

**THE NEW COOPERATIVE PROGRAM ‘KMP’ AND THE INDONESIAN
PANCASILA ECONOMY: A LEGAL AND PHILOSOPHICAL APPROACH**

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ABSTRACT; *The new emergence of Koperasi Merah Putih (KMP) reflects Indonesia’s renewed effort to realign its economic development with the foundational values of Pancasila. Despite the country’s rich history of cooperative movements, legal fragmentation and philosophical detachment have hindered their transformative potential. This paper aims to analyze KMP as both a legal and philosophical manifestation of Indonesia’s economic identity. Using a descriptive qualitative approach, the study examines existing legal frameworks, the integration of Pancasila values into cooperative practice, and the institutional dynamics surrounding KMP implementation. Key findings show that while KMP has a strong normative foundation rooted in Law No. 25/1992 and the 1945 Constitution, its practical application faces challenges in regulatory adaptation, institutional synergy, and philosophical consistency. The research highlights the importance of reconstructing legal instruments to support village-based economic democracy and advocates for embedding justice, solidarity, and identity within the cooperative structure. This study concludes that KMP can serve as a strategic model for reimagining Indonesia’s future economy—one that is community-centered, ethically grounded, and constitutionally aligned.*

Keywords: Koperasi Merah Putih (KMP); Pancasila Economy; Legal Framework; Economic Democracy; Philosophical Justice

INTRODUCTION

Indonesia, the world’s fourth most populous country and one of the largest democracies, continues to grapple with significant economic inequality despite consistent national growth. Although the country has made steady progress in macroeconomic indicators such as GDP growth and inflation control, the gap between rural and urban areas remains wide. According to the World Inequality Database (2023), the top 10% of income earners in Indonesia control 48% of national income and own approximately 60% of household wealth, while the bottom 50% earn only 12.4% of total income and possess a mere 5.5% of wealth (World Inequality Database, 2023). These figures suggest not just economic imbalance, but a structural problem in the distribution of national resources.

In an attempt to address this disparity and build a more inclusive economy, the Indonesian government under President Prabowo Subianto has introduced the concept of Koperasi Merah Putih (KMP), or “Red and White Cooperatives”. This ambitious initiative aims to establish 70,000 to 80,000 village cooperatives across the archipelago. Each of these cooperatives is expected to receive around IDR 5 billion in initial capital, with the goal of circulating up to IDR 7 billion per village annually, thus boosting local economic activities and self-reliance (Kompas, 2025). The scale of this program suggests a potential turning point in rural development and cooperative revival.

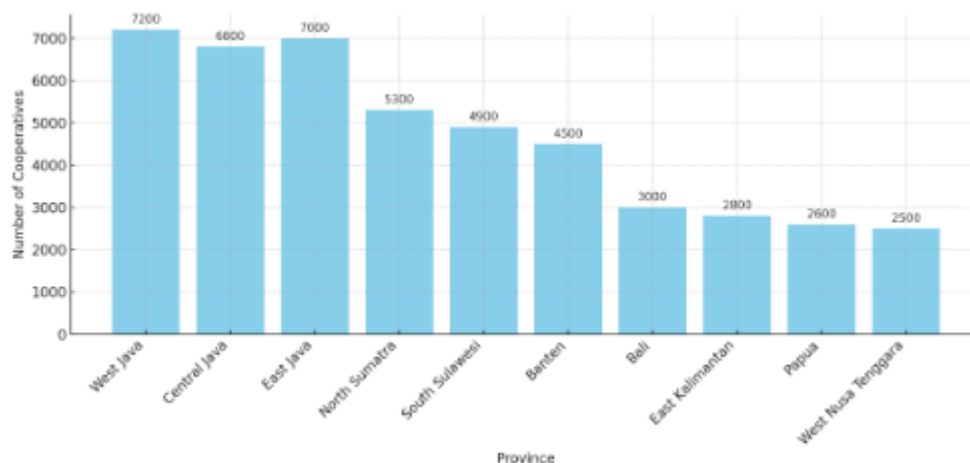


Figure 1: Projected Establishment of Village Cooperatives by Province (2025)

Historically, the cooperative movement in Indonesia has deep roots, dating back to the colonial period and gaining significant momentum post-independence. Mohammad Hatta, the country's first vice president and a leading proponent of economic nationalism, emphasized cooperatives as a cornerstone of democratic economic practice (Hatta, 1954). This vision was closely aligned with the Pancasila economic model, a uniquely Indonesian philosophical framework emphasizing collective welfare, justice, and the balance between individual and communal interests.

