

The Legal Relationship Between Merah Putih Cooperative & Village-Owned Enterprises

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Abstract. *This study examines the legal relationship between Koperasi Merah Putih and Badan Usaha Milik Desa (BUMDes) in Indonesia's village economic governance system. Using a normative juridical method with statutory and conceptual approaches, this study analyzes the regulatory framework, institutional overlap, and legal construction between the two entities. The findings indicate that Koperasi Merah Putih and BUMDes possess legitimate legal foundations but are governed under different legal regimes, resulting in legal uncertainty, overlapping authority, duplication of business functions, and institutional fragmentation at the village level. The study further reveals that the absence of clear regulatory coordination creates potential conflicts in village economic management. Therefore, this research proposes an ideal legal relationship model based on strategic partnership, functional differentiation, institutional coordination, regulatory harmonization, and participatory governance. This model is expected to strengthen legal certainty, prevent institutional conflicts, improve village economic governance, and support inclusive and sustainable rural economic development in Indonesia.*

Keywords: *Certainty; Cooperative; Economy; Legal; Relationship.*

1. Introduction

Indonesia's national development is inseparable from the constitutional orientation toward achieving the general welfare, as affirmed in the Preamble to the 1945 Constitution of the Republic of Indonesia. Article 33, paragraph (1), states that the economy is organized as a collective endeavor based on the principle of kinship, thereby positioning cooperatives as the primary representation of economic democracy. Legally, cooperatives are regulated under Law No. 25 of 1992 on Cooperatives, which affirms their role in enhancing the welfare of members and the community. In recent policy developments, the role of cooperatives has been further strengthened through Minister of Cooperatives Regulation No. 2 of 2025 via the development of the "Merah Putih" Village/Neighborhood Cooperatives as instruments for community-based economic empowerment.

However, within the structure of the village economy in Indonesia, cooperatives are not the only economic entities playing a role. Village-Owned Enterprises (BUMDes), which

possess strong legal legitimacy through Law No. 6 of 2014 and Government Regulation No. 11 of 2021, have long been positioned as village legal entities that manage businesses, utilize assets, and promote the sustainable economic productivity of village communities. The presence of the Merah Putih Cooperative in this context places two village-based economic entities within the same operational space.

Conceptually, both BUMDes and the Merah Putih Cooperative share relatively similar characteristics, namely a focus on community empowerment, the utilization of local potential, and the improvement of rural economic well-being through the strengthening of collective enterprises and the development of local resources (Saputri et al., 2025). Both entities are also directed toward promoting rural economic development through entrepreneurship development, management of local economic potential, and enhancement of community economic capacity (Murwadi et al., 2017).

However, these shared orientations have the potential to lead to overlapping functions, particularly in economic activities, public services, asset management, and the distribution of goods and services; consequently, in practice, this can result in jurisdictional competition, institutional dualism, and ambiguity regarding the division of roles between the two entities (Murwadi et al., 2017). Furthermore, the management of village assets and resources also has the potential to become a source of institutional conflict when both institutions attempt to manage the same business sector (Faedlulloh, 2018). Therefore, clarity regarding the division of functions and institutional relationships is crucial to prevent conflicts and enhance the effectiveness of village economic development (Kusuma, 2025). Furthermore, active participation by the village community in the decision-making process is also necessary so that cooperatives and BUMDes can develop in a more participatory and independent manner, without being entirely dependent on external intervention (Faedlulloh, 2018).

This issue becomes even more complex because each institution operates under a different legal regime. Cooperatives are governed by the cooperative legal framework, while BUMDes fall under the village legal regime. To date, Indonesian positive law still regulates these two entities in a piecemeal manner, rather than within an integrated relational framework. Consequently, the relationship between the Merah Putih Cooperative and BUMDes is positioned more within the realm of administrative policy than within a clear legal framework, thereby potentially creating legal uncertainty and inefficiency in village economic development.

