

Legal Policy Model of the Red and White Village Cooperative (KDMP): Implementation Factors and Comparative Insights from Brazil, Denmark, and Japan

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Abstract

This study examines the legal policy model of the Red and White Village Cooperative (KDMP), the determinants of its implementation, and Indonesia's comparative position vis-à-vis cooperative systems in Brazil, Denmark, and Japan. The urgency of this research stems from the Indonesian government's large-scale initiative to establish and revitalize more than 80,000 village cooperatives through a centralized, top-down regulatory framework, implemented amid persistent structural challenges, including regulatory ambiguity, limited managerial and digital capacity, uneven infrastructure, and variations in community participation. Without careful legal policy evaluation, this model risks reproducing structural weaknesses previously observed in Indonesia's Village Unit Cooperatives (KUD). Employing a normative-empirical legal methodology that integrates statutory analysis, conceptual inquiry, comparative law, and a sociological approach supported by interviews and field-based questionnaires in selected villages in West Nusa Tenggara, the study finds that KDMP's legal policy is predominantly shaped by Thomas R. Dye's institutional and process models. This centralized framework enables rapid nationwide implementation but reveals a structural misalignment between legal design and practical readiness at the village level. Implementation outcomes are influenced by both juridical factors particularly regulatory clarity and policy coherence and non-juridical factors, including human resources, digital infrastructure, and levels of member participation. A comparative analysis based on Ragone and Smorto's functional framework demonstrates that, while Indonesia shares normative cooperative objectives with Brazil, Denmark, and Japan, differences in governance structures significantly affect sustainability outcomes. Brazil and Denmark illustrate the advantages of autonomy-based, bottom-up cooperative models operating under flexible legal regimes. At the same time, Japan represents a hybrid trajectory in which early state coordination gradually transitions toward member-centered governance. This study contributes an integrated legal-policy model of KDMP that connects implementation realities with comparative insights. The findings indicate that strengthening member-based governance, simplifying overlapping regulations, and gradually reducing excessive centralization are essential to enhance sustainability, community ownership, and the long-term effectiveness of village-based cooperatives in Indonesia.

Keywords: *Comparative Law; Legal Policy Model; Red and White Village Cooperative (KDMP).*

1. INTRODUCTION

Village cooperatives have long been positioned as a central instrument of rural economic Development in Indonesia. Normatively, cooperatives are constitutionally recognized as the backbone of the national economy under

Article 33 of the 1945 Constitution and are legally defined in Law No. 25 of 1992 on Cooperatives as people-centered business entities founded on the principles of kinship, cooperation, and economic democracy.¹ In parallel, Law No. 6 of 2014 on Villages strengthens village autonomy by granting formal authority to manage local resources and financial potential, including through village-based cooperatives. Together, these legal frameworks establish a strong normative foundation for cooperatives as vehicles of community empowerment and inclusive rural Development.²

In the context of rural economic development,³ village cooperatives function as both business entities and community-based economic movements grounded in the principles of kinship and economic democracy.⁴ By optimizing local resources such as agricultural products, natural assets, or handicrafts village cooperatives are designed to generate added value, expand economic opportunities, and strengthen collective welfare in rural areas.⁵

However, the historical trajectory of cooperative Development in Indonesia reveals a persistent gap between normative ideals and institutional realities. Cooperative policies have repeatedly been shaped through state-led, top-down interventions, resulting in weak member participation, managerial dependency, and limited institutional resilience. The collapse of many Village Unit Cooperatives (KUD) following prolonged government intervention and subsidy dependency illustrates the structural risks of cooperatives that lack autonomy and internal capacity. These historical experiences raise critical legal and institutional questions regarding the sustainability of newly introduced cooperative models that continue to rely heavily on centralized governance.⁶

This structural concern becomes particularly relevant in the context of the Red and White Village Cooperative (KDMP), an unprecedented national program aiming to establish or revitalize more than 70,000 village cooperatives within a relatively short timeframe.⁷ Despite substantial financial support through Village Funds and state-owned banks, preliminary field findings in Lombok indicate that many villages remain institutionally unprepared, facing limited managerial capacity, low legal literacy, unclear operational guidelines, and inadequate digital and financial infrastructure.⁸ These conditions signal a serious implementation gap, suggesting that the ambitious scale of the KDMP program is not matched by sufficient institutional readiness at the grassroots

1 Wahid H Hadi Purnomo et al., "REVITALIZING VILLAGE COOPERATIVES: HARNESSING LEGAL CULTURE FOR SUSTAINABLE GROWTH," *Indonesia Law Review* 14, no. 3 (2024): 41.

2 Muhammad Ali Masyhuri, "The Urgency of Cooperative Development in Rural Areas of Indonesia," *Citizen : Jurnal Ilmiah Multidisiplin Indonesia* 4, no. 4 (2024): 266–76, <https://doi.org/10.53866/jimi.v4i4.636>.

3 Shanti Wulandari, "KUD SEBAGAI BADAN USAHA BAGI PETANI SESUAI DENGAN UNSUR KEARIFAN LOKAL," *Perspektif* 26, no. 3 (2021): 210–15, <https://doi.org/10.30742/perspektif.v26i3.802>.

4 Teguh Tresna Puja Asmara et al., "Tanggung Jawab Pemilik Koperasi Pada Saat Terjadi Kredit Macet Ditinjau Dari Teori Kepastian Hukum," *Jurnal IUS Kajian Hukum Dan Keadilan* 8, no. 1 (2020): 109, <https://doi.org/10.29303/ius.v8i1.712>.

5 Sindi Safira Hanum Siregar et al., "Reconstructing the Cooperative Rule of Law as an Alternative for Economic Empowerment of Rural Communities in Indonesia," *International Journal of Contemporary Sciences (IJCS)* 1, no. 12 (2024): 940–51, <https://doi.org/10.55927/ijcs.v1i12.12043>.

6 Siregar et al., "Reconstructing the Cooperative Rule of Law as an Alternative for Economic Empowerment of Rural Communities in Indonesia."

7 Septuti Mega Posroito, "Himbara Cooperation Activities (Association of State-Owned Banks) in Terms of Indonesian Business Competition Law," *Budapest International Research and Critics Institute ...* 5, no. 3 (2022): 20938–49, <https://doi.org/10.33258/birci.v5i3.6113>. <https://www.bircu-journal.com/index.php/birci/article/view/6113/pdf>.

8 Humas Humas Sekretariat Kabinet Republik Indonesia, "Putus Mata Rantai Kemiskinan, Presiden Prabowo Akan Membentuk Koperasi Desa Merah Putih," *Setkab RI*, 2025, <https://setkab.go.id/koperasi-desah-merah-putih/>.

level.⁹ Consequently, the absence of a clearly articulated cooperative governance model raises legal urgency, particularly concerning whether KDMP represents an institutional transformation or merely a rebranding of previous state-driven cooperative initiatives.

Through existing policies, village cooperatives are not only expected to strengthen the village economy, but also demonstrate how cooperatives can be a force for food security and more inclusive development for rural communities in Indonesia. With a targeted legal policy basis, village cooperatives have great potential to change the rural economic landscape.

The issuance of Circular Letter of the Minister of Cooperatives No. 1 of 2025 and related derivative regulations reflects a strong institutional and procedural policy approach, consistent with a top-down legal policy model. Yet, the rapid proliferation of technical regulations has also generated regulatory complexity and ambiguity at the village level, reinforcing concerns regarding legal clarity, coherence, and long-term sustainability. This situation underscores the need to critically examine the legal policy model underpinning KDMP and assess whether it adequately reflects the cooperative's essential nature as a member-owned, democratically governed institution.

In this context, comparative analysis becomes methodologically and substantively relevant. Brazil and Denmark are selected as comparative references because their cooperative systems evolved organically through bottom-up initiatives, operate within flexible legal frameworks, and demonstrate substantial member autonomy and long-term economic resilience. Japan, by contrast, represents a hybrid model in which cooperatives initially developed through strong state coordination before gradually transitioning toward member-centered governance. Examining these models provides critical insights into how different legal-policy configurations shape cooperative sustainability and institutional performance.

