

Government Policy in the Management of Red and White Cooperatives in the Msme Field to Support Economic Growth and National Food Security

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ABSTRACT

This research analyzes government policies that regulate the management of the Red and White Cooperative (Red and White Village Cooperative) as an institutional instrument for empowering MSMEs and their contribution to economic growth and national food security. The approach used is normative legal research with analysis of statutory regulations, government policy documents, academic texts on the Cooperative Bill, as well as a review of the latest literature (2020–2025). Research findings show that administrative regulations and policies (including Ministerial Regulations, presidential instructions, and the currently harmonized Cooperative Bill) provide the legal framework for the Red and White Cooperative initiative, but implementation faces obstacles in governance, financing, cooperative human resource capacity, and food supply chain integration. Recommendations include affirming cooperative governance norms in the bill, clear and inclusive financing mechanisms, institutional digitalization and capacitation, as well as cross-ministerial synergy to link cooperatives-MSMEs with national food security programs

INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy – making a large contribution to GDP and absorbing massive workforce. Cooperatives, as collective economic institutions, have the potential to become a forum for organizing MSMEs to increase access to capital, markets and production capacity. In recent years, the government has encouraged the renewal and strengthening of village cooperatives through a popular initiative called the Red and White (Village) Cooperative, intended to strengthen the village economy, expand market networks, and support the distribution of basic materials and agricultural inputs for food security. The legal framework governing cooperatives – starting from the 1945 Constitution (Article 33), the Cooperative Law, to Ministerial Regulations and presidential instructions – is the normative basis for this initiative. However, the implementation process presents challenges: governance, transparency, financing practices, cooperative managerial capabilities, as well as coordination between state institutions. This normative research aims to examine the legal and policy position to ensure that the Red and White Cooperative is effective as a driver of MSMEs and a supporter of food security.

The role of Micro, Small and Medium Enterprises (MSMEs) in the structure of the Indonesian economy cannot be ignored. MSMEs absorb the majority of the workforce, are a source of productivity at the local level, and contribute significantly to the national Gross Domestic Product (GDP). Strengthening MSMEs through institutional instruments such as cooperatives is one of the strategic approaches implemented by the government to ensure inclusive and sustainable economic growth. Within this framework, the Red and White Cooperative initiative emerged as a program aimed at strengthening village/sub-district economic capacity, empowering MSME actors, and supporting national food security through synergies in community-based food production, distribution and marketing.

a. The Urgency of Strengthening Cooperatives as a Forum for MSMEs

Cooperatives have unique characteristics that differentiate them from other business entities, namely the principle of membership, economic democracy, and the goal of shared prosperity. The functions of cooperatives which include providing access to financing, managing collective marketing, and establishing business networks make them suitable as platforms for MSMEs to "move up". Apart from that, cooperatives can be an instrument for organizing the local food commodity value chain so that it has an impact on supply stability and price affordability at the community level. Strengthening cooperatives through government policies enables the provision of technical facilities, financing, training and incentives that encourage the professionalization of cooperative management and the ability of MSMEs to utilize digital technology.

b. Red and White Cooperative: Concept and Goals

The Red and White Cooperative is designed as a village/sub-district cooperative that is able to integrate various micro business units in its area – from basic food outlets, savings and loan units, to cold storage and logistics facilities – to support local food supply chains and strengthen market access for MSMEs. The main objectives of this initiative include:

1. Increase the income of MSME members through organized market access and joint marketing.
2. Increasing local food security through efficient distribution, storage and processing of food commodities.
3. Strengthen the institutional capacity of cooperatives so that they function as professional and transparent economic service centers.
4. Encourage the adoption of digitalization in cooperative management to improve accountability, reporting and market connectivity.

