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Challenges in Implementing the Merah Putih Village Cooperative for Village Economic Development in Kampar

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ABSTRAK

The Merah Putih Village/Urban Ward Cooperative was designed as an instrument for strengthening the village economy, but its implementation in the regions has only just entered the early operational stage. This study aims to analyze the challenges of implementing the program in Kampar Regency across three dimensions: access to capital and savings and loans, the supply chain and marketing of village products, and the capacity and participation of members. The novelty of this study lies in its integrated mapping of these three dimensions at the regency level during the program's early stage, whereas previous studies have tended to discuss these issues separately. Its contribution takes the form of an analytical framework for implementation challenges and strategic recommendations for local government. The study uses a qualitative approach through literature review and document analysis of regulations, official publications from central and local government, media coverage, and scientific literature, which were analyzed thematically. The findings show that the three dimensions are interrelated: loan-based financing requires business readiness and governance, supply chain development depends on the fit between business units and village potential and infrastructure, while top-down formation requires strengthening the capacity of administrators and member participation. The study concludes that the success of cooperatives in Kampar is determined by the alignment of the national design with local conditions and by sustained mentoring. The findings are analytical in nature and need to be tested through field research.

Keywords: *village cooperative; Merah Putih Cooperative; village economy; policy implementation; Kampar Regency*

INTRODUCTION

Village economic development requires institutions capable of overcoming limited access to capital, producers' weak bargaining position, and limited market access. Conceptually, cooperatives are seen as a vehicle for collective action that can address these problems through pooling members' capital, joint procurement, and joint marketing. However, experience with rural cooperatives shows that these benefits do not emerge automatically, as they depend heavily on governance, the capacity of administrators, and member involvement.

Through Presidential Instruction Number 9 of 2025, the Government of Indonesia mandated the acceleration of the establishment of the Merah Putih Village/Urban Ward Cooperative, targeting around 80,000 cooperatives across Indonesia. Funding for this acceleration is charged to the State Budget (APBN), Regional Budget (APBD), Village Budget (APBDes), and other legitimate sources

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(Sekretariat Negara, 2025). As initial capital, the government arranged loans from Himbara banks with a ceiling of up to IDR 3 billion per cooperative. The funds are not a grant and must be repaid in installments over six years (Antara, 2025). Local government stated that every cooperative is directed to have seven business units, namely a cooperative office, a basic-goods kiosk, savings and loans, a clinic, a pharmacy, warehousing or *cold storage*, and logistics facilities (Pemerintah Kabupaten Kampar, 2025).

Kampar Regency is one of the areas implementing this program extensively. The Riau Provincial Government reported that 250 cooperatives had been established in Kampar Regency (Kompas.com, 2025). By June 2026, of the target of 250 cooperative buildings, 73 units had been completed, while their operation was still awaiting further policy guidance, and several low-population villages had been merged into a single cooperative (Pemerintah Provinsi Riau, 2026). Previously, the Kampar Regent reported that only 74 of 240 villages and urban wards had prepared land (Inspektorat Kabupaten Kampar, n.d.). These figures come from different sources and time periods, so they should be read as an illustration of the dynamics of implementation rather than as uniform data.

Nationally, the program has entered its early operational stage. In July 2026 the President stated that more than 1,000 cooperatives were already operating, while acknowledging shortages of electricity, water, and internet connectivity at a number of locations (RCTI+, 2026). A cross-ministerial meeting document reported by Kompas.id (2026) noted three main issues: certainty in human resource governance, the financing scheme, and the readiness of outlets' physical construction.

A number of observers consider the program design to carry risks. One economist warned that the *top down* nature of cooperative formation requires the technical readiness of administrators in every village, and that it is necessary to examine whether the new cooperatives compete with existing village businesses (Kompas.id, 2025). Another analysis highlighted that involving Village Funds in the Himbara bank financing guarantee scheme is two-sided, strengthening banks' sense of security while still leaving risks that need to be managed (CNBC Indonesia, 2025).

This article uses three dimensions as its analytical lens: capital (the ability to obtain, manage, and repay funds), the supply chain (the ability to connect village production with markets), and capacity and participation (the capability of administrators and the involvement of members in decision-making). Literature on rural cooperatives generally discusses these dimensions separately. Because the Merah Putih Village/Urban Ward Cooperative program is relatively new, academic studies that map the three dimensions together at the regency level remain limited. It is this gap that the present study seeks to fill.