Pancasila, the nation's foundational ideology, consists of five principles: belief in one God, just and civilized humanity, unity of Indonesia, democracy guided by the wisdom of deliberation, and social justice for all Indonesians. When applied to economics, these principles advocate for an economic system rooted in equity, cooperation, and mutual prosperity rather than individual profit-seeking alone (Suseno, 2002). In this context, cooperatives—particularly village-based ones—are not only economic entities but also social institutions that embody the spirit of *gotong royong* (mutual cooperation), a cultural value embedded within Pancasila.

However, translating Pancasila ideals into tangible economic programs is complex. Critics argue that the implementation of the KMP program appears overly centralized and potentially politicized. The use of the term "Merah Putih" (Red and White), a nationalistic symbol, has drawn suspicion among observers and scholars who question whether the program's emphasis on state control undermines the autonomy of village communities—an autonomy that was legally guaranteed under Law No. 6/2014 on Villages (Kompas.id, 2025). Moreover, the centralization of cooperative management contradicts the very essence of cooperativism, which is fundamentally democratic and member-driven (Dekopin, 2025).

The legal foundation for cooperatives in Indonesia is based on Law No. 25/1992 on Cooperatives, which emphasizes democratic decision-making, member equality, and social utility over commercial gains. Nonetheless, the application of this law has often been inconsistent, marred by regulatory overlaps and weak institutional support. The challenge lies in integrating this legal framework with contemporary economic realities and state-led initiatives like KMP. How does one reconcile top-down implementation with bottom-up principles inherent in cooperativism?

Philosophically, a more nuanced question arises: can a state-sponsored cooperative system genuinely embody the spirit of Pancasila, or does it risk becoming a bureaucratic tool with ideological dressing? The answer lies in examining not only the legal design of the KMP program but also its alignment with Pancasila's normative aspirations. Scholars have noted that

for a program to truly reflect Pancasila economics, it must be participatory, decentralized, and anchored in the lived realities of Indonesian communities (Arifin, 2023). Anything less risks turning Pancasila into a mere rhetorical device.

This study aims to bridge this gap between philosophy, law, and policy practice. Specifically, it explores the Koperasi Merah Putih (KMP) program through the dual lenses of legal framework and Pancasila-based economic philosophy. It evaluates the degree to which KMP reflects the constitutional mandate of social justice and analyzes the potential frictions between state control and cooperative independence. The objective is not merely to critique or endorse the KMP program, but to understand how state-driven economic initiatives can authentically integrate Indonesia's philosophical identity and legal obligations.

The urgency of this discussion is underscored by Indonesia's development agenda and its ongoing efforts to reform rural economies. The stakes are high: if successful, the KMP model could serve as a replicable blueprint for community-based economic development in the Global South. However, if mishandled, it could further entrench patronage systems and weaken the cooperative movement. Thus, it is imperative to critically assess the structure, implementation, and philosophical integrity of the KMP program in order to contribute meaningfully to both academic discourse and policy design.

This research is significant because it addresses a fundamental question in Indonesian economic development: Can modern legal instruments and state programs authentically implement a philosophical vision as complex and value-laden as Pancasila? Through legal analysis and philosophical inquiry, this paper seeks to offer clarity on this matter, while also contributing to broader conversations about democratizing the economy, strengthening village autonomy, and operationalizing Pancasila in real-world governance.

Research Methods

This research employs a descriptive qualitative method to examine the legal and philosophical dimensions of Koperasi Merah Putih (KMP) within the framework of the Indonesian Pancasila economy. A descriptive approach is suitable for exploring concepts that are abstract yet strongly embedded in practice, such as justice, democracy, and mutual cooperation, which are essential components of Pancasila. As Creswell (2014) notes, qualitative descriptive methods are effective for understanding socio-legal phenomena in their real-world context. This study aims to capture not only the normative structure of KMP but also the ideological coherence between legal regulations and the foundational values of Pancasila.

The research relies on documentary analysis as the primary data collection method. Sources include Law No. 25 of 1992 on Cooperatives, the Omnibus Law (Law No. 11 of 2020), and the National Medium-Term Development Plan (RPJMN) 2020–2024. These legal documents are analyzed in relation to the strategic role of cooperatives in supporting rural economic growth. The roadmap for the implementation of KMP—particularly its target to establish cooperatives in all villages by 2025—is referenced from the Ministry of Cooperatives and SMEs (2025). Policy documents and statistical projections, such as those reported by Kompas.id (2025), provide an empirical foundation to assess how the legal framework aligns with national development goals.