This research uses a normative-empirical legal research method, which examines legal norms and their application in society. To answer the research questions, several approaches are used, including: statute approach to analyze relevant regulations, conceptual approach to understand policy concepts, comparative approach to compare models with other countries, and sociological approach to look at aspects of implementation in the field.¹⁰

The objectives of this study are to determine: 1. How does the legal policy model of the Red and White Village Cooperative (KDMP) in the development of village-based cooperatives in Indonesia? 2. What factors influence the implementation of the Red and White Village Cooperative (KDMP) legal policy model in the development of village-based cooperatives in Indonesia? 3. How does the Red and White Village Cooperative (KDMP) legal policy model in Indonesia compare with those in Brazil, Denmark, and Japan?

2. ANALYSIS AND DISCUSSION

2.1. Legal Policy Model of the Red and White Village Cooperative (KDMP) in the Development of Village-Based Cooperatives

⁹ "Prabowo Launching 80.000 Kopdes Merah Putih Di Klaten Hari Ini," Koperasi Desa Merah Putih, 2025, <https://merahputih.kop.id/pers/berita/detail/7>.

¹⁰ Salim HS dan Erlies Septiana Nurbani dalam Muhaimin, *METODE PENELITIAN HUKUM*, Pertama (Mataram University Press, 2020).

2.1.1. Transformation of Cooperative Institutions in Indonesia

Cooperatives are fundamentally distinct from conventional business entities because they are associations of people rather than associations of capital. According to the International Cooperative Alliance (ICA),¹¹ cooperatives are autonomous associations of individuals who voluntarily unite to meet their economic, social, and cultural needs through jointly owned and democratically controlled enterprises. This definition highlights the essential nature of cooperatives as hybrid institutions that pursue economic efficiency while simultaneously advancing social welfare, democratic participation, and member empowerment.¹² Consequently, the sustainability of cooperatives is determined not merely by financial performance, but by the degree of autonomy, member participation, and institutional capacity embedded within their governance structures.¹³

In Indonesia, the institutional development of cooperatives has undergone a significant transformation shaped by shifting political, legal, and economic regimes. From the outset of independence, cooperatives were envisioned by the Founding Fathers particularly Mohammad Hatta as instruments of people's monetary sovereignty and social justice, grounded in the principles of kinship and economic democracy enshrined in Article 33 of the 1945 Constitution.¹⁴ Normatively, cooperatives were designed to function as bottom-up economic institutions rooted in community initiative. However, in practice, their institutional trajectory has been repeatedly redirected by decisive state intervention.¹⁵

Historically, cooperative autonomy in Indonesia has been constrained since the colonial era, when restrictive regulations such as *Verordening op de Coöperatieve Verenigingen* (Staatsblad 431 of 1915) imposed bureaucratic and financial barriers that limited organic growth.¹⁶ During the Japanese occupation, cooperatives were transformed into *Kumiai*, serving as instruments of resource extraction for wartime objectives, which severely eroded public trust.¹⁷ These early experiences established a pattern in which cooperatives were treated less as member-owned institutions and more as administrative tools of the state.¹⁸

Following independence, this institutional pattern persisted. Although the Old Order promoted cooperatives as vehicles of economic empowerment and facilitated Indonesia's membership in the International Cooperative Alliance in 1958, cooperatives increasingly became politicized and subordinated to ideological agendas.¹⁹ Under the

11 Hasbullah Hasbullah and Salleh Ahmad Bareduan, "THE FRAMEWORK MODEL OF DIGITAL COOPERATIVE TO EXPLORE ECONOMIC POTENTIAL IN HIGHER EDUCATION," *SINERGI* 25, no. 2 (2021): 195, <https://doi.org/10.22441/sinergi.2021.2.011>.

12 Andrea Girardi, "Cooperatives," in *Encyclopedia of Sustainable Management*, ed. Samuel O. Idowu et al. (Springer International Publishing, 2023), https://doi.org/10.1007/978-3-031-25984-5_702.

13 Hasbullah Hasbullah and Salleh Ahmad Bareduan, "THE FRAMEWORK MODEL OF DIGITAL COOPERATIVE TO EXPLORE ECONOMIC POTENTIAL IN HIGHER EDUCATION," *SINERGI* 25, no. 2 (2021): 195, <https://doi.org/10.22441/sinergi.2021.2.011>.

14 Cinantya Kumaratih and Tulus Sartono, "Cooperative Law Policy: Historical Study Of Cooperative Settings In Indonesia," *Jurnal Hukum Prasada* 7, no. 1 (2020): 34–44, <https://doi.org/10.22225/jhp.7.1.1267.34-44>.

15 Masyhuri, "The Urgency of Cooperative Development in Rural Areas of Indonesia."

16 Suhardi, dkk dalam Abdul Atsar, *Perkembangan Hukum Koperasi Di Indonesia*, in *Deepublish (Grup Penerbitan Cv Budi Utama)* (Sleman, 2024).

17 Atsar, *Perkembangan Hukum Koperasi Di Indonesia*.

18 Francisca Castilla-Polo and M. Isabel Sánchez-Hernández, "Cooperatives and Sustainable Development: A Multilevel Approach Based on Intangible Assets," *Sustainability (Switzerland)* 12, no. 10 (2020): 1–14, <https://doi.org/10.3390/su12104099>.

19 Suwandi Suwandi, "Trend Analysis of the Development of Indonesian Cooperatives (Empirical Study for the Period 2012-2021)," *International Journal of Research and Innovation in Social Science* VIII, no. I (2024): 1171–77, <https://doi.org/10.47772/IJRISS.2024.801086>. the development of Indonesian Cooperatives has been colored by the existence, implementation of Law (UU

New Order, state intervention intensified through centralized policies and Presidential Instructions that institutionalized Village Unit Cooperatives (KUD) as government-driven entities.²⁰ While this approach initially expanded cooperative numbers, it simultaneously generated dependency on subsidies, weakened internal governance, and suppressed member participation. The widespread collapse of KUD during the 1997 financial crisis illustrates the structural vulnerability of cooperatives lacking autonomy, managerial capacity, and market adaptability.²¹

These historical dynamics demonstrate that the central challenge of cooperative Development in Indonesia is not the absence of legal recognition, but the recurring failure to align cooperative governance with its essential nature as a member-centered and autonomous institution. Despite their constitutional status and strategic economic role, cooperatives have repeatedly been shaped through top-down institutional designs that undermine their long-term sustainability.²²

This institutional trajectory provides a critical analytical foundation for evaluating contemporary cooperative policies, including the Red and White Village Cooperative (KDMP).²³ The KDMP initiative represents a new phase of cooperative institutionalization, yet it emerges within a historical context marked by state dominance and weak grassroots ownership.²⁴ Therefore, understanding the transformation of cooperative institutions in Indonesia is essential to identifying an ideal governance model for KDMP one that moves beyond mere organizational expansion and instead prioritizes autonomy, participatory governance, and institutional resilience as prerequisites for sustainable village-based cooperatives.²⁵

2.1.2. The Dynamics of Cooperative Regulations and Policies in Indonesia

During the reform era, despite government efforts to strengthen cooperatives through regulations, namely by passing Law No. 17 of 2012 on cooperatives, the Constitutional Court overturned Law No. 17 of 2012 on cooperatives in its entirety because it was contrary to the 1945 Constitution of the Republic of Indonesia. This decision by the Constitutional Court is very interesting because during the Soeharto administration, the Indonesian judicial system was not familiar with the mechanism of reviewing laws at the legislative level. Substantively, this decision confirms the thinking of the Founding Fathers of Indonesia, particularly Soepomo and Muhammad Hatta, which is recorded in historical documents on the drafting of the 1945 Constitution. The Constitutional Court's decision can serve as a legal framework for economic policymakers in Indonesia, based on the socio-economic values that exist within Indonesian society, which in the

20 Susi Hendriani, "The Role of Cooperative Development Strategy to Improving the Success of Village Cooperative (KUD) in Riau Indonesia," *International Journal of Law and Management* 60, no. 1 (2018): 87–101, <https://doi.org/10.1108/IJLMA-11-2016-0132>. weaknesses, opportunities and threats (SWOT)

21 Dekopin, "ANGGOTA KOPERASI INTERNASIONAL," <https://dekopin.coop/dekopin/keanggotaan-internasional/>.

22 Purnomo et al., "REVITALIZING VILLAGE COOPERATIVES: HARNESSING LEGAL CULTURE FOR SUSTAINABLE GROWTH." 42.

23 Léna Durocher-Granger et al., "Investigating the Feasibility of Developing a Collective Action for Biological Control of Fall Armyworm among Smallholder Farmers in Rural Communities of Zambia," *CABI Agriculture and Bioscience* 4, no. 1 (2023): 14, <https://doi.org/10.1186/s43170-023-00154-6>.

