

## **Legal Analysis of The Formation of Regulations Red and White Cooperative to Improve the Welfare of Village Communities**

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**Abstract.** This study analyzes the regulatory framework governing the establishment of the Koperasi Merah Putih as a strategic instrument to enhance the welfare of rural communities in the districts of Demak, Grobogan, and Pati. Normatively, the formation of cooperatives is a direct implementation of Article 33(1) of the 1945 Constitution of the Republic of Indonesia, which mandates an economic system organized as a collective effort based on the principle of kinship. This principle is further reinforced by Law No. 25 of 1992 on Cooperatives, which stipulates that cooperatives function to improve the welfare of their members and society, while contributing to national economic development. This research employs a juridical-sociological approach to examine the gap between legal norms (*das sollen*) and their implementation in practice (*das sein*). Data were obtained through literature studies and field research in three districts with diverse socio-economic characteristics: Demak, an agrarian-coastal region vulnerable to disasters; Grobogan, a traditional agrarian district; and Pati, an area with a mixed economic structure that faces inequality and ecological vulnerability. The findings reveal that, despite strong social and economic potential, the implementation of the Koperasi Merah Putih initiative remains in its early stages and lacks structured development. The primary obstacles include low cooperative literacy, the absence of clear legal instruments within village institutions, limited technical assistance, and weak cooperative governance. Field observations further show that rural communities still perceive cooperatives mainly as savings-and-loan entities, resulting in the Koperasi Merah Putih not yet being recognized as a collective economic movement capable of strengthening the bargaining position of farmers, fishers, and MSME actors. Moreover, the lack of integration between cooperatives and

*village planning instruments—such as the RPJMDes, APBDes, and BUMDes—has created institutional fragmentation. Theoretically, this study is grounded in John Rawls' Theory of Social Justice, the Theory of Legal Effectiveness, and the concept of Maqāṣid al-Syārī'ah, all of which emphasize distributive justice, the functionality of law within society, and the pursuit of public welfare in economic governance. The results demonstrate that the effectiveness of regulations governing the Koperasi Merah Putih is highly dependent on alignment between legal norms, the readiness of village institutions, and human resource capacity. Therefore, this study recommends reconstructing cooperative regulations based on the values of Pancasila justice, providing a minimum of three years of intensive facilitation, promoting digitalization of village cooperatives, and strengthening oversight through regular audits. These measures are expected to ensure that cooperative operations are professional, transparent, sustainable, and genuinely capable of improving rural community welfare.*

**Keywords:** Cooperative; Red and White; Rural Welfare; Regulation.

## 1. Introduction

Indonesia's national development is based on the mandate of the 1945 Constitution of the Republic of Indonesia (UUD 1945), which in the fourth paragraph of the Preamble affirms the state's goal to "advance general welfare".<sup>1</sup> Specifically, Article 33 paragraph (1) of the 1945 Constitution states that "The economy is structured as a joint effort based on the principle of family."<sup>2</sup> This constitutional formulation places cooperatives as the mainstay of the national economy because they contain the principles of togetherness, mutual cooperation, and social justice in economic management.

In this regard, the government issued Presidential Instruction (Inpres) Number 9 of 2025 concerning the Acceleration of the Establishment of Red and White Village/Sub-district Cooperatives. This Inpres targets the establishment of 80,000 Red and White Cooperatives through three approaches:<sup>3</sup> (1) the establishment of new cooperatives, (2) the development of existing cooperatives, and (3) the revitalization of inactive cooperatives. This policy is oriented to support Asta Cita II (national independence through sustainable food self-sufficiency) and Asta Cita

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<sup>1</sup>The 1945 Constitution of the Republic of Indonesia, Preamble, Fourth Paragraph

<sup>2</sup>Ibid, Article 33 paragraph (1)

<sup>3</sup>Presidential Instruction Number 9 of 2025 concerning the Acceleration of the Establishment of Red and White Village/Sub-district Cooperatives, First Dictum.

VI (development from villages for economic equality), and is one of the strategies for achieving the vision of Golden Indonesia 2045.<sup>4</sup>

The Merah Putih Cooperative is designed as a village economic service center that provides various facilities and community needs, ranging from affordable basic necessities, savings and loan units, health clinics, pharmacies, cold storage, to village logistics.<sup>5</sup> Funding for this program comes from the APBN, APBD, Village Funds, and other legitimate sources in accordance with statutory regulations, with coordination across ministries/institutions and local governments.<sup>6</sup>

In addition, the existence of village cooperatives is also strengthened by Law Number 6 of 2014 concerning Villages which directs village governments to maximize local potential through collective business units such as Village-Owned Enterprises (BUMDes) and cooperatives in order to achieve village economic independence.<sup>7</sup>

The Red and White Cooperative Program can be categorized as an affirmative policy strategy that not only has a legal basis but also aligns with the spirit of decentralization and community empowerment adopted in the regional government system. Legally, the program's effectiveness is also determined by adherence to the principles of good cooperative governance, including recognition of legal entities, financial transparency, accountability systems, and regular supervision by the regional cooperative office.<sup>8</sup> If these legal principles are violated, the potential for moral hazard and misappropriation of funds will be high, which can damage public trust in cooperative institutions.

