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The Merah Putih Village Cooperative-Based People's Economic Model: Institutional Strategy and Regional Policy for Sustainable Village Development

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Abstract

Introduction: Strengthening the people's economy is a key strategy in sustainable village development to reduce regional disparities and improve community welfare. The Merah Putih Village Cooperative (KDMP) serves as an institutional instrument to mobilize local economic potential through participation and independence. However, uneven institutional capacity, varying policy support, and limited integration with the local economy hinder its effectiveness. This study examines how institutional strategies and regional policies can optimize the role of village cooperatives. This study contributes by identifying a governance mechanism linking policy orchestration, capacity building, and ecosystem integration, and by proposing a replicable people-centered collaborative governance model that specifies actor roles, coordination mechanisms, and policy leverage points in the KDMP context. **Methods:** The study uses a qualitative descriptive-explanatory approach based on data from ten informants from five KDMPs and five local village government stakeholders. Data were collected through in-depth interviews, observations, documentation, and supporting questionnaires, and analyzed using thematic analysis to identify recurring institutional and policy patterns. **Results:** The findings indicate that although KDMPs have formal institutional structures, their effectiveness depends on managerial capacity, policy coordination, and integration within local economic networks. **Novelty:** These results suggest that strengthening cooperative performance requires not only improved governance but also alignment with the broader economic ecosystem. **Contribution:** This study offers theoretical insights into enhancing collaborative governance and practical guidance through measurable policy and institutional interventions.

KEYWORDS

village cooperatives; people's economy; institutional strategy; regional policy; sustainable rural development.

Introduction

Gresik Regency faces serious challenges in promoting the economic independence of rural communities, primarily due to dependence on conventional supply chains, limited access to capital, and weak marketing of local products. These conditions leave some residents vulnerable to poverty and fluctuations in product prices. Village economic transformation through cooperatives is intended to empower local potential and improve community welfare, but suboptimal institutional governance and program synchronization mean that economic benefits are not felt equitably and sustainably. The Merah Putih Village Cooperative (KDMP) began operating extensively in the Gerbang Kertosusila area in 2020 in response to the economic disparity between urban and rural areas and the high price volatility of local products. However, its development still faces

challenges such as institutional fragmentation (Junaidi et al., 2025; Mulyana & Arr, 2025), technological limitations (Galib et al., 2025), low digital literacy among village entrepreneurs, and an unintegrated distribution system (J. Li et al., 2024). This lack of integration has resulted in an ineffective village food supply chain (Iliopoulos et al., 2026), low contribution from MSMEs, and suboptimal community economic resilience (Wang et al., 2021).

Nevertheless, the local government's commitment is reflected in official administrative reports. According to a regional government publication, 239 Merah Putih Village Cooperatives were established simultaneously in Gresik Regency, marking one of the largest coordinated cooperative formations at the national level (Regita, 2025). The Gresik Regional People's Representative Council (DPRD) also encouraged synchronization of village programs with the Regional Medium-Term Development Plan (RPJMD) and emphasized transparency and accountability in cooperative management to ensure they could become a driving force for a productive and competitive local economy (RPJMD, 2026). Within the framework of independent village development, empowering the people's economy positions communities as key actors by strengthening access to resources, technology, and markets. This approach enables communities to manage businesses independently, increase productivity, and improve long-term well-being (Afriansyah et al., 2023).

The preliminary observation, conducted through FGDs during August–September 2025 involving 35 participants—comprising 25 KDMP managers from five cooperatives and 10 representatives from village administrations and the regional cooperative office in the Kali Lamong area of Gresik—indicates that strengthening the people's economy is reflected in the development of KDMP as an institutional instrument to stimulate village economic activity. Structurally, KDMP has a strong organizational foundation, marked by legal management, the existence of Articles of Association/Bylaws (AD/ART), and a vision, mission, and Standard Operating Procedures that received the highest rating from all respondents. This condition indicates that the cooperative is in a strategic position to develop as a professional and adaptive village economic institution. Furthermore, KDMP has also built partnerships through cooperation agreements with various stakeholders, which theoretically play a crucial role in expanding access to resources and increasing organizational capacity. In fact, some respondents assessed that the cooperative has demonstrated business innovation and a commitment to improving service quality, even though basic services such as savings and loans, marketing, and agricultural product storage are still inadequate.

