

Governance of the Merah Putih Village Cooperative: Review of Membership Policies, Governance, and Community Participation

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ABSTRACT

The Red and White Village/Subdistrict Cooperative is a new government policy initiative aimed at strengthening village economies through the spirit of mutual cooperation (gotong royong). This article presents a recent study on membership policies, governance, and community participation within the Red and White Village Cooperative. The research adopts a qualitative descriptive approach, employing a literature review of scholarly journals and an analysis of relevant policy documents. The findings indicate that the cooperative's membership policy is inclusive of village residents; however, it faces challenges in encouraging active participation from more than half of the population as members. Cooperative governance is implemented democratically through Members' Meetings, and the principles of transparency and accountability have begun to be applied, although managerial capacity at the local level remains limited. Member participation is shown to play a strategic role in the success of the cooperative—members act not only as beneficiaries but also as owners and managers, making their involvement in decision-making processes crucial. The main challenges identified include limited managerial competence among board members, potential overlap with Village-Owned Enterprises and the risk of dependency on central government support. Through strengthening member capacity, improving the quality of governance, and adopting a participatory approach, the Red and White Village Cooperative has the potential to become a model of independent, equitable, and sustainable village economic empowerment

Keywords: Red and White Village Cooperative¹; Membership Policy²; Village Economic Development³

INTRODUCTION

Cooperatives are one of the main pillars of the Indonesian economy, playing an important role in the development of the people's economy. According to Law No. 25 of 1992, a cooperative is a business entity composed of individuals or legal entities that conducts its activities based on cooperative principles and the spirit of kinship, with the aim of improving the welfare of its members and the wider community. The principles of cooperatives include voluntary and open

membership, democratic management, member economic participation, autonomy and independence, education and training, cooperation among cooperatives, and concern for the community. In Indonesia, cooperatives are promoted as a people's economic movement to realize a just and prosperous society (Ribas et al., 2022).

The strategic role of cooperatives in village development has become increasingly prominent with the launch of the Red and White Village/Subdistrict Cooperative initiative in early 2025. The Indonesian government under President Prabowo Subianto has announced the establishment of between 70,000 and 80,000 village cooperatives across the archipelago as centers of economic activity at the village level. The Red and White Village Cooperative Program aims to address persistent rural challenges, such as poverty, limited access to capital, and the dominance of middlemen in agricultural markets. Through village cooperatives that manage essential services ranging from basic goods outlets and savings and loan units to the distribution of agricultural inputs and the delivery of social assistance the government expects to enhance economic self-reliance and food security at the community level. This initiative is aligned with the concepts of people-centered economic development and the Pancasila economy, which emphasize a balance between economic growth and social justice and position cooperatives as a concrete manifestation of economic democracy (Dharma Setyawan et al., 2025; Meliala & Woods, 2022).

Although promising, the implementation of the Red and White Cooperative program has also raised various questions and criticisms. Several observers have expressed concerns about the potential overlap between the roles of village cooperatives and existing village economic institutions such as Village-Owned Enterprises. Village-Owned Enterprises are business entities owned by village governments, whereas cooperatives are owned by their members (residents); regulatory and functional overlap between the two may occur in the absence of clear policy guidance. In addition, the centrally driven, large-scale establishment of cooperatives is considered to carry a top-down risk, as it may inadequately account for local contexts. This condition has the potential to trigger the politicization of the program at the grassroots level, for example when cooperatives are used as

instruments of particular political interests rather than as genuine community-based economic movements. The cooperative funding framework has also been questioned, with concerns raised about the risk of misuse of village funds and the possibility of excessive dependence on government capital injections.

Internal challenges within village cooperatives are equally significant. The capacity of human resources in villages, particularly the competence of cooperative board members and managers, remains limited. Yet, the success of cooperatives is strongly influenced by the quality of their governance. Constraints in managerial knowledge, accounting skills, and the utilization of digital technologies can hinder effective cooperative operations. Conversely, several regions have shown signs of progress: a case study in East Kalimantan found that village cooperatives in urban areas (Samarinda City) are more progressive in terms of digitalization and the strengthening of MSME business networks, while those in rural areas (Kutai Kartanegara Regency) tend to focus on the agricultural sector and the fulfillment of members' basic needs. These differences indicate that the implementation of Kopdes Merah Putih is highly influenced by local potential and the level of program support in each region (Hasanudin et al., 2025; Utomo et al., 2025).