24 M Pulungan, "KONSEPSI BANGUN PERUSAHAAN KOPERASI: KERANGKA PEMIKIRAN BADAN USAHA YANG IDEAL MENURUT PASAL 33 AYAT (1) UUD 1945," in *Jurnal Hukum & Pembangunan*, preprint, 2019, <https://doi.org/10.21143/JHP.VOL49.NO2.2001>.

25 Faculty of Sharia and Law, Sunan Ampel University, Indonesia et al., "REVITALIZING VILLAGE COOPERATIVES: HARNESSING LEGAL CULTURE FOR SUSTAINABLE GROWTH," *Indonesia Law Review* 14, no. 3 (2024), <https://doi.org/10.15742/ilrev.v14n3.1>.

constitution uses the terms of kinship principles and cooperative ideas as the basis for regulating the national economy.²⁶

The Constitutional Court's decision emphasized that the amendment to Law No. 17 of 2012 on cooperatives significantly deviated from the constitutional principle that defines cooperatives as economic entities based on mutual cooperation. The new law has recently been criticized for reducing the role of cooperative members, giving supervisors disproportionate power, and treating cooperatives like limited liability companies rather than social enterprises built on mutual cooperation.²⁷ These deviations indicate that Law No. 17 of 2012 cannot be effectively implemented without undermining the core values of cooperatives in Indonesia.²⁸

To address the legal uncertainty caused by the repeal of the Law, the Constitutional Court reinstated Law No. 25 of 1992 temporarily on March 17, 2012, with the aim of allowing the government to draft a new law that is more in line with constitutional principles. However, despite this decision, legal reform of the cooperative sector has not begun quickly. The government passed Law No. 11 of 2020 on Job Creation in 2020, which in Article 86 includes provisions related to cooperatives. The purpose of this change is to encourage investment and the development of cooperatives, especially to promote economic growth in rural areas. However, through Decision Number 91/PUU-XVIII/2020, the Constitutional Court in 2021 ruled that Law Number 11 of 2020 was unconstitutional. Nevertheless, the law remains in effect until the necessary changes are made.²⁹

Recently, the government has announced a revision to Law No. 25 of 1992 on Cooperatives with the Draft Law on the Third Amendment to Law No. 12 of 1992 on Cooperatives in 2023. The issues at stake are as follows:³⁰

1. Issues regarding the Definition and Values of Cooperative Principles;
2. Issues regarding the Formation, Establishment, and Articles of Association of Cooperatives;
3. Issues related to Membership;
4. Issues related to Organizational Structure;
5. Issues related to Capital and Debt;
6. Issues related to Cooperative Business;
7. Issues related to Cooperative Savings and Loan Operations;
8. Issues related to Cooperative Business Profit Differences;
9. Issues related to Cooperative Restructuring;
10. Issues related to Bankruptcy, Dissolution, and Settlement;
11. Issues related to the Cooperative Ecosystem;
12. Issues related to Criminal Provisions.

26 M. Sofyan Pulungan and Agus Sardjono, "Familyhood Principle and the Cooperatives Ideas in Economic Provisions in the Indonesian Constitution," *REVESCO Revista de Estudios Cooperativos* 137, no. 137 (2021): 1–15, <https://doi.org/10.5209/REVE.73860>.

27 Zakiah Zakiah, "IMPLEMENTASI KEPUTUSAN MENTERI NEGARA KOPERASI DAN USAHA KECIL MENENGAH NOMOR 98/KEP/M.KUKM/IX/2004 DALAM PEMBUATAN AKTA PENDIRIAN KOPERASI OLEH NOTARIS DI KOTA MATARAM," *Jurnal IUS Kajian Hukum Dan Keadilan* 5, no. 1 (2017): 68, <https://doi.org/10.29303/ius.v5i1.415>.

28 Siregar et al., "Reconstructing the Cooperative Rule of Law as an Alternative for Economic Empowerment of Rural Communities in Indonesia." 940-951.

29 Siregar et al., "Reconstructing the Cooperative Rule of Law as an Alternative for Economic Empowerment of Rural Communities in Indonesia." 940-951.

30 BPHN, "Naskah Akademik Rancangan Undang-Undang Perubahan Ketiga Atas Undang-Undang Nomor Tentang Perkoperasian," *Badan Pembinaan Hukum Nasional Kementerian Hukum Dan Hak Asasi Manusia*, 2023.

This revision shows that the government has made efforts to improve regulations in order to provide legal certainty regarding cooperative issues whose regulations are unclear and no longer in line with current developments.

Issues related to bankruptcy are particularly crucial, given that bankruptcy is a condition in which an entity is unable to meet its financial obligations to creditors due to a lack of assets.³¹ These improvements demonstrate the government's awareness of the importance of a clear legal framework to address the financial challenges faced by cooperatives and to maintain a balance of interests between cooperatives as debtors and their creditors.

2.1.3. Village Cooperative Policy: From Village Unit Cooperative (KUD) to Red and White Village Cooperative (KDMP)

In Indonesia, village cooperatives known as Village Unit Cooperative (henceforth KUD) began to develop rapidly during the New Order era. The establishment of Unit Cooperative (KUD) was inseparable from the establishment of Agricultural Cooperatives (Koperta) in 1963, which aimed to meet the basic needs of farmers, especially rice. Agricultural Cooperatives (Koperta) then transformed into Village Unit Business Entities (BUUD) in 1966-1967. The Village Unit Business Entity (BUUD) was tasked with assisting farmers in the provision of facilities, infrastructure, management, processing, and marketing of production results, including purchasing grain from farmers, milling it, and depositing it at logistics depots (Dolog), as well as distributing fertilizer. Through these efforts, the Village Unit Business Entity (BUUD) developed cooperatives in rural areas and gave birth to the Village Unit Cooperative (KUD) in 1973. At the beginning of its establishment, the Village Unit Cooperative (KUD) grew rapidly with a three-stage development strategy from the government: officialization (heavy dependence on the government), de-officialization/de-bureaucratization (gradual reduction in dependence), and autonomy (independence). However, the development of Village Unit Cooperative (KUD) gradually declined due to their lack of access to a wide market, causing them to lag behind other economic actors such as the private sector and state-owned enterprises.³²

The Village Unit Cooperative (KUD) is a type of cooperative that manages several businesses consisting of villagers who generally live in a district. The presence of Village Unit Cooperative (KUD) in each district aims to encourage economic growth through income distribution in rural areas based on social justice. This is in line with Presidential Decree No. 2 of 1978, which instructs every regional head in Indonesia to establish Village Unit Cooperative (KUD) as an economic means to support the economy of rural communities, especially the poor, by improving their welfare. Therefore, the Village Unit Cooperative (KUD) is a national program mandated by the 1945 Constitution to improve the welfare of all Indonesian people. The legal basis for Village Unit Cooperative (KUD) is Presidential Instruction No. 4 of 1973, which was revised by Presidential Instruction No. 2 of 1978, which increased the role of Village Unit Cooperative (KUD), and was eventually revised again by Presidential Instruction No. 4 of 1984. Presidential Instruction No. 4 of 1984, article 1, paragraph 2, states that

31 Novie Afif Mauludin, *Hukum Kepailitan Dan Penundaan Kewajiban Pembayaran Utang (PKPU) Di Indonesia*, in *Penamuda Media* (Penamuda Media, 2025).

