



## The Relationships between the State, the Elite, and the Village in the Establishment of Merah Putih Village Cooperative

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**KEYWORDS:** village cooperative, state relation, local elite, elite capture, political economy, village governance.

**ABSTRACT:** Normatively, village cooperative is positioned as an instrument for empowering the community and strengthening the local economy. However, in practice, the establishment of a cooperative is often inseparable from the intervention of state actors and the dominance of local and/or supralocal elites. This qualitative study employed a case study design to analyze the relationships between the state, the elite, and the village community in the establishment of Merah Putih Village Cooperative as part of village-based economic development policy. Data were collected from in-depth interviews, observations, and document analyses. The analytical framework adopts the perspective of political economy and the concept of elite capture to examine power dynamics in the policy-making process. The results show that the state-elite-village relations in the establishment of Merah Putih Village Cooperative tend to be top-down, with state actors dominating the initiation and institutional development processes. Meanwhile, local elites serve as mediators and actors who can potentially shape policies in line with their interests. Village community participation in this process is relatively limited and rather symbolic. This condition indicates a tendency toward elite capture, which weakens the principles of economic democracy within cooperatives. In conclusion, the establishment of Merah Putih Village Cooperative has not fully reflected the values of cooperatives as a means of community economic movement, but rather demonstrates a power configuration between the state and the elite that potentially distorts the objectives of village empowerment. Thus, a more participatory, transparent, and accountable institutional design is essential to ensure that the established cooperatives truly serve as a tool to foster the well-being of the village community.

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### INTRODUCTION

A cooperative is normatively positioned as a key instrument for promoting economic democracy and community well-being, particularly in rural areas. In the Indonesian context, Article 33 of the 1945 Constitution constitutionally mandates that the economy is organized as a collective endeavor based on the principle of kinship. Within this framework, a cooperative is an ideal representation of a people-centered economic system that regards the community as the main subject of development. However, in practice, it does not always operate in line with this ideal; instead, its function often shifts to serving as an administrative and political tool heavily influenced by the interests of the state and the elites (Birchall, n.d.; Chambo, 2009).

The establishment of Merah Putih Village Cooperative (*Koperasi Desa Merah Putih/KDMP*), initiated by President Prabowo Subiyanto, is part of government strategies to strengthen the village economy and encourage local self-reliance. This program is normatively directed toward increasing village community participation in productive economic activities and improving access to economic resources (Muhammad, Suswaini, et al., 2025). From the perspective of community-based development, the village cooperative should serve as a collective platform that is both inclusive and participatory (Mansuri & Rao, 2013). However, in practice, the implementation of village-based policies often faces various structural and relational issues.



Figure 1. One of KDMP outlets.

Source: Presentation Materials from the Ministry of Cooperatives of the Republic of Indonesia, 2025

In this regard, several central issues also arise in the establishment of Merah Putih Village Cooperative, thus underscoring the importance of this study.

First, there is a tendency toward **state dominance in the establishment of cooperative institutions**, making the process more top-down than participatory. The state acts not only as a facilitator but also as an actor dominantly determining the direction and institutional design, and even as the initiator of its establishment.

Second, there are indications of a **strong role played by the elite—both at the national and local levels—in mediating and controlling policies**, potentially leading to elite capture. National elites have access to information, power structures, and resources, while local elites can influence the decision-making process at the village level.

Third, **village community participation is substantively limited**, where community involvement often reflects administrative formalities. This results in the cooperative not fully representing villagers' collective interests.

Fourth, there is a **tension between the cooperative's normative goal as an empowerment tool and the actual implementation that tends to be elitist and instrumentalist**. This condition potentially blurs the cooperative's role as a democracy-based, people-centered economic institution.

These issues highlight that the establishment of Merah Putih Village Cooperative cannot be understood merely as a technocratic process; it is also an arena for complex power relations between the state, the elite, and the village community.

Several studies in the literature have reported that failure or distortion in community-based development programs is often linked to unbalanced power relations. Mansuri and Rao (2013), for instance, emphasize that a community-driven development program does not automatically translate into meaningful participation, particularly in cases of power imbalance at the local level.

The concept of elite capture serves as a key framework in explaining this phenomenon. Previous studies have shown that decentralization and community-based development often allow the local elites to control public resources (Azfar et al., 2006; Bardhan & Mookherjee, 2006; Platteau, 2004; Platteau, 2022). In this context, the elites act not only as local actors but also as agents that represent broader interests.

Furthermore, the perspective of political economy underscores that public policies are the result of interaction and contestation among various actors with diverse interests (Leftwich, 1995). In the policy-making process, the state is not always neutral; it can be an actor with certain preferences and interests. State intervention on a large scale often ignores local complexity and results in implementation failure (J. C. Scott, 1998).

In the Indonesian context, decentralization does not necessarily remove elite dominance; rather, it reproduces elite power on a local scale (Hadiz, 2010; Hadiz & Robison, 1998). This supports the argument that the relationship between the state and the local elites becomes a key factor in determining the direction of village development policies.

Despite existing studies on this topic, those specifically examining **the relationships between the state, the elite, and the village community in the establishment of Merah Putih Village Cooperative** remain very limited. Most studies have focused more on the cooperative's performance and institutional aspects, without thoroughly investigating the underlying power dynamics. Therefore, this study attempts to fill a gap in the literature by integrating the political economy and elite capture perspectives into the analysis of village cooperative establishment.

Based on the aforementioned problems and literature review, this study aims to:

1. **Analyze the role of the state** in the process of establishing Merah Putih Village Cooperative, particularly in terms of policy design and institutional implementation.

2. **Identify the role and influence of local elites** in the process of establishing village cooperatives, including the potential for elite capture.
3. **Examine the level and quality of village community participation** in the process of cooperative establishment.
4. **Explain the dynamics of power relations between the state, the elite, and the village community** from the perspective of political economy.

The findings of this study are expected to contribute theoretically to the development of studies in public administration and village development, as well as practically to the formulation of more participatory, inclusive, and community-oriented cooperative policies.

## METHODOLOGY

This **qualitative** study employed a **case study** design to gain a deep understanding of the dynamics of the state-elite-village relations in the establishment of Merah Putih Village Cooperative (*Koperasi Desa Merah Putih/KDMP*). This approach was adopted to capture social processes, power relations, and the meanings constructed by the actors in