Based on the description above, the objectives of this study are: (1) to analyze the challenges of implementing the Merah Putih Village/Urban Ward Cooperative in terms of access to capital and savings and loans in Kampar Regency, (2) to analyze the challenges in terms of the supply chain and marketing of village products, (3) to analyze the challenges in terms of member capacity and participation, and (4) to explain the interrelationships among these challenges and to formulate strategies relevant to Kampar Regency. Theoretically, this study synthesizes the literature into a three-dimensional

framework. Practically, the results can serve as input for the Kampar Regency Government, related agencies, and village cooperative administrators.

RESEARCH METHOD

Approach and Research Design

This study uses a descriptive qualitative approach with a literature review and document analysis design. Document analysis was chosen because the program under study is still in its early operational stage, so information on policy and implementation conditions is available mainly in the form of official documents and news reports (Bowen, 2009), while the literature review was used to build a theoretical foundation and basis for comparison (Snyder, 2019). The study does not collect primary data, so its findings are analytical-conceptual in nature and do not measure the program's impact.

Data Sources and Data Collection

The data consist of four groups: (1) regulations and policy documents, namely Presidential Instruction Number 9 of 2025 and its derivative regulations; (2) official publications from the Kampar Regency and Riau Provincial governments; (3) dated and traceable national and regional media reports, used for the latest developments and cross-checked against official documents where available; and (4) journal articles and books on rural cooperatives. The search for scientific literature was conducted through Google Scholar, Garuda, and DOAJ using the keywords village cooperative capital, cooperative member participation, cooperative supply chain, and their English equivalents. Inclusion criteria covered publications from 2015 to 2026 that discuss village cooperatives or one of the study's dimensions, with an exception for foundational theory. Sources consisting of opinion without data support were excluded. All online documents were accessed in September 2026.

Data Analysis Technique

The data were analyzed thematically (Braun & Clarke, 2006) through five steps: (1) reading and marking documents, (2) initial coding, (3) grouping codes into the themes of capital, supply chain, and capacity and participation, (4) examining the relationships among themes, and (5) comparing document findings with the literature. Data validity was pursued through source triangulation, namely matching news information against official documents and comparing across sources. Each piece of data is presented together with its date because the program's conditions change rapidly.

RESULTS AND DISCUSSION

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Overview of Program Implementation in Kampar Regency

Table 1 summarizes the key data gathered from documents and news reports. Three things stand out. First, the program was designed uniformly at the national level with seven business units, whereas village population sizes in Kampar differ, leading some villages to be merged. Second, the stage reached in Kampar is still physical construction, awaiting operational guidance. Third, land readiness is an early obstacle. Because of this, most of the challenges discussed below are readiness challenges rather than business-outcome challenges.

Table 1 Summary of Merah Putih Village Cooperative Implementation Data in Kampar Regency

Aspect	Information	Source
Policy basis	Presidential Instruction No. 9 of 2025; funding from APBN, APBD, APBDes, and other legitimate sources	Sekretariat Negara (2025)
Financing scheme	Himbara bank loans of up to IDR 3 billion per cooperative, repaid in installments over six years	Antara (2025)
Directed business units	Seven units: office, basic-goods kiosk, savings and loans, clinic, pharmacy, warehousing/cold storage, and logistics	Pemerintah Kabupaten Kampar (2025)
Establishment in Kampar	250 cooperatives established (out of 1,861 cooperatives in Riau)	Kompas.com (2025)
Physical progress	73 of 250 buildings completed (as of June 11, 2026)	Pemerintah Provinsi Riau (2026)
Land readiness	74 of 240 villages/urban wards (Regent's report)	Inspektorat Kabupaten Kampar (2025)
Operational	Awaiting further guidance; several villages merged into a single cooperative	Pemerintah Provinsi Riau (2026)

Source: compiled from the documents and news reports listed (accessed September 2026).

Challenges in Access to Capital and the Savings and Loan Unit

The financing scheme is the main gateway to cooperatives' initial capital. Loans from Himbara banks must be repaid in installments over six years and are not grants (Antara, 2025). Consequently, cooperatives not only need to obtain funds but must also generate sufficient cash flow to make the repayments. This challenge is heavier for cooperatives whose business units are not yet running. With some cooperative buildings in Kampar only just completed and operations awaiting guidance (Pemerintah Provinsi Riau, 2026), the gap between the repayment schedule and business readiness becomes a key risk.

The savings and loan unit adds a further layer of challenge. As one of the directed business units (Pemerintah Kabupaten Kampar, 2025), this unit requires the ability to assess borrower eligibility and manage credit risk, capabilities that need to be built from the outset. An economist quoted by Kompas.id (2025) suggested that Himbara banks limit the initial credit ceiling and continue to apply risk management, even though the funding takes the form of a low-interest government assignment.