32 Purnomo et al., "REVITALIZING VILLAGE COOPERATIVES: HARNESSING LEGAL CULTURE FOR SUSTAINABLE GROWTH."

the development of Village Unit Cooperative (KUD) is directed so that Village Unit Cooperative (KUD) can become service centers for all their members.³³

Law No. 25 of 1992 on Cooperatives is an important milestone in the regulation of cooperatives in Indonesia, including Village Unit Cooperatives (KUD). This law defines cooperatives as business entities consisting of individuals or cooperative legal entities, basing their activities on cooperative principles as well as a people's economic movement based on the principle of kinship.³⁴ This law provides a clearer legal framework regarding membership, organizational structures (with the Members' Meeting as the highest authority), and the rights and obligations of members.³⁵ The implications of Law Number 25 of 1992 concerning Cooperatives for Village Unit Cooperatives (KUD) are an emphasis on independence and member participation, in line with the previously announced autonomy strategy. In addition, Law Number 6 of 2014 concerning Villages defines a village as a village and a traditional village or one that is referred to by another name, hereinafter referred to as Villages, are legal community units with territorial boundaries that have the authority to regulate and manage government affairs and local community interests based on community initiatives, original rights, and/or traditional rights that are recognized and respected in the government system of the Unitary State of the Republic of Indonesia.³⁶ This further strengthens the position of village cooperatives by giving villages the authority to independently manage resources and develop local potential. These two laws are an important foundation for the development of village cooperatives.

In recent developments, the Red and White Village Cooperative (KDMP) initiative has emerged as an effort to revitalize the role of cooperatives at the village level. This initiative is based on Presidential Instruction (Inpres) Number 9 of 2025 concerning the Acceleration of the Establishment of Red and White Village/Sub-District Cooperatives. This Inpres instructs comprehensive, coordinated, and integrated steps to implement strategic policies for optimization and acceleration of formation through the establishment, development, and revitalization of more than 80,000 Village and Sub-District Cooperatives throughout Indonesia. In addition to the Inpres, the Implementation Guidelines of the Minister of Cooperatives of the Republic of Indonesia Number: 1 of 2025 concerning the Establishment of Red and White Village/Sub-District Cooperatives as a reference for their formation, and Regulation of the Minister of Finance Number 49 of 2025 concerning the Funding of Red and White Village Cooperatives also serve as important legal bases that regulate the synergy of funding between the government and banks for the financing of Red and White Village Cooperatives (KDMP).

This demonstrates strong support from the government to revive the role of cooperatives in rural areas with a new business model, which is expected to overcome the problems faced by Village Unit Cooperative (KUD) in the past. The Red and White Village Cooperative (KDMP) not only focuses on the agricultural sector, but also on

33 Riswan Riswan et al., "Revitalization Model for Village Unit Cooperative in Indonesia," *European Research Studies Journal* 20, no. 4 (2017): 102–23, <https://doi.org/10.35808/ersj/822>.

34 No. 25 Undang-Undang, "Undang-Undang RI No. 25 Tahun 1992 Tentang Perkoperasian Indonesia," *Peraturan Bpk*, no. 25 (1992): 1–57.

35 Teguh Tresna Puja Asmara et al., "Tanggung Jawab Pemilik Koperasi Pada Saat Terjadi Kredit Macet Ditinjau Dari Teori Kepastian Hukum," *Jurnal IUS Kajian Hukum Dan Keadilan* 8, no. 1 (2020): 109, <https://doi.org/10.29303/ius.v8i1.712>.

36 Daniel Bender, *Desa*, no. 1 (2016): 45–54, <https://doi.org/10.1145/2904081.2904088>.

developing the economic potential of villages in a more holistic manner, including the non-agricultural, tourism, and creative economy sectors.³⁷

The Red and White Village Cooperative (KDMP) is an economic institution consisting of village community members that was formed to improve welfare through the principles of mutual cooperation, kinship, and joint participation. There are 13 benefits of the Red and White Village Cooperative (KDMP), namely improving the welfare of the village community, creating jobs, providing systematic and fast services, increasing community participation in economic activities through cooperatives, and modernizing cooperative management systems. Reducing prices at the consumer level, increasing prices at the farmer level so that the exchange rate for farmers or farmer welfare increases, reducing the movement of middlemen, shortening the supply chain, increasing financial inclusion, becoming an accelerator, consolidator, and aggregator of MSMEs, reducing extreme poverty, and reducing inflation. The formation model involves establishing new cooperatives, developing existing cooperatives, and revitalizing cooperatives. The types of outlets or business scope of the Red and White Village Cooperative (KDMP) include basic food outlets (embryonic kophub), village pharmacies, cooperative office outlets, savings and loan business unit outlets (embryonic kop bank), village clinic outlets, cold storage/cold chain and logistics (distribution) outlets, and other business activities in accordance with government assignments, local wisdom, and the needs of the local village community as well as regional characteristics.³⁸

According to data recorded at the end of 2025, there were 83,762 villages/subdistricts throughout Indonesia, and 83,750 villages/subdistricts had been socialized. The number of villages/subdistricts that have formed Red and White Village/Subdistrict Cooperatives through special village/subdistrict meetings is 81,500. The number of cooperatives that already have Simkopdes (Microsite) accounts is 40,533. The number of cooperatives that have established outlets (at least 1 outlet) is 8,691, and the total number of active cooperative outlets is 12,299, which is expected to continue increasing in line with government targets.³⁹

In implementing the Red and White Village Cooperative (KDMP) program, a number of technical and administrative regulations have been issued by the government to ensure consistency between policy and implementation in the field. These serve as administrative instructions for all stakeholders, both at the central and regional levels, in implementing the establishment of village cooperatives in a uniform and targeted manner.

Since the beginning of the Red and White Village Cooperative (KDMP) program, the government has issued policies to support the acceleration of the formation and development of Red and White Village Cooperative (KDMP), namely:⁴⁰

1. Circular Letter of the Minister of Cooperatives of the Republic of Indonesia Number: 1 of 2025 concerning Procedures for the Establishment of Red and White Village Cooperatives, issued on March 18, 2025;
2. Presidential Instruction of the Republic of Indonesia Number 9 of 2025 concerning Red and White Cooperatives, issued on March 27, 2025;

37 Alamul Huda, "PERAN PEREMPUAN DALAM PEMBERDAYAAN EKONOMI SYARIAH," *De Jure: Jurnal Hukum Dan Syar'iah* 5, no. 1 (2013), <https://doi.org/10.18860/j-fsh.v5i1.2995>.

38 Koperasi Desa Merah Putih, "Prabowo Launching 80.000 Kopdes Merah Putih Di Klaten Hari Ini."

39 Koperasi Desa Merah Putih, “Prabowo Launching 80.000 Kopdes Merah Putih Di Klaten Hari Ini.”

40 Koperasi Desa Merah Putih, 2025, [https://merahputih.kop.id/Koperasi Desa Merah Putih](https://merahputih.kop.id/Koperasi_Desa_Merah_Putih), “Prabowo Launching 80.000 Kopdes Merah Putih Di Klaten Hari Ini.”

