

THE URGENCY OF ESTABLISHING THE MERAH PUTIH VILLAGE COOPERATIVE IN REALIZING VILLAGE ECONOMIC SELF-RELIANCE

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Abstract

This study analyzes the urgency of establishing the Merah Putih Village Cooperative to achieve village economic self-reliance through a normative legal approach. The primary issues addressed include the role of Presidential Instruction No. 9 of 2025 as a policy foundation for accelerating the formation of village cooperatives, and the integration of such policies within the legal frameworks of cooperative law, village law, people's economic empowerment, and economic democracy principles. The research adopts legislative and conceptual methodologies, drawing on primary legal sources such as legislation and secondary sources including academic articles, legal journals, and scholarly studies. Findings demonstrate that the establishment of the Merah Putih Village Cooperative is normatively, economically, and institutionally urgent, as it can enhance access to capital, distribution of production outputs, marketing of local products, food security, and economic participation within the village community. Nevertheless, its effectiveness relies on regulatory clarity, cooperative governance, human resource capacity, synergy with Village-Owned Enterprises (BUM Desa), and ongoing oversight. The study concludes that the Merah Putih Village Cooperative could serve as a strategic instrument for village economic self-reliance if implemented in a participatory, transparent, and locally grounded manner.

Keywords: Merah Putih Village Cooperative, Economic Self-Reliance in Villages, Presidential Instruction No. 9 of 2025, People's Economy.

1. INTRODUCTION

Establishing the Merah Putih Village/Subdistrict Cooperative is essential to addressing persistent challenges in rural areas. These challenges include limited access to capital, weak bargaining power among farmers and micro-entrepreneurs, reliance on intermediaries, insufficient capacity of local economic institutions, and suboptimal management of village resources. Village cooperatives serve not only as business entities, but also as instruments of community-based economic institutions. They collectively address production, distribution, financing, and consumption needs within rural communities. The urgency for cooperative development has intensified following the issuance of Presidential Instruction No. 9 of 2025. This instruction,

effective March 27, 2025, seeks to expedite the nationwide establishment of "Merah Putih" Village/Neighborhood Cooperatives.

The Merah Putih Village Cooperative plays a strategic role, intended to bridge the gap between village development policies, micro, small, and medium enterprise (MSME) empowerment, and the enhancement of people's economic well-being. Presidential Instruction No. 9 of 2025 not only mandates the establishment of cooperative institutions but also directs their activities toward services that address village needs, including basic foodstuffs, savings and loans, clinics, pharmacies, warehousing, logistics, and the reinforcement of local supply chains. Consequently, village cooperatives are expected to function as centers of economic activity that are directly

connected to the community's daily needs, rather than serving solely as administrative entities.

The establishment of Merah Putih Village Cooperatives is closely associated with the significant number of villages and sub-districts in Indonesia. According to the 2024 Village Potential Statistics report, there are 84,276 administrative areas at the village level, including 75,753 villages, 8,486 sub-districts, and 37 UPT/SPT (Ateng Hartono, 2024). These data underscore the national scale of village-based economic development and highlight the necessity for economic institutions that can effectively collaborate with local communities.

Cooperatives have a constitutional foundation in the concepts of economic democracy and kinship. Pulungan and Sardjono explain that the principle of kinship and the cooperative concept within Indonesia's constitutional economic provisions represent an ideological choice by the nation's founders to transform the colonial economy into a democratic national economic system (Pulungan & Sardjono, 2021). Within this framework, cooperatives are not merely understood as a form of business entity but also as a corrective mechanism against unequal economic relations.

Legally, cooperatives continue to operate under Law No. 25 of 1992 on Cooperatives, since Law No. 17 of 2012 was declared inconsistent with the 1945 Constitution and rendered legally non-binding by Constitutional Court Decision No. 28/PUU-XI/2013. The Supreme Audit Agency (BPK) has indicated that, following the annulment of Law No. 17 of 2012, Law No. 25 of 1992 has been provisionally reinstated until new legislation is enacted. This situation underscores the urgent need to update and strengthen the legal framework for cooperatives, especially as the Merah Putih Village Cooperative policy is implemented nationwide.