On the other hand, field observations also reveal a number of limitations that could potentially hinder the optimization of the people's economy. Regarding infrastructure, approximately 60% of respondents assessed that cooperative buildings do not meet permanent standards, while all respondents stated that cooperatives do not yet have adequate operational vehicles. The lack of digital devices is also a concern, as technology is a fundamental factor in improving the efficiency and quality of cooperative services. In terms of economic impact, the KDMP has not been able to provide direct benefits to members because the distribution of Operating Surplus (SHU) has not been implemented and the cooperative is still in the business stabilization phase. Nevertheless, there are positive indications in the form of increased business volume and cooperative revenue, indicating the potential for long-term growth if supported by an effective business model, a strong partnership network, and proper strengthening.

Previous research over the past five years has emphasized the crucial role of strengthening cooperative-

based economies and local institutions in promoting sustainable rural development. (Candemir et al., 2021) found that agricultural cooperatives contribute to rural economic sustainability by improving market access and production efficiency. Furthermore, (Paraschou et al., 2025) emphasized that a strong cooperative institutional strategy can enhance the competitiveness of small-scale producers while strengthening community economies. A study by (Vercher, 2022) demonstrated that cooperative-based social innovation and alternative food networks can accelerate regional development by strengthening collaboration among local actors. On the policy side, (Berge et al., 2021; Martos-pedrero et al., 2025) explained that community economic resilience is significantly influenced by the quality of local institutions and adaptive policy support for food systems. However, (Handayani et al., 2023; Jamaluddin et al., 2023; Rostami & Salehi, 2024) emphasized that the success of village development depends not only on the existence of economic institutions but also on their governance capacity and community participation. Overall, these findings reinforce the argument that institutional strategies and regional policies are key factors in optimizing the role of cooperatives as instruments for a sustainable, people-centered economy.

A people's economy is an economic system based on popular sovereignty, prioritizing the principles of family, democracy, and justice. This system encourages active community participation in capital ownership and economic management, in accordance with Article 33 of the 1945 Constitution. Its goal is to improve community welfare through sustainable and independent joint ventures. This cooperative objective is supported by research conducted by (Feisali & Niknami, 2021; Rostami & Salehi, 2024; Segovia-vargas et al., 2023).

The KDMP is a government initiative aimed at establishing cooperatives in all villages and sub-districts in Indonesia. KDMP's members are local residents and aim to improve community welfare through the principles of mutual cooperation, kinship, and active participation. This cooperative manages various business units such as savings and loans, basic food distribution, and health services, and serves as a production and distribution center that supports national food security (Pakabu et al., 2025).

A cooperative institutional strategy refers to an action plan designed to strengthen the structure and functions of an institution to make it more effective in achieving its goals. In the context of cooperatives, this strategy includes human resource capacity development, improved governance, and adaptation to changes in the external environment. The goal is to ensure the institution's sustainability and optimal performance over the long term (Berge et al., 2021).

Sustainable village development is a development approach that integrates economic, social, and environmental dimensions to improve long-term community well-being. This approach emphasizes optimizing local resources as a foundation for village economic independence while strengthening community resilience to external changes. Research shows that locally driven development supported by community participation can increase economic inclusiveness and strengthen the sustainability of rural areas (Y. Li et al., 2019). Furthermore, community involvement in development planning and implementation processes has been shown to contribute to more adaptive governance and more equitable development outcomes (Helliwell & Burton, 2021; Saputra & Havlíček, 2024). In line with the principles of the Sustainable Development Goals (SDGs), the integration of environmental protection into village development strategies is also a key factor in creating resilient, independent, and competitive regions (Martos-pedrero et al., 2025).

The novelty of this research is to refine collaborative governance by shifting it from a process-based coordination

model towards a community-centered and institutionally embedded economic governance framework, where cooperatives act as key regulators of local value creation rather than passive collaborative actors. Previous studies have tended to partially discuss cooperatives as instruments for improving welfare or market access, without simultaneously linking them to regional policy design and institutional strategies. (Candemir et al., 2021) highlight the contribution of cooperatives to rural economic sustainability but have not explored the role of local policy interventions. (Vercher, 2022) emphasizes community-based social innovation but does not specifically examine the synchronization between cooperative institutions and village development direction. Meanwhile, (Berge et al., 2021; Martos-pedrero et al., 2025) demonstrates the importance of local institutions in building a resilient economic system, although it has not focused on the village cooperative model as the primary actor. Therefore, this research offers a new perspective by formulating a cooperative-based institutional strategy aligned with regional policies as a catalyst for sustainable village development, while enriching the literature on community economies in developing countries.