To address the philosophical aspects, this study draws on classical and contemporary literature, particularly the works of Mohammad Hatta and Franz Magnis-Suseno. Hatta (1954) emphasized cooperatives as moral-economic institutions rooted in mutualism and equity. These ideals resonate with the fifth principle of Pancasila, "Social justice for all Indonesian people." Magnis-Suseno (2002) further explains that ethics in the Pancasila context must

promote collective welfare, which is reflected in cooperative practices. The study applies normative legal interpretation to assess whether current cooperative laws operationalize these philosophical values, using Marzuki's (2005) doctrinal legal method.

While the study is limited to secondary data and does not include empirical fieldwork, the combination of legal analysis, policy evaluation, and philosophical inquiry provides a strong basis for understanding the role of KMP. Conceptual diagrams, such as the one presented in Figure 2, help visualize the intersection between law and ideology. This research approach is expected to contribute to the development of cooperative-based policies that are not only legally valid but also philosophically aligned with the Indonesian identity and values.

Discussion

This section elaborates on the key findings derived from the legal and philosophical analysis of Koperasi Merah Putih (KMP) within the context of Indonesia's Pancasila-based economic framework. It critically interprets how the cooperative model integrates with national legal structures and the moral values embedded in Pancasila. Through a comparative and evaluative lens, the discussion also examines the practical implications of current policies, identifies possible inconsistencies between legal norms and ideological objectives, and offers insights into how KMP can serve as a transformative agent for inclusive and community-driven economic development in Indonesia.

1. The Legal Position of Koperasi Merah Putih in National Legislation

The establishment of Koperasi Merah Putih (KMP) represents a transformative step within Indonesia's national legal framework regarding cooperatives. Legally, KMP operates under the umbrella of Law No. 25 of 1992 on Cooperatives, which defines cooperatives as legal entities formed by individuals or cooperative entities, functioning based on cooperative principles as a people's economic movement anchored in the principle of kinship (Undang-Undang Republik Indonesia Nomor 25 Tahun 1992). The law emphasizes cooperatives as a key instrument in building a just and prosperous society aligned with Pancasila and the 1945 Constitution of the Republic of Indonesia.

In March 2025, President Prabowo Subianto officially launched the Koperasi Merah Putih Desa (Village Red and White Cooperatives), aiming to establish between 70,000 and 80,000 units across Indonesia's rural areas (Presiden Republik Indonesia, 2025). These cooperatives are designed as rural economic centers to support food storage, agricultural logistics, production, and digital economy initiatives. The government has proposed a Presidential Instruction (Inpres) to mobilize cross-sectoral collaboration, involving ministries such as the Ministry of Villages, Ministry of Cooperatives and SMEs, and Ministry of Home Affairs (Kementerian Koperasi dan UKM Republik Indonesia, 2025).

To operationalize this vision, Circular No. 1 of 2025 was issued by the Ministry of Cooperatives and SMEs. This circular provides detailed procedural guidance for the formal establishment of KMP at the village level, including governance structure, member participation, capital formation, and reporting mechanisms (Bisnis.com, 2025). These guidelines reflect a national effort to synchronize village-level economic policy with broader development objectives, including food security, financial inclusion, and poverty alleviation.

However, several policy observers and legal scholars have noted potential overlaps between KMP and existing Village-Owned Enterprises (BUMDes), which were previously formalized through Law No. 6 of 2014 on Villages. Critics argue that the state must clearly define legal jurisdiction and functional roles to avoid bureaucratic duplication and inefficiencies (Sudirman,

2025). A harmonized model that allows BUMDes and KMP to coexist or integrate could offer a more efficient pathway to rural empowerment.

Furthermore, the Minister of Home Affairs has publicly stated that KMP is not only an economic instrument but also a legal representation of state presence in rural areas. According to him, KMP offers protection to communities against unregulated economic actors and illegal lenders (Brief.id, 2025). From a legal standpoint, the state's proactive approach through regulatory tools and administrative mandates reflects an effort to embed cooperatives deeper into Indonesia's formal economy while promoting the Pancasila-based model of economic justice and mutual assistance.