In an empirical context, the launch of the Koperasi Merah Putih program has sparked various criticisms regarding the readiness of village institutions, particularly concerning limitations in human resource capacity in the areas of financial management, marketing, and business planning. This situation is exacerbated by the relatively low educational level of the rural population, which impacts the ability to manage economic institutions professionally and sustainably (Rahmi et al., 2025). Additionally, many rural residents lack formal training in cooperative management, so their managerial skills remain informal and limited (Rahmi et al., 2025). On the other hand, cooperatives' dependence on government funding also poses its own problems because it has the potential to weaken the cooperatives' independence and create institutional ambiguity in their management practices (Hasanudin et al., 2025). These issues are further complicated by the fact that many cooperatives still struggle to develop clear, long-term business plans, even though this aspect is a critical factor in the sustainability of cooperative operations (Sari et al., 2025). Furthermore, the potential for functional overlap between

cooperatives and BUMDes increases the risk of institutional disharmony at the village level, as both entities may operate in the same business sectors, leading to institutional competition rather than synergistic collaboration (Hasanudin et al., 2025). In some cases, the establishment of formal cooperatives also faces cultural resistance from village communities that do not yet fully understand the modern cooperative governance model, thereby complicating the process of effectively strengthening the village's economic institutions (Rahmi et al., 2025).

Although various studies have addressed cooperatives and BUMDes, most of these studies still treat the two entities separately and have not comprehensively examined the legal relationship between them. The relationship between cooperatives and Village-Owned Enterprises (BUMDes) is inherently complex because both share the same goal of improving the welfare of rural communities but are established under different legal frameworks. Cooperatives are governed by a cooperative legal regime that emphasizes member benefits and collective ownership, whereas BUMDes are established under village regulations as public legal entities with both commercial orientation and functions in providing economic services to the village (Indrayana, 2022). Conceptually, integration between cooperatives and BUMDes has the potential to strengthen rural economic development through the pooling of resources, business networks, and mutually supportive institutional capacities (Santo, 2025). However, differences in legal status, governance models, and accountability mechanisms between these two institutions are the primary obstacles to building effective and sustainable collaboration (Kamil et al., 2023; Santo, 2025). Furthermore, current regulations do not adequately address the patterns of integration and cooperative relationships between cooperatives and BUMDes; therefore, regulatory harmonization and the establishment of a new legal framework are needed to facilitate the institutional relationship between these two entities in a clearer and more systematic manner (Kamil et al., 2023; Santo, 2025). Several studies also recommend the establishment of cooperation agreements and the revision of existing regulations to support joint business development between cooperatives and BUMDes (Indrayana, 2022). Thus, there is a significant research gap, namely the absence of a systematic analysis examining the legal relationship between the Merah Putih Cooperative and BUMDes within a single institutional framework of the village economy.

To address this gap, this study employs an integrated theoretical approach. Development law theory is used to understand the role of law as a tool for social engineering in promoting rural economic development. Distributive justice theory is used to assess the extent to which the distribution of economic benefits resulting from the existence of these two institutions can be fair and equitable. Furthermore, institutional theory is used to analyze institutional design as well as the potential for functional overlap between cooperatives and BUMDes, while partnership theory is used to examine the possibility of mutually beneficial cooperative relationships based on a clear division of roles. This analysis is reinforced by legal certainty theory, which serves to identify normative gaps and regulatory disharmony in the relationship between these two institutions.

Based on this framework, this study not only analyzes the existence of the Merah Putih Cooperative and BUMDes normatively but also seeks to construct the legal relationship between them within the Indonesian legal system. The novelty of this study lies in its effort to formulate a model of the legal relationship between the Merah Putih Cooperative and BUMDes in the form of a typology of institutional relations that encompasses complementary, coordinative, and strategic partnership relationships based on a division of functions, so that this model is expected to serve as a basis for regulatory harmonization and the strengthening of village economic governance. Thus, this study aims to analyze the legal relationship between the Merah Putih Cooperative and BUMDes from the perspective of Indonesian positive law and to formulate an ideal legal relationship framework to create effective, integrated, and sustainable institutional synergy in village economic development.