Existing research emphasizes the strategic importance of cooperatives but does not comprehensively examine how the establishment of Red and White Village Cooperatives under Presidential Instruction No. 9 of 2025 can concretely promote village economic self-reliance. Masyhuri contends that rural cooperatives can enhance local potential and resilience; however, much of the analysis does not address the specific normative-legal framework established for the Red and White Village Cooperative (Masyhuri, 2024).

Purnomo's study explores the revitalization of village cooperatives through legal culture, legal awareness, and legal system theory. This research is significant as it demonstrates that cooperative success depends not only on institutional formation but also on legal culture, member participation, and supportive legal structures (Purnomo, 2024). Nevertheless, this body of research remains focused on the general revitalization of rural cooperatives and does not center on Presidential Instruction No. 9 of 2025. All focus.

Mauludin, Wahyudi, and Ulum offer a comprehensive analysis of the legal policy framework for the Merah Putih Village Cooperative. Their research indicates that while the KDMP policy is centralized and may expedite national implementation, it also introduces the risk of misalignment between legal design and practical readiness at the village level, particularly in terms of regulatory clarity, digital capacity, human resources, and member participation (Hafizatul Ulum et al., 2025). These findings provide a critical foundation for further normative analysis of how policies governing the establishment of village cooperatives can effectively support village economic self-reliance.

To date, no research has systematically examined the relationship between the legal foundation for establishing the Merah Putih Village Cooperative, cooperative governance as a people's economic institution, and village economic self-reliance. Existing studies variously focus on cooperatives as instruments of empowerment, Village-Owned Enterprises (BUM Desa), or the Merah Putih Village Cooperative (KDMP) policy model. Nevertheless, there remains a need for a normative legal study that situates Presidential Instruction No. 9 of 2025 within a systematic framework alongside the Cooperative Law, the Village Law, the Government Regulation on the Empowerment of Cooperatives and MSMEs, and policies on village cooperative funding.

Accordingly, the primary objective of this study is to analyze the urgency of establishing the Merah Putih Village Cooperative in achieving village economic self-reliance from a normative legal perspective. The central hypothesis is that establishing the Merah Putih Village Cooperative is both urgent and legally relevant for advancing village economic independence, contingent on regulatory clarity, democratic governance, active member

participation, synergy with Village-Owned Enterprises (BUM Desa), and accountable oversight.

2. RESEARCH METHODOLOGY

A normative legal research approach is employed, conceptualizing law as a set of norms, principles, doctrines, and regulatory systems, which are analyzed to address legal issues. The statutory and conceptual approaches are utilized. The research utilizes secondary data, including primary, secondary, and tertiary legal materials. Validation is achieved through legal source triangulation, which compares official regulations, academic literature, and previous research findings to ensure the consistency of normative arguments (Wiraguna, 2024).

Data analysis employs a qualitative-prescriptive technique, encompassing inventory, classification, interpretation, systematization, and legal argumentation. Research reliability is ensured by using official government sources and traceable scientific articles, enabling other researchers to replicate the analysis process using the same legal materials, keywords, and analytical stages (Negara, 2023).

3. RESULTS AND DISCUSSION

3.1 Theoretical and Legal Foundations for Establishing the Merah Putih Village Cooperative

A cooperative is defined as both a business entity and an economic movement grounded in the principle of solidarity. In rural settings, cooperatives operate as collective institutions that unite members to address shared economic needs. They improve access to production and distribution channels and increase rural communities' bargaining power. Rural cooperatives can facilitate business development, access to capital, marketing of local products, innovation, technology adoption, and the enhancement of local economic resilience (Masyhuri, 2024).