Furthermore, Central Java's success also demonstrates a strong synergy between national policies and regional policy support. The Central Java Provincial Government quickly responded to Presidential Instruction No. 9 of 2025 by issuing derivative policies, including a Governor's Letter and a Regional Secretary's Letter, which serve to accelerate the process of establishing cooperatives in the region. This policy collaboration demonstrates that the presidential instruction is not only top-down but also receives bottom-up reinforcement from local governments, resulting in more effective and targeted implementation on the ground. Therefore, the successful implementation in Central Java can serve as a model for other provinces in accelerating the establishment of the Red and White Cooperative to promote economic equality and the welfare of rural communities nationally.

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<sup>4</sup>Coordinating Ministry for Economic Affairs of the Republic of Indonesia, *Asta Cita Pembangunan Indonesia 2025–2045*.

<sup>5</sup>Ministry of Cooperatives and SMEs of the Republic of Indonesia, *Implementation Guidelines for the Red and White Cooperative Program, 2025*

<sup>6</sup>Presidential Instruction Number 9 of 2025, Third Dictum.

<sup>7</sup>Law Number 6 of 2014 concerning Villages, Articles 87-90

<sup>8</sup>Mubyarto, *Rural Economics and Cooperatives*. Yogyakarta: BPFE, 2019

The Merah Putih Cooperative can be seen as a tool for social transformation at the village level because it can build networks of economic solidarity based on local values such as mutual cooperation and kinship. Cooperatives in villages are not only economic institutions but also social institutions that strengthen social cohesion and expand community participation in local economic development.<sup>9</sup> This program has the potential to improve the quality of life for rural communities, particularly by providing access to capital, entrepreneurship training, and business management coaching that are difficult to access through formal financial institutions. In rural communities with low levels of education and financial literacy, the presence of cooperatives with a participatory approach is crucial for fostering collective awareness in managing village economic assets.

However, the social effectiveness of cooperatives is highly dependent on the integrity of the management, the support of local social structures, and the level of social trust among members.<sup>10</sup> If these three aspects are not managed well, then the cooperative will only become an institutional formality without any real impact on the welfare of its members.

Therefore, the integration of adequate regulations with strong community participation is a key prerequisite for the success and sustainability of the Red and White Cooperative Program in villages. Overall, from a legal and sociological perspective, this program has high effectiveness as an instrument for improving the welfare of village communities, provided it is implemented with the principles of accountability, inclusiveness, and strong social participation. The establishment of the Red and White Village Cooperative is an initiative with high urgency to strengthen the foundation of the people's economy and accelerate national independence through a village-based approach.

Thus, it can be concluded that the program to accelerate the formation of the Red and White Cooperative has great prospects as an instrument for national economic equality, but its success depends greatly on the extent to which this policy is implemented in accordance with legal principles, the principles of transparency, and community participation.<sup>11</sup> Reconstructing cooperative governance based on the values of social justice, institutional integrity, and the principles of economic democracy is a key prerequisite for cooperatives to truly function as a means of improving the welfare of rural communities. Therefore, this thesis is crucial for an in-depth analysis of the effectiveness, legal basis, and social implications of the policy establishing the Red and White Cooperative, to

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<sup>9</sup>Fukuyama, Francis, *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press, 1995

<sup>10</sup>Ibid

<sup>11</sup>Fitriani, E, "Reconstruction of Cooperative Governance Based on the Principles of Economic Democracy." *Journal of Economics and Development Law*, 2020, pp. 45–63.

ensure that its implementation is truly aligned with constitutional goals and the ideals of equitable development in Indonesia.<sup>12</sup>

Therefore, the researcher is interested in conducting research with the title "Legal Analysis of the Regulations for the Establishment of the Merah Putih Cooperative to Improve the Welfare of Village Communities"

## 2. Research Methods

The approach used in this research is sociological juridical. The sociological juridical approach is a legal research method that examines law not only as a set of written norms (law in books), but also as a social phenomenon that lives, develops, and interacts in society (law in action).<sup>13</sup> In other words, this approach views law in an empirical context, namely how regulations are actually implemented and influence social behavior in the field.