3. Circular Letter of the Minister of Villages and Disadvantaged Regions of the Republic of Indonesia Number: 6 of 2025 concerning Technical Guidelines for the Acceleration of the Establishment of Red and White Village Cooperatives, issued on April 11, 2025;
4. Implementation Guidelines of the Minister of Cooperatives of the Republic of Indonesia Number: 1 of 2025 concerning the Establishment of the Red and White Village/Sub-District Cooperative was enacted on April 12, 2025;
5. Regulation of the Minister of Law of the Republic of Indonesia Number: 13 of 2025 concerning the Ratification of Cooperatives was enacted on April 23, 2025;
6. Letter of the Directorate General of Village and Rural Development of the Republic of Indonesia Number: B-143 concerning the Use of Village Funds for the Establishment of Red And White Village Cooperatives, issued on May 6, 2025;
7. Circular Letter of the Minister of Home Affairs of the Republic of Indonesia Number: 500.3/2438/SJ concerning the Acceleration of the Establishment of the Red and White Village Cooperative was enacted on May 7, 2025;
8. Circular Letter of the Minister of Finance of the Republic of Indonesia Number: S-9/MK/PK/2025 concerning the Distribution of Village Funds Phase II for the 2025 Fiscal Year, issued on May 14, 2025;
9. Letter of the Coordinating Minister for Food of the Republic of Indonesia Number: B-235/SES.M.PANGAN/SD/05/2025 concerning the Acceleration of the Implementation of Special Village/Sub-District Consultative Meetings and the Establishment of Red and White Village/Sub-District Cooperatives, issued on May 14, 2025;
10. Letter of the Directorate General of Village Government of the Ministry of Home Affairs of the Republic of Indonesia Number: 500.3/2076/BPD concerning the Codification of Sub-Activities and Expenditures of the Regional Budget and the Codification of Activities and Expenditures of the Village Budget for the Provision of Assistance in the Preparation of Notarial Deeds for the Red and White Village/Sub-District Cooperative was issued on May 27, 2025;
11. Regulation of the Minister of Cooperatives of the Republic of Indonesia Number: 1 of 2025 concerning the Distribution of Loans or Revolving Fund Financing to Pilot Cooperatives (Mock Up) of Red and White Village/Sub-District Cooperatives was enacted on May 28, 2025;
12. Regulation of the Minister of Finance of the Republic of Indonesia Number: 49 of 2025 concerning Procedures for Loans in the Context of Funding for Red and White Village/Sub-District Cooperatives was enacted on July 21, 2025;
13. Regulation of the Minister of Finance of the Republic of Indonesia Number: 63 of 2025 concerning the Use of Budget Surplus in the 2025 Fiscal Year to Provide Support to Banks that Distribute Loans to Red and White Village/Sub-District Cooperatives was enacted on August 28, 2025;
14. Regulation of the Minister of Finance of the Republic of Indonesia Number 81 of 2025 concerning Amendments to Regulation of the Minister of Finance Number 108 of 2024 concerning the Allocation, Use, and Distribution of Village Funds for the 2025 Fiscal Year was enacted on November 19, 2025.

2.1.4. Legal Policy Model of the Red and White Village Cooperative (KDMP)

Thomas R. Dye divides nine models of legal policy into several models, namely the system model, elite model, institutional model, group model, process model, rational model, incremental model, public choice model, and game theory model.⁴¹

The legal policy model⁴² applied in Indonesia to support the development of village-based cooperatives can be analyzed based on Thomas R. Dye's legal policy model theory. Of the nine policy formulation models proposed by Thomas R. Dye, the institutional model and process model are particularly relevant in the context of the legal policy of the Red and White Village Cooperative (KDMP) in Indonesia.

The institutional model emphasizes that policy is the output of government institutions; this model is also called the institutional model. This model states that the task of formulation is the central task of government institutions autonomously without the need for interaction with their environment. This means that the task of making policy is the task of the government and the public as the implementers of the policies made by government institutions.⁴³ In this case, village cooperative law policies are formed through a process of legislation and regulation by state institutions. Meanwhile, the policy process model is assessed as an activity that involves a series of steps, which are then said to be a process that leads to policy evaluation. In short, this model states that in formulating policies, there are standards that must be met and carried out by policy formulators so that the resulting policies are at least in line with what is to be achieved.⁴⁴ The process model views policy as a series of stages, starting from problem identification, policy formulation, legitimization, implementation, to evaluation. This process can be seen in the government's efforts to continuously revise and improve cooperative regulations in accordance with the dynamics and needs of society.

The legal policy model for the Red and White Village Cooperative (KDMP) in line with both models and leading to top-down policies, meaning that policies are formulated and determined by central authorities/higher levels of government and then implemented hierarchically to lower levels, cooperatives in Indonesia did not develop from public awareness but emerged from government support that was disseminated to the lower levels.⁴⁵ This is reflected in the issuance of the above policy from the initial Red and White Village Cooperative (KDMP) program. This legal policy model is a synergy between the central government, local governments, and the cooperative movement in rural areas. Synergy with the private sector and educational institutions is also necessary.⁴⁶

When viewed more deeply through the lens of Thomas R. Dye's theory, the policies issued by the government clearly reflect a dominant and structured institutional model. This model emphasizes that public policy is the result of the activities of government institutions, where these institutions autonomously formulate and ratify these policies. Every policy, from the Circular Letter of the Minister of Cooperatives No. 1 of 2025 to the Regulation of the Minister of Finance No. 63 of 2025, is a product of specific

41 Sobirin Malian, *Kebijakan Publik Dalam Negara Hukum*, in *Sustainability (Switzerland)*, vol. 11, no. 1 (2019).

42 Sobirin Malian, *Kebijakan Publik Dalam Negara Hukum*.

43 Sobirin Malian, *Kebijakan Publik Dalam Negara Hukum*.

44 Sobirin Malian, *Kebijakan Publik Dalam Negara Hukum*.

45 Atsar, *Perkembangan Hukum Koperasi Di Indonesia*.

46 Hikmatul Ula and M Kn, *BUSINESS AND LEGAL MODEL FOR COOPERATIVES IN INDONESIA IN THE*, 17, no. 3 (2018): 1-7.

government institutions, namely the Ministry of Cooperatives, the President, the Ministry of Villages, the Ministry of Home Affairs, the Ministry of Finance, and others. These policies did not arise from the awareness or initiative of the grassroots community, but were designed and disseminated top-down from the center to the regions, which is a characteristic of the institutional model. This rapid and comprehensive series of policies shows how the government used its apparatus to legitimize, fund, and regulate the formation of Red and White Village Cooperatives (KDMP) uniformly throughout Indonesia.

Furthermore, the process model in this theory views policy as a series of sequential stages, starting from problem identification, formulation, legitimization, implementation, to evaluation. Initially, the government identified the problem of rural economic revitalization, then formulated a solution through the Red and White Village Cooperative (KDMP) program. This process began with the formulation and legitimization stages through a Circular Letter and Presidential Instruction. Then, the policy entered the implementation stage with the issuance of various technical guidelines, such as circular letters from the Ministry of Villages and the Ministry of Home Affairs regulating the use of village funds and accelerating formation in the regions. This stage was reinforced with specific supporting regulations, such as budget codification and financing scheme arrangements by the Ministry of Finance. Each of these policies, issued sequentially, served to address challenges that arose at each stage of the process, demonstrating that the government actively managed the policy cycle to ensure that the program ran in accordance with its stated objectives.

The advantages of a top-down legal policy model are⁴⁷

1. Clarity of objectives and direction: With clear direction from the center, all parties have the same understanding of the objectives to be achieved.
2. Centralized coordination: Ensures effective coordination between various levels of government and related institutions.
3. Rapid implementation: With direct instructions and clear targets, policy implementation can be accelerated.
4. Efficient use of resources: Resource allocation can be more targeted and efficient because it is managed centrally.

The disadvantages of a top-down legal policy model are⁴⁸

1. Lack of flexibility: Policies designed at the central level may not always be appropriate for the specific conditions and needs of each region, which can lead to resistance from below.
2. Potential lack of participation: If the community or relevant parties at the local level are not involved in the policy formulation process, they may be less motivated to implement it.
3. Dependence on the central government: The sustainability of the program is highly dependent on the commitment and support of the central government. If this support is reduced, the program could be halted.

As described above, it can also be seen that the legal policy of the Red and White Village Cooperative (KDMP) is formed by two main pillars, namely Law Number 25 of 1992 concerning Cooperatives and Law Number 6 of 2014 concerning Villages. The Law on Cooperatives provides a corporate foundation for cooperatives as business

47 Ula and Kn, *BUSINESS AND LEGAL MODEL FOR COOPERATIVES IN INDONESIA IN THE*.

48 Ula and Kn, *BUSINESS AND LEGAL MODEL FOR COOPERATIVES IN INDONESIA IN THE*.

entities based on the principles of kinship and economic democracy,⁴⁹ while the Law on Villages strengthens the autonomy of villages to independently develop their local economic institutions.⁵⁰ The relationship between Law No. 25 of 1992 concerning Cooperatives and Law No. 6 of 2014 concerning Villages in the Red And White Village Cooperative (KDMP) legal policy model is a symbiotic mutualism relationship that is both hierarchical and functional. Hierarchically, every Red and White Village Cooperative (KDMP) must first comply with Law Number 25 of 1992 concerning Cooperatives as *lex generalis* (general law), which regulates all cooperatives in Indonesia. Functionally, Law Number 6 of 2014 concerning Villages acts as *lex specialist* (special law) that provides context, legitimacy, and implementation mechanisms at the village level.