Village economic self-reliance refers to a village's and its community's capacity to manage local resources, develop productive economic activities, reduce dependence on exploitative external actors, and generate added value for the community. This concept does not imply isolation from markets or the state, but rather emphasizes the importance of robust

institutions capable of managing resources, making economic decisions, and ensuring equitable distribution of development benefits. An increase in the number of Village-Owned Enterprises (BUM Desa) does not necessarily result in greater employment opportunities if community participation remains limited and governance practices remain conventional. This observation is pertinent to the KDMP, as the establishment of institutions must be supported by effective governance and active participation (Arifin et al., 2020).

Economic democracy asserts that economic activities should be organized collectively rather than solely through individual competition. The principle of kinship, which underpins Indonesia's constitutional economy, establishes cooperatives as institutions that reflect Indonesian society's communal values. Legal systems theory evaluates policy success based on three elements: legal substance, legal structure, and legal culture (Pulungan & Sardjono, 2021). Revitalizing village cooperatives requires strengthening legal culture and legal awareness among cooperative stakeholders, rather than focusing solely on the creation of formal legal entities.

The establishment of the Merah Putih Village Cooperative is grounded in Presidential Instruction No. 9 of 2025, which mandates the acceleration of Merah Putih Village and Neighborhood Cooperatives. This instruction requires ministries, agencies, and local governments to expedite the formation of these cooperatives, aiming to reach 80,000 units. Furthermore, Presidential Regulation No. 9 of 2025 established the Task Force for the Acceleration of the Formation of Merah Putih Village and Neighborhood Cooperatives, comprising national, provincial, and regency/municipal task forces. Ministerial Regulation No. 49 of 2025 outlines the procedures for providing loans to support the Red and White Village and Subdistrict Cooperatives. Collectively, these regulations indicate that the Red and White Village and Subdistrict Cooperatives (KDMP) represent not only an economic initiative but also a national

policy agenda that necessitates a coordinated legal framework.

3.2 The Imperative to Establish the Merah Putih Village Cooperative

The initial findings indicate that the establishment of the Merah Putih Village Cooperative possesses normative urgency, as it derives direct legitimacy from Presidential Instruction No. 9 of 2025. This Presidential Instruction provides the foundation for coordination among ministries, agencies, local governments, and villages to expedite the formation of village or subdistrict cooperatives. From the perspective of administrative law, a Presidential Instruction does not constitute legislation, but it functions as a key instrument for the President to direct policy to government officials. Consequently, Presidential Instruction No. 9 of 2025 should be regarded as a policy norm that requires operationalization through technical regulations, implementation guidelines, and oversight mechanisms to ensure it extends beyond institutional objectives.

This normative urgency is further substantiated by the fact that KDMPs are established within a comprehensive regulatory ecosystem. Law No. 25 of 1992 provides the general legal foundation for cooperatives, while Law No. 6 of 2014 underpins rural community empowerment. Government Regulation No. 7 of 2021 establishes a framework to facilitate and empower cooperatives and micro, small, and medium enterprises (MSMEs), and Government Regulation No. 11 of 2021 designates Village-Owned Enterprises (BUM Desa) as the legal entities for village economies. Therefore, the KDMP should be integrated within the legal framework for village development, rather than functioning as an institution separate from the existing village economic structure.

Second, establishing the KDMP is economically urgent because villages require collective institutions to address the fragmentation of community enterprises. Many village economic actors operate at a small scale, with limited capital, restricted market access, and reliance on distribution chains that do not consistently benefit local producers. Cooperatives can facilitate production consolidation, collective purchasing, collective marketing, capital provision, storage of production outputs, and distribution of basic necessities (Masyhuri, 2024). In this context, village cooperatives can enhance the

community's bargaining position by enabling collective rather than individual economic activities.

Third, the effectiveness of the KDMP program depends on robust governance. Although a centralized KDMP policy may expedite national implementation, it also introduces the risk of misalignment between legal frameworks and village preparedness. Such risks encompass regulatory ambiguity, insufficient managerial capacity, inadequate digital infrastructure, and disparities in community participation (Hafizatul Ulum et al., 2025). Consequently, the success of the KDMP should be evaluated not only by the number of cooperatives established but also by their capacity to fulfill economic functions sustainably.