The sociological juridical approach is used to analyze the extent to which laws and regulations related to cooperatives such as Law Number 25 of 1992 concerning Cooperatives, Law Number 6 of 2014 concerning Villages, and various Regulations of the Minister of Cooperatives and SMEs can be implemented effectively in improving the welfare of village communities.<sup>14</sup>

## 3. Results and Discussion

### 3.1. Legal Analysis of the Regulations for the Establishment of the Red and White Cooperative

The formation of the Red and White Cooperative as part of strengthening Village Cooperatives is a form of actualization of the mandate of Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which states that "the economy is structured as a joint effort based on the principle of family."<sup>15</sup> These constitutional provisions serve as the philosophical foundation for the 2025–2029 Strategic Plan of the Ministry of Cooperatives and SMEs, which positions cooperatives as a pillar of economic democracy based on mutual cooperation and village community empowerment. The Ministry's Strategic Plan explicitly directs the transformation of cooperatives into modern, inclusive, and competitive cooperatives, thus understanding the establishment of the Red and White Cooperative as a strategic implementation in strengthening village-based people's economic institutions.

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<sup>12</sup>Santoso, T, Legal and Social Analysis of the Establishment of the Red and White Cooperative Based on Presidential Instruction Number 9 of 2025. Jakarta: National Research and Innovation Agency (BRIN), 2025

<sup>13</sup>Soerjono Soekanto, Introduction to Legal Research, Jakarta: UI Press, 1986, p. 51.

<sup>14</sup>Law Number 25 of 1992 concerning Cooperatives.

<sup>15</sup>The 1945 Constitution of the Republic of Indonesia, Article 33 paragraph (1).

Legally, the existence of cooperatives has been regulated in Law Number 25 of 1992 concerning Cooperatives, which confirms that cooperatives are business entities whose members are individuals or cooperative legal entities with activities based on cooperative principles and family principles.<sup>16</sup> These provisions are reinforced through the policy direction of the 2025–2029 Strategic Plan, which includes modernizing governance, digitizing cooperatives, and increasing managerial capacity, particularly for village cooperatives. This aligns with Law Number 6 of 2014 concerning Villages, which emphasizes that village development must be implemented based on the principles of participation, independence, and community empowerment. Article 78 paragraph (1) of the Village Law emphasizes that the goal of village development is to improve the welfare of village communities through the utilization of local resources.<sup>17</sup> Thus, the Red and White Cooperative as a village economic institution is a strategic instrument to optimize village potential as directed in the Ministry of Cooperatives' Strategic Plan through a program to transform micro-enterprises into cooperatives and strengthen real sector cooperatives.

In addition, Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and MSMEs provides a new legal framework for cooperative institutional reform, including innovations in village cooperative models based on national values.<sup>18</sup> However, a legal vacuum remains due to the lack of derivative regulations specifically governing the formation and governance of the Merah Putih Cooperative. This gap between the normative objectives of the Strategic Plan (das sollen) and the empirical reality (das sein) demonstrates the need for regulatory strengthening to ensure the effective implementation of the Strategic Plan, particularly at the village level.

Philosophically, the Ministry of Cooperatives and SMEs' 2025–2029 Strategic Plan is rooted in the values of Pancasila, particularly the fifth principle, Social Justice for All Indonesians. The Merah Putih Cooperative, as part of the village cooperatives, embodies the Pancasila economy, rejecting liberalism and capitalism and emphasizing equitable distribution of development outcomes through the principles of social solidarity and mutual cooperation.<sup>19</sup> From a sociological perspective, cooperatives play a strategic role in improving the standard of living of rural communities. According to Mubyarto, the people's economy must be built on participation, togetherness, and honesty—principles relevant to the objectives of establishing the Merah Putih Cooperative.<sup>20</sup> The

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<sup>16</sup>Law Number 25 of 1992 concerning Cooperatives.

<sup>17</sup>Law Number 6 of 2014 concerning Villages, Article 78 paragraph (1).

<sup>18</sup> Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and MSMEs.

<sup>19</sup>Kaelan, Pancasila: Juridical, Philosophical and Ideological (Yogyakarta: Paradigma, 2010).

<sup>20</sup>Mubyarto, People's Economy and Cooperatives (Jakarta: LP3ES, 2002).

Strategic Plan strengthens this orientation through strategies to increase the human resource capacity of village cooperatives, institutional mentoring, integration of economic activities within village areas, and digitalization of cooperatives.

The Red and White Cooperative can be an instrument for building social cohesion and increasing the capacity of village communities. Through cooperatives, communities learn to manage businesses democratically, develop managerial literacy, and strengthen collective awareness of the economic values of nationalism. This aligns with the principles of sustainable development (SDGs), particularly Goal 8 on decent work and economic growth and Goal 10 on reducing inequality. Therefore, the establishment of the Red and White Cooperative aligns with the targets of the Ministry of Cooperatives and SMEs' Strategic Plan 2025–2029 and requires stronger policy support through derivative regulations to function optimally as a model for a modern village cooperative.