This phenomenon demonstrates the need to strengthen the people's economy as a foundation for sustainable village development, particularly amidst regional economic inequality and limited access for rural communities to markets and productive resources. Although village cooperatives are viewed as a strategic instrument for improving community welfare, their implementation still faces challenges in the form of weak institutional capacity, suboptimal regional policy support, and low integration of development programs. Therefore, the problem of this research lies in how to formulate effective institutional strategies and regional policies to optimize the role of village cooperatives as a driving force for an inclusive and sustainable people's economy.

Method

Research Type

This study uses a qualitative approach with a descriptive-explanatory design to gain a comprehensive understanding of the strengthening of the people's economy based on the KDMP through institutional strategies and regional policies. This approach was chosen because it allows for a contextual and in-depth exploration of the dynamics of strategy implementation, collaboration patterns, and challenges faced in sustainable village development.

Population and Sample/Informants

The study involved ten key informants, consisting of representatives from five Merah Putih Village Cooperatives (KDMP) and five village-level government stakeholders. Informants were selected using purposive sampling based on their knowledge, experience, and direct involvement in cooperative governance and rural economic development. Each cooperative was represented by individuals actively engaged in management or operational activities to ensure the relevance and depth of the data collected.

Research Location

The research was conducted at five KDMP actively operating in Gresik Regency. These locations were chosen because they represent the implementation of the village cooperative-based people's economy strengthening program and demonstrate a link with regional policies promoting sustainable village development.

Instrumentation or Tools

The primary research instrument was the researcher herself, supported by a semi-structured interview guide, observation sheets, and documentation forms. These instruments were designed to gather information related to institutional strategies, policy support, and operational practices of cooperatives in village economic activities.

Data Collection Procedures

Data collection was conducted over a one-month period in November 2025. The methods included in-depth interviews, field observations, document analysis, and a supporting questionnaire. Observations were carried out to understand operational practices and institutional dynamics within the cooperatives. Documents reviewed included institutional records, cooperative profiles, and business-related data. The questionnaire was designed based on six key aspects of cooperative institutional performance, namely services, processes, organizational management, infrastructure, human resources, and outcomes, and was used to complement qualitative findings. To ensure data validity, member checking was conducted by reconfirming the information obtained from informants during follow-up interactions. This process aimed to verify the accuracy and consistency of the data. In addition, triangulation was applied by comparing findings across interviews, observations, documents, and questionnaire results to enhance the credibility of the analysis.

Data Analysis

Data were analyzed using thematic analysis through several stages: (1) data reduction by organizing and selecting relevant information, (2) initial coding to identify key patterns related to institutional strategies and policy support, (3) categorization of codes into broader themes such as governance capacity, policy alignment, and economic integration, and (4) interpretation of relationships among themes. The coding process was conducted iteratively to ensure consistency, and emerging themes were continuously refined based on the data. The results of the analysis were then used as the basis for developing the research's conceptual model.

Result and Discussion

Prior to presenting the research results, the entire data collection process was carried out in accordance with established methodological procedures. The research began with purposive location and key informant selection, followed by in-depth interviews, field observations, and documentation reviews to ensure the completeness and relevance of the data. Each stage was conducted systematically to obtain an accurate picture of institutional strategies and regional policies in optimizing the role of village cooperatives. Data validity testing was also implemented through source and method triangulation, member checking with key informants, and academic discussions to minimize interpretation bias. This process aimed to increase the credibility, dependability, and confirmability of the research findings.

The findings indicate that all five cooperatives (KDMPs) (Kedungpring, Sedapur Klagen, Dapet, Metatu, and Jatirembé) exhibit strong formal institutional structures, particularly in terms of legal status, organizational structure, and the existence of Standard Operating Procedures (SOPs). However, these strengths are not consistently reflected in operational outcomes. For example, in the Kedungpring and Metatu cooperatives, cooperative managers confirmed that the business units are still in the early stages of development, with limited service diversification. As one informant stated, "the cooperatives have been formally established, but business

activities are still in the development stage and have not yet generated a steady income." This is supported by document analysis, which shows the absence of recording of SHU distribution in all five cooperatives. Infrastructure limitations were also consistently observed. Approximately 60% reported that cooperative facilities did not meet permanent standards, particularly in the Sedapur Klagen, Dapet, and Jatirembe cooperatives. Further findings indicate that none of the cooperatives have adequate operational vehicles or digital systems, which limits service delivery and market access. Other findings also show that KDMP Kedungpring and Metatu exhibit relatively higher levels of business activity and partnership involvement compared to other locations, indicating the emergence of institutional adaptability.

