

Village Community Perceptions of the Economic Impact of the Merah Putih Cooperative

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ABSTRACT

This study explores the understanding and perceptions of the community of Rejotangan Village, Tulungagung Regency, regarding the economic impacts promised by the establishment of the Merah Putih Cooperative. The method used was descriptive qualitative with a participatory approach. Data were collected through in-depth interviews, participant observation, focus group discussions, and field documentation. The study findings indicate that most residents were familiar with the Merah Putih Cooperative through village announcements and special meetings, but detailed understanding varied. The community was generally optimistic that the cooperative could improve access to capital, income, and village food security, despite concerns about transparency and regulatory constraints. Factors determining community attitudes included trust in management, participation in deliberation processes, and local values of mutual cooperation. These findings support previous literature that cooperatives can improve member welfare and strengthen the local economy, provided they are supported by cooperative literacy, institutional mentoring, and contextual policies. This article recommends strengthening cooperative socialization, manager training, and management transparency to ensure the Merah Putih Cooperative becomes an effective instrument for village economic empowerment.

Keywords: *Cooperatives, Public Perception, Economic Empowerment.*

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INTRODUCTION

The Red and White Cooperative is a strategic national program of the Indonesian government launched to empower the village economy and break the cycle of rural poverty. This program targets the formation of approximately 70,000–80,000 cooperatives across all villages/sub-districts with a large initial capital allocation and the hope of stabilizing the distribution of staple foods and increasing farmers' incomes. In Tulungagung Regency itself, the central government's instruction (Presidential Instruction No. 9/2025) has been followed up with village meetings in dozens of villages, including in Rejotangan District, to establish cooperatives according to local potential (e.g., savings and loans, logistics, and village social services). Village heads and local leaders welcomed this initiative as a strategic

step to develop the rural economy through a spirit of mutual cooperation and independence.

The existence of cooperatives is expected to address economic inequality in villages by streamlining the food supply chain (from eight lines to three: farmer-consumer cooperatives) to achieve more stable prices (Syarif & Mabruroh, 2025). According to the literature, rural cooperatives play a role in providing access to capital, technical assistance, and markets for members, ultimately increasing farmers' income and welfare (Akram, 2025). Previous studies have noted that village cooperatives have successfully increased business capital and member incomes and supported sustainable development. However, the lack of empirical research at the village level, particularly regarding community perceptions following the implementation of the Merah Putih Cooperative, presents a significant gap. The community of Rejotangan Village, for example, has held a special village meeting (Musdesus) to establish a cooperative, hoping that this cooperative would "bring the community to greater economic progress." Despite high hopes, the community's understanding and attitudes toward the cooperative's promised economic impacts remain unclear (Nasution, 2024). Therefore, this study aims to answer key questions about residents' understanding and perceptions of the Merah Putih Cooperative and the factors influencing their attitudes and participation.

Conceptually, rural cooperatives are believed to represent the Pancasila principles of a people's economy that prioritize mutual cooperation and equitable distribution of prosperity. *mutual cooperation* As the basis of the Pancasila economy, it emphasizes collective economic activities that balance individual and community interests. Within the framework of social capital theory, social networks, trust, and cooperation within a community are essential foundations for the success of cooperatives (Putnam, 2000). Social capital in the form of mutual cooperation, deliberation, and social trust has been shown to strengthen the formation and performance of village cooperatives. Furthermore, community empowerment theory emphasizes that community-based economic institutions such as cooperatives can increase the economic capacity of residents through access to capital, training, and distribution networks. Consistent with this, regional development literature indicates that the development of rural cooperatives is a strategic step to encourage inclusive growth and reduce the economic gap between urban and rural areas (Faisal, 2025). Therefore, the basic theory of this research rests on the assumption that community involvement in cooperatives and strong local social capital will play a crucial role in realizing the objectives of the Red and White Cooperative program.