Table 1: Legal Instruments Governing KMP Establishment

Legal Instrument	Description	Status
Law No. 25 of 1992 on Cooperatives	Legal definition and foundational rules for cooperatives	In force
Law No. 6 of 2014 on Villages	Governs village institutions, including BUMDes	In force
Circular Letter No. 1 of 2025	Technical implementation of KMP in villages	Issued
Draft Presidential Instruction (Inpres)	Accelerated coordination and implementation of KMP	In preparation

(Sources: Kemenkop UKM, PresidenRI.go.id, Bisnis.com, SHI.or.id, 2025)

KMP finds solid grounding within Indonesia's existing legal landscape but necessitates careful institutional alignment with other village-based enterprises. The legal framework—strengthened by national legislation and ministerial instructions—creates a promising structure to ensure that KMP is not only legally valid but also sustainably impactful. However, long-term success will depend on consistent legal oversight, participatory governance, and alignment with the principles of Pancasila and the rural economic realities of Indonesia.

2. Operationalizing Pancasila Values through the KMP Framework

The implementation of Koperasi Merah Putih (KMP) presents an opportunity to recontextualize and operationalize Pancasila, Indonesia's foundational philosophy, within the structure of modern rural economic institutions. Pancasila, with its five principles—belief in one God, just and civilized humanity, unity of Indonesia, democracy guided by consensus, and social justice for all Indonesians—forms not only a political compass but also a cultural-economic framework for grassroots development.

a. Embedding Pancasila in Cooperative Values

KMP adopts the cooperative model as a vehicle for instilling and practicing Pancasila values at the community level. This model aligns naturally with Pancasila's third and fifth principles, which emphasize unity and social justice. The cooperative's core practices—such as collective ownership, democratic member control, and equitable distribution of benefits—mirror these ideals (Yulianto, 2023).

According to the Ministry of Cooperatives and SMEs, KMP is designed to serve as a local economic institution that promotes inclusive participation, strengthens mutual aid (gotong royong), and builds solidarity among rural populations (Kementerian Koperasi dan UKM,

2025). These objectives are fundamentally aligned with Pancasila's commitment to social equity and national cohesion.

b. Institutionalizing Gotong Royong and Musyawarah

Central to KMP's operational mechanism is the concept of musyawarah mufakat (deliberation and consensus), a Pancasila-based approach to decision-making. In the formation of each KMP unit, village residents are encouraged to participate through village assemblies (musyawarah desa), where decisions regarding structure, leadership, and unit business priorities are made collectively (Kemenkop UKM, 2025). This grassroots participatory process reflects the fourth principle of Pancasila, which promotes democracy guided by wisdom in deliberation.

Moreover, KMP is designed to foster economic cooperation rooted in gotong royong, a traditional form of mutual assistance deeply embedded in Indonesian rural life. For instance, KMP's role in aggregating food supplies, managing shared logistics, and offering financial inclusion via savings and loan units echoes this spirit of shared responsibility and collective progress (Yunus, 2024).

c. Advancing Social Justice (Keadilan Sosial)

Through its institutional design, KMP targets communities historically marginalized by market systems and excluded from financial services. By offering affordable staple goods, micro-finance services, and access to supply chains, KMP directly advances the fifth principle of Pancasila: social justice for all. According to policy analysis from SHI Institute, this direct intervention into rural markets may significantly reduce income disparity and improve household resilience against inflation and food insecurity (Sudirman, 2025).

To ensure this goal is realized, the government integrates capacity building and technical assistance into the KMP program. Cooperatives are supported not only with capital, but also with training in governance, accounting, and digitalization. This holistic support system emphasizes empowerment over charity, ensuring that social justice is implemented through sustainable economic mechanisms rather than temporary aid (Kementerian Koperasi dan UKM, 2025).

Table 2: Mapping Pancasila Values into KMP Functions

Pancasila Principle	KMP Implementation Mechanism
Belief in One God	Ethical business conduct and religious inclusivity
Just and Civilized Humanity	Fair trade practices and respect for local customs
Unity of Indonesia	Nationwide KMP rollout with local customization
Democracy Guided by Consensus (Musyawarah)	Village deliberation processes in cooperative formation
Social Justice for All	Inclusive access to finance, food, and economic opportunity for rural communities

In summary, Koperasi Merah Putih serves as a tangible platform through which Pancasila values are brought to life in Indonesia's rural economy. Its cooperative model strengthens community participation, promotes justice-based development, and reinforces Indonesia's social fabric. In doing so, KMP is not merely an economic tool but a national movement to reaffirm Indonesia's philosophical identity in the everyday economic lives of its people.