2. Research Methods

This study employs a normative legal method, specifically a statutory approach and a conceptual approach. These approaches are used to analyze the legal relationship between the Merah Putih Cooperative and the Village-Owned Enterprise (BUMDes) within the national legal framework, particularly regarding potential functional overlap, regulatory disharmony, and normative gaps in the village economic institutional framework. The primary legal materials used include the 1945 Constitution of the Republic of Indonesia, Law No. 25 of 1992 on Cooperatives, Law No. 6 of 2014 on Villages, Law No. 11 of 2020 on Job Creation, Government Regulation No. 11 of 2021 on BUMDes, and Minister of Cooperatives Regulation No. 2 of 2025. In addition, this study also utilizes secondary legal materials in the form of scientific literature, journal articles, legal doctrines, and relevant prior research findings, as well as tertiary legal materials to support the conceptual framework. The analysis of legal materials is conducted qualitatively through descriptive, analytical, and prescriptive stages. The descriptive stage was used to map the regulatory structures of cooperatives, the Merah Putih Cooperative, and BUMDes; the analytical stage was used to identify overlapping functions, ambiguities in institutional relationships, and potential conflicts of norms; while the prescriptive stage was aimed at formulating an ideal legal relationship between the two entities. The analytical framework is reinforced by development law theory, distributive justice theory, institutional theory, partnership theory, and legal certainty theory. The validity of the analysis is ensured through the consistency of normative reasoning, triangulation of legal materials, and a systematic review of relevant regulations and literature, so that the research findings are academically accountable and contribute to strengthening the institutional governance of the village economy.

3. Results and Discussion

3.1. The Legal Status of the Merah Putih Cooperative and Village-Owned Enterprises (BUMDes) within the Indonesian Legal System

The existence of the Merah Putih Cooperative and Village-Owned Enterprises (BUMDes) indicates a transformation in state policy that increasingly positions villages as the center of national economic growth. Within the Indonesian legal system, these two institutions derive their legitimacy from different legal bases but are directed toward relatively similar objectives: improving the welfare of village communities and strengthening the local economy. The Merah Putih Cooperative derives its legitimacy from Article 33(1) of the 1945 Constitution of the Republic of Indonesia, Law No. 25 of 1992 on Cooperatives,

and Minister of Cooperatives Regulation No. 2 of 2025. Meanwhile, BUMDes derives its legitimacy from Law No. 6 of 2014 on Villages and Government Regulation No. 11 of 2021 on Village-Owned Enterprises.

The differences in the legal foundations between cooperatives and Village-Owned Enterprises (BUMDes) indicate that the state has developed two distinct institutional approaches to the rural economy. Cooperatives are designed as member-based business entities rooted in community participation, collective ownership, and economic democracy, thereby focusing on the collective empowerment of the community and the strengthening of economic solidarity among village residents (Santo, 2025). Conversely, BUMDes are established under the village legal framework as legal entities with direct ties to the village government and function as instruments of local economic development that are not only profit-oriented but also focused on providing public services and meeting the needs of the village community (Kamil et al., 2023; Sutrisno, 2024). From an institutional legal perspective, cooperatives place greater emphasis on collective decision-making and member-based distribution of benefits, thereby strengthening community participation and local economic resilience (Murwadi et al., 2017), whereas BUMDes are positioned as tools for village economic development aimed at driving local economic growth, creating jobs, and improving the broader community's welfare through the village's inherent authority (Sutrisno, 2024; Syafrida & Gultom, 2024).

However, the research findings indicate that although the Merah Putih Cooperative and BUMDes have different bases of legitimacy, the operational scopes of these two institutions have many points of overlap. Government Regulation No. 11 of 2021 grants BUMDes the authority to manage village economic enterprises, utilize assets, develop investments, distribute goods and services, develop the digital economy, and provide public services to village communities. On the other hand, Minister of Cooperatives Regulation No. 2 of 2025 also positions the Merah Putih Cooperative as an instrument for village economic empowerment through the strengthening of productive enterprises, logistics distribution, SME development, the provision of basic necessities for the community, and the development of business networks based on local potential. This overlap in scope indicates that Indonesian positive law has not yet established clear boundaries between the domains of cooperatives and BUMDes in the context of village economic development. Substantively, this functional overlap can be observed across various business sectors, such as the distribution of basic necessities, warehousing, marketing of agricultural products, savings and loan services, management of microfinance businesses, processing of community-produced goods, and the development of village-based digital economies.