c. Relevant Government Policies

The policies that underlie the management of cooperatives and the development of MSMEs in Indonesia include formal regulations and technical programs. Some of the main legal and policy umbrellas include the Cooperative Law which provides the legal basis for the existence of cooperatives as member-based business entities, as well as regulations on MSMEs which emphasize the government's role in facilitating financing, training and marketing. In addition, strategic programs of ministries/institutions and efforts to sharpen policies at the regional level support the successful implementation of the Red and White Cooperative.

d. The Role of the Red and White Cooperative in Encouraging Economic Growth

The Red and White Cooperative can contribute to economic growth through several mechanisms:

1. Economies of scale: By consolidating demand and marketing, cooperatives can reduce transaction costs for MSMEs while increasing the bargaining power of local products.
2. Access to finance: Cooperative savings and loan units provide a more accessible and suitable financing alternative for micro businesses compared to formal financial institutions which often impose strict requirements.
3. Human resource development: Training and mentoring activities improve the managerial and technical competence of MSME players so that they are able to develop more quickly.
4. Strengthening the local ecosystem: Cooperatives as local economic hubs open up opportunities for collaboration between business actors, synergy with local governments, and integration with regional supply chains.

e. Contribution to National Food Security

In the context of food security, the role of the Red and White Cooperative can be seen in several aspects:

1. **Availability:** Cooperatives can help coordinate local production, storage and distribution thereby reducing supply fluctuations that often occur due to fragmentation of food processing businesses.
2. **Affordability:** Through distribution efficiency and fair price settings, cooperatives help maintain food affordability for vulnerable groups.
3. **Quality and sustainability:** Cooperatives can facilitate the implementation of sustainable agricultural practices, hygienic processing, and storage that maintains product quality.
4. **Distribution network resilience:** In times of national or global supply chain disruption, local cooperative networks can function as a more resilient alternative distribution source.

f. Implementation Challenges

Despite its great potential, the implementation of the Red and White Cooperative faces a number of challenges:

1. **Institutional capacity:** Many cooperatives still do not have professional management, transparent governance, or adequate recording systems.
2. **Limited access to financing:** Even though there are savings and loan units, limited capital scale is often an obstacle to business expansion.
3. **Market competency:** MSME players need continuous support to improve product quality, certification and wider market penetration.
4. **Policy coordination:** Synergy between levels of government (central-regional) and between institutions is important so that this program does not run partially.
5. **Infrastructure:** Infrastructure limitations—including cold storage, road access, and digitalization—affect cooperatives' ability to manage food supply chains effectively.

g. Strengthening Strategy

To overcome these challenges and increase the effectiveness of the Red and White Cooperative, several strategies that can be taken include:

1. **Increasing managerial capacity:** Continuous training for cooperative administrators and members regarding financial management, marketing and governance.
2. **Structured financing facilitation:** A blended finance financing scheme involving the government, financial institutions and the private sector to increase cooperative business capital.
3. **Digitization of services:** Implementation of cooperative information systems (membership, transactions, reports) to increase transparency and digital market access.
4. **Strategic partnerships:** Building partnerships with market players, food processors and distributors to strengthen market access.
5. **Strengthening its position in regional policy:** Including the Red and White Cooperative in regional work plans as a priority program to ensure budget and regulatory support.

LITERATURE REVIEW

Presents a summary of theoretical and empirical studies relevant to government policy in managing the Red and White Cooperative – a village/sub-district cooperative initiative designed to strengthen MSMEs and national food security. The objectives of the literature review are (a) to place these initiatives within the conceptual framework of cooperatives and MSME empowerment; (b) review empirical evidence on the role of cooperatives in economic growth and ensuring food availability; (c) reviewing studies on cooperative digitalization, microfinancing, and institutional governance; and (d) identifying relevant research gaps for further policy studies.

1. Conceptual Framework

Cooperatives as a Community Economic Instrument

Classical literature on cooperatives places them as a member-oriented form of economic organization, based on the principles of economic democracy, solidarity and the goal of shared prosperity. These principles form the theoretical basis for the role of cooperatives in local economic development, including increasing market access, community-based financing, and production-commercialization coordination. Economic studies of cooperatives emphasize the ability of cooperatives to reduce transaction costs, increase access to market information for members, and form collective bargaining power over buyers or suppliers.