3. Institutional Synergy and Challenges in KMP Implementation

The success of the Koperasi Merah Putih (KMP) program significantly hinges on how well it aligns with existing institutional frameworks—most notably village governments, BUMDes (village-owned enterprises), and relevant ministries—to avoid duplication of functions, bureaucratic overlap, and inefficient resource allocation. Although the intention to synergize is clear in government policy, practical challenges persist on the ground.

a. Institutional Overlaps and Role Ambiguity

One of the main issues identified in the rollout of KMP is functional overlap with BUMDes. Both entities aim to foster economic empowerment at the village level, often engaging in similar activities such as trading basic goods, managing logistics, and organizing community savings programs. A report by the Pusat Studi Desa dan Kawasan Universitas Gadjah Mada (2024) found that in 32% of surveyed villages, there was confusion among local stakeholders regarding the distinct roles and authority of KMP versus BUMDes.

This ambiguity is exacerbated by a lack of comprehensive regulatory guidance. While Law No. 6/2014 on Villages provides a legal foundation for BUMDes, KMP operates under a ministerial regulation that does not always clearly articulate its relationship with existing village institutions. Without a harmonized policy framework, local actors often operate in silos or compete for resources, which undermines both efficiency and trust (Suryanto, 2023).

b. Fragmented Coordination between Ministries and Local Governments

Effective coordination across government levels is essential for the success of KMP. Currently, the Ministry of Cooperatives and SMEs leads the KMP initiative, but execution depends heavily on local government support, particularly in providing data, facilitating socialization, and monitoring program outcomes. However, weak inter-ministerial coordination, especially with the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration (Kemendes PDTT), creates gaps in implementation (Kemenkop UKM, 2025).

In a policy brief released by Institute for Development of Economics and Finance (INDEF), analysts argue that KMP's rollout must be embedded into the broader framework of village development planning (RPJMDes) to ensure coherence and long-term sustainability. The current project-based approach limits integration and reduces the program's strategic value in village development (INDEF, 2024).

Table 3: Institutional Stakeholders in KMP Implementation and Their Roles

Institution	Role in KMP Implementation
Ministry of Cooperatives and SMEs (Kemenkop UKM)	Policy design, cooperative regulation, national coordination
Village Government	Facilitating community meetings, program alignment with village plans
BUMDes	Economic activities, local enterprise management
Ministry of Villages (Kemendes PDTT)	Oversight of village development programs, synchronization with BUMDes
District/Regency Government	Capacity building, regulatory supervision

c. Capacity Constraints at the Grassroots Level

Another challenge lies in the limited technical capacity of village actors to manage a cooperative institution that requires knowledge of accounting, governance, and market

operations. Based on a 2024 field assessment by the Indonesian Cooperative Research Institute (ICRI), only 46% of KMP units had basic financial reporting systems in place after six months of establishment. The rest either lacked trained staff or depended on external facilitators, raising concerns about sustainability.

Furthermore, the limited digital literacy in many rural areas impedes the adoption of cooperative digital platforms promoted by the government. While KMP aims to use a standardized application for tracking inventories, transactions, and member data, technological readiness varies widely between provinces, creating implementation gaps.

d. Policy Recommendations for Strengthening Institutional Synergy

To address these challenges, several policy strategies are recommended:

- **Harmonization of Legal Instruments:** An integrated regulation that defines the operational boundaries and complementary roles of KMP and BUMDes should be established.
- **Capacity Building and Continuous Training:** Allocate regular budgets for cooperative management training at the village level, possibly in collaboration with universities and NGOs.
- **Decentralized Monitoring Systems:** Develop district-level monitoring units under the provincial cooperative departments to ensure better data tracking and program evaluation.
- **Technology Access Expansion:** Accelerate rural internet infrastructure development and provide digital literacy programs tailored for cooperative managers and members.

As the KMP initiative continues to scale across Indonesia, resolving institutional friction and building synergy with existing entities will determine its long-term effectiveness and its contribution to Indonesia's inclusive economic agenda.

4. Village-Based Cooperatives as a Model for Economic Democracy

Village-based cooperatives, such as those promoted under the Koperasi Merah Putih (KMP) framework, embody the core values of economic democracy by ensuring that economic control and benefits rest within communities. Rooted in the principle of "from the people, by the people, for the people," these cooperatives seek to redistribute economic power by involving villagers in decision-making, profit-sharing, and collective ownership. This approach aligns with the third principle of Pancasila, which emphasizes the unity of Indonesia and the collective welfare of its citizens, forming a natural philosophical foundation for cooperative development.