The analysis indicates that these overlapping functions have the potential to create institutional dualism at the village level. In practice, village communities may face confusion in determining which institution should serve as the center of village economic activities, while village officials also encounter challenges in defining the division of authority and the allocation of policy support between cooperatives and BUMDes. This situation indicates that the legal relationship between the two institutions remains in a "grey area," as existing regulations only govern the existence of each institution on a sectoral basis and have not systematically regulated their relationship. From the perspective of legal certainty theory, this situation indicates the presence of a normative gap, as the law has not yet provided clarity regarding the nature of the relationship between cooperatives and BUMDes—whether it is coordinative, subordinate,

complementary, or a strategic partnership. This lack of clarity also has the potential to cause policy disharmony, particularly when the central government pushes for the massive establishment of Koperasi Merah Putih without clear integration into the existing village institutional system already occupied by BUMDes.

Beyond normative issues, this study also identified practical institutional challenges. Many villages lack sufficient human resource capacity to manage two economic institutions simultaneously. Managing a cooperative requires expertise in financial management, organizational governance, marketing, and business development, while BUMDes also face similar challenges such as weak governance, low transparency, and limited business capacity. If both institutions operate in the same business sector without a clear division of functions, the potential for internal competition at the village level will increase and may actually weaken the effectiveness of village economic development. From the perspective of development law theory, this situation indicates that the legal design of the village economy in Indonesia remains sectoral and unintegrated, meaning the law has not yet functioned optimally as an instrument for harmonizing village economic institutions. From an institutional theory perspective, this situation indicates the presence of institutional fragmentation—that is, institutional fragmentation resulting from the establishment of formal institutions not built within an integrated systemic framework—which has the potential to lead to policy inefficiencies, program overlaps, resource wastage, and weak inter-institutional coordination. Therefore, the main issue does not lie in the existence of the cooperative or the BUMDes itself, but rather in the absence of a legal framework capable of integrating these two institutions into a harmonious village economic system.

3.2. The Ideal Legal Framework Between the Merah Putih Cooperative and BUMDes

Based on the results of normative and conceptual analysis, this study finds that the legal relationship between the Merah Putih Cooperative and BUMDes should not be structured competitively, but rather synergistically and complementarily, as both institutions share the same objective of improving the welfare of the rural community despite having distinct institutional characteristics. Therefore, the construction of an ideal legal relationship must be able to place the cooperative and BUMDes within a clear, measurable, and mutually supportive division of functions. From a partnership theory perspective, the relationship between cooperatives and BUMDes must be built on the principles of equality, mutual benefit, and a proportional division of roles, where the Merah Putih Cooperative focuses on member-based economic functions such as strengthening community microenterprises, managing savings and loans, distributing members' business proceeds, and developing community business networks, while BUMDes focuses on managing village assets, developing strategic village businesses, providing public economic services, and increasing village revenue. This division of functions is crucial for creating institutional differentiation so that the two entities do not directly operate in the same business sphere and can build more effective synergies in village economic development.

Research findings indicate that the legal relationship between cooperatives and BUMDes must be established through clear institutional coordination mechanisms, as both institutions are closely tied to the village community, the village government, and the management of local economic potential. Therefore, coordination is needed in the formulation of business programs, mapping of village economic potential, business unit

development, and the distribution of economic benefits through a village economic forum involving the village government, BUMDes managers, cooperative administrators, and the community. Stakeholder involvement is crucial to ensure that village economic potential is optimally utilized (Bahits et al., 2021), while also fostering more integrated village economic development through the synergy of community-led initiatives and BUMDes (Bayu & Hartati, 2023). Such coordination forums can also assist in mapping local resources and competencies to support the effective management of village enterprises (Nur et al., 2022). However, its implementation still faces challenges, particularly funding constraints and limited management capacity of BUMDes (Utomo et al., 2025), necessitating capacity building for village officials, BUMDes managers, and cooperative boards through governance and business management training (Nur et al., 2022). Additionally, regulatory harmonization is an urgent need because regulatory inconsistencies are one of the main causes of legal ambiguity regarding the relationship between cooperatives and BUMDes; thus, specific regulations are required to govern the division of authority, scope of business, partnership models, oversight mechanisms, and institutional coordination in village economic development.