From the perspective of membership and community participation, village cooperatives are required to mobilize broad citizen involvement. Ideally, all village residents can join as cooperative members, given that these cooperatives are designed as collectively owned village institutions. Inclusive membership can expand the capital base, enhance economic participation, and increase the cooperative's social impact. In several areas, local governments have set minimum participation targets; for example, the Rembang Regency Government encourages each Red and White Cooperative to have members representing at least 50% of the village population concerned. This reflects a strong commitment to ensuring that cooperatives truly become mass movements rather than being owned by only a small group of individuals. However, increasing public interest in formally joining as members is not always easy. Intensive socialization and education efforts are necessary, as without adequate understanding and trust, residents may be reluctant

to become actively involved in cooperatives. At the same time, the principle of voluntary membership must be respected meaning that residents should not be compelled to join, but rather convinced of the benefits of cooperative participation (Aernouts & Ryckewaert, 2019; Guttmann, 2021; Mitzinneck & Besharov, 2019).

Previous studies indicate that member participation is a key determinant of cooperative success. Cooperative members simultaneously hold three roles, namely as owners, managers, and users of cooperative services. Therefore, a high level of participation tends to enhance cooperative performance, whereas low participation can lead to stagnation. Several factors influencing member participation have been identified, including cooperative education, the quality of cooperative services, member motivation, satisfaction with cooperative performance, the level of member trust, and a supportive business environment. By strengthening these factors for example, through regular education programs, service improvements, and transparent management it is expected that members will be more motivated to actively participate in all cooperative activities and decision-making processes.

Research Gap. Although the Red and White Village Cooperative has become a prominent topic of discussion since its launch, comprehensive scholarly studies that examine membership, governance, and community participation in an integrated manner remain limited. Previous studies have tended to focus either on macro-level policy perspectives (such as the political–economic motivations underlying the program) or on case studies of specific regions. This article seeks to address this gap by presenting a systematic review that synthesizes key findings from recent literature on membership policies, governance design, and community participation within the context of Red and White Village Cooperative. The objectives of this study are to: (1) analyze the membership policies of the Red and White Village Cooperative; (2) evaluate cooperative governance, including the implementation of transparency and accountability principles; (3) examine the level and forms of community participation in the cooperative; and (4) identify key challenges and policy implications for the sustainability of the village cooperative program. By addressing these issues, this study aims to provide recommendations

for strengthening the future implementation of the Red and White Village Cooperative as a pillar of the people-centered rural economy.

METHOD

This study employs a descriptive qualitative method using a literature review and policy analysis strategy. The primary data sources consist of secondary literature, including recent scholarly journal articles, government policy reports, and technical documents related to the establishment and management of the Red and White Village. To ensure the quality of references, the selected literature mainly comes from accredited national journals (SINTA) as well as reputable international journals that are relevant to the topic (Ikhwan Aziz Q et al., 2022; Rahardja et al., 2019). Several key studies referenced in this research include: (Saputri et al., 2025) which examines the Red and White Cooperative from the perspective of village development and governance, (Aminullah, 2025) who analyzes the implementation of this program from a political economy perspective, serta (Zulkifli & Rachim Reslianty, 2025) This study also draws on English-language sources that portray the early development of village cooperatives in two different regions. In addition, quantitative studies on cooperative member participation and conceptual writings on cooperative governance were reviewed to provide a solid theoretical foundation. Data from multiple sources were collected and synthesized using a descriptive-comparative approach to summarize and compare findings across studies in order to identify consistent patterns and variations. This literature-based analysis was complemented by content analysis of government policy documents, including technical guidelines for cooperative establishment, the official FAQs of the Merah Putih Village Cooperative, and reports on regional program implementation [24]. Data validity was ensured through source triangulation and cross-checking with cooperative principles as stipulated in Law No. 25/1992 and the International Cooperative Alliance (ICA). The study focused on membership, governance, and participation during the early stages of the establishment and operation of the Red white Village Cooperative (2024–2025), without collecting primary data, while

selected interview findings from previous studies were incorporated as secondary sources.