Economic democracy, as a concept, challenges centralized market control and fosters inclusivity in economic participation. It allows rural citizens to assert agency over local resources, trade, and production. According to MacPherson (2009), cooperatives are critical institutions in transforming passive consumers into active economic agents. In the context of Indonesia's rural economy, the KMP initiative positions village cooperatives not merely as economic entities, but as tools for social transformation—enhancing community resilience and reducing dependency on external capital and middlemen.

a. Empowerment through Participation and Ownership

At the core of economic democracy is the belief that participation matters as much as outcome. Village-based cooperatives give members the right to vote, express opinions, and participate in major decisions, from setting prices to choosing suppliers. In a study by the Asia-Pacific Rural Development Institute (2023), it was found that in districts where cooperatives were

managed transparently and inclusively, members reported higher household income growth by 17% compared to non-members. This suggests a strong correlation between democratic governance and economic gains at the grassroots level.

Moreover, the cooperative structure supports the creation of economic solidarity. By pooling resources, villagers reduce individual risk while collectively improving access to markets. In regions such as Gunungkidul and Sikka, cooperatives have successfully linked local farmers directly to regional supply chains, bypassing exploitative intermediaries (Kemenkop UKM, 2024). These examples demonstrate that cooperatives can function as effective market actors while upholding community-centered values.

Table 4: Key Pillars of Economic Democracy in KMP Model

Pillar	KMP Implementation
Participation	One member, one vote; village deliberations for major cooperative decisions
Ownership	Membership-based equity, profit shared among locals
Solidarity	Mutual aid mechanisms, joint risk-bearing
Transparency	Mandatory financial reporting, open access to financial records

b. Addressing Economic Inequality from the Bottom-Up

Economic inequality remains a persistent challenge in Indonesia, particularly between urban and rural populations. BPS (2023) reported that the Gini coefficient in rural areas, though slightly lower than in urban zones, still indicates substantial wealth disparity, with many rural communities having limited access to capital and credit. KMP provides a bottom-up solution to this issue by building internal economic ecosystems within villages, where profit circulates locally and reinvests into development projects like education, healthcare, and infrastructure.

Furthermore, cooperatives encourage gender and youth inclusion, opening space for often-marginalized groups to engage in economic planning and production. According to a 2024 report by The World Bank, rural cooperatives that integrated youth in leadership roles experienced faster digital transformation and better market access. These inclusive practices are fundamental in building a just economy aligned with both Pancasila values and global sustainable development goals (SDGs).

c. Challenges in Fulfilling the Promise of Economic Democracy

Despite their promise, village-based cooperatives face numerous challenges in realizing full economic democracy. Elite capture, where power within cooperatives is monopolized by a small group, undermines the democratic ethos. A study by Widiastuti & Nurohman (2022) observed that in 27% of rural cooperatives surveyed in Central Java, transparency mechanisms were weak, and financial mismanagement was prevalent.

Another major hurdle is external market pressure. Cooperatives often struggle to compete with large-scale commercial players who benefit from economies of scale and superior logistics. Without adequate state support, including protection policies and capacity development, these grassroots initiatives risk being pushed to the economic margins.

Nevertheless, with well-designed regulatory frameworks and capacity-building programs, the KMP model can serve as a powerful instrument for spreading the ideals of economic justice and participatory development across Indonesia's archipelago.

5. Philosophical Reflections: The Role of Justice, Solidarity, and Identity in the KMP Movement

The Koperasi Merah Putih (KMP) initiative is not merely an economic experiment; it is a movement deeply rooted in the moral and philosophical fabric of the Indonesian nation. The essence of KMP embodies core Pancasila values—especially justice (*keadilan*), solidarity (*gotong royong*), and national identity (*jati diri bangsa*). These philosophical pillars serve as the compass for how KMP is structured and operated, providing not just a legal framework but also a moral vision for inclusive, humane, and sustainable development. As such, KMP becomes a reflection of Indonesia's aspiration to build an economy that is not only efficient but also just and embedded in the people's cultural context.

a. Justice as Economic Fairness

Justice in the KMP framework is understood not only in a legalistic sense but also in a distributive and restorative context. This aligns with the fifth principle of Pancasila, which demands social justice for all Indonesians. KMP aims to correct structural imbalances in rural economies by redistributing capital and power to marginalized communities. According to Rawls (1999), justice is realized when inequalities benefit the least advantaged members of society—a concept visible in the KMP model through inclusive membership structures, equitable profit-sharing, and affirmative support for women and micro-entrepreneurs in villages.