From the perspective of distributive justice theory, the ideal legal relationship between cooperatives and village-owned enterprises (BUMDes) must ensure that the existence of both institutions truly provides equitable benefits to the village community. Cooperatives and BUMDes must not merely serve as formal economic instruments controlled by the village elite or specific groups; rather, they must be built on the principles of participation, transparency, accountability, and the equitable distribution of economic benefits. Fair distribution of benefits is crucial so that rural economic development does not merely generate economic growth but also fosters social justice for the rural community. Based on research findings, the legal relationship between the Merah Putih Cooperative and BUMDes can be structured through three main models: the complementary relationship model, which positions the cooperative and BUMDes in distinct yet mutually reinforcing roles; the coordinative relationship model, achieved through program synchronization and the integration of village economic policies; and the strategic partnership model, grounded in resource sharing, joint business development, and a collective orientation toward village economic development.

For village economic development, the strategic partnership model is the most ideal because the cooperative and BUMDes are not positioned as competing institutions but rather as parts of an integrated village economic institutional system. The cooperative can strengthen the community's economic foundation through member empowerment and collective enterprises, while BUMDes strengthens the village's economic capacity as a local government institution. Furthermore, the success of the legal relationship between these two institutions also heavily depends on the quality of village institutional governance, where the village government plays a strategic role as a coordinating actor ensuring that cooperatives and BUMDes operate in accordance with their respective functions. Therefore, strengthening the capacity of village officials, improving community legal and economic literacy, and developing a transparent oversight system are critical factors in supporting the effectiveness of this institutional relationship. Thus, the construction of an ideal legal relationship between the Merah Putih Cooperative and BUMDes must be built on a strategic partnership framework based on functional differentiation, regulatory harmonization, institutional coordination, and participatory governance to create legal certainty, prevent overlapping authority, and strengthen effective, inclusive, and sustainable village economic development.

3.3. Regulatory Disharmony and Regulatory Vacuum in the Relationship Between the Merah Putih Cooperative and BUMDes

Research findings indicate that one of the primary issues in the relationship between the Merah Putih Cooperative and BUMDes lies in regulatory disharmony and the absence of norms governing their relationship. Normatively, cooperatives and BUMDes originate from different legal regimes and are established through institutional approaches that are not integrated. Cooperatives operate under a cooperative law regime oriented toward member-based economic democracy, whereas BUMDes operate under a village law regime that positions them as instruments of economic development based on village authority. Consequently, Indonesian positive law lacks explicit provisions outlining how the relationship between these two institutions should be structured. This regulatory disharmony is evident in the differing regulatory orientations between Law No. 25 of 1992 on Cooperatives and Law No. 6 of 2014 on Villages. The Cooperative Law places greater emphasis on the principles of member autonomy, democratic management, and the welfare of cooperative members, whereas the Village Law and Government Regulation No. 11 of 2021 position BUMDes as a village legal entity tasked with managing village assets and enterprises for the maximum welfare of the village community. This difference in orientation indicates that cooperatives are established as community-based economic organizations, while BUMDes are established as economic instruments of the village government.

Nevertheless, in regulatory practice, both institutions are granted nearly identical operational scope. BUMDes may operate in the trade sector, logistics distribution, savings and loan services, agricultural product management, digital economic development, and various other productive sectors. At the same time, the Merah Putih Cooperative is also directed to perform similar functions through the strengthening of community-based economies rooted in local potential. This overlap in operational scope indicates that existing regulations have not clearly established institutional differentiation, thereby potentially leading to overlapping authority, institutional dualism, and ambiguity in the division of functions within village economic development. This situation also reveals that the legal relationship between cooperatives and BUMDes remains in a grey area because Indonesian positive law primarily regulates the existence of each institution on a sectoral basis rather than establishing an integrated and harmonious institutional relationship framework.

This regulatory gap is also evident in the absence of provisions clearly governing the mechanisms of the relationship between cooperatives and BUMDes. Existing regulations do not specify whether these two institutions must collaborate, share functions, or operate independently within the same business sector. Furthermore, there are no norms explaining the mechanisms for coordination, the division of authority, or conflict resolution in the event of overlapping business activities at the village level; consequently, the relationship between cooperatives and BUMDes relies heavily on the interpretation of village governments and administrative practices on the ground. This situation indicates legal ambiguity because the applicable regulatory framework has not explicitly defined the roles and responsibilities of cooperatives and BUMDes in village economic governance (Santo, 2025). The absence of norms regarding coordination and conflict resolution also increases the potential for functional overlap and jurisdictional disputes at the village level (Santo, 2025). Therefore, legal reconstruction and regulatory harmonization are needed to facilitate functional cooperative relationships between cooperatives and BUMDes, including through the establishment of cooperation