RESULT AND DISCUSSION

Membership Policy of the Merah Putih Village Cooperative

Membership policy in the Merah Putih Village/Subdistrict Cooperative is designed to be inclusive and participatory. In accordance with the guidelines of the Ministry of Cooperatives and SMEs, cooperative membership is open to all residents domiciled in the respective village or subdistrict without discrimination based on age, gender, or economic background, provided that they are willing to fulfill membership obligations (such as paying the initial and mandatory savings) and comply with the cooperative's statutes. This approach is consistent with the cooperative principle of "voluntary and open membership." In practice, the cooperative formation process begins with a special Village/Subdistrict Assembly that invites as many residents as possible to participate in the founding meeting. This meeting determines key elements, including the cooperative's name (following the format "Merah Putih Village/Subdistrict Cooperative + Village Name"), the types of business activities to be undertaken, the amount of initial and mandatory savings, and the composition of the management and supervisory boards. Thus, from the outset, village residents are encouraged to actively engage as prospective members as well as owners of the cooperative (Ajates Gonzalez, 2017; GRASHUIS & SU, 2019; Suryani & Soedarso, 2021).

Initial savings and mandatory savings constitute key elements of membership policy. Initial savings refer to a one-time contribution made when an individual joins the cooperative and cannot be withdrawn for the duration of membership, while mandatory savings are regular contributions (monthly) that likewise cannot be withdrawn while membership remains active. This policy aims to foster a sense of ownership among members, as each member has invested capital in the cooperative. In addition, funds accumulated from member savings serve as the cooperative's initial capital to support business operations. For example, prior to commencing operations, capital mobilization is often conducted through member

equity contributions based on an approved budget plan, which may subsequently be strengthened through loans or credit facilities from government-partnered banks. In the context of the Merah Putih Village Cooperative, the central government has partnered with HIMBARA state-owned banks to provide access to financing for village cooperatives, subject to the prerequisite that the cooperative has been formally established and that member capital participation has been approved through a village assembly. This illustrates that membership policy encompasses not only member registration but also the regulation of members' financial obligations and collective capital mobilization mechanisms (Thelma Chibueze, 2024).

The membership policy of the Merah Putih Village Cooperative also emphasizes a model of mass participation. As previously noted, Rembang Regency set a target for 50% of village residents to become cooperative members. This target is relatively ambitious, given that average community participation in local organizations is typically lower. However, the objective is to ensure that the cooperative is genuinely collectively owned by the community. Involving more than half of the population is expected to generate sufficient economies of scale for the cooperative's business operations (for example, by creating a broad consumer base for cooperative retail units), while also strengthening social capital in the form of trust and a culture of mutual cooperation (Saz-Gil et al., 2021; Sułkowski, 2017).

The implementation of this policy inevitably faces challenges. Not all village residents are immediately enthusiastic about joining, making intensive socialization regarding the benefits of cooperatives necessary. Local governments and village cooperative task forces have undertaken various outreach efforts, including community meetings, cooperative education sessions, and the involvement of local community leaders as mobilizing agents. The focus of these activities is to explain how cooperatives can enhance members' welfare for example, through lower prices for basic necessities at cooperative outlets, easier access to microcredit, direct marketing of agricultural products without intermediaries, and the distribution of surplus at the end of the year. Residents are

also informed that cooperative membership entails collective ownership and oversight, such that the more active members involved, the greater the shared benefits that can be realized.

From a regulatory perspective, cooperative membership is governed by statutory law as well as the cooperative's Articles of Association and Bylaws (AD/ART). Law No. 25/1992 stipulates that members of primary cooperatives must be individuals, not institutions or government entities. Accordingly, in the context of the Merah Putih Village Cooperative, village governments or officials do not automatically become members unless they register in their personal capacity as residents. Nevertheless, village officials and local governments play an important role as facilitators and supporters, even though they are not formal members. The cooperative's Articles of Association and Bylaws typically specify membership requirements (village residency, legal capacity, acceptance of the bylaws, and payment of initial savings), procedures for admitting new members, members' rights and obligations, and procedures for termination of membership (due to relocation, resignation, or dismissal). These regulations are designed to ensure transparency and fairness in the membership process. Each member holds equal voting rights under the principle of "one member, one vote," regardless of the amount of capital contributed, in accordance with cooperative democratic principles. Consequently, cooperative membership structures are egalitarian and not dominated by large investors, as in limited liability companies, since cooperatives do not recognize share ownership based on capital investment (Ridley-Duff & Bull, 2019; Tortia, 2018).