Therefore, the resolution of legal issues related to the Red and White Village Cooperative (KDMP) requires a simultaneous analysis of these two legal regimes. To support effective implementation at the local level, aspirational village regulations that take into account the capabilities of the community are also needed to regulate all aspects of the development of the Red and White Village Cooperative (KDMP), from planning to law enforcement. This is because there are legal loopholes in the current policy, such as the absence of a specific dispute resolution mechanism.

Both laws regulate the principles and rules that must be obeyed by the Red and White Village Cooperative (KDMP). Law Number 25 of 1992 concerning Cooperatives mentions this in Articles 2 and 5, while Law Number 6 of 2014 concerning Villages mentions it in Article 3. Compliance with the principles and foundations of these two pillars of law is key to ensuring that the legal policy model of the Red and White Village Cooperative (KDMP) can function in accordance with its objectives, namely to strengthen the village economy and improve community welfare through cooperatives.

2.2. Factors Affecting the Implementation of the Red and White Village Cooperative (KDMP) Legal Policy Model

The implementation of the Red and White Village Cooperative (KDMP) legal policy model is shaped by a set of juridical and non-juridical determinants that influence the extent to which policy objectives can be realized at the village level.⁵¹ In light of Dye's assertion that public policy is "*whatever governments choose to do or not to do*," the effectiveness of Kopdes MP greatly depends on the clarity of governmental choices, the consistency of regulatory instruments, and the provision of supporting resources. Meanwhile, implementation theories such as those developed by Mazmanian and Sabatier, Edwards III, and Van Meter & Van Horn underscore that successful implementation requires clear policy design, adequate resources, competent implementing actors, and supportive environmental conditions.

Data collected from interviews and questionnaires with five Kopdes MP across Lombok Island demonstrate that implementation challenges are not uniform. Instead, variations arise from differences in administrative capacity, socio-economic context, government

49 A Haris et al., "Reconception of Cooperatives in Indonesia as Business Enterprises in Order to Achieve People's Welfare," *Internasional Journal of Scientific Engineering and Science* 1, no. 9 (2017): 23–29.

50 Novie Afif Mauludin, "Eksistensi Peraturan Desa Tentang Pungutan Desa Berdasarkan Undang-Undang Nomor 6 Tahun 2014 Tentang Desa," *Unizar Law Review (ULR)* 5, no. 1 (2022), <http://dx.doi.org/10.53726/ulr.v5i1.524>.

51 "Results of the interview obtained from Mr. Zaki and Mr. Ahyadi Zaldi as an assistant staff member of the Red and White Village Cooperative (KDMP) from the NTB Provincial Cooperative and MSME Office on July 1, 2025"

support, and the maturity of cooperative governance structures in each village.^{52 53 54 55}

⁵⁶ These findings indicate that structural and contextual dynamics interact to influence the operationalization of the Kopdes MP policy model.

Table 1. Red and White Village Cooperatives (KDMP) involved in the study

Name of the Red and White Village Cooperative (KDMP)	District	District
Red and White Village Cooperative Kekeri	Gunungsari	West Lombok
Red and White Village Cooperative Kumbung	Lingsar	West Lombok
Red and White Village Cooperative Syariah Bilelendo	East Praya	Central Lombok
Red and White Village Cooperative Jenggik	Terara	East Lombok
Red and White Village Cooperative Sigar Penjalin	Tanjung	North Lombok

Source: Information from the NTB Provincial Cooperative Office, 2025

2.2.1. Hindering Factors

Table 2. Legal and Program Policy Factors that hinder

Legal Factors and Program Policies	Red and White Village Cooperative (KDMP) that Agrees	Red and White (KDMP) Village Cooperative that Disagree
Regulations related to the Red and White Village Cooperatives are still unclear or incomplete	Kekeri, Batu Kumbung, Jenggik, Sigar Penjalin	Syariah Bilelendo
The licensing or legalization process is still complicated or time-consuming	Kekeri, Batu Kumbung, Syariah Bilelendo, Sigar Penjalin	Jenggik
Lack of awareness regarding relevant regulations	Kekeri, Batu Kumbung, Jenggik, Sigar Penjalin	Syariah Bilelendo

⁵² “Results of questionnaires obtained from Mr. Ibrahim as the Chairman of the Supervisory Board of the Red and White Village Cooperative Kekeri, Gunung Sari District, West Lombok Regency, on August 10, 2025.”

⁵³ “Results of questionnaires obtained from Mr. Haji Wirya Adi Saputra, Supervisor/Advisor of the Red and White Village Cooperative Batu Kumbung, Lingsar District, West Lombok Regency, on September 8, 2025.”

⁵⁴ “Results of questionnaires obtained from Mr. Insa Ansori as Secretary of the Red and White Village Cooperative Syariah Bilelendo, East Praya Subdistrict, Central Lombok Regency on August 15, 2025.”

⁵⁵ “Results of questionnaires obtained from Mr. M Syahrullah as Chairman of the Management of the Red and White Village Cooperative Jenggik, Terara District, East Lombok Regency on August 12, 2025.”

⁵⁶ “Results of questionnaires obtained from Mr. Muluadi as Chairman of the Management of the Red and White Village Cooperative Sigar Penjalin, Tanjung Subdistrict, North Lombok Regency on August 9, 2025.”

Table 3. Non-Legal Factors (Internal and External to the Program) that hinder

Non-Legal Factors (Internal and External to the Program)	Red and White Village Cooperative (KDMP) that Agrees	Red and White Village Cooperative (KDMP) that Disagrees
Limited human resources (knowledge, managerial, digital) in the village	Kekeri, Batu Kumbung, Jenggik, Sigar Penjalin	Syariah Bilelando
Limited access to capital or financial support	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	-
Lack of active participation of members in activities and decision-making	Kekeri, Batu Kumbung, Jenggik	Syariah Bilelando, Sigar Penjalin
External intervention that is not in line with the principle of cooperative independence	Batu Kumbung, Jenggik	Kekeri, Syariah Bilelando, Sigar Penjalin
Difficulty competing with other businesses already established in the village	Batu Kumbung, Jenggik, Sigar Penjalin	Kekeri, Syariah Bilelando
Digital infrastructure (internet and devices) in the village is inadequate	Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	Kekeri
Lack of public trust due to previous experiences with similar programs	Batu Kumbung, Jenggik	Kekeri, Syariah Bilelando, Sigar Penjalin

From a legal and policy perspective, the majority of cooperative administrators from four of the five samples felt that regulations related to the Red and White Village Cooperative (KDMP) were still unclear and incomplete. In addition, the complicated and time-consuming licensing process was also recognized as an obstacle by most respondents. The lack of dissemination of information regarding the latest regulations on the program further exacerbated the situation, resulting in uneven understanding among the community.

From a non-legal perspective, the most universally felt issue among the five cooperatives sampled was limited access to capital and adequate financial support. Another prominent internal obstacle is the limited quality of human resources (HR), in terms of knowledge, managerial skills, and digital technology proficiency, which was acknowledged by four of the five cooperatives. At the external level, the majority of respondents also highlighted inadequate digital infrastructure (internet and devices) in villages as an obstacle to online platform-based operations.

Some respondents expressed more divided views. For example, issues such as lack of active member participation, difficulty competing with other businesses, and external intervention were considered obstacles by some red and white village cooperatives, but not by others. This indicates that certain non-legal challenges are more contextual and vary between villages.