These findings indicate that establishing the Merah Putih Village Cooperative is both urgent and pertinent for fostering village economic self-reliance; however, this relationship is conditional. The KDMP does not inherently generate economic self-reliance if it exists solely as a legal or administrative entity. It can serve as an effective instrument for self-reliance only when managed in accordance with principles such as member ownership and service use, financial transparency, board accountability, alignment of business activities with local potential, and active community participation.

From the standpoint of economic democracy theory, the KDMP represents an initiative to reestablish the economy as a collective enterprise. Pulungan and Sardjono assert that cooperatives and the principle of kinship are deeply embedded in Indonesia's constitutional economic framework ((Pulungan & Sardjono, 2021). Accordingly, the KDMP should be protected from practices that reduce it to an administrative formality or a mere extension of government programs. Rather, the cooperative should function as a forum for economic democracy, enabling members to participate in business decision-making, oversee management, share in its benefits, and foster economic solidarity.

According to legal systems theory, the legal substance of the KDMP was established through Presidential Instruction No. 9 of 2025, Presidential Decree No. 9 of 2025, and Minister of Finance Regulation No. 49 of 2025. This legal substance requires support from an effective legal structure, including cooperative agencies,

village governments, the KDMP Task Force, cooperative supervisors, notaries responsible for drafting cooperative deeds, and financing institutions. Furthermore, the legal culture among cooperative members is a critical factor. Revitalizing village cooperatives necessitates both a robust legal culture and heightened legal awareness to ensure these entities are not merely nominal.

The findings indicate that rural cooperatives have significant potential to strengthen local economies, expand access to capital, expand markets, and foster innovation. However, this potential must be integrated within a harmonized regulatory framework. In the absence of legal synchronization, rural cooperatives may experience overlapping authority with Village-Owned Enterprises (BUM Desa), microfinance institutions, farmer groups, or other economic empowerment initiatives.

Synergy between Village-Owned Enterprises (BUM Desa) and the KDMP represents a critical pathway toward rural economic self-reliance. BUM Desa possesses an asset base and a mandate for village development, whereas cooperatives are characterized by a membership base and the principle of collective enterprise (Kusumasari, 2025). When these entities collaborate, villages benefit from two complementary economic instruments: BUM Desa manages village assets and business units, while cooperatives address the economic needs and interests of community members.

Potential differences in approach exist between BUM Desa and cooperatives. BUM Desa is a legal entity established by a village or jointly by multiple villages to manage village businesses, assets, and economic services, while a cooperative is a member-based business entity. Recognizing this fundamental institutional distinction is essential to preventing role conflicts. The Village Development Management Program (KDMP) should not supplant BUM Desa, nor should BUM Desa neglect cooperative principles. Instead, a collaborative framework is required that encompasses cooperation in food distribution, warehouse management, product marketing, logistics services, and the strengthening of village small- and medium-sized enterprises (SMEs).

Research by Arifin et al. on village funds and BUM Desa provides valuable insights for the KDMP. Their study found that while village funds

increased the number of BUM Desa, there was no strong evidence that BUM Desa automatically enhanced employment opportunities for the community. This outcome underscores that the establishment of economic institutions should not be guided solely by quantitative measures. The KDMP should draw lessons from the BUM Desa experience: without community engagement, professional governance, and initiatives tailored to local needs, village economic institutions risk becoming mere formalities (Arifin et al., 2020).

P Safri et al. identify several success factors for Village-Owned Enterprises (BUM Desa), including capital, human resource capacity, leadership, alignment of business units with village potential, community participation, stakeholder support, transparency, and adaptive management strategies. These factors are also relevant to strengthening KDMPs, as village cooperatives face challenges similar to those of Village-Owned Enterprises (Safri et al., 2025).

Nur et al. report that the Merah Putih Cooperative in Kolono benefits from institutional support, local resource potential, and market opportunities. However, it continues to face challenges, including limited managerial capacity, insufficient capital, low member participation, and market uncertainty (Nur et al., 2025). These findings underscore the necessity for ongoing support for KDMPs beyond their initial establishment.