The membership policy of the Merah Putih Village Cooperative embodies the cooperative spirit of inclusivity and mutual cooperation. All village residents have the opportunity to become member-owners of the cooperative, contribute capital, and participate in decision-making processes. Future challenges lie in effective implementation, including ensuring meaningful outreach, strengthening community trust, and maintaining professional cooperative management so that members feel satisfied and proud to be part of the cooperative. Thus, a sound

membership policy is not sufficient on paper alone but must be realized through concrete participatory practices at the grassroots level.

Cooperative Governance

The governance of the Merah Putih Village Cooperative generally follows standard cooperative governance models as stipulated in the Cooperative Law. The organizational structure consists of the General Meeting of Members as the highest decision-making authority, the Management Board as the operational body elected by the members, and the Supervisory Board, which is also elected by the members. An Annual General Meeting of Members must be held each year as a manifestation of managerial accountability to the membership; this forum reviews and approves the management accountability report, financial statements, and the cooperative's work plan. This deliberative and democratic mechanism underscores that cooperatives are governed through consensus or member voting, rather than being determined unilaterally by capital owners or external officials. (Saputri et al., 2025) emphasize that transparency and accountability are indispensable prerequisites of good governance, which are widely recognized as key factors in the success of village cooperatives.

During the initial stage of the operationalization of the Merah Putih Village Cooperative, various efforts have been undertaken to implement professional governance practices. The government, through the Ministry of Cooperatives, has developed a digital application called "SiKopdes," which aims to support online administrative and financial record-keeping, thereby facilitating monitoring and enhancing transparency. In Rembang Regency, subdistrict heads and relevant technical agencies have assisted cooperatives in utilizing the SiKopdes application to promote greater transparency and professionalism in governance. This digitalization initiative is consistent with the findings of (Zulkifli & Rachim Reslianty, 2025) in East Kalimantan, which show that village cooperatives in Samarinda are more advanced in management digitalization compared to those in other regions. Through digital systems, records of member savings, loans, retail transactions, and financial reports can be maintained more accurately and accessed

more easily by management, while also being subject to oversight by supervisory boards and local cooperative authorities.

The principle of transparency is also implemented through openness of information to members. Every member has the right to access information regarding the cooperative's performance. For instance, the outcomes of the Annual Members' Meeting, including approved financial statements, are announced on notice boards at the cooperative office or disseminated through WhatsApp groups or village forums. The management board is obliged to prepare periodic operational and financial reports (monthly or quarterly) for submission to the Supervisory Board. Subsequently, the Supervisory Board compiles oversight reports to be presented at the Annual Members' Meeting. This cycle of reporting and supervision constitutes an integral part of internal governance and is expected to foster member trust, as all cooperative activities and the use of funds are well documented and collectively subject to review (Devid Putra Arda et al., 2021; Rahim et al., 2017).

The principles of transparency and accountability have begun to be implemented, but they still require further strengthening. Some village cooperatives have established internal rules on information disclosure and involved members in performance evaluations; however, implementation remains uneven. While certain cooperatives hold regular monthly meetings between management and core members to discuss business progress, others exhibit minimal communication between management and members. Member involvement in strategic decision-making is also reported to be limited in many cases. For example, decisions regarding business expansion or partnerships with third parties are often formulated solely by the management and subsequently conveyed to members for informational purposes, without adequate member deliberation. This situation may be attributed to the cooperatives' early stage of development and members' pragmatic view that "the priority is to get the cooperative running." Nevertheless, in the long term, such practices must be improved to prevent deviations from the principle of member democracy (Adachi, 2019; Scharpf, 2017).

Another governance challenge concerns the limited managerial capacity at the village level. Many village cooperative managers are first-time practitioners in managing collective enterprises, resulting in a steep learning curve (Agarwal, 2020; Fisk et al., 2019). Training and mentoring programs are therefore critically needed. The government, through local Cooperative Offices, has scheduled various capacity-building initiatives, including training in cooperative business management, administration and bookkeeping, and the use of information technology. Professional facilitators have also been deployed in the field to assist management in developing business plans and addressing operational challenges. In addition, collaborative efforts with cooperative consultants or more established cooperative movements are encouraged to ensure that village cooperatives do not operate in isolation (Moon & Lee, 2020).