### **3.2. Implementation of the Establishment of the Red and White Cooperative at the Village Level**

The implementation of regulations for the formation of the Red and White Cooperative at the village level is a concrete manifestation of the implementation of the mandate of Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which emphasizes that the economy is structured as a joint effort based on the principle of family.<sup>21</sup> In addition, based on Law Number 6 of 2014 concerning Villages, which emphasizes the importance of economic independence of village communities through management of local resources.

Normatively, the institutional arrangements, formation, and governance of cooperatives are within the framework of Law Number 25 of 1992 concerning Cooperatives and Government Regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and MSMEs, which provide a strong legal basis related to ease of establishment, institutional reform, governance modernization, and integration of cooperatives with digital supply chains at the national level. The agenda for establishing the Red and White Cooperative is explicitly aligned with the Minister of Cooperatives and SMEs Regulation No. 5 of 2025 concerning the Strategic Plan of the Ministry of Cooperatives and SMEs 2025–2029, which targets the formation of 80,000 Red and White Cooperatives as a grand strategy for revitalizing national cooperatives.

Research conducted in Demak, Grobogan, and Pati Regencies revealed variations in the implementation of the Red and White Cooperative, reflecting the local

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<sup>21</sup>1945 Constitution of the Republic of Indonesia, Article 33 paragraph (1).

socioeconomic characteristics of each region. These three regencies are primarily agricultural regions with significant potential in the agriculture, fisheries, and small- and medium-sized industries sectors. Therefore, the Red and White Cooperative serves as a model for a village economic institution based on mutual cooperation and people's economic nationalism.

### 1. Implementation of the Establishment of the Red and White Cooperative at the Village Level in Demak Regency

Demak Regency covers an area of approximately 995.32 km<sup>2</sup>, comprising 14 sub-districts. It is a strategic region along the Pantura (North Coast) route, directly bordering the cities of Semarang, Kudus, and Jepara. Demak is known for its long history as a center for the spread of Islam in the archipelago through the Demak Sultanate. Geographically, Demak is located in the lowlands, with much of its territory vulnerable to tidal flooding, inundation, and increasing annual land subsidence. The agricultural sector, particularly rice, corn, shallots, and horticulture, as well as the aquaculture sector, are the mainstays of the village economy.

Demak has a population of approximately 1.2 million, with a strong agricultural and coastal community. Coastal communities such as Sayung, Karangtengah, and Wedung rely heavily on fish farming and maritime activities, while the central and eastern regions still rely on rice paddy farming. Demak also has potential for small-scale industries, such as garment manufacturing, embroidery, and food production. However, Demak's greatest challenge is ecological damage caused by tidal flooding and land subsidence, which has permanently inundated thousands of hectares of rice fields and forced many residents to change careers or relocate.

Socially, the Demak community is characterized by religious beliefs, strong mutual cooperation, and strong community ties. These conditions have a positive influence on the formation of joint ventures, but also face obstacles such as low financial literacy, limited access to capital, and economic dependence on disaster-prone sectors. Therefore, the implementation of the Red and White Cooperative in Demak is highly urgent as a vehicle for strengthening the community-based local economy, particularly in providing access to capital for small farmers and fishermen who have previously struggled to obtain formal financing. By strengthening regulations and village institutional governance, the formation of this cooperative has the potential to become a strategic instrument in building community economic resilience against disaster risks and market shocks.

Research conducted in various villages in Demak Regency indicates that the implementation of the Red and White Cooperative is still in its early stages of consolidation and faces a number of structural, cultural, and institutional

obstacles. Villagers generally perceive cooperatives as merely traditional savings and loans, not as instruments for collective economic empowerment capable of productively organizing village potential. As a result of this narrow perception, the idea of the Red and White Cooperative as a model for empowering the people's economy has not been fully accepted. Interviews with community leaders in Sayung, Gajah, and Karanganyar Districts confirmed that low cooperative literacy has led communities to associate cooperatives solely with loan services, resulting in the productive activities that are at the heart of modern cooperatives—such as strengthening the value chain, production management, collective marketing, and distribution of business results—not yet being established in public consciousness.

Furthermore, village government support for the formation of cooperatives is quite high, but has not been accompanied by strengthening village regulations. Many villages lack Village Regulations (Perdes) that explicitly regulate the formation, management, and supervision of cooperatives. As a result, the institutional status of cooperatives is weak and dependent on ad hoc initiatives by village officials or specific community groups. In some cases, such as in Wonosalam and Mranggen Districts, cooperative formation has been carried out administratively, but has not been accompanied by organizational standardization, transparency of financial reports, or clear arrangements between the roles of Village-Owned Enterprises (BUMDes) and cooperatives. Weak regulations at the village level make cooperatives vulnerable to stagnation, misunderstandings, and potential internal conflict due to unclear authority, division of tasks, and accountability mechanisms.

