

SUSTAINING RURAL ECONOMIC TRANSFORMATION THROUGH THE MERAH PUTIH VILLAGE/SUBDISTRICT COOPERATIVE: AN ANALYSIS OF COMPETITIVE PRESSURES ON INCLUSIVE BUSINESS MODEL IN A HYBRID MARKET

Septi Cahyanti¹⁾, Euis Soleha²⁾,

¹⁾Faculty of Economics and Business, Universitas Negeri Semarang, Indonesia

²⁾ Faculty of Economics and Business, Universitas Negeri Semarang, Indonesia

Corresponding author: septicahyanti96@students.unnes.ac.id

Abstract

This article analyzes the Merah Putih Village/Subdistrict Cooperative (KDKMP) as an instrument for sustaining rural economic transformation in Indonesia. The program is developed through an inclusive business model structured around seven integrated business units to strengthen institutional capacity and expand rural economic activities. The analysis employs Porter's Five Forces framework to identify the competitive pressures faced by the cooperative within a hybrid market structure-namely, the interaction between market mechanisms and government policy intervention. The findings indicate that although the national target for establishing KDKMP has been surpassed, significant operational gaps remain at the regional level, including in Central Java Province. Variations in business management capacity, limited human resources, and strong dependence on policy support have resulted in uneven operational performance among cooperatives. In addition, KDKMP faces considerable competitive pressure from local retail businesses, microfinance institutions, and consumer goods distribution networks that have already established a strong presence in rural markets. These findings underscore that the sustainability of KDKMP is determined not only by institutional expansion, but also by the cooperatives' ability to build operational efficiency, managerial adaptability, and business competitiveness. Therefore, strengthening KDKMP as an inclusive business model requires not only policy intervention, but also market resilience at the local level.

Keyword: Merah Putih Village/Subdistrict Cooperative (KDKMP), rural economic transformation, macro environment analysis, Porter's Five Forces

Introduction

Rural economic development is one of the national priorities in achieving inclusive and sustainable economic growth. Through Presidential Instruction No. 9 of 2025 on Accelerating the Establishment of Merah Putih Village/Subdistrict Cooperatives (KDKMP) and Presidential Instruction No. 17 of 2025 on accelerating the development of retail outlets and warehouses, the government aims to establish approximately 80,000 cooperatives as hubs for village economic activity. This program is designed to strengthen community economic institutions through the development of integrated trade, logistics, financing, and basic services. Central Java Province is one of the regions with the largest-scale implementation of KDKMP in Indonesia. As of July 2026, 8,523 KDKMPs had been established, consisting of 5,414 cooperatives (63%) that are already operational and 3,109 cooperatives (37%) that are still in the preparatory phase. In addition, 4,276 cooperative buildings have been constructed with total capital reaching Rp36.77 billion and a membership of 236,422 people. This development indicates that the focus of the program's implementation is shifting from institutional formation toward strengthening the operational capacity of cooperatives.

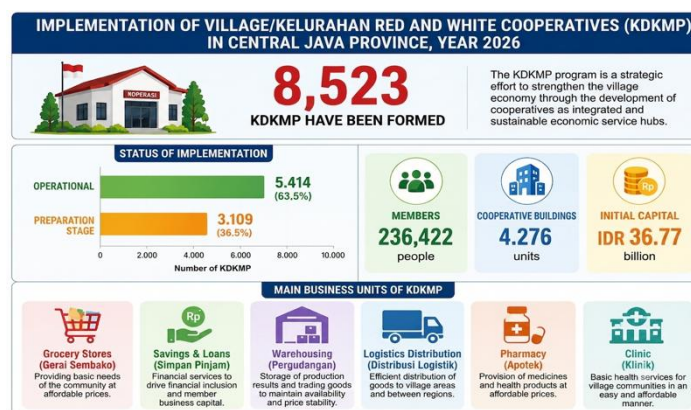


Figure 1. Profile of the Implementation of the Merah Putih Village/Subdistrict Cooperatives in Central Java Province in 2026