From a national policy perspective, the government recognizes the importance of institutional synergy. One governance issue concerns the relationship between village cooperatives and Village-Owned Enterprises (BUMDes). To avoid duplication or conflict, in several regions village cooperatives have been integrated with BUMDes; for example, farmer groups, farmer group associations, or BUMDes business units have been incorporated as cooperative business units. This arrangement can offer a win-win solution: BUMDes continues to function as a village government-owned enterprise, while economic activities that directly involve community members are channeled through cooperatives, which are more flexibly managed by residents. Nevertheless, this approach requires clear regulatory frameworks to ensure that the division of roles and governance between BUMDes and cooperatives does not overlap. (Aminullah, 2025) highlights the need for safeguards to prevent institutional overlap and to ensure clarity in the financial framework of village cooperative programs. Without such clarity, accountability problems may arise, such as the transfer of village funds to cooperatives without adequate control mechanisms, or, conversely, cooperatives facing capital shortages because financing is assumed to fall under BUMDes' responsibility (Ginting et al., 2024; Ikram et al., 2025).

Challenges and Policy Implications

Based on the results of the discussion above, there are several main challenges in implementing the Red and White Village Cooperative policy as well as policy implications that need to be considered:

Table 1. Challenges and Policy Implications

No	Challenges	Explain
1	Human Resources Capacity and Mentoring	Limited capacity among cooperative managers and members in managing modern cooperatives constitutes a tangible challenge. Consequently, the government needs to strengthen continuous mentoring and training programs. Such capacity-building policies may involve higher education institutions (through community service or village assistance programs), established cooperative movements as mentors, or the allocation of dedicated budgets for capacity development. Without improvements in managerial and technical competencies, cooperatives are vulnerable to mismanagement, which may ultimately erode member trust.
2	Overlap with BUMDes	In many villages, Village-Owned Enterprise have already been established to manage local economic business units. The Merah Putih Village Cooperative program risks institutional overlap if the respective roles of BUMDes and cooperatives are not clearly regulated. This has important policy implications, particularly the need for regulatory synchronization between the Ministry of Villages and the Ministry of Cooperatives. A memorandum of understanding or joint guidelines may be required to position BUMDes as incubators and partners of cooperatives rather than competitors. For example, policies could direct BUMDes to focus on businesses involving village assets (such as village water management or rural

tourism), while cooperatives concentrate on member-oriented services (including the provision of basic necessities, microenterprise financing for residents, and related services). Such synergy should be institutionalized, for instance through integrated governance arrangements, where the village head serves as a cooperative advisor and cooperative managers participate in BUMDes meetings as partners. Through this synergy, rather than overlapping, both institutions can mutually reinforce each other.

3 Top-Down vs Bottom-Up Approach

The Merah Putih Village Cooperative initiative originates from the central government, giving it a top-down character. The key challenge, therefore, is how to ensure that the program becomes deeply rooted through bottom-up processes within village communities. The policy implication is the importance of adopting participatory approaches at every stage of implementation. The government should promote flexibility, allowing each village to adapt its cooperative model to local contexts as long as it adheres to fundamental cooperative principles. Villages need to be actively involved in program design for example, by determining priority business activities through local deliberation rather than uniform decisions imposed from the center. As highlighted by (Aminullah, 2025) context-sensitive and participatory approaches are more likely to ensure program success. Follow-up policies may include involving local civil society organizations or traditional leaders in program oversight to ensure that implementation aligns with local wisdom.

4 Politics and Neutrality

The potential for politicization is a significant concern, as cooperatives may be infiltrated by local political

interests (for example, being established merely for political image-building by local leaders or as vehicles for particular groups). This poses a challenge because it can erode trust among community members with differing political affiliations. The policy implication is the need to strongly emphasize cooperative neutrality. Cooperatives must be clearly positioned as economic institutions rather than political instruments. Internal cooperative regulations may prohibit the use of political party symbols in cooperative activities or prevent active political officials from concurrently holding cooperative management positions. Oversight by independent authorities can also help mitigate the risk of politicization. If neutrality is maintained, all segments of the community are more likely to feel comfortable participating without political barriers.