The research findings were then detailed into four main clusters, as follows;

1. Strengthening the Institutional Structure of Village Cooperatives

The findings, based on document analysis of cooperative profiles, including vision and mission statements, organizational structures, and AD/ART, indicate that Koperasi Desa Merah Putih (KDMP) Kedungpring, Sedapur Klagen, Dapet, Metatu, and Jatirembe have relatively adequate institutional foundations, as reflected in formal legality, structured management, and governance mechanisms such as member meetings and supervisory functions. This condition reflects the cooperative's readiness to operate as a community-based economic institution. However, institutional effectiveness still depends heavily on the managerial capacity of the management and consistency in implementing cooperative governance principles. Some cooperatives demonstrate good internal coordination, enabling them to carry out business activities more stably, while others are still in the organizational consolidation stage. Furthermore, limited experience in collective business management means that decision-making is not fully based on strategic planning.

2. Synergy of Regional Policies and Implementation of Village Programs

Research findings show that local governments have demonstrated commitment to supporting the strengthening of village cooperatives through legalization, program assistance, and integration of cooperatives into the village development agenda. This policy provides legitimacy and space for cooperatives to develop as local economic actors. However, the level of policy implementation remains uneven across regions. Cooperatives that receive intensive assistance tend to experience faster business growth than cooperatives that operate independently without adequate technical support. This indicates that policy success is determined not only by the existence of regulations, but also by the effectiveness of cross-sectoral guidance and coordination mechanisms. Furthermore, synchronization between village programs, Village-Owned Enterprises (BUMDes), and cooperatives still requires strengthening to prevent overlapping institutional roles. Therefore, regional policy strategies need to focus on developing a cooperative ecosystem by facilitating access to financing, providing management training, and harmonizing economic empowerment programs. Consistent policy synergy will accelerate the transformation of village cooperatives into adaptive economic institutions capable of supporting sustainable village development.

3. Integration of Cooperatives with the Local Economic Ecosystem

Research has found that village cooperatives are beginning to play a strategic role in the local economic ecosystem, particularly as aggregators of community

products and as bridges between village producers and markets. KDMP in the research area has explored collaboration with the Kedamaian and Jatirembe public kitchens, creating opportunities for more stable market demand for agricultural products and micro-enterprises. This integration has the potential to shorten the distribution chain and increase added value for local producers. However, this level of integration still faces several challenges, such as limited member production capacity, uncertain supply continuity, and the need to standardize product quality to meet partner needs. Cooperatives that actively build local partnerships appear more responsive to economic opportunities than those that focus on internal consolidation. Therefore, institutional strategies need to encourage strengthening collaborative networks with BUMDes, MSMEs, and marketing institutions to create a more efficient value chain. Strong integration not only improves cooperative performance but also strengthens the collective economic resilience of villages.

4. Strategic Direction for Strengthening Sustainable People's Economy

The research findings confirm that optimizing the role of village cooperatives as a driving force for the people's economy requires an integrated strategic approach that encompasses institutional strengthening, policy support, and economic innovation. Digitizing administrative and financial systems is a crucial step in increasing transparency and operational efficiency of cooperatives. Furthermore, enhancing human resource capacity through entrepreneurship and business management training will help cooperatives adapt to market dynamics. Providing logistics infrastructure, such as storage and distribution facilities, also plays a role in maintaining supply stability and expanding market access. Equally important, member participation needs to be strengthened through transparent communication and involvement in decision-making processes to ensure cooperatives remain oriented toward community needs. If these strategies are implemented consistently, village cooperatives have the potential to develop into centers of inclusive economic activity, creating new job opportunities, and improving community welfare. Therefore, strengthening the people's economy through cooperatives not only impacts local economic growth but also serves as a crucial foundation for sustainable village development.

Table 1 systematically presents the qualitative data analysis process, from data reduction and presentation to conclusion drawing, while also highlighting the main themes emerging from the research. This structure helps clarify how empirical findings are transformed into strategic concepts for strengthening the people's economy based on village cooperatives.