2. The Role of Cooperatives in Empowering Msmes

Empirical evidence in the context of Indonesia and other developing countries shows that cooperatives can play a significant role in empowering MSMEs. Cooperatives provide important services such as savings and loans, collective purchasing of raw materials, joint marketing access, and managerial training. Case studies of agribusiness cooperatives during periods of food self-sufficiency in the previous century show that cooperative involvement in agricultural input management, storage facilities, and marketing helped stabilize supplies and prices at the local level.

3. Cooperatives and Food Security

The concept of food security involves four pillars: availability, access, utilization, and stability. The literature shows that cooperatives, especially agribusiness-based ones, have the potential to strengthen these pillars through production coordination, storage facilities (e.g. cold storage), joint purchasing schemes, and local distribution channels that reduce dependence on long supply chains. A cooperative approach in building local distribution networks and collective marketing can increase the reliability of food supplies at the community level and reduce price volatility that harms vulnerable consumers.

4. Public Policy: Legal Basis and Implementation Program

The legal basis for cooperatives in Indonesia is regulated by Law Number 25 of 1992 concerning Cooperatives, while the policy for empowering MSMEs is regulated by Law Number 20 of 2008 concerning MSMEs. These two legal frameworks provide legitimacy and obligations for the government to facilitate financing, development and market access for cooperatives and MSMEs. In addition, the latest executive policy encouraging the formation of the Red and White Cooperative is complemented by presidential instructions and an acceleration program aimed at forming tens of thousands of village cooperatives as local economic service units.

5. Digitalization of Cooperatives: Opportunities and Obstacles

Digital transformation in cooperatives has become an important part of contemporary literature. Digitalization of cooperative services (members, transactions, digital market access) can increase efficiency, transparency and marketing capacity of cooperative members to wider platforms. However, the literature also notes obstacles such as the digital literacy capacity of members, internet infrastructure in rural areas, as well as the need for technical training for cooperative administrators so that digital adaptation can be effective.

6. Microfinance and Blended Finance Model for Cooperatives

One element that is often discussed is how to overcome cooperative capital limitations. The policy literature highlights financing models such as blended finance schemes—a combination of government funds, formal financial institutions, and private investment—as well as strengthening cooperative savings and loan units as a source of internal capital. Empirical research comparing the achievements of cooperatives that receive structured financing support with those that do not, shows significant differences in market expansion capacity and business sustainability.

7. Cooperative Governance and Management Professionalization

Institutional failure is often the cause of the low performance of some cooperatives. Cooperative management literature emphasizes the importance of good governance—accountability, transparency, internal control, and professionalization of management—to build member trust and improve cooperative business performance. Training programs, administrator certification, and institutional audits are some of the interventions recommended by the policy study.

8. Local Economic Impact: Empirical Evidence

Field studies in several Indonesian provinces and other countries show the positive impact of cooperatives on member household incomes, local job creation, and improved market access. However, the literature also shows the heterogeneity of impacts—depending on factors such as cooperative size, business sector (agriculture, trade, services), management quality, and regional policy support.

9. Socio-Political Challenges and Policy Coordination

The Red and White Cooperative is political because it is linked to the people's economic agenda; therefore, the literature on political economy warns of the potential risks of institutional politicization and the need to maintain the operational independence of cooperatives. In addition, coordination between government agencies and between central-regional levels is a key factor for the successful implementation of large programs involving the formation of thousands of cooperative units.

10. Research Gaps and Recommendation Directions

From the literature review there are several relevant gaps:

1. Medium and long term evaluation of the effectiveness of the Red and White Cooperative – especially its impact on food security indicators at the district/city level.
2. The most effective innovative financing model for strengthening village cooperative capital without creating subsidy dependency.
3. Comparative study of cooperative digitalization adoption in various village contexts (including infrastructure and digital literacy levels).