On the other hand, research has found that rural communities actually possess very strong social capital, such as mutual cooperation, communal trust, local solidarity, and collective networks among farmers, fishermen, and MSMEs. However, this social capital has not yet been organized into collective economic capital that could foster village economic independence. For example, shrimp farming groups in Wedung and Karanganyar have significant fishery production capacity, but lack a collective storage and marketing system, resulting in prices being determined by middlemen. Similarly, MSME artisans in Mranggen complain about limited access to marketing and collective financing. This situation indicates that cooperatives have a strategic opportunity to become a vehicle for economic organization, but mentoring and institutional strengthening interventions have not been optimal.

Another identified obstacle is the weak human resource capacity of cooperative managers. Many cooperative administrators are selected based on social proximity, rather than technical competence. This has implications for weak business management, suboptimal financial record-keeping, poor governance, and limited ability to adapt to digital technology needed for marketing and

supply chain integration. Cooperative administrators in Guntur District, for example, admitted that they lacked a solid understanding of how to prepare standardized cooperative financial reports, were unable to create long-term business plans, and lacked an understanding of risk mitigation and cooperative asset management. As a result, cooperatives experienced slow growth, lacked a clear business model, and struggled to gain members' trust.

The community response to the establishment of the Merah Putih Cooperative has been generally positive, yet pragmatic. Women's groups, MSMEs, and farmers are attracted to the cooperative because they hope to gain access to affordable capital or quick loans. However, they do not yet understand the role of cooperatives as productive economic institutions. Key cooperative principles, such as member participation, profit sharing, and shared responsibility, remain elusive. This underscores the need for a paradigm shift from cooperatives as lending institutions to cooperatives as village economic hubs.

The research also found that potential synergies with the Demak Regency government's empowerment programs have not been effectively integrated. The MSME upgrade program, digital marketing training, mentoring for fishermen and farmers, and strengthening of village-owned enterprises (BUMDes) have not been synergized with cooperatives as village economic institutions. As a result, cooperatives operate independently without the support of a strong economic ecosystem. Ideally, cooperatives should serve as a connecting link between MSMEs, BUMDes, farmer groups, fishermen groups, and markets.

These findings indicate that the implementation of the Red and White Cooperative in Demak Regency requires a reconstruction of justice-based regulations that not only regulate the formal structure of the cooperative, but also guarantee access to economic justice for vulnerable groups, ensure transparency in governance, strengthen the role of village governments as mentors and supervisors, and integrate cooperatives into the village economic development ecosystem. Regulatory reconstruction is necessary so that cooperatives are not merely administrative symbols, but truly become tools for empowering the people's economy that are sustainable, fair, and relevant to the needs of grassroots communities in Demak Regency.

## 2. Implementation of the Establishment of the Red and White Cooperative at the Village Level in Grobogan Regency

Grobogan Regency is one of the largest regions in Central Java Province, covering an area of approximately 1,975.86 km<sup>2</sup>, making it the second largest regency in the province. Administratively, Grobogan comprises 19 sub-districts, including Godong Village, Godong District, led by Head Muasiful Manan, who plays a key role in village economic development and strengthening community institutions. The regency's administrative center is in Purwodadi, while the Grobogan

landscape is dominated by lowlands and limestone hills (karst) as part of the North Kendeng Mountains. This geographical condition gives Grobogan relatively dry soil characteristics, so that most of the community is highly dependent on rain-fed agriculture. Despite these conditions, Grobogan remains known as one of Central Java's food barns, especially for rice, corn, soybeans, and peanuts, thanks to irrigation support from the Klambu Dam and Kedungombo Reservoir.

Demographically, Grobogan is home to over 1.4 million people, with the majority working in agriculture, livestock, and home industries such as garut chips, rambak crackers, and corn products. Furthermore, the region holds potential natural resources such as limestone and non-metallic minerals, as well as its proximity to natural gas sources in the Cepu-Blora region. From a socio-cultural perspective, the Grobogan community still adheres to Javanese traditions, such as Sedekah Bumi (Earth Alms), Methil (Methil), Baritan (Baritan), and Wayang Kulit (Shadow Wayang), which serve to strengthen rural social cohesion. Although basic infrastructure such as roads, electricity, and public facilities have been developed, the level of development across sub-districts remains uneven. Some rural areas, including parts of Godong Sub-district, still face limited access to transportation, health facilities, and non-agricultural employment.

Vulnerability to drought, flash floods, and seasonal food crises is also quite high in Grobogan. This situation is exacerbated by a highly agrarian economic structure and minimal job diversification, allowing climate shocks and price fluctuations to significantly impact community well-being. In the context of village institutional development, including the development of the Merah Putih Cooperative, Grobogan's socio-economic dynamics demonstrate the need for an economic institutional model capable of providing access to capital, strengthening micro-enterprises, and providing economic protection for small farmers vulnerable to crop failure or market fluctuations.