Based on the data analysis process and research findings as in table 1, a conceptual model can be compiled as in Figure 1.

Research related to the grand theory that underlies this conceptual model is the theory of collaborative governance (Ansell & Gash, 2007), institutional theory (Hariyanto et al., 2024; Martino, 2024), and community-based development (Barid et al., 2024). Collaborative governance theory emphasizes the importance of multi-actor involvement in decision-making and program implementation to generate sustainable public value. This approach holds that complex problems, such as food security and strengthening the village economy, cannot be resolved by a single institution but rather require coordination between local governments, cooperatives, communities, and local economic actors. In this model, the KDMP functions as a community economic institution, while the government acts as a facilitator and policy orchestrator to

Table 1. Data Analysis Process and Research Findings

Focus of Findings	Data Reduction (Core Findings)	Data Presentation (Interpretation)	Drawing Conclusions	Theme
Strengthening the Institutional Structure of Village Cooperatives	Cooperatives already have legal status, organizational structure, and member meeting mechanisms, but managerial capacity is not evenly distributed.	Formal institutions demonstrate operational readiness, but still require improvement in management competency and strategic planning.	Strengthening governance and human resource capacity is a prerequisite for cooperatives to function professionally and accountably.	Strengthening Cooperative Institutions
Synergy of Regional Policies and Implementation of Village Programs	There is support for legalization and assistance, but implementation differs between regions.	Cooperatives with intensive coaching develop faster than those that operate independently.	Policy effectiveness depends on consistent cross-sectoral support and coordination.	Regional Policy Collaboration
Integration of Cooperatives with the Local Economic Ecosystem	Cooperatives are starting to act as aggregators and collaborate with public kitchens, but are facing capacity and quality constraints.	Partnerships open up stable market opportunities, but require continuity of supply and product standardization.	Strengthening partnership networks is important to create an efficient village value chain.	Local Economic Integration
Strategic Direction for Strengthening the People's Economy	Digitalization, human resource development, logistics infrastructure, and member participation are needed.	Integrated strategies can improve operational efficiency and competitiveness of cooperatives.	Cooperatives have the potential to become the center of the village economy if supported by innovation and sustainable policies.	Sustainable People's Economic Strategy
Member Participation and Trust	Member involvement is still varied, some are not yet active in decision making, this is supported by the results of interviews with informants from KDMP Kedungpring and Jatirembe.	Transparency and internal communication influence the level of participation	Strengthening participation increases the legitimacy of cooperatives and the sustainability of the organization.	Member Empowerment
Infrastructure and Operational Support	Limitations in storage, distribution and technology facilities are still found.	Adequate infrastructure is correlated with the smooth running of cooperative businesses.	Investment in infrastructure is needed to expand market access	Strengthening Village Economic Infrastructure

Source: data processed by researchers, 2026

ensure alignment of goals and integration of resources. Theoretically, this model is also influenced by institutional theory, which emphasizes that the effectiveness of collaboration is highly dependent on the legitimacy of structures, formal rules, and organizational governance capacity. Furthermore, community-based development strengthens the model by positioning communities as the primary actors in development through participation and economic empowerment. The integration of these three perspectives expands collaborative governance into a framework for strengthening an adaptive, inclusive, and sustainable people's economy.

Interpretation of Key Findings

These findings confirm those of [Arfah \(2025\)](#) on participatory governance and [Liu et al. \(2024\)](#) on structural clarity. Thus, this study extends previous research by demonstrating that governance alone is insufficient without economic ecosystem integration

This study also challenges linear assumptions, revealing a disconnect between institutional readiness and outcomes, highlighting the hybrid institutional configurations

characteristic of KDMPs. In India, several studies indicate that institutional reform and digital integration play a significant role in improving the performance of agricultural cooperatives. Digital transformation initiatives—such as the adoption of digital platforms, ICT systems, and e-governance—have been shown to enhance operational efficiency, transparency, and market access for cooperative members ([Cao et al., 2025](#); [Jayant, 2025](#); [Manjuladevi, 2025](#)). Furthermore, empirical evidence suggests that digitalization contributes to improved organizational performance by strengthening governance processes and reducing operational inefficiencies ([Antwi et al., 2023](#)). Meanwhile, ([Liu et al., 2024](#)) identified that clear ownership and control structures in cooperatives in China contribute to operational success. Therefore, strengthening the institutional structure of KDMP needs to include increasing managerial capacity, member participation, and adopting digital technology to achieve optimal performance.