Although significant progress has been made, the success of KDKMP is not determined solely by the number of cooperatives established. Variations in business management capacity, human resource competencies, technology utilization, and the ability to build partnerships mean that the level of cooperative development remains diverse. On the other hand, cooperatives also face competition from modern retailers, financial institutions, distributors, and digital trading platforms that already have more established business networks. These conditions require the KDKMP to adopt strategies capable of ensuring business sustainability and enhancing competitiveness at the local level. Most research on cooperatives still focuses on institutional aspects, governance, and community empowerment. Studies analyzing KDKMPs from a competitive environment perspective through macro-environmental analysis and Porter's Five Forces remain limited, particularly regarding implementation at the regional level. Therefore, this study aims to analyze the competitive pressures faced by KDKMPs in Central Java Province and to identify driving forces, key success factors, and opportunities and threats as a basis for formulating a sustainable cooperative development strategy.

Method

This study employs a qualitative descriptive approach using the case study method to examine the implementation of the Merah Putih Village/Subdistrict Cooperatives (KDKMP) in Central Java Province. The analysis focuses on the conditions of program implementation, the characteristics of the business environment, and the competitive dynamics that influence the development of the cooperatives. The data used consists of secondary data obtained from the Central Java Province KDKMP progress reports, government policy documents, and various regulations related to the establishment and development of KDKMP.

Results and Discussion

Progress in the implementation of the KDKMP in Central Java Province is reflected not only in the number of cooperatives that have been established, but also in the growing diversity of business units currently in operation. As of July 2026, KDKMP has been operating 988 grocery outlets, 138 savings and loan units, 97 warehouses or cold storage facilities, 289 logistics vehicles, 21 pharmacies, 6 clinics, and 5,150 other business units. This diversification demonstrates that KDKMP has evolved from a consumption-oriented cooperative into a multi-service economic organization that integrates trade, logistics, financing, healthcare, and various other economic services under a single institutional framework. This development serves as a strategic asset for KDKMP to enhance the value-added nature of its services while strengthening its role as a driver of the rural economy.

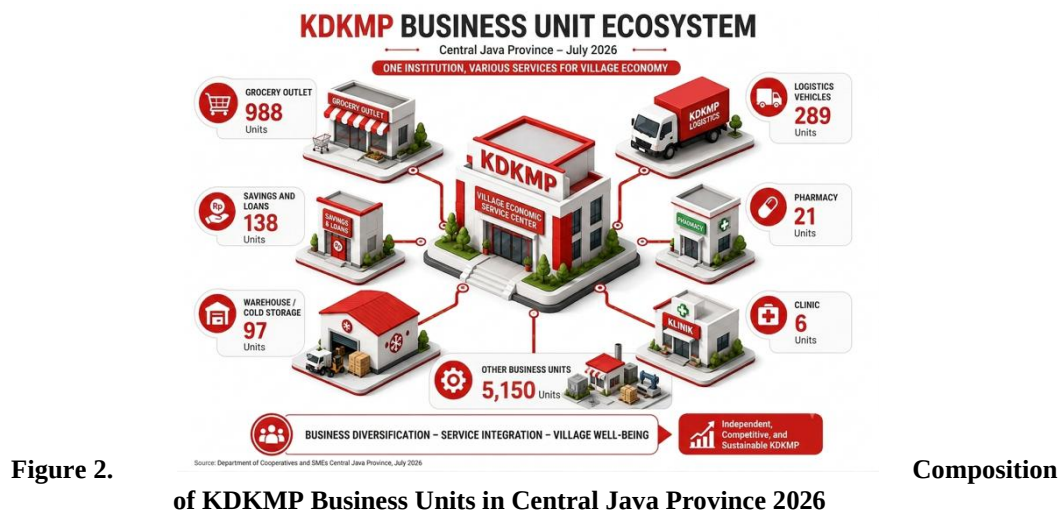


Figure 2.