The strong but undigitized social-communal structure of the community has slowed down institutional transformation. Most residents, including those in Godong District led by Village Head Muasiful Manan, still hold traditional perceptions of cooperatives as savings and loan institutions for daily needs, the planting season, or emergencies. Understanding of cooperatives as productive economic institutions capable of organizing the potential of agriculture, livestock, home industries, and village MSMEs remains limited. Interviews with community leaders in Toroh, Godong, and Gubug revealed that residents still view cooperatives merely as a place to "borrow money without complicated conditions," thus the idea of the Red and White Cooperative as a collective economic movement that improves farmers' bargaining power, production quality, and market access is not yet fully understood and accepted.

The study found that village governments tend to support the establishment of the Merah Putih Cooperative, but this cooperative institution is not yet

supported by adequate local legal instruments. Many villages in Grobogan do not yet have Village Regulations (Perdes) or Village Head Decrees that explicitly regulate the organizational structure, oversight mechanisms, and the relationship between cooperatives and BUMDes. In some villages, such as in Klambu and Tegowanu Districts, cooperatives were formed merely as a formality without a clear business model or business projections. The absence of village regulations means that cooperative operations are carried out informally, relying on the initiatives of local figures or specific groups without a strong accountability framework. This condition results in weak governance, unclear accountability mechanisms, and the potential for internal conflict due to overlapping authority between cooperative administrators and village officials.

Despite this, the Grobogan community possesses significant social capital, particularly within the rice, corn, and peanut farming communities. The tradition of mutual cooperation, collective work during harvest, and strong social networks among farmers offer strategic potential for building cooperatives based on production, processing, and marketing. However, this social capital has not yet been translated into collective economic strength. For example, farmers in Pulokulon District acknowledge that they frequently experience fluctuating crop prices and are dependent on middlemen due to the lack of a stock management institution, shared warehouse, or cooperative-based collective marketing mechanism. Similar challenges exist for coconut sugar artisans in Sedadi Village and women's business groups in Brati District, who have substantial production capacity but lack access to business management, digital marketing, or low-interest financing.

A crucial obstacle to the implementation of the Red and White Cooperative is the limited human resource capacity of its managers. Many cooperative administrators are selected based on social proximity or respected local figures, rather than managerial competence or an understanding of modern cooperatives. As a result, the cooperatives that are formed often lack long-term business plans, are unable to prepare standard financial reports, and lack the ability to access government financing programs or partnerships with the private sector. Cooperative administrators in Kedungjati District admitted that they lack a grasp of business risk management, lack digital bookkeeping systems, and are unable to develop sustainable cooperative work programs.

The public response to the Merah Putih Cooperative has tended to be positive yet pragmatic. Groups of housewives, home-based MSMEs, and small farmers are attracted to joining because they hope to gain access to affordable capital or business assistance, but they don't yet understand the cooperative's role as a collective production and marketing institution. They still view cooperatives as lending institutions, not as a vehicle for increasing the added value of agricultural products and home industries. This demonstrates the need for improved

cooperative literacy so that the public becomes more than just administrative members, but truly part of the cooperative's decision-making process and business development.

The research also found that the synergy between cooperatives and regional development programs has not been strategically integrated. Grobogan Regency's flagship programs, such as strengthening food security, agricultural rejuvenation, MSME development, and entrepreneurship training, have not been systematically linked to cooperatives. As a result, cooperatives operate independently as administrative entities without the support of an ecosystem that fosters business sustainability. Ideally, the Merah Putih Cooperative should be a driving force for the village economy, connecting farmers, MSMEs, Village-Owned Enterprises (BUMDes), and regional market networks.

Overall, field findings indicate that the implementation of the Red and White Cooperative in Grobogan Regency requires a regulatory reconstruction based on values of justice, which positions cooperatives as instruments of economic empowerment that are fair, transparent, and participatory, and empower vulnerable groups. Regulatory reconstruction cannot stop at administrative aspects, but must include cooperative governance, human resource capacity building, financial transparency, integration with the village economic ecosystem, and guaranteed access for smallholder farmers, women, and MSMEs. Thus, cooperatives can become a stronger, more relevant, and more sustainable pillar of the people's economy for grassroots communities in Grobogan Regency.