The involvement of Village Funds in the guarantee scheme adds further complexity. An analysis by CNBC Indonesia (2025) describes it as two-sided:

strengthening banks' sense of security and expanding financing capacity, while still leaving risks. For Kampar, the implication is the need for clarity in the village deliberation approval mechanism and the limits of Village Fund involvement. The same analysis emphasizes the need to expand mentoring so that cooperatives meet formal financing standards without losing their identity (CNBC Indonesia, 2025).

Thus, the capital challenge in Kampar lies not merely in the availability of funds, but in cooperatives' ability to absorb, manage, and repay funds sustainably, as well as in clarity regarding the role of Village Funds. This finding is consistent with the argument that access to financing without institutional capacity can add to a cooperative's financial burden.

Challenges in the Supply Chain and Marketing of Village Products

The government positions cooperatives as a means of shortening long supply chains and reducing the practice of middlemen and illegal online lending in villages, as stated by the Coordinating Minister for Food Affairs (Pemerintah Kota Sukabumi, 2025). The Governor of Riau hopes village cooperatives will shorten the distribution of basic goods so that prices are better controlled, while the Regent of Kampar hopes village MSME products can reach markets outside Kampar and has stated that the region still needs support in marketing, technology, and market access (Kompas.com, 2025).

Two directions of the supply chain need to be distinguished. The downstream side, namely the supply of basic necessities through the basic-goods kiosk, is directly supported by the directed business units. The upstream side, namely the marketing of village production output, is only supported indirectly through the warehousing and logistics unit (Pemerintah Kabupaten Kampar, 2025). Yet the village economy in Kampar is heavily influenced by plantation and agricultural commodities. The Ministry of Cooperatives has stated that, beyond the directed business units, cooperatives may also run businesses based on village potential (Posmetro Padang, 2026), so this flexibility becomes an important space for adapting the national design to local commodities.

Infrastructure readiness is another obstacle. The President acknowledged that at a number of locations, electricity, water, and internet service were not yet adequate during the early operational period (RCTI+, 2026). This condition directly affects units that depend on electricity supply and connectivity, such as *cold storage* and services. In addition, as warned by the economist in Kompas.id (2025), it is necessary to examine whether the new cooperatives compete with existing village businesses, so mapping local business actors is needed so that cooperatives function as connectors rather than competitors. Merging several villages into a single cooperative (Pemerintah Provinsi Riau, 2026) also has the potential to affect logistical reach and members' proximity to the outlet.

This analysis shows that the supply chain challenge in Kampar is related to the alignment between the directed business units and local commodities and infrastructure. Market partnership schemes, such as relationships with buyers or business actors outside the village, are not yet depicted in the documents reviewed.

Challenges in Member Capacity and Participation

The centrally driven establishment of cooperatives raises questions about

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the readiness of administrators and members. The economist quoted by Kompas.id (2025) described the *top down* nature of this formation as a governance challenge, meaning the government needs to ensure the technical readiness of administrators in every village. Institutionally, Presidential Instruction 9/2025 requires regents to carry out socialization, monitoring, evaluation, and guidance to village governments through sub-district heads (Sekretariat Negara, 2025). This role is important, but needs to be balanced so that a strong bureaucratic role does not displace the principles of membership and cooperative autonomy.

Human resource governance has become a national issue. The cross-ministerial meeting document notes that the status of managers remains unclear once the management period by PT Agrinas Pangan Nusantara ends after the first two years of operation, along with a proposed basic salary referencing the regency/city minimum wage (Kompas.id, 2026). For cooperatives in Kampar, the placement of managers coordinated by the central government has the potential to raise questions about the division of authority among managers, administrators, supervisors, and the members' meeting.