The research findings show that local government support for the KDMP varies, with some cooperatives receiving intensive mentoring while others operate independently. A study by ([Aminullah, 2025](#)) revealed that a top-down approach to KDMP program implementation can neglect local contexts

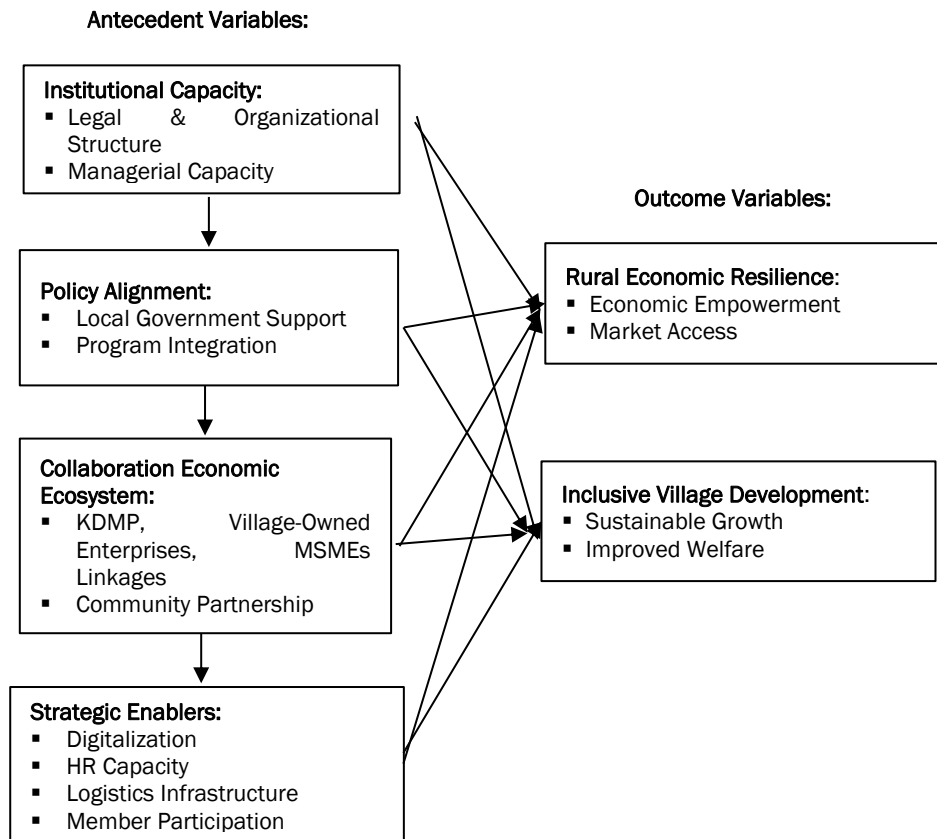


Figure 1. People-centered Collaborative Governance Model

and lead to overlap with BUMDes. (Sukri et al., 2025) highlighted that the hierarchical village government structure limits local initiatives in designing development based on local needs. To improve policy effectiveness, a more participatory and context-sensitive approach, as well as better coordination between local and village governments, is needed.

Findings indicate that KDMP has begun acting as an aggregator of community products and collaborating with public kitchens, but still faces challenges in production capacity and product quality. A study by (Jamal & Gordon, 2024) emphasized the importance of a local asset-based approach and cross-sector partnerships in community economic development. (Prihandono et al., 2025) demonstrated that digital technology integration can accelerate the achievement of sustainable village development goals. Therefore, KDMP needs to strengthen local partnership networks, increase production capacity, and adopt digital technology to strengthen integration with the local economic ecosystem.

To optimize the role of the KDMP as a driver of the people's economy, a strategic approach is needed that integrates institutional strengthening, policy support, and economic innovation. A study by the (Rad, 2025) emphasized the importance of policies responsive to local needs and investment in digital infrastructure to increase rural economic resilience. (Arief & Haeruddin, 2025) identified five strategic themes in the development of the KDMP, including strengthening institutional capacity and utilizing digital technology. Therefore, a strategy to strengthen a sustainable people's economy through the KDMP must include institutional capacity building, digital technology integration, and policy support that is adaptive to the local context.