METHODOLOGY

This research is normative legal research. The approaches used: statute approach (analysis of statutory regulations), conceptual approach (legal and institutional concepts of cooperatives), and case approach (study of policy documents related to the Red and White Cooperative).

Sources and Techniques for Collecting Legal Materials

1. Primary legal materials: UUD 1945, Cooperatives Law (No. 25/1992) and related regulations, Minister of Cooperatives Regulation (eg Permenkop No. 9/2020 concerning Supervision of Cooperatives), academic text of the Cooperatives Bill (2023).
2. Secondary legal materials: scientific articles, official reports from the Ministry of Cooperatives and SMEs, BPS, World Bank publications and related studies (2020–2025).

Analysis Techniques

1. Normative-qualitative analysis: interpreting norms, evaluating norm-implementation correlations, and formulating policy recommendations based on the principles of justice, legal certainty and economic efficiency.

RESULTS AND DISCUSSION

1. Increasing the role of MSMEs through the Red and White Cooperative

The Red and White Cooperative is a strategic forum for the development of MSMEs in facing global competition. Through government policies aimed at strengthening institutional capacity, This cooperative has succeeded in providing services in the form of access to cheap financing, marketing facilitation and business assistance. This shows that the government not only plays a role as a regulator, but also as a facilitator of people's economic development. The digitalization of cooperatives, which is strengthened through online platforms, makes it easier for MSMEs to enter national and international markets. With proactive policies, cooperative member MSMEs experience increased productivity. Access to low-interest financing allows them to expand their business, while consolidating raw material purchases and joint distribution reduces production costs. As a result, the competitiveness of MSMEs has increased significantly, especially in the agricultural, food and creative industry sectors.

2. Contribution to Local Economic Growth

The government emphasizes the role of cooperatives as drivers of the local economy. Through the Red and White Cooperative, a collective business ecosystem is formed that strengthens the value chain from upstream to downstream. The consolidation of micro businesses into cooperatives helps increase productivity and operational efficiency, which directly contributes to regional economic growth. Apart from that, cooperatives also open up new job opportunities. Each cooperative business unit is able to absorb local workers, both in the production and distribution sectors. Based on data from the Central Statistics Agency, an increase in the number of productive cooperatives is correlated with a decrease in unemployment rates in several regions. Thus, cooperatives not only function as economic institutions, but also as social instruments that improve community welfare.

3. Strategic Role in National Food Security

Food security is a strategic issue that receives serious attention from the government. The Red and White Cooperative plays an important role in maintaining food availability and distribution through a collectively managed logistics network. The function of cooperatives is to absorb farmers' harvests at fair prices to prevent middleman practices, while ensuring the sustainability of food production at the farmer level. Apart from that, cooperatives also support food diversification by facilitating innovation in processed products. This increases the added value of products while expanding people's access to nutritious and affordable food. With an efficient storage and distribution system, cooperatives have become a bulwark in facing food price fluctuations due to the global crisis.

4. Digitization and Modernization of Governance

One of the important achievements in managing the Red and White Cooperative is the implementation of digitalization. The government encourages cooperatives to use digital membership applications, cooperative e-marketplaces, and technology-based transaction recording. Governance transparency increases, because every member can access financial information openly. This strengthens the principles of economic democracy which are the spirit of cooperatives. However, digitalization also faces obstacles in the form of low digital literacy among members. Many MSMEs are still unfamiliar with online systems, so the government needs to hold a sustainable digital literacy program. Apart from that, improving internet infrastructure in the regions is also an urgent need so that all cooperatives can be well connected.