From a funding policy perspective, PMK No. 49 of 2025 serves as a key regulatory instrument for KDMP loan procedures. This funding scheme can assist cooperatives in overcoming initial capital barriers. However, financing should be regarded as a means to an end. Without business viability assessments, mentoring, and oversight, cooperatives may incur debt burdens that undermine their members. Consequently, KDMP funding should be contingent upon robust business plans, analysis of local potential, repayment capacity, and well-defined accountability mechanisms.

A key practical implication of this study is the need for a flexible model to establish KDMPs. Villages exhibit diverse economic characteristics, including agriculture, fishing, plantations, tourism, services, trade, and urban support. Consequently, KDMP business units should be adapted to local potential rather than adhering to a standardized list of activities. For example, cooperatives in agricultural villages

may prioritize the provision of production facilities, storage, crop financing, and marketing of harvests, while those in tourism villages may focus on marketing local products, developing homestays, providing transportation, and supporting handicraft production.

Another policy implication is the necessity for coordination among central, local, and village governments, as well as the cooperative movement. Presidential Decree No. 9 of 2025 established a Task Force for the Acceleration of KDMP at the national, provincial, and district or city levels. However, the task force should not focus solely on achieving establishment targets. It must also ensure the quality of establishment, provide cooperative education, conduct mapping of village potential, develop business plans, implement accounting systems, and oversee supervision and reporting.

The theoretical contribution of this research is the development of a model that elucidates the relationship between law, institutions, and village economic autonomy. The findings indicate that village economic autonomy cannot be sufficiently explained by capital availability or the establishment of business entities alone. Instead, it requires analysis in terms of legal certainty, normative alignment, governance, member participation, and legal culture. This approach broadens the analysis of village cooperatives from an economic issue to a legal development issue.

A limitation of this study is the absence of empirical testing of village cooperatives across different regions. Given its normative legal approach, the conclusions are based on legal arguments and conceptual models rather than statistical generalizations. Future research should employ socio-legal or mixed-methods approaches to assess whether established KDMPs effectively increase member income, expand market access, strengthen village MSMEs, and reduce reliance on informal economic institutions.

4. CONCLUSION

The establishment of the Merah Putih Village Cooperative is legally, economically, and institutionally urgent for achieving village economic self-reliance. Legally, this urgency is supported by Presidential Instruction No. 9 of 2025, which mandates the acceleration of the formation of village and sub-district cooperatives, and is further reinforced by

Presidential Decree No. 9 of 2025 and Minister of Finance Regulation No. 49 of 2025. Economically, village cooperatives can improve access to capital, facilitate the marketing of local products, distribute essential goods, manage logistics, and increase the bargaining power of village communities. Institutionally, village cooperatives can promote economic democracy by being member-based, participatory, and founded on the principle of solidarity.

The KDMP will only achieve village economic self-reliance if its implementation extends beyond administrative procedures. Cooperatives should demonstrate democratic, transparent, and accountable governance, be grounded in local potential, and effectively collaborate with Village-Owned Enterprises (BUM Desa) and village MSME actors. Therefore, the success of the KDMP should be evaluated not only by the number of cooperatives established, but also by business sustainability, member participation, increased economic benefits, and the cooperative's capacity to reduce village dependence on inequitable economic structures.

The policy implications of this study encompass regulatory harmonization, institutional mentoring, cooperative education, the development of business plans tailored to local potential, and oversight of cooperative financing. Central and local governments should ensure that the accelerated establishment of KDMPs is supported by enhanced managerial capacity, simplified accounting systems, oversight mechanisms for members, and collaboration with Village-Owned Enterprises (BUM Desa). A key limitation of this study is its normative approach, as it has not yet assessed the actual impact of KDMPs in practice. Future research should employ empirical methods to evaluate the effectiveness of KDMPs in improving member income, fostering the growth of village MSMEs, generating employment, and advancing village economic self-reliance.

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