicts of interest) that affect the organization of cooperative economic and social cohesion. Bhuyan (2007) asserts that these factors are not isolated but mutually dependent, implying that cooperatives need to carefully balance the interests of members and terms of entrepreneurship. Firman (2010) reported that the deterioration of several dairy cooperatives in West Java is a result of poor management of the cooperative. Institutional constitute an order or pattern of relationship between organizational members that bind to cooperate and achieve common goals (Djogo et al., 2003).

Hoyt (2004) with Majee and Hoyt (2009) states that the Cooperative can train and educate members together to meet the collective needs through the operation of a democratically controlled business. Sutikno and Hakim (2016) found that community cultural variables influence significantly to the development of their local communities with green economic indicators, significant influence society culture with the local community environmental development, and cultural variables significantly influence the participation of cooperatives. Sutikno and Batoro (2016) found that variables influence significantly the economic potential role of dairy cooperatives and the role of dairy cooperatives have a significant influence on the variable local community development with a green economic indicators.

### 5. CONCLUSION

Based on the results, it can be concluded that with establishment of a green economy is influenced by local wisdom, economic potential, and the role of dairy cooperatives. This can mean that the better local wisdom, economic potential, and the role of dairy cooperatives, it will have an impact both on the development of green economy.

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