agreements and new, more integrative regulations (Santo, 2025). The integration of these two entities can fundamentally strengthen community-based economic transformation, but it still requires a clear legal foundation to prevent institutional conflicts (Santo, 2025). Furthermore, non-compliance with existing regulations also has the potential to lead to serious consequences, as BUMDes that fail to meet legal requirements may lose their legal status, thereby weakening their operational legitimacy and access to government support (Kusdiyanto & Pahlevy, 2024). From the perspective of legal certainty theory, this situation indicates that the law has not yet been able to provide clear guidelines for the legal subjects involved; consequently, the ambiguity of legal norms creates an overly broad scope for interpretation and has the potential to trigger conflicts of authority. In the long term, this situation may hinder the effectiveness of village economic development, as institutional energy is more heavily absorbed by internal competition rather than the strengthening of the community's economy.

Furthermore, the research findings indicate that the use of Presidential Instruction No. 9 of 2025 as the basis for accelerating the establishment of Merah Putih Village/Subdistrict Cooperatives raises normative issues, as a Presidential Instruction is essentially an internal administrative instrument of the government and not a generally binding legal regulation. This situation raises issues of synchronization with the existing village legal framework, which has already regulated Village-Owned Enterprises (BUMDes) more explicitly. From the perspective of development law theory, this indicates that the law has not yet fully functioned as an instrument for integrating village economic development, as the state has established various village economic institutions without developing an integrated regulatory framework. Consequently, the relationship between the Merah Putih Cooperative and BUMDes still faces issues of regulatory disharmony and a lack of clear norms, making legal harmonization an urgent necessity to establish legal certainty and support effective and sustainable rural economic development.

3.4. Institutional Implications for Rural Economic Development

The coexistence of the Merah Putih Cooperative and BUMDes within the same rural economic sphere has broad implications for rural economic development because, on one hand, it can serve as a strategic opportunity to strengthen local economic structures through the diversification of community economic institutions, but on the other hand, it also has the potential to cause inefficiencies and institutional conflicts if the relationship between the two is not clearly regulated. Research findings indicate that, theoretically, cooperatives and BUMDes can form a mutually supportive rural economic ecosystem, where cooperatives excel in fostering community participation and member-based enterprises, while BUMDes excel in accessing village assets, government legitimacy, and the development of strategic village enterprises. However, in practice, many villages still face limitations in human resources, weak governance, low community economic literacy, and a lack of managerial capacity, so that cooperatives and BUMDes often do not operate optimally and even experience business stagnation.

This study also found that the potential for institutional conflict increases when cooperatives and BUMDes operate in the same business sectors. Competition in the distribution of basic foodstuffs, savings and loan management, marketing of agricultural products, and management of village trade enterprises can create tension among institutional managers. In some cases, village communities also face confusion in determining which institution should serve as the center of village economic activities.

This situation indicates that unclear institutional relationships can directly impact the effectiveness of village economic development.

From an institutional theory perspective, this condition indicates institutional competition resulting from the lack of clear functional differentiation between cooperatives and BUMDes, causing village resources to be fragmented across various structures operating separately and potentially weakening institutional effectiveness in village economic development. In fact, village economic development requires institutional integration so that resources, social capital, and local economic potential can be optimally utilized. Furthermore, this study also indicates that village economic development requires not only formal economic institutions but also participatory governance rooted in community trust. The success of cooperatives depends heavily on member participation, while the success of BUMDes is influenced by the legitimacy granted by the village government and the level of public trust in their management. Therefore, the institutional relationship between cooperatives and BUMDes must be built on the principles of transparency, participation, and accountability to avoid being perceived as a tool of power for specific groups. Transparency in governance and financial management is crucial for building community trust in BUMDes and cooperatives (Amiruddin, 2025), while such openness can also enhance community participation and a sense of ownership over local resources (Faedlulloh, 2018). Active community participation is a key factor for the sustainability of cooperatives and BUMDes, as communities that feel a sense of ownership tend to be more engaged in managing these institutions (Faedlulloh, 2018), particularly when supported by adequate training and capacity-building (Zainuri et al., 2023). Additionally, accountability mechanisms are necessary to prevent abuse of authority and elite domination that could undermine the legitimacy of village institutions (Amiruddin, 2025), including through the development of community-based oversight systems to ensure that cooperatives and BUMDes remain responsive to the needs of village residents (Amiruddin, 2025).