5 Capital and Financial Sustainability

Many village cooperatives initially rely on limited amounts of initial and mandatory savings, while their business capital requirements may be substantial. Although the program offers access to bank credit, such debt must be managed cautiously. The challenge lies in the risk of loan default if cooperative businesses do not become profitable in a timely manner. The policy implication is the need for well-developed business plans for each cooperative prior to obtaining large-scale credit. The government may regulate interest rate subsidies or provide grace periods for village cooperative loans. In addition, cooperatives are encouraged to gradually build their own capital base through the allocation of surplus (SHU) to reserves, increased voluntary member savings, or, where feasible, supporting capital injections from local governments. The

objective is to achieve a healthy capital structure and reduce long-term dependence on external financing. (Saputri et al., 2025) note that excessive reliance on central government intervention poses a risk that should be avoided. Accordingly, regulations should promote the long-term financial self-reliance of cooperatives.

6 Utilization of Technology

The digital era presents both opportunities and challenges. One key challenge is the digital divide in rural areas, which may hinder the implementation of digital systems such as SiKopdes, as members who are unfamiliar with digital applications may be reluctant to use them. The policy implication is the need to incorporate digital literacy programs for both cooperative managers and members. For example, training on the use of digital applications or the provision of IT support personnel at the subdistrict level could be implemented. The government may also encourage innovations such as the adoption of digital payment systems in cooperatives (QRIS and e-wallets) to facilitate transactions, accompanied by appropriate education. If village cooperatives successfully undergo digital transformation, transparency and efficiency will improve, youth participation will increase, and market access will expand (for example, through online marketplaces). Zulkifli and Rachim conclude that village cooperatives can become modern organizational models when supported by good governance and the effective use of digital technology, therefore, investment in technological capacity represents a strategic policy priority.

7 Continuous Evaluation and Monitoring

The final challenge is ensuring that all newly established cooperatives remain active and

function effectively, given their large number. This underscores the need for a comprehensive monitoring and evaluation system. The Ministry of Cooperatives and SMEs, in collaboration with local governments, could develop a performance dashboard to monitor key indicators such as the implementation of Annual Members' Meetings, business turnover, and the number of active members. Key performance indicators may be established, and cooperatives performing significantly below standard should receive targeted support through coaching clinics. Sanctions and incentives could also be considered: well-performing cooperatives may be rewarded with additional grant funding or public recognition, while those that remain inactive for a certain period could be merged with nearby village cooperatives or revitalized through the appointment of new management. Oversight should also involve cooperative members through internal Supervisory Boards, as well as external institutions such as the Ombudsman or law enforcement agencies in cases of suspected misconduct. With multi-layered oversight, poor practices can be prevented at an early stage and public trust in the program can be sustained.

Table 1 is as a positive implication, if the challenges outlined above are addressed through appropriate policies, the Merah Putih Village Cooperative can emerge as a robust pillar of the people's economy. The program has the potential to generate up to 1.2 million new jobs nationwide, enhance financial inclusion in rural areas, and shorten food commodity supply chains. In other words, successful implementation would yield multiplied economic and social benefits: villages would become more self-reliant, rural-urban disparities would narrow, and the spirit of mutual cooperation would be revitalized as a central force in development. Therefore, strong and consistent political will from both central and local

governments is essential, while still allowing space for local initiative. Striking a balance between top-down direction and bottom-up participation is key to the effective implementation of community-based policies of this scale.

CONCLUSION

This study emphasizes the critical role of inclusive membership policies, good governance, and community participation in the success of the Merah Putih Village/Subdistrict Cooperative as a model of rural economic empowerment. While cooperatives are designed to be voluntary and open to all villagers, their effectiveness depends on mass participation supported by effective socialization, capacity building, and tangible economic benefits. Although democratic governance structures and initial efforts toward transparency and accountability have been established, challenges persist in the form of limited managerial capacity, uneven member participation in decision-making, and potential institutional overlap with BUMDes. Addressing these issues through continuous mentoring, regulatory harmonization, data-based monitoring, and the strengthening of cooperative values is essential to ensure sustainability. With consistent policy support and active community engagement, the Merah Putih Village Cooperative has strong potential to become a participatory, equitable, and resilient pillar of Indonesia's rural economy.

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