### **3.3. Effectiveness of Regulations in Improving the Welfare of Village Communities in Pati, Demak, and Grobogan Regencies**

#### **1. Analysis of Effective Regulations in Improving the Welfare of Village Communities in Pati, Demak, and Grobogan Regencies**

The effectiveness of regulations in improving the welfare of rural communities in Pati, Demak, and Grobogan Regencies becomes clearer when analyzed using three additional theoretical frameworks: John Rawls's Theory of Justice, the Theory of Legal Effectiveness, and the Theory of Maqāṣid al-Syarī'ah, all of which provide explanations for how regulations work or fail to work at the local level. From the perspective of John Rawls's Theory of Justice, just regulations are those that provide the greatest benefits to the least advantaged groups in society. Using this principle to interpret the conditions in the three regencies, Pati appears to be relatively closer to Rawlsian justice because village and cooperative regulations are implemented within a framework that provides ample space for farmers, small MSMEs, and economically disadvantaged groups to gain access to capital, production facilities, and marketing.

Meanwhile, the situation in Demak demonstrates that regulations fail to meet Rawlsian principles of distributive justice, as coastal communities, which should

be prioritized, are experiencing the greatest hardship due to tidal flooding, erosion, loss of productive land, and other ecological disturbances. General and uniform regulations fail to provide adequate affirmative action for these most vulnerable groups.

In Grobogan, the implementation of regulations is considered fairly fair because it provides direct benefits to small farmers through cooperatives and farmer groups that expand access to seeds, fertilizer, and crop sales. However, the dominance of middlemen means that regulatory justice is not fully achieved because benefits do not truly reach the most vulnerable groups, but are still partially absorbed by exploitative market structures. Linked to the Theory of Legal Effectiveness, particularly the views of Soerjono Soekanto and Soedarto, field findings increasingly reveal sharp differences between regions. According to this theory, legal effectiveness is determined by five factors: legal substance, law enforcement or implementers, supporting facilities, the regulated community, and legal culture. At the substantive level, regulations governing villages, cooperatives, and economic empowerment are actually quite adequate. However, their effectiveness depends heavily on the implementers and the social conditions of the local community.

In Pati, the village institutional structure functions relatively well, allowing implementers to implement regulations with the support of facilities, village facilitators, and a community with a participatory culture. This is the main reason why policy implementation is more stable. In Demak, regulatory implementation faces serious obstacles because supporting facilities are often damaged or malfunctioning due to tidal flooding, while communities are more focused on survival than participating in empowerment programs. As a result, several factors contributing to legal effectiveness are not met. Grobogan demonstrates a higher level of legal effectiveness in the agricultural sector because community factors and a supportive legal culture—through farmer groups and agrarian solidarity—are already well-established. However, facilities and market intervention (middlemen) continue to undermine the achievement of full effectiveness.

Meanwhile, from the perspective of Maqāṣid al-Syārī'ah Theory, regulations are considered effective if they are able to maintain five basic principles: hifz al-dīn (religion), hifz al-nafs (soul), hifz al-'aql (reason), hifz al-nasl (heredity), and hifz al-māl (treasure). When applied to field findings, maqāṣid provides a normative point of view that assesses the success of regulations not only from an administrative perspective, but from its ability to maintain the sustainability of assets and the benefit of lower group communities.

In Pati and Grobogan, cooperative regulations and village empowerment can be said to support hifz al-māl because they improve community access to economic resources, minimize the practice of usury hidden in the ijon system, and strengthen the bargaining position of farmers and MSMEs. In Demak, maqāṣid

actually highlights the fact that the inability of regulations to address ecological vulnerability means that the law has not fully protected hifz al-nafs and hifz al-māl, because people are still very vulnerable to losing their property, jobs, and even homes due to poorly managed environmental dynamics. Furthermore, the role of Islamic boarding schools and religious leaders in Demak shows that a maqāṣid-based approach can improve hifz al-dīn and hifz al-'aql through economic education, entrepreneurship training, and the formation of a more stable business network based on religious values.

Thus, the interconnectedness of these three theories strengthens the conclusion that the effectiveness of regulations in the three districts is not merely a matter of administrative governance, but is an accumulation of distributive justice (Rawls), the effectiveness of legal implementation (Soekanto), and the ability of the law to provide substantive benefits in accordance with the maqāṣid al-syarī'ah. Regulation will be truly optimal only if it is able to adapt to the social structure, ecological conditions, and local cultural capital, while providing special protection for vulnerable groups as per Rawlsian principles, ensuring all elements of legal effectiveness are met, and leading to the realization of public benefits as emphasized in the maqāṣid al-syarī'ah.

## 2. Solutions to Strengthen the Implementation of the Red and White Cooperative in Pati, Demak, and Grobogan Regencies

Based on field findings in Pati, Demak, and Grobogan Regencies, a number of strategic solutions were formulated to strengthen the implementation of the Merah Putih Cooperative at the village level by integrating the theoretical framework of John Rawls' Justice, the Theory of Legal Effectiveness, and Maqashid Syariah as a multidisciplinary approach in realizing cooperative governance that is just, effective, and based on social ethical values. These solutions are designed to address various empirical problems, such as weak operational regulations, low economic literacy and legal culture in the community, unequal access to resources, minimal internal supervision, and high economic dependence of the community on middlemen or market structures that do not favor farmers and village MSMEs. In general, the solutions offered position the village not only as an object of development, but as the subject of ownership, management, and determination of the direction of local economic development through the Merah Putih Cooperative.