Several studies have shown that cooperatives play a significant role in improving the welfare of their members and the local economy. Kusuma (2022) states that cooperatives can build the local economy by improving the welfare of their members, by facilitating job creation, capacity building, access to capital, value-added products, and the establishment of local supply chains. In other words, cooperatives facilitate (1) access to jobs and income, (2) skills development, (3) access to economic resources, (4) added value to production, and (5) meeting local needs. This is in line with previous research findings showing that village cooperatives effectively assist farmers through agribusiness training,

thereby increasing their production and income. Similarly, Widyastuti et al. (2024) concluded that village cooperatives increase business capital and community income and support sustainable rural development.

The success of cooperatives is also greatly influenced by the community's social capital. Putnam (2000) argues that social networks and trust between residents enhance collective cooperation. In the context of Rejotangan Village, the values *mutual cooperation*, deliberation, and traditional trust have been shown to strengthen the process of establishing village cooperatives. This means that communities with high social capital tend to welcome cooperative organizations as collective activities with shared trust. Conversely, the literature shows that low cooperative literacy and social trust can be obstacles. Several studies highlight that a low understanding of the cooperative concept among the community can cause cooperatives to function only as conventional savings and loan institutions without maximizing their productive economic potential. Therefore, strengthening cooperative literacy and the role of community leaders is necessary to ensure community involvement and acceptance of new cooperatives.

Active participation of villagers in the establishment and management of cooperatives is crucial for truly realizing economic benefits. Participatory development theory suggests that community involvement in planning and decision-making fosters a sense of ownership and sustainable outcomes. In the context of the Merah Putih Cooperative, village deliberations and information dissemination through local leaders serve as tools for program socialization. As demonstrated in several village cases, the inclusiveness of prospective administrators (including the younger generation) and the emphasis on fair access have the potential to foster community trust. Therefore, the theoretical framework of this research emphasizes the combination of Pancasila's people's economy (mutual cooperation) and social capital/community trust as the basis for analyzing perceptions and the impact of cooperatives at the village level.

This research has several novel aspects. First, the research focus is local and contextual, namely Rejotangan Village, Tulungagung, which has never been studied from the perspective of community perceptions after the implementation of the Merah Putih Cooperative. Second, the focus is on the substantive economic impacts of cooperatives, such as increased household income, access to business capital, and food security, rather than simply counting members or financial reports. Third, a participatory qualitative approach is used to obtain residents' perspectives holistically, not just documentary (survey). Thus, this study is expected to produce applicable recommendations for cooperative managers and village governments, complementing the literature that has so far been mostly national or regional in scope.

Based on the background above, the formulation of the research problem is:

1. To what extent do the people of Rejotangan Village understand the existence of the Red and White Cooperative program that was recently established in their area?
2. How do people perceive the economic impact promised by the Red and White Cooperative?

3. What factors influence the community's attitudes and participation towards this new cooperative (e.g. trust in cooperative management, involvement in government programs, mutual cooperation values)?

The purpose of this study is to explore and describe the understanding and perceptions of the Rejotangan Village community regarding the existence and economic impact of the Merah Putih Cooperative, as well as to identify factors influencing community attitudes and participation in the cooperative. The results are expected to fill the empirical gap regarding the local dynamics of the Merah Putih Cooperative and provide contextual policy input.

METHOD

This research uses a descriptive qualitative approach with a participatory approach. The focus is on understanding social phenomena in depth within the context of the Rejotangan Village community's perceptions of the economic impact of the Merah Putih Cooperative. The research location is *Rejotangan Village, Rejotangan District, Tulungagung Regency, East Java*, was purposively selected as a village that has actively formed the Merah Putih Cooperative. The research period was scheduled for July–September 2025 depending on the availability of informants. The research population was all adult residents of Rejotangan Village who had information or involvement with the cooperative. Informants were selected through purposive sampling based on certain criteria: activity in the cooperative (active members, prospective members, and non-members), community leaders (RT/RW heads, religious leaders, traditional leaders), village officials, and cooperative administrators. The number of informants was determined based on *data saturation*, that is, when there is no new information, it is estimated at 12–15 people.