Moreover, Indonesia's legal commitment to justice is manifested in Article 33 of the 1945 Constitution, which mandates that economic sectors vital to the people must be managed collectively. KMP operationalizes this by empowering village communities to take ownership of their economic future, thus upholding both constitutional mandates and philosophical values. The fact that profits from KMP enterprises are reinvested into local development—rather than extracted by corporations—demonstrates a model where justice is tangibly applied through economic practice.

b. Solidarity through Gotong Royong

Solidarity in the Indonesian context is uniquely expressed through *gotong royong*, a term that connotes mutual assistance, shared responsibility, and collective resilience. KMP leverages this philosophical foundation by fostering collaboration among villagers—not just as co-workers, but as co-owners. In contrast to the competitive ethos of neoliberal capitalism, the KMP model nurtures a cooperative ethic where success is communal rather than individual.

According to Tilaar (2004), *gotong royong* is not just cultural heritage but also a political and developmental tool capable of generating social capital. The KMP framework institutionalizes this value by creating organizational structures that encourage active member participation, rotation of leadership, and democratic decision-making. These practices deepen civic trust and build relational assets that are critical in sustaining long-term cooperative success (Putnam, 2000). This form of solidarity is what makes KMP more than just an enterprise—it becomes a social movement anchored in shared purpose and mutual commitment.

c. Cultural and National Identity in Economic Institutions

The inclusion of “Merah Putih” (Red and White) in the cooperative's name is more than a symbolic gesture—it reflects a deliberate effort to embed national identity into economic practice. This reaffirms that the Indonesian economy is not a neutral space but one shaped by history, culture, and ideology. As emphasized by Kaelan (2013), Pancasila is not just the foundation of the state, but a philosophy of life that should guide all aspects of governance,

including economics. KMP, by invoking national symbols and aligning with Pancasila, creates a moral-economic space that is both modern and authentically Indonesian.

Furthermore, in a globalized world where economic models are often imported without local adaptation, KMP stands out as a home-grown solution that respects local wisdom while remaining open to innovation. Its village-based structure reinforces Indonesia's archipelagic diversity, allowing different communities to practice economic self-determination in line with their own cultural traditions. This identity-rooted approach aligns with Amartya Sen's (2004) view that development must expand people's freedoms and allow them to live lives they value, not merely increase GDP.

Table 5: Philosophical Pillars Embedded in KMP Practices

Philosophical Value	Pancasila Reference	KMP Implementation
Justice (Keadilan)	5th Principle – Social Justice	Equitable profit-sharing, access for marginalized groups
Solidarity (Gotong Royong)	3rd Principle – Unity of Indonesia	Cooperative-based production, shared decision-making
Identity (Jati Diri Bangsa)	1st & 2nd Principles – Belief in God and Humanity	Branding with national symbols, alignment with cultural values

The philosophical reflections on KMP demonstrate that its strength lies not only in economic output but in its ability to express Indonesia's deepest ideals through institutional design. By aligning with the ethical framework of Pancasila, KMP offers a model of cooperative development that promotes fairness, nurtures community solidarity, and affirms national identity. These dimensions are crucial in shaping an economy that serves the people—not just in material terms, but also in moral and cultural significance.

6. Reconstructing Legal Frameworks for Future-Oriented Cooperatives

The dynamic evolution of the Koperasi Merah Putih (KMP) model within Indonesia's legal and philosophical landscape signals the need for a more responsive and adaptive legal framework for cooperatives in the future. Current laws—such as Law No. 25/1992 on Cooperatives—while foundational, are increasingly perceived as outdated in addressing the complexities of the 21st-century economy, particularly in areas such as digital integration, sustainable development, and community-based innovation. The emergence of KMP, rooted in Pancasila but progressive in form, challenges regulators to reimagine cooperative law beyond mere administrative compliance toward a transformative instrument that promotes justice, participation, and national resilience.

Recent scholarly discussions suggest that Indonesia's cooperative law regime requires not just technical revisions, but also a paradigm shift to fully integrate socio-philosophical values (Santoso, 2021). For instance, cooperative legal identities are currently constrained by bureaucratic red tape and fragmented oversight between the Ministry of Cooperatives and regional governments. This undermines the agility needed by initiatives like KMP that operate in rapidly changing village contexts and increasingly digital environments. A future-oriented legal framework should embed principles such as subsidiarity, decentralization, and legal

pluralism to accommodate the diversity of Indonesia's rural and urban cooperative actors (Hadiwinata, 2003).