From the perspective of distributive justice theory, the existence of cooperatives and village-owned enterprises (BUMDes) must ensure the equitable distribution of economic benefits to rural communities, as rural economic development should not only generate formal economic growth but also promote equitable well-being across all segments of society. Therefore, synergy between cooperatives and BUMDes is crucial so that economic benefits can reach a broader range of rural communities, including smallholder farmers, MSME actors, and other economically vulnerable groups. Thus, the research findings indicate that the institutional relationship between the Merah Putih Cooperative and BUMDes has significant implications for the effectiveness of rural economic development, as synergy between the two institutions can strengthen the local economy, whereas legal and institutional ambiguities have the potential to create conflicts, inefficiencies, and fragmentation in rural economic development.

3.5. Model for Reconstructing the Legal Relationship Between the Merah Putih Cooperative and BUMDes

Based on the results of normative, theoretical, and institutional analysis, this study formulates a model for reconstructing the legal relationship between the Merah Putih Cooperative and BUMDes as a solution to the regulatory disharmony and overlapping functions that have occurred thus far. Reconstructing these legal relationships is necessary so that both institutions can operate synergistically in supporting village economic development. The first model is one of institutional functional differentiation,

which places the cooperative and BUMDes in distinct yet complementary business domains. In this model, the cooperative focuses on member-based economic empowerment—such as savings and loans, strengthening SMEs, distributing members' business proceeds, and developing community enterprises—while BUMDes focuses on managing village assets, strategic village enterprises, public economic services, and increasing village revenue. This functional differentiation is crucial to prevent business overlap and institutional conflicts at the village level.

The second model is the village institutional coordination model, in which cooperatives and BUMDes can still operate in adjacent economic sectors but operate within a clear coordination system under the village economic development plan. In this model, the village government acts as a coordinating actor, ensuring that the business programs of both institutions run in an integrated manner and do not harm one another through village economic forums or village economic development deliberations involving all stakeholders. The third model is a strategic partnership model based on business collaboration, namely a cooperative relationship that allows cooperatives and BUMDes to establish joint business units. BUMDes can provide assets, institutional networks, and village administrative support, while cooperatives provide a membership base, distribution networks, and community participation. Such collaboration can be applied in the agriculture, trade, village logistics, and village-based digital economy sectors.

Research findings indicate that the strategic partnership model is the most ideal in the context of modern village economic development because it allows cooperatives and BUMDes to mutually reinforce one another without losing their respective institutional identities. This model also aligns with the principles of economic democracy and participatory development within Indonesia's village development system. From the perspective of development law theory, the reconstruction of these legal relationships is necessary so that the law can function as an instrument of social and economic integration, rather than merely regulating the formal existence of institutions. Therefore, the reconstruction of legal relationships between cooperatives and BUMDes must be accompanied by more comprehensive regulatory harmonization, strengthening of human resource capacity, improvement of institutional governance, community economic education, and strengthening of the village oversight system. Thus, an integrative approach encompassing functional differentiation, institutional coordination, strategic partnerships, and regulatory harmonization is crucial for creating legal certainty, strengthening village economic governance, preventing institutional conflicts, and supporting inclusive, equitable, and sustainable village economic development.

4. Conclusion

This study concludes that the legal relationship between Koperasi Merah Putih and BUMDes has not been comprehensively regulated in Indonesia's positive law because both institutions are governed under different legal regimes—namely cooperative law and village law—resulting in unclear institutional relations, potential overlap of authority, duplication of business functions, and institutional conflicts in village economic governance. Therefore, the ideal framework for the relationship between Koperasi Merah Putih and BUMDes should be based on a strategic partnership model in which Koperasi Merah Putih focuses on member-based economic empowerment, while BUMDes focuses on village asset management, public economic services, and village income generation. Accordingly, regulatory harmonization, a clear division of functions, institutional coordination, and participatory governance are necessary to create legal certainty,

prevent institutional overlap, and strengthen sustainable village economic development in Indonesia.

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