of KDKMP Business Units in Central Java Province 2026

Composition

Macro environment Analysis

a. Political and Legal Factors

Political factors are the primary drivers of KDKMP development. Government support through Presidential Instruction No. 9 of 2025, Presidential Instruction No. 17 of 2025, and various derivative regulations provides legal certainty, accelerates the formation of cooperatives, and strengthens coordination among the central government, local governments, village governments, state-owned enterprises (SOEs), and other strategic partners. These conditions create an environment conducive to accelerating the implementation of the KDKMP. However, the program's sustainability remains dependent on policy

consistency, the effectiveness of guidance, and the strengthening of institutional capacity once the co-operatives enter the operational phase.

b. Economic Factors

The KDKMP was developed as an instrument to strengthen the village economy through the management of various business units tailored to community needs and regional potential. The development of grocery stores, savings and loan services, logistics, warehousing, pharmacies, and other business units provides opportunities for cooperatives to strengthen supply chains, increase the value added of local products, and expand market access. On the other hand, the cooperative's ability to create productive enterprises will determine the program's sustainability once government support begins to diminish.

c. Social Factors

Community participation serves as vital social capital in the development of KDKMP. A large membership base indicates community acceptance of cooperatives as a vehicle for strengthening the village economy. However, a high number of members does not necessarily reflect an optimal level of participation. Therefore, enhancing the capacity of board members, improving cooperative literacy, and increasing member involvement in business activities are critical factors for strengthening cooperative governance and sustainability.

d. Technological Factors

Digital transformation has become one of the increasingly decisive factors in the competitiveness of KDKMPs. The use of the Village Cooperative Management Information System (SIMKOPDES) supports more effective administration, monitoring, and management of cooperative data. However, the benefits of digitization are still influenced by the readiness of human resources, the quality of guidance, and the ability of management to integrate technology into cooperative business activities.

e. Demographic Factors

The distribution of villages and subdistricts in Central Java Province presents significant opportunities for the development of KDKMPs, as each region has distinct economic characteristics and resource potentials. This diversity allows cooperatives to develop business models tailored to the needs of local communities. However, differences in regional characteristics also require more adaptive development strategies, meaning not all cooperatives can adopt the same business model.

Porter's Five Forces Analysis

Porter's Five Forces Analysis was used to identify the level of competitive pressure affecting the sustainability of the Merah Putih Village/Subdistrict Cooperative (KDKMP) in Central Java Province. The results of the analysis show that KDKMP faces pressure from new entrants, suppliers, buyers, substitute products, and competition among business players.

Tabel 1. Porter's Five Forces Analysis

Competitive Factors	Strength Level	Assessment Basis
Threat of New Entrants	Moderate	Regulatory support accelerates the formation of cooperatives, but success depends on operational capacity.
Bargaining Power of Suppliers	Moderate	Partnerships with various suppliers strengthen the cooperative's position, but dependence on distribution networks still needs to be reduced.
Threat of Substitute Products	High	The public has many alternatives for obtaining goods and services from minimarkets, traditional stores, online marketplaces, and financial institutions
Bargaining Power of Buyers	High	Consumers are free to choose providers of goods and services, so the cooperative must compete on price, service quality, and other added value.
Competitive Factors	Strength Level	Assessment Basis

Rivalry Among Existing Competitors	High	Competition with other businesses demands innovation, professionalism, and service differentiation.
---------------------------------------	------	--

Source: The author's analysis based on data from the Central Java Provincial Cooperative and SME Agency (2026) and Porter (1980)

a. Threat of New Entrants (Moderate)

The threat of new entrants is classified as moderate. Government support through regulations and facilitation of cooperative formation does indeed make it easier to establish KDKMPs; however, success in entering the market is determined not only by legal compliance but also by the ability to build public trust, secure working capital, and manage business units professionally. In addition, the presence of cooperatives, village-owned enterprises (BUMDes), MSMEs, and local businesses that have been operating for some time poses a barrier for new cooperatives seeking to gain market share.

b. Supplier Bargaining Power (Moderate)

Supplier bargaining power falls into the "Moderate" category. KDKMP receives support from various strategic partners, such as state-owned enterprises (SOEs), distributors, and local suppliers, so it does not rely on a single provider of goods or services. Nevertheless, for certain commodities, the cooperative still faces limited supplier options, meaning that price fluctuations or distribution delays can affect the smooth operation of the cooperative.

c. Threat of Substitute Products (High)

The threat of substitute products is also classified as "High." Various digital services, e-commerce platforms, other cooperatives, village-owned enterprises (BUMDes), and modern retail chains offer products and services similar to those of KDKMP. Therefore, the cooperative needs to differentiate itself by providing services that are more closely aligned with community needs, leveraging local potential, and strengthening the cooperative's role as a member-based economic institution.

d. Buyer Bargaining Power (High)

Buyer bargaining power falls into the "High" category. The public has many alternatives for obtaining goods and services, whether through modern retail stores, traditional markets, digital platforms, or other businesses. These conditions require KDKMP to offer competitive prices, high-quality service, and added value that meets community needs in order to maintain member and customer loyalty.

e. Inter-firm Competition (High)

Competition among businesses falls into the "High" category. KDKMP operates in an environment already occupied by various businesses with diverse characteristics. Competition occurs not only in terms of price but also in service quality, distribution speed, product innovation, and the use of technology. These conditions require the cooperative to enhance the professionalism of its management in order to maintain its competitiveness in the long term.

Driving Forces (Industry Drivers)

Driving forces are the key factors that drive changes in the business environment and influence the direction of development for the Merah Putih Village/Subdistrict Cooperatives (KDKMP). Based on the results of the macro-environmental analysis and Porter's Five Forces, there are five driving forces that play a role in determining the sustainability of KDKMP in Central Java Province, namely government policy, strategic partnerships, digital transformation, business model diversification, and community needs.

Key Success Factors

Based on the results of the macro-environmental analysis, Porter's Five Forces, and the driving forces, there are five main factors that serve as key success factors for the sustainability of the Merah Putih Village/Neighborhood Cooperatives (KDKMP) in Central Java Province, namely professional cooperative governance, human resource competence, adaptive business models, digital transformation, and partnerships and member participation. These five factors complement one another in enhancing the cooperative's ability to cope with competitive pressures and changes in the business environment.

Professional governance serves as the foundation for creating a transparent and accountable organization, while the competence of human resources determines the effectiveness of cooperative business management. On the other hand, an adaptive business model enables cooperatives to develop business units in line with regional potential, supported by digital transformation that enhances operational efficiency and service quality. Furthermore, strategic partnerships and active member participation strengthen access to resources, business networks, and the long-term sustainability of the cooperative.

Opportunities and Threats

Opportunities

KDKMP has significant opportunities to grow as a driver of the rural economy through government policy support, partnerships with various stakeholders, the utilization of digital technology, and the diverse

potential of local resources. These synergies provide opportunities for the cooperative to expand its business units, improve operational efficiency, strengthen market access, and create added value for both members and the community. By optimally leveraging these opportunities, KDKMP has the potential to become a competitive and sustainable rural economic institution.

Threats

KDKMP also faces various threats stemming from intense competition with other businesses, buyers' strong bargaining power, the availability of substitute products or services, and increasingly dynamic changes in consumer behavior. In addition, differences in human resource capacity and management capabilities among cooperatives can affect business performance and sustainability. Therefore, improving governance, enhancing managerial competence, innovating business models, and pursuing digital transformation are crucial steps to mitigate the impact of these threats and strengthen KDKMP's competitiveness.

Conclusions and Recommendations

The development of the Merah Putih Village/Subdistrict Cooperatives (KDKMP) in Central Java Province has good prospects because it is supported by government policies, strategic partnerships, digital transformation, and the significant economic potential of villages. The results of the Porter's Five Forces analysis indicate that the greatest competitive pressures stem from high buyer bargaining power, the threat of substitute products or services, and competition among existing businesses, while the threats from new entrants and supplier bargaining power are moderate. These conditions indicate that the success of KDKMP is determined not only by government policy support but also by the cooperative's ability to establish professional governance, enhance human resource competencies, develop adaptive business models, leverage digital technology, and strengthen strategic partnerships to achieve a self-reliant and sustainable cooperative. Some recommendations include:

1. The Central Java Provincial Government needs to prioritize strengthening the institutional capacity of KDKMP through ongoing guidance, particularly in the areas of governance, human resource development, business development, and operational support, so that cooperatives can grow professionally and sustainably.
2. KDKMP needs to develop business models based on local economic potential, regional characteristics, and community needs so that each cooperative has distinct competitive advantages and is able to create added value for its members and the community.
3. Strategic partnerships between KDKMP and state-owned enterprises (SOEs), the banking sector, SPPG, local governments, and other stakeholders must continue to be strengthened to expand access to financing, strengthen supply chains, improve market access, and support the sustainability of cooperative businesses.
4. KDKMP needs to optimize the use of digital technology and service innovations in organizational management and business development to improve operational efficiency, the quality of services provided to members, and the competitiveness of cooperatives amid a changing business environment.

Acknowledgments

The author would like to thank Prof. Dr. Euis Soliha, S.E., M.Si., the academic advisor, for providing guidance and supervision in the preparation of this article.

References

- Akbari, M., Ebrahimi, M. S., Amini, A. M., Shahzad, U., Janečková, K., Sklenička, P., Miceikienė, A., & Azadi, H. (2023). *Performance of rural cooperatives' production in Iran: Implications for sustainable development*. *Journal of Cleaner Production*, 405, 136836. <https://doi.org/10.1016/j.jclepro.2023.136836>
- Dinas Koperasi dan UKM Provinsi Jawa Tengah. (2026). *Laporan perkembangan implementasi Koperasi Desa/Kelurahan Merah Putih Provinsi Jawa Tengah*. Dinas Koperasi dan UKM Provinsi Jawa Tengah.
- Instruksi Presiden Republik Indonesia Nomor 9 Tahun 2025 tentang Percepatan Pembentukan Koperasi Desa/Kelurahan Merah Putih.
- Instruksi Presiden Republik Indonesia Nomor 17 Tahun 2025 tentang Percepatan Pembangunan Fisik Gerai, Pergudangan, dan Kelengkapan Koperasi Desa/Kelurahan Merah Putih.
- Kementerian Keuangan Republik Indonesia. (2026). *Peraturan Menteri Keuangan Republik Indonesia Nomor 15 Tahun 2026 tentang Tata Cara Penyaluran Dana Alokasi Umum, Dana Bagi Hasil, atau Dana Desa dalam Rangka Percepatan Pembangunan Fisik Gerai, Pergudangan, dan Kelengkapan Koperasi Desa/Kelurahan Merah Putih*.
- Pamungkas, T. D., Al Fauzi, M. F., & Nugrohanto, M. H. (2026). Strategic management of agricultural cooperatives for sustainable rural development. *Journal of Business Economics and Agribusiness*, 3(3), 13-23. <https://doi.org/10.47134/jbea.v3i3.1144>

Peraturan Gubernur Jawa Tengah Nomor 21 Tahun 2025 tentang Penyelenggaraan Koperasi Desa/Kelurahan Merah Putih.

Porter, M. E. (1997). Competitive strategy. *Measuring business excellence*, 1(2), 12-17.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: The Free Press.

Surat Keputusan Bersama Lima Menteri dan Kepala Badan Pengelola Investasi Daya Anagata Nusantara (Danantara) tentang Percepatan Pembangunan dan Operasionalisasi Gerai dan Pergudangan Koperasi Desa/Kelurahan Merah Putih.

Undang-Undang Republik Indonesia Nomor 25 Tahun 1992 tentang Perkoperasian.

Authors' Bibliography

Septi Cahyanti. Magelang, April, 1996. Bachelor of Management, Faculty of Economics, Ahmad Dahlan University. Student in Master of Management, Faculty of Economics and Business, Semarang State University. Semarang, Indonesia.

Prof. Dr. Euis Soliha, S.E., M.Si Yogyakarta, March 27, 1971 Education Bachelor of Management FE Islamic University of Indonesia. Master of Science in Management Science, Faculty of Economics and Business, Gadjah Mada University. Doctorate in Management Science, Faculty of Economics and Business, Gadjah Mada University. Institution Faculty of Economics and Business Semarang State University. Semarang, Indonesia.