FINDING AND DISCUSSION

RESEARCH RESULT

Public Understanding of the Red and White Cooperative

According to the official definition, the Merah Putih Village Cooperative was formed to improve community welfare through the principles of mutual cooperation, kinship, and active participation. Several informants said they first learned about the cooperative through village meetings or local outreach. For example, Mr. Sumanto (52), a rice farmer from Karangrejo Hamlet, said:

"I learned about this cooperative from a village meeting. They said it was to help farmers so they wouldn't be dependent on middlemen anymore," (Interview, 2025).

This statement is consistent with the cooperative's goal of providing farmers with access to micro-capital to avoid dependence on loan sharks. Other informants also reported obtaining information about cooperatives through village social networks or group meetings. For example, Mrs. Sulastri (40), a housewife in Karangrejo Hamlet, said:

"I heard about this cooperative from a PKK women's meeting. They said they offered small business loan facilities for women," (Interview, 2025).

Meanwhile, Mr. Markam (49), the local RT chairman, explained:

"At the community meeting, I explained that this cooperative was formed on the basis of mutual cooperation to advance the businesses of everyone in the village," (Interview, 2025).

The opinions of these two informants illustrate the residents' understanding that cooperatives are a family-based economic vehicle that encourages member participation. Village youth also have their own views. Mas Adi (21), a young man from Karangrejo, admitted that he initially thought cooperatives were only for women:

"I initially thought cooperatives were only for women's businesses. But after the outreach at the village hall, I learned that young people can also participate and receive small business loans," (Interview, 2025).

This openness of information reflects the spirit of a cross-generational cooperative based on mutual cooperation. Based on interviews with residents of Karangrejo Hamlet, Tulungagung, Most informants reported that they first learned of the formation of the Merah Putih Cooperative through a village announcement and a special village meeting (Musdessus) facilitated by the village government in May 2025. In FGDs, residents stated that the village government and sub-district officials actively socialized the program in each hamlet. However, the level of detailed understanding varied. Some community leaders understood the cooperative as a village-owned enterprise expected to provide business capital and other services, such as savings and loans or managing food wholesale. For example, the Head of Rejotangan Hamlet explained that he understood the Merah Putih Cooperative as an initiative for villages to work together to collectively purchase fertilizer and sell agricultural products.

However, some residents initially thought the Merah Putih Cooperative was a direct loan program from the central government or a replacement for the village-owned enterprise (BUMDes). Anis, a housewife, said:

"At first, I thought this was a Rp 5 billion regional program; only later did I find out that it had to be managed by the residents themselves." (Interview, 2025)

This misunderstanding arises primarily from low cooperative literacy and the seemingly formal nature of the socialization process (meetings held at the village hall). Younger informants attending the meetings generally grasped the concept of cooperatives as collective endeavors more quickly, while older residents focused more on concrete expectations, such as affordable loans.

Despite varying understandings, all informants agreed that the Merah Putih Cooperative is part of the village government's policy to stabilize staple food prices and curb middlemen's exploitation. This aligns with media reports that the cooperative will shorten the food distribution chain. Informants cited the "one village, one cooperative" program as a long-term solution expected to maintain local food availability and achieve economic equality, as cited by the Minister of Agriculture in national news reports.

Perception of the Economic Impact of the Red and White Cooperative

a. Access to Business Capital and Savings and Loans

Nearly all informants expressed the hope that cooperatives would open up easier and cheaper financing channels than conventional loans. A rice farmer, Mr. Subandi (50), said:

"We hope this cooperative can provide loans without the high interest rates found in banks, just low interest rates for agricultural capital." (Interview, 2025)

Most early cooperative members viewed the Merah Putih Cooperative as a source of capital (savings and loans) that could improve the smooth running of farming and other small businesses. This reflects the cooperative's traditional role as a village financial institution that expands access to capital for residents. At this illustrative stage, some non-members were still uncertain about interest rates or loan guarantees, but generally agreed that the cooperative could help curb local loan sharking practices.

b. Increase in Household Income

Several informants linked participation in cooperatives with the potential for increased income. For example, a young farmer expressed optimism that the cooperative would accommodate member farmers' harvests at fair prices, so that farmers would not lose profits due to bargaining with middlemen. Mrs. Rini (38), a small business owner, expressed her hopes for the Red and White cooperative as follows:

"I hope the cooperative will provide wholesale raw material facilities, so that production costs can be reduced" (Interview, 2025).