From the perspective of John Rawls's Theory of Justice, solutions are directed at fulfilling distributive and procedural justice, which demands that all village communities have equal opportunities to participate in cooperatives, access capital, and enjoy the resulting economic benefits. Local governments need to harmonize regulations that provide ample space for villages to decide on the structure, business direction, and management of cooperatives in accordance with their local potential. Rawls's difference principle emphasizes that

cooperative policies must provide the greatest benefits to the least advantaged groups in society, such as small farmers, farm laborers, small traders, and women's groups. In the context of this research, these affirmative steps can be realized through membership priority, access to low-interest financing, inclusive profit-sharing programs, and transparent monitoring mechanisms to ensure information disclosure for all cooperative members. Thus, the Red and White Cooperative is not only an economic instrument, but also a corrective tool to reduce social inequality in the village.

Furthermore, solutions based on the Theory of Legal Effectiveness emphasize that the successful implementation of the Red and White Cooperative is highly dependent on the alignment of legal substance, legal structure, legal culture, and supporting infrastructure. Legal substance needs to be strengthened through the development of technical-operational Regent Regulations and Village Regulations, which regulate cooperative establishment procedures, governance standards, internal audit mechanisms, member protection, and administrative sanctions for deviations. The legal structure needs to be strengthened through the establishment of sub-district-level cooperative support units, village internal supervisory bodies, and cooperative audit teams that work in a measured and regular manner. In the field, it was found that low legal and economic literacy among the community is the biggest factor hindering the effectiveness of cooperatives, so that ongoing education, technical training, and learning modules based on local potential are urgently needed to strengthen a cooperative legal culture. Furthermore, local governments need to provide facilities such as digitalization of financial systems, cooperative offices, and digital marketing training to enable cooperatives to compete in the modern economic era.

From the perspective of Maqashid Syariah, solutions are aimed at ensuring that cooperative implementation aligns with the principles of public welfare, economic justice, integrity, and sustainable community welfare. The Merah Putih Cooperative needs to be designed as an instrument for hifzh al-mal (protecting wealth) through a collective economic mechanism that ensures equitable distribution of benefits, avoids gharar and fraudulent practices, and strengthens the values of trust and honesty in financial management. The principles of hifzh al-aql (protecting reason) and hifzh al-nafs (protecting the soul) are realized through increasing the capacity of village human resources, financial literacy training, sharia governance, and protecting village families' economies from the threat of structural poverty.

Therefore, overall, the solution to strengthening the implementation of the Merah Putih Cooperative in Pati, Demak, and Grobogan Regencies must include revising village cooperative regulations with a distributive justice approach; implementing intensive mentoring by the local government for the first three

years; digitizing the village cooperative system; establishing a six-monthly audit mechanism; prioritizing affirmative action for the poorest community groups; implementing Maqashid Syariah-based governance; and providing incentives and capital support for cooperatives proven to improve community welfare. This solution not only addresses empirical issues in the field but also aligns with theoretical principles that ensure that village economic development is fair, effective, participatory, and sustainable.

#### **4. Conclusion**

1. Based on the results of research on the implementation of the formation of the Merah Putih Cooperative in Grobogan Regency, it can be concluded that the social, economic, and cultural potential of the Grobogan community actually strongly supports the development of cooperative-based economic institutions. The agrarian character of the community, the strong tradition of mutual cooperation, and the existence of farmer groups and household industry actors are important social capital for the formation of cooperatives that are able to organize production, processing, and marketing collectively. However, this potential has not been fully realized because there are still structural, institutional, and regulatory obstacles. The implementation of cooperatives is still in the early stages and has not run optimally due to the lack of public understanding of modern cooperatives, the dominant perception of cooperatives as savings and loan institutions, and the low managerial capacity of administrators who do not have competency in business governance, bookkeeping, and cooperative business development. 2. Weak regulations at the village level are also a key factor hampering the effectiveness of the Merah Putih Cooperative. Many villages lack Village Regulations or legal instruments governing the organizational structure, oversight mechanisms, and the relationship between cooperatives and Village-Owned Enterprises (BUMDes), resulting in informal operations and the vulnerability to internal conflict. Furthermore, the lack of strong integration between regional development policies—such as food security strengthening programs, MSME empowerment, and entrepreneurship training—and the cooperative's existence has resulted in cooperatives operating independently without the support of an adequate economic ecosystem. Meanwhile, access to capital, marketing, and supporting facilities such as digitalization remains very limited, preventing cooperatives from increasing the added value of agricultural products and home industries in rural communities.

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