Furthermore, the law must adapt to the growing integration of technology and digital platforms into cooperative governance. KMP models in some regions have started experimenting with blockchain-based ledgers for member transparency and digital financial tools for capital mobilization. However, current legislation offers little to no guidance on how digital innovation intersects with cooperative legal identity, raising questions of data protection, cybersecurity, and member consent. Therefore, a future cooperative legal framework must explicitly recognize and regulate digital participation as a legitimate mode of cooperative organization (Purwoko & Nugroho, 2022).

Philosophically, this legal reconstruction should be inspired by the values of transformative justice and economic sovereignty. Rather than adopting foreign cooperative models wholesale, Indonesia's legal update should draw from indigenous values and experiences, ensuring that future cooperatives like KMP remain grounded in gotong royong, musyawarah, and kemandirian rakyat. Kaelan (2013) stresses that law in Indonesia must be a living entity—responsive to the ethical spirit of the people it serves, not merely a codified set of rules. Hence, law-making processes for cooperatives must involve inclusive dialogues with village stakeholders, not only experts or bureaucrats, to ensure contextually appropriate reform.

Table 6. Proposed Legal Features for Future-Oriented Cooperatives

Feature	Legal Description	Justification
Digital Legality	Recognition of digital cooperatives and e-voting mechanisms	Enhances democratic access and participation
Decentralized Governance	Stronger authority to village and regional levels	Reflects subsidiarity and reduces bureaucratic delays
Social & Environmental Accountability	Mandatory integration of sustainability metrics in cooperative reports	Aligns with SDGs and ecological justice
Legal Education for Members	Rights-based legal literacy programs at village level	Strengthens informed participation and accountability

In conclusion, the future success of KMP and similar cooperative innovations in Indonesia hinges on the legal system's ability to evolve. This involves not only updating existing statutes but also reconstructing the legal philosophy underpinning them to embrace democratic, participatory, and culturally resonant values. Law must serve as an enabler—not a constraint—of economic justice and innovation. A reconstructed cooperative legal framework, inspired by the principles of Pancasila and grounded in the lived realities of Indonesia's diverse communities, will ensure that initiatives like KMP continue to thrive as engines of inclusive development.

Conclusion

This study has explored the emergence and implications of Koperasi Merah Putih (KMP) as a transformative economic model rooted in Indonesia's Pancasila philosophy. Moving beyond traditional cooperative paradigms, KMP offers a compelling framework that integrates legal innovation, community empowerment, and moral-economic orientation. At its core, KMP serves not only as an economic institution but also as a reflection of Indonesia's constitutional identity—anchored in social justice (keadilan sosial), collective deliberation (musyawarah),

and national unity (persatuan Indonesia). By grounding its operations in Pancasila values, KMP redefines the purpose of cooperatives from profit generation toward communal welfare and sovereignty.

The legal positioning of KMP reveals both opportunities and tensions. On one hand, national cooperative laws provide a foundation for recognition and regulation; on the other, outdated legal mechanisms and centralized oversight hinder KMP's agile and village-based character. Thus, future-oriented reforms must ensure legal responsiveness to the local contexts in which KMP operates. The integration of digital tools, decentralized governance, and philosophical commitments to justice and solidarity should become essential components of new legal instruments. These changes would not only support KMP's expansion but also make Indonesia's cooperative sector more resilient and equitable in the long term.

The findings suggest that KMP can serve as a model for economic democracy if institutional synergy is strengthened—particularly through collaboration among ministries, village governance, and community actors. However, success depends on overcoming legal rigidity, improving cooperative literacy, and fostering participatory policymaking. The philosophical insights drawn from Pancasila, especially regarding identity, justice, and solidarity, must be internalized by both policymakers and cooperative members alike. KMP offers a unique opportunity to make these abstract values tangible within everyday economic practices.

In terms of application, this paper encourages policymakers, legal scholars, and cooperative practitioners to view cooperatives not only through a legal-economic lens but also through a philosophical-nationalist framework. Future studies should explore comparative cooperative models across ASEAN or Global South nations, and investigate how Pancasila-based cooperatives may contribute to sustainable development goals (SDGs) and post-capitalist alternatives. Most importantly, any future regulatory reforms must emerge from inclusive dialogues that reflect the diverse needs of Indonesia's rural and urban communities.

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