Field observations revealed initial cooperative discussions about village market business units and collective fertilizer purchases. These responses support the literature that suggests rural cooperatives can strengthen local economic independence by "increasing business capital, increasing income, and supporting sustainable development" in rural communities.

c. Improving Food and Social Security

Several informants highlighted the positive impact on village food security. With cooperatives purchasing farmers' produce (e.g., rice, vegetables, livestock) directly, it is hoped that local supplies will be more stable. One farmer group member described cooperatives as "village markets" that reduce dependence on external distributors. Furthermore, cooperatives are also seen as strengthening social bonds: shared activities such as collective sales and savings and loans strengthen the village's sense of community. Although concrete data is not yet available, initial observations indicate high interest, particularly among village women and youth, in joining, which is expected to foster economic solidarity based on community.

d. Economic Concerns and Obstacles

Despite the optimism, several informants expressed concerns. The first challenge was transparency and governance. A community leader emphasized the need for trustworthy cooperative management to prevent misuse of village capital. The second challenge was macroeconomic governance: given the cooperative's relative newness, residents questioned the specific types of businesses it would operate and how village capital (state budget funds) would be used. Several farmers highlighted that success depended heavily on local innovation and the management's ability to manage the business, consistent with findings that capital utilization depended on local decisions and innovation. Another obstacle was uncertainty regarding cooperative regulations and the mechanism for disbursing capital assistance from the village government. For example, focus group discussions revealed that some residents were waiting for operational evidence (e.g., a village market or new services) before fully believing in the economic impact.

Factors Influencing Attitudes and Participation

a. Trust in Village Administrators and Government

Trust is a central factor in fostering positive attitudes. Most residents stated that the involvement of village leaders and the transparency of administrators in decision-making significantly influenced their willingness to participate. A common statement was, "If the village head and officials hold transparent meetings, residents are willing to join." This is consistent with reports that social capital, in the form of trust in leaders, plays a crucial role in the formation of village cooperatives. Conversely, there are concerns that cooperative decisions may be influenced by political interests or "village elite social gatherings." Therefore, residents hope for a joint oversight mechanism (e.g., supervisors or regular accountability) to maintain trust.

b. Involvement of Government and Financial Institutions in Socialization

The socialization process by the village government and related agencies also shapes attitudes. Those who attended the initial village meeting tended to have a better understanding of the cooperative's objectives and were more enthusiastic. Conversely, residents who didn't have the opportunity to attend the socialization (e.g., residents of other villages) tended to be suspicious or less understanding. This underscores the importance of active community participation in government programs (regulations, socialization), which is one indicator in the problem formulation. Furthermore, the involvement of financial institutions (e.g., banks or BRI) in providing financial literacy for cooperatives is also expected to ensure more professional cooperative operations.

c. Values of Mutual Cooperation and Deliberation

Traditional values such as mutual cooperation and deliberation remain strong in this village. Many residents refer to deliberations "to seek consensus" as a highly anticipated tool in establishing cooperatives. When cooperative decision-making processes are conducted through fair deliberation, the community feels valued and tends to support them. Conversely, potential conflict arises if deliberations are perceived

as forced. This finding is consistent with the theory that these local values foster community collaboration and acceptance of village cooperatives.

d. Hopes of the Young Generation

Young people also saw cooperatives as a platform for learning about organization and entrepreneurship. This growing interest aligns with the village head's statement that he hoped cooperatives would become a place for young people to practice building their economy. Although not a primary variable in the problem formulation, youth involvement is seen as a long-term asset that can maintain the sustainability of cooperatives. The fact that many young people are willing to support cooperative activities demonstrates a shift in attitudes among the new generation, who are more open to the concept of a collective economy.

DISCUSSION

Village Community Perceptions of the Economic Impact of the Merah Putih Cooperative

The research results indicate that the people of Rejotangan Village have a good understanding of the general objectives of the Merah Putih Cooperative, but detailed understanding varies. This finding is consistent with previous studies that suggest cooperative literacy levels in rural areas tend to be low. This means that initial outreach programs need to be improved to ensure all elements of society have a shared understanding. This supports Maimunah's critique in Masyhuri (2024), which states the need for continuous education for rural cooperatives to play an optimal role.