Comparison with Previous Studies

The findings of this study align with the literature that positions cooperatives as strategic institutions in community

economic development, especially when supported by adaptive governance and member participation (Eric & Yaweri, 2025; Robinson & Dokubo, 2025). However, unlike some previous studies that emphasize the role of macro policies or structural reforms, this study reveals that the success of village cooperatives is also largely determined by the quality of cross-actor coordination at the local level (Arfah, 2025; Saputra et al., 2025). Furthermore, unlike existing studies that emphasize coordination and participation, this study highlights the role of cooperatives as economic orchestrators within local governance systems. It introduces a people-centered, institutionally embedded model that integrates governance, policy alignment, and value chain functions, thereby offering a more comprehensive and context-specific advancement of collaborative governance theory in rural development (Z. Li, 2026; Yin et al., 2024). This study proposes a people-centered collaborative governance model for village cooperatives, consisting of three components: institutional capacity, policy orchestration, and ecosystem integration. These elements explain how governance structures, government support, and market linkages interact to strengthen cooperative performance and support sustainable local economic development.

Limitations and Cautions

This study has several limitations that should be considered when interpreting the findings. First, the study's focus on a limited number of cooperatives in a single region requires caution in generalizing the results, given that differences in socio-economic characteristics between regions can influence institutional dynamics. Second, the qualitative-descriptive approach is not yet fully capable of quantitatively measuring economic impacts, such as increased member income or the cooperative's contribution to village economic growth. Third, the potential for informant perception bias also poses a challenge in interview-based research. Therefore, the results of

this study should be understood as a contextual overview offering strategic insights, rather than as a universal model that can be applied without adjustment.

Recommendations for Future Research

Future research is recommended to adopt a quantitative or mixed methods approach to test the causal relationship between institutional capacity, policy support, and cooperative economic performance. Longitudinal studies are also important to understand the sustainability of the impact of institutional strategies on village economic resilience in the long term. Furthermore, comparative research across regions can provide a broader understanding of variations in collaborative governance practices in strengthening the people's economy. Developing an empirical model that integrates variables of governance, digitalization, and member participation also has the potential to enrich the literature on cooperatives as actors in local development. Thus, future research is expected to not only deepen the theoretical dimension, but also produce more measurable and replicable policy recommendations.

Theoretical Contributions

From a theoretical perspective, this study extends collaborative governance and institutional theory by demonstrating that, in village cooperative settings, governance effectiveness cannot be understood solely as a process of stakeholder interaction. Instead, it must be conceptualized as a multi-dimensional system integrating institutional capacity, policy alignment, and economic functionality. The proposed model highlights that cooperatives act not only as collaborative actors but also as economic intermediaries, linking governance processes with value creation mechanisms. This contribution refines existing collaborative governance frameworks by introducing a context-specific, people-centered model, in which coordination mechanisms, actor roles, and policy leverage points operate simultaneously to produce sustainable development outcomes.

Conclusion

The Merah Putih Village Cooperative (KDMP) in Gresik Regency has a relatively strong formal institutional foundation, as reflected in its legal status, organizational structure, and implementation of standard operating procedures. However, findings from five cooperatives indicate that this institutional readiness has not fully translated into consistent operational performance or equitable economic benefits for members. These results imply that formal structure alone does not automatically generate economic value, but rather depends on the cooperative's capacity to operationalize governance and integrate into the local economic system. KDMP performance is shaped by the

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interaction of internal and external factors. Internal factors—such as managerial capacity, governance consistency, and member participation—emerge as key determinants. External factors, including regional policy support, access to training, and market linkages, serve as effective enabling conditions only when aligned with internal institutional readiness. From a theoretical perspective, this study contributes by suggesting a community-centered collaborative governance model, which conceptualizes cooperative performance as the result of the interaction between institutional capacity, policy alignment, and economic function. This model extends collaborative governance theory by positioning village cooperatives as economic intermediaries within the local governance system. From a practical perspective, this study proposes a series of prioritized interventions, including strengthening managerial capacity, enhancing digitalization, improving cross-sectoral coordination, and developing market-oriented business models. This study is limited by its focus on a single region and the small number of cases. Future researchers are advised to incorporate measurable indicators, such as member income, SHU distribution, value chain efficiency, and participation rates, and to adopt longitudinal, comparative, or mixed-methods approaches to further test and refine the proposed model.

Author contributions

All authors contributed significantly to this research, contributing to the conceptualization, data collection and analysis, development of the theoretical framework, interpretation of the results, and writing and academic revision of the manuscript.

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