2.2.2. Supporting Factors

Table 4. Legal and Program Policy Factors that Support

Legal Factors and Program Policies	Red and White Village Cooperatives (KDMP) that Agree	Red and White Village Cooperative (KDMP) that Disagree
The existence of the Circular Letter of the Minister of Cooperatives of the Republic of Indonesia Number 1 of 2025 & Presidential Instruction Number 9 of 2025 and related regulations provide a strong legal basis.	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	-
Current regulations support the ease of establishing cooperatives	Kekeri, Batu Kumbung, Jenggik, Sigar Penjalin	Syariah Bilelando
Synergy between the government and village stakeholders accelerates implementation	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik	Sigar Penjalin

Table 5. Non-legal factors (*internal and external to the program*) that support

Non-Legal Factors (Internal and External to the Program)	Red and White Village Cooperative (KDMP) that Agrees	Red and White Village Cooperative (KDMP) Disagrees
Program objectives are in line with the needs of the village community (strengthening the economy, etc.)	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	-
The principles of mutual cooperation, kinship, and participation are in line with the village culture	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	-
The existence of a digital platform (kopdesmerahputih.kop.id) facilitates registration and management	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	-
The President's support and the simultaneous launch of 80,000 cooperatives have boosted enthusiasm	Kekeri, Batu Kumbung, Syariah Bilelando, Jenggik, Sigar Penjalin	-

Availability of various types of outlets that can meet the diverse needs of the community	Kekeri, Batu Kumbung, Syariah Bilelando, Jeng-gik, Sigar Penjalin
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Programs capable of creating jobs and improving financial inclusion	Kekeri, Batu Kumbung, Syariah Bilelando, Jeng-gik, Sigar Penjalin
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The existence of a Task Force that provides effective assistance and support	Kekeri, Batu Kumbung, Syariah Bilelando, Jeng-gik, Sigar Penjalin
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From a legal and policy perspective, all respondents agreed that Circular Letter of the Minister of Cooperatives of the Republic of Indonesia Number 1 of 2025 & Presidential Instruction Number 9 of 2025 and related regulations provide a solid legal basis for this program. The majority also assessed that the existing regulations have supported the ease of establishing cooperatives and that the synergy between the government and stakeholders in the villages has been effective in accelerating implementation.

From a non-legal perspective, the most fundamental support comes from the alignment of the program with local needs and culture. All respondents agreed that the program's goal of strengthening the village economy was in line with the community's needs. In addition, the principles of mutual cooperation and kinship promoted by the program were considered to be in harmony with the culture of the village community. Technological and institutional support were also key drivers. The existence of a digital platform (kopdesmerahputih.kop.id), political support from the President, the availability of various types of business outlets, the program's ability to create jobs, and the presence of a Task Force as a companion were all unanimously recognized by the five sample cooperatives as effective supporting factors.

Overall, the findings indicate that supporting factors, especially non-legal ones, are more widely and consistently accepted by cooperative actors than inhibiting factors. This indicates a high level of optimism and acceptance of the Red and White Village Cooperative (KDMP) program, although there are still legal and operational obstacles that need to be overcome to achieve optimal success.

2.3. Comparison of Indonesia with Brazil, Denmark, and Japan

According to Sabrina Ragone and Guido Smorto, comparative law is not limited to identifying textual similarities or differences in legal rules. However, it seeks to understand how legal norms operate within specific social, economic, and cultural contexts. This approach allows comparisons to reveal the *functional performance* of legal systems in addressing similar problems, thereby generating evidence-based insights that support legal reform.⁵⁷ Using this methodological foundation, the comparison in this study focuses not only on the written legal frameworks of cooperatives in Brazil, Denmark, Japan, and Indonesia, but more importantly on how cooperative policies are implemented, how state–member relations are structured, and how governance models influence long-term sustainability.

⁵⁷ Atsar, *Perkembangan Hukum Koperasi Di Indonesia*.

Table 6. Comparison of Cooperative Legal Policy Models

Comparison Aspects	Indonesia (Red and White Village Cooperative (KDMP))	Brazil (Example: Coamo)	(Example: Coa-)	Denmark (Example: Foods)	(Example: Arla)	Japan (Example: JA Group)
Key Policy Models	Top-Down is a policy initiated and promoted by the central government through presidential instructions.	Bottom-Up is a cooperative that was born and grew organically from the initiative of farmers to meet collective needs.		Bottom-Up is an initiative that originated purely from farmers to strengthen their market position, without any state intervention in its formation.		Hybrid (Top-Down & Bottom-Up Mix) begins with strong government intervention (top-down) and evolves into a partnership model (bottom-up).
Role of the Government	The initiator, director, and controller are the government, which sets targets, forms task forces, and regulates the technical details of uniform formation.	General Facilitator & Regulator: The government creates a general legal framework (Law 5.764/1971) and provides agricultural policy support, without intervening in cooperative management.		Very Limited (Non-Intervention) from the government, which only provides a general legal framework for business and allows cooperatives to develop independently. There are no specific programs for cooperatives.		Strategic Partner & Supervisor From its initial role as controller, the government (MAFF) now acts as supervisor and partner in formulating national agricultural policy together with the cooperative federation.

Legal Basis	Supported by the Cooperative Law and Village Law, and accelerated by highly detailed derivative regulations (Presidential Instructions, Ministerial Regulations, Circular Letters).	Based on the General Cooperative Law (Lei n° 5.764/1971) and supported by the Constitution.	There is no specific law on agricultural cooperatives; they operate under the General Business Act (<i>Lov om ehvervsdrivende virksomheder</i>).	Specifically regulated through the Agricultural Cooperative Law No. 132 of 1947, which established a three-tier cooperative system supervised by the relevant ministries.
Formation Process	Structured and accelerated through special village deliberations that are instructed and facilitated by the local government and village facilitators, with strict time targets.	Organic & needs-based, founded by a group of farmers who united to strengthen their bargaining position and access to agricultural inputs.	Organic & market-driven, established by farmers to control the marketing chain and ensure market power.	Initially structured by the state and formed based on laws that created a three-tier cooperative system from local to national levels.
Initial Funding	Government and state support comes from village funds, regional budgets, revolving loans, and support from Himbara (state-owned enterprises).	Member capital comes from the savings and investments of the founding members.	Member capital is fully funded by member farmers.	Government Support & Member Capital: initially strongly supported by the post-war government, then developed from member capital.

Source: Author's data analysis

Brazil and Denmark exemplify cooperative systems that grow organically from community needs and operate under broad, flexible legal frameworks. Coamo in Brazil emerged from farmer initiatives within the general Cooperative Law (Lei 5.764/1971),

which provides fundamental principles without prescribing operational structures⁵⁸. The functional result is a high degree of autonomy, member ownership, and the capacity for innovation, enabling Coamo to evolve into a globally competitive agribusiness entity with integrated banking, processing, and digital services.⁵⁹ The state acts mainly as a facilitator, ensuring macroeconomic stability and supportive agricultural policies.⁶⁰

Denmark offers an even purer form of autonomous cooperative development. Arla Foods and other primary Danish cooperatives have no dedicated cooperative legislation; they operate under general business law, which provides maximum flexibility.⁶¹ The “supply-rights” system where farmers commit all production to the cooperative and receive guaranteed purchasing in return creates stable supply chains, strong bargaining power, and long-term sustainability.⁶² Functionally, both Brazil and Denmark demonstrate that strong member participation, economic incentives aligned with collective interests, and operational autonomy are critical to cooperative success.⁶³

Japan offers a *hybrid* model, beginning with top-down state formation (the Agricultural Cooperative Law No. 132/1947), later evolving into a partnership model in which the Ministry of Agriculture, Forestry and Fisheries (MAFF)⁶⁴ serve as supervisor and collaborator. Functional analysis shows that initial state coordination created institutional capacity, technology adoption, and tiered governance structures, while later reforms (post-2015) increased member autonomy and organizational efficiency. Japan’s model demonstrates how a heavily regulated system can transition toward member-centered governance without sacrificing stability or national-level coordination.⁶⁵

When contrasted with these models, Indonesia’s Red and White Village Cooperative (KDMP) reflects a highly *top-down* approach characterized by detailed regulations, structured formation processes, and significant government involvement in funding and administration. A functional comparison indicates that this model is effective for rapid scale-up but risks dependency, weak member participation, and limited long-term sustainability challenges previously observed in Indonesia’s Village Unit Cooperatives (KUD). Applying Ragone & Smorto’s comparative perspective, the similarities between Indonesia’s and Japan’s early-stage cooperatives suggest that Indonesia’s model could evolve toward a hybrid system. In contrast, the experiences of Brazil and Denmark highlight the importance of autonomy and ownership as prerequisites for sustainable growth.

Applying Ragone and Smorto’s comparative analytical framework reveals several functional patterns across cooperative systems in Brazil, Denmark, Japan, and Indonesia. First, the experiences of Brazil and Denmark powerfully demonstrate that member autonomy serves as the fundamental pillar of cooperative sustainability.⁶⁶ In these

58 LUCIANA CRISTINA QUIRINO DOS SANTOS, *Lógicas Institucionais E Legitimidade: O Caso Coamo Agroindustrial Cooperativa*, 2020, 0–115.

59 Wilder Robles, “The Politics of Agricultural Cooperativism in Brazil: A Case Study of the Landless Rural Worker Movement (MST),” *Journal of Co-Operative Organization and Management* 7, no. 1 (2019): 10–25, <https://doi.org/10.1016/j.jcom.2019.02.001>.

60 SANTOS, *Lógicas Institucionais E Legitimidade: O Caso Coamo Agroindustrial Cooperativa*.

61 SANTOS, *Lógicas Institucionais E Legitimidade: O Caso Coamo Agroindustrial Cooperativa*.

62 SANTOS, *Lógicas Institucionais E Legitimidade: O Caso Coamo Agroindustrial Cooperativa*.

63 Henning Otte Hansen, “Danish Farmer Cooperatives,” *Cooperativismo & Desarrollo* 29, no. 119 (2021): 1–34, <https://doi.org/10.16925/2382-4220.2021.01.03>.

64 Tomoko Oikawa, *Towards Sustainable Development of Agriculture: Significance of Cooperatives in the Case of Japan*, 2019, 1079, <https://doi.org/10.15414/isd2018.s4.15>.

65 Abi P. Siregar et al., “Agricultural Co-Operatives in Four Asian Countries: A Review of Institutional History,” *Reviews in Agricultural Science* 12 (2024): 24–44, https://doi.org/10.7831/ras.12.0_24.

66 Aurelia George Mulgan, “Much Ado About Something? The Abe Government’s Reform of Japan’s Agricultural Cooperatives (JA),” *Japanese Studies* 36, no. 1 (2016): 83–103, <https://doi.org/10.1080/10371397.2016.1189311>

jurisdictions, cooperatives thrive because members exercise substantial control over governance, capital participation, and strategic decisions. Such autonomy fosters a sense of ownership and long-term commitment, ensuring that cooperatives remain responsive to member needs. By contrast, Indonesia's model characterized by significant state direction risks weakening members' intrinsic incentives and diluting the cooperative's collective responsibility. This structural imbalance suggests that genuine member empowerment is indispensable for the endurance of village-based cooperatives.

Second, the comparative landscape shows that state intervention should function as a temporary catalyst rather than a permanent governance structure. Japan illustrates how government-led cooperative formation can be highly effective during the early stages of development, particularly when institutions and market readiness are still emerging. However, Japan's subsequent reforms underscore the importance of transitioning the government's role from directive to facilitative, enabling cooperatives to operate with professional independence in the long term. Indonesia, on the other hand, continues to rely heavily on a top-down approach, underscoring the need for a phased reduction in state dependency to allow cooperatives to mature organically.

Third, the cases of Denmark and Brazil highlight the value of legal flexibility in fostering innovation and market adaptability. Denmark's streamlined regulatory environment and Brazil's broad cooperative legislation permit cooperatives to evolve with minimal bureaucratic constraints, encouraging experimentation, digital transformation, and new business models. In comparison, Indonesia's dense and overlapping legal frameworks create structural rigidity that restricts innovation, particularly at the village level, where administrative capacity may already be limited. It suggests that regulatory simplification is essential for unlocking the full entrepreneurial potential of cooperatives.

Fourth, Japan's vertically integrated three-tier cooperative structure demonstrates how institutional scaling can create stronger market coordination and supply-chain efficiency. Through a hierarchy of primary, secondary, and tertiary cooperatives, Japanese agricultural organizations achieve economies of scale, greater bargaining power, and streamlined market access. Indonesia's village cooperatives, by contrast, remain largely isolated and fragmented, diminishing their collective market power and constraining their ability to build efficient value chains. Integrating cooperatives across territorial scales is therefore crucial for improving performance and competitiveness.

Based on the functional insights from Ragone and Smorto's comparative logic, several strategic policy directions emerge to strengthen the Red and White Village Cooperative (KDMP). First, Indonesia should gradually expand member participation in governance and ownership. Mechanisms such as increased member capital contributions, more robust voting structures, and stronger internal accountability can emulate the successful models of Brazil and Denmark, reducing the cooperative's dependency on state direction and external financing. Enhanced member ownership would simultaneously cultivate long-term commitment and reinforce cooperative identity.

Second, Indonesia would benefit from repositioning the government as a facilitator and strategic partner rather than a direct manager of cooperative operations. Following Japan's post-reform trajectory, the state should focus on capacity building, training, oversight, and policy coherence, while leaving day-to-day decision-making to members

and professional managers. This shift would encourage cooperatives to operate more efficiently and competitively while still benefiting from supportive public infrastructure.

Third, Indonesia should simplify its regulatory frameworks by removing redundant provisions and harmonizing overlapping rules that currently burden cooperatives. A more flexible legal environment would enable village cooperatives to innovate, respond effectively to market changes, and adopt business models tailored to local conditions.

Fourth, Indonesia needs to develop multi-tier cooperative structures that integrate village cooperatives with district, provincial, and national-level organizations. Inspired by Japan's cooperative hierarchy, such integration would significantly improve cross-sectoral coordination, strengthen market bargaining power, and facilitate more efficient supply-chain linkages.

Finally, to enhance competitiveness in a rapidly evolving economy, Kopdes MP should be encouraged to adopt innovation-driven practices, digital tools, and professional management standards. Drawing lessons from global cooperative leaders such as Coamo and Arla Foods, adopting digital platforms, quality assurance systems, and specialized managerial training can elevate operational performance and position village cooperatives as dynamic contributors to rural economic development.

3. CONCLUSION

This study concludes that the primary legal issue surrounding the Red and White Village Cooperative (KDMP) lies in the structural misalignment between its centralized legal policy design and the fundamental nature of cooperatives as autonomous, member-owned, and democratically governed institutions. From a legal policy perspective, the KDMP framework reflects a dominant institutional and process model formulated by Thomas R. Dye, in which cooperative Development was driven by top-down regulatory instruments issued by central government institutions. Although this approach facilitates rapid nationwide implementation and regulatory uniformity, it simultaneously perpetuates long-standing institutional weaknesses in Indonesia's cooperative system, including limited member participation, weak local governance capacity, and dependency on state intervention. Normatively, while KDMP is formally grounded in Law No. 25 of 1992 on Cooperatives and Law No. 6 of 2014 on Villages, the interaction between these two legal regimes has not been fully harmonized in practice, resulting in regulatory ambiguity regarding governance autonomy, accountability, and dispute resolution.

From an institutional and sociological legal perspective, the effectiveness of KDMP implementation was shaped by both juridical factors particularly regulatory clarity and policy coherence and non-juridical factors such as human resource capacity, infrastructure readiness, and community participation. Comparative analysis demonstrates that sustainable cooperative models in Brazil and Denmark prioritize bottom-up formation, legal flexibility, and substantial member autonomy. At the same time, Japan illustrates a gradual transition from state coordination to member-centered governance. Accordingly, this study concludes that resolving the legal challenges of KDMP requires recalibrating Indonesia's cooperative legal policy toward a more participatory, autonomy-based, and adaptive governance framework to ensure institutional resilience and the long-term sustainability of village cooperatives.

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