5. Challenges and Obstacles to Implementation

Even though it has bright prospects, the implementation of this policy is not free from obstacles. Some of the challenges faced include:

- Limited infrastructure in rural areas which hampers the distribution and digitalization process.
- Weak managerial capacity of cooperative administrators, so that management is not optimal.
- Coordination between government agencies is not yet in sync, causing the cooperative empowerment program to run partially.
- Risk of politicization of cooperatives, which can reduce the independence of cooperatives in carrying out their role as economic institutions.

These challenges require strengthening regulations and professional governance of cooperatives, while still upholding the principles of economic democracy and togetherness. Apart from that, cooperatives also play a role in alleviating poverty. With inclusive access to capital, poor community groups can start productive businesses, resulting in increased economic mobility.

6. Economic and Social Impact

Government policies in managing the Red and White Cooperative have a significant impact not only on the economic sector, but also on the social sector. From an economic perspective, cooperatives increase people's purchasing power through job creation and increasing members' income. From a social perspective, cooperatives strengthen solidarity and togetherness, because the profits obtained are distributed back to members through a profit sharing system. Apart from that, cooperatives also play a role in alleviating poverty. With inclusive access to capital, poor community groups can start productive businesses, resulting in increased economic mobility.

7. Recommendations for Strengthening Policy

To make this policy more effective, there are several recommendations for strengthening, namely:

1. Strengthening cooperative management through training and certification of management.
2. Innovative financing schemes, such as blended finance, involving the government, private sector and financial institutions.
3. Accelerate the digitalization of cooperatives, with digital literacy training for members in all regions.
4. Integration of central and regional policies, so that cooperative programs are in line with national medium-term development plans.
5. Data-based monitoring and evaluation mechanisms, to ensure transparency and accountability in policy implementation.

CONCLUSIONS

Based on the results of research and discussion, it can be concluded that policy

1. The government in managing the Red and White Cooperative in the MSME sector makes a strategic contribution to national economic development and strengthening food security. The Red and White Cooperative is an important instrument in increasing access to financing, expanding marketing networks, and strengthening the bargaining position of MSMEs in facing global market dynamics. With support regulation, digitalization, and strengthening managerial capacity, cooperatives are able to create an inclusive and sustainable economic ecosystem.
2. The existence of the Red and White Cooperative plays a role as a pillar in food security through more even distribution of food, absorption of farmers' production at reasonable prices, and diversification of food products. This shows that cooperatives not only function as economic institutions, but also as support for the social stability of society. Even though there are obstacles such as low digital literacy and limited infrastructure, government policies have provided a strong foundation for strengthening cooperatives in the future.

RECOMMENDATIONS

To strengthen the effectiveness of government policies in managing the Red and White Cooperative, several suggestions that can be put forward are:

1. Strengthening Managerial Capacity and Human Resources The government needs action organizing ongoing training programs for cooperative administrators and members, especially in aspects of management, entrepreneurship and digitalization
2. Integration of Central and Regional Policies. Synergy between the central and regional governments is very important so that cooperative policies are in line with national and regional medium-term development plans.

This will strengthen the cooperative's position as a strategic partner for local economic development.

Limitations

1. Limitations of Empirical Data

The data used in this research mostly comes from government reports, academic journals and official publications. Access to primary data, such as cooperative financial reports or direct interviews with members, is still limited. This can influence the level of depth of analysis regarding policy effectiveness in the field.

2. Regulatory and Policy Dynamics

Policies regarding cooperatives and MSMEs continue to change in line with national and global economic dynamics. This research focuses on regulations and policies that apply in a certain period, so there is a possibility that their relevance will change in the future.

3. Social and Cultural Aspects

Another limitation lies in the lack of exploration of social and cultural aspects that influence the success of cooperatives. Factors such as community trust, local solidarity and traditional values have not been fully explored in this research, even though these things have a big influence on policy effectiveness.

FURTHER STUDY

This research still has limitations so further research is needed on the topic of Government Policy in the Management of Red and White Cooperatives to perfect this research and increase insight for readers and writers.

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