In terms of economic impact, the majority of respondents were optimistic that cooperatives could increase business capital and income, in line with expectations of people's economic theory. This finding aligns with the research findings of Widyastuti et al. (2024), which showed that cooperatives increase access to capital and income for rural communities. Furthermore, Kusuma (2022) emphasized that cooperatives can facilitate job creation and access to local economic resources. Thus, residents' optimistic perceptions are supported by empirical evidence: cooperatives are often effective in "increasing business capital, increasing income, and serving as an appropriate tool for addressing people's economic problems." This success is particularly evident when cooperatives actually operate productive business units (e.g., savings and loan units, agricultural product trading units) as identified by respondents.

However, residents' concerns about transparency and management capacity are also significant. This confirms research findings from other areas (Manokwari) that the success of the Merah Putih Cooperative depends on institutional capacity and intensive mentoring. Because Rejotangan Village residents cited the need for strengthened management and clear policies, the previous research's recommendations for strengthening institutional capacity and adapting policies to local conditions are highly relevant. In this regard, these recommendations emphasize that village cooperatives should not only be established but also require managerial training, simple accounting, and mentoring to achieve economic targets.

The role of social values (mutual cooperation and deliberation) confirmed by respondents also aligns with the social capital framework. With strong social capital in Rejotangan, the cooperative has the foundation of togetherness necessary for implementing a collective economy. As explained by Koswara (2025), the Pancasila economy demands collective participation and social justice. The exchange of views in the FGD, which prioritized unanimous discussion, absolutely reflects this spirit. However, Koswara's criticism of the potential for centralization and the loss of local autonomy also requires careful consideration. Several residents raised concerns that the "Red and White" symbol and large-scale funding schemes could bring bureaucratic influence that marginalizes village participation. This emphasizes that, to truly embody Pancasila values, the implementation of the Red and White Cooperative must ensure a decentralized and democratic process, in keeping with the essence of cooperativism.

Overall, these results fill a gap in the literature by describing the hopes and concerns of villagers following cooperative formation, a previously understudied area (a novelty). This study reinforces the finding that the formation of rural cooperatives can be an effective instrument for economic empowerment, if accompanied by adequate institutional support. These results are relevant not only to Rejotangan but also to other villages seeking to establish cooperatives, particularly regarding the importance of social capital and community involvement in the initial stages.

CONCLUSION

Based on the research results, it can be concluded that the people of Rejotangan Village are quite aware of the Red and White Cooperative as a collective program to improve the village economy. Most respondents understood the cooperative's general objectives (providing capital and stabilizing food prices), although detailed understanding varied. In terms of economic perception, residents were optimistic that the cooperative would improve access to business capital, family income, and village food independence. However, they also highlighted the need for transparency, clarity of business units, and management capacity to realize these hopes. Key factors influencing community attitudes and participation included trust in cooperative management and village officials, involvement in the outreach process, and the value of local mutual cooperation. The presence of an enthusiastic younger generation also strengthened the positive dynamics towards the cooperative.

These findings support the literature on the important role of cooperatives in village economic development while emphasizing the need for institutional improvement. For the development of the Merah Putih Cooperative in Rejotangan and other villages, several practical recommendations warrant attention, including increasing cooperative literacy through continued outreach and training organized by the village government in conjunction with the Cooperatives Office to ensure that all levels of society, including farming families, have a shared understanding; institutional training and mentoring involving academics or professional trainers to strengthen the capacity of administrators and build accountable governance, as suggested by Lembang et al. regarding the

importance of *capacity building*; the application of the principles of transparency and inclusiveness through regular reports, open deliberations, restrictions on rotating positions, and the involvement of youth and women in management to increase participation; adjustment of local policies to align with central policies while still paying attention to customs and village superior potentials such as food and MSMEs; and long-term monitoring through quantitative follow-up studies after one to two years of operation to objectively measure the economic impact of cooperatives and ensure program objectives are achieved.

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