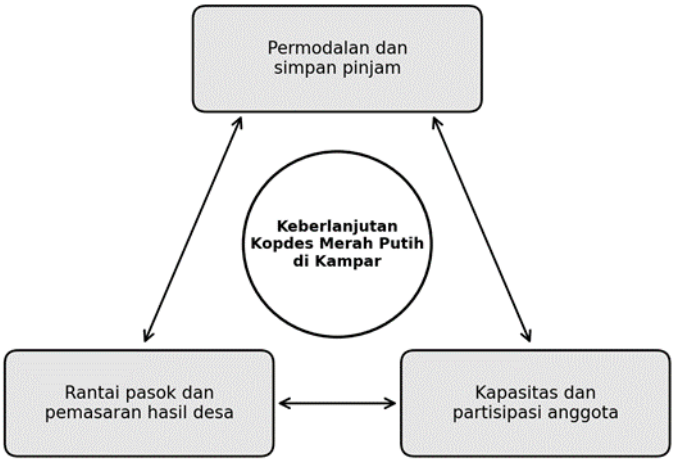
In terms of membership, this cooperative's members are residents domiciled in the same village or urban ward, as evidenced by an ID card (Sistem Informasi Koperasi Desa, n.d.). This territorial membership base offers wide reach, but does not by itself guarantee active participation in capital provision, oversight, and use of services. In areas that merge several villages, maintaining members' closeness and sense of ownership becomes an additional challenge.

The central government acknowledges the need for operational guidance and mentoring. The Ministry of Cooperatives cites both as part of the key variables for operationalization, since administrators need assistance in the early stage (Posmetro Padang, 2026), and the Minister of Cooperatives plans to gather administrators and supervisors to map field obstacles (Kompas.com, 2026). For Kampar, this requires an active role from the Office of Trade, Cooperatives and MSMEs as well as the Village and Community Empowerment Office in providing training tailored to the business units being run.

Interrelationship Among Challenges and Strategy for Kampar Regency

The three dimensions do not stand alone (Figure 1). Limited administrator capacity weakens the ability to manage loans and the savings and loan unit. The repayment burden requires an operating business, which in turn depends on the supply chain and infrastructure. Low participation reduces member oversight and the cooperative's legitimacy, which ultimately increases risk in capital and marketing. This argument is analytical, based on documents, and needs to be tested empirically.

Figure 1 Framework of the Interrelationship Among the Three Dimensions of Implementation Challenges



Source: authors' analysis (2026).

Table 2 formulates strategies relevant to Kampar. These formulations are conceptual recommendations drawn from the challenges above and need to be adjusted once field data becomes available.

Table 2 Matrix of Challenges and Strategies for Kampar Regency

Dimension	Main challenge	Relevant strategy	Stakeholder
Capital and savings and loans	Business readiness for installment repayment; credit risk; clarity of Village Fund's role	Assessment of cooperative readiness before disbursing loans; phased disbursement; transparency in the use of Village Funds through village deliberation; training in savings and loan management	Cooperative Office, Himbara banks, village government
Supply chain and marketing	Alignment of business units with local commodities; infrastructure; competition with village businesses	Mapping of commodities and business actors by sub-district; prioritizing businesses based on village potential; exploring market partnerships; coordinating improvements to electricity, water, and internet	Cooperative Office, Village and Community Empowerment Office, provincial government

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Dimension	Main challenge	Relevant strategy	Stakeholder
Capacity and participation	Top-down formation; unclear manager role; member participation	Administrator training; regular member meetings and open reporting; clarity in the division of authority among managers, administrators, and supervisors; ongoing mentoring	Ministry of Cooperatives, Cooperative Office, facilitators

Source: authors' analysis (2026).

The novelty of this study lies in its integrated mapping of the three dimensions and in its emphasis that, at the current stage, the challenges in Kampar are readiness challenges rather than business-outcome challenges. The findings should be read with caution, as they are drawn from documents and news reports that change rapidly, and some information on Kampar is not yet available in uniform official data.

CONCLUSION

This study draws four conclusions. First, the capital challenge lies in cooperatives' ability to absorb, manage, and repay loans, as well as in clarity regarding the role of Village Funds. Second, the supply chain challenge lies in the alignment of business units with local commodities and infrastructure, particularly on the marketing side of village products. Third, the capacity and participation challenge stems from the centrally driven formation pattern, the clarity of the manager's role, and territorially based membership. Fourth, the three challenges are interrelated, so strategies need to be designed in an integrated manner rather than issue by issue.

Theoretically, this study offers a three-dimensional framework for analyzing the implementation of village cooperatives. Empirically, the study maps readiness challenges in Kampar during the program's early stage. Economically, the recommendations formulated can help local government reduce the risk of financial burden on cooperatives and villages. The limitations of this study are the absence of primary data, reliance on dynamic documents and news reports, and the lack of uniform official data for Kampar.

For local government, it is recommended to develop a mapping of cooperative readiness, commodities, and infrastructure by sub-district before full operation, and to strengthen mentoring for administrators. For future researchers, it is recommended to conduct field studies through interviews with administrators, village governments, and members at several cooperatives in Kampar, as well as quantitative research once cooperatives have been operating long enough to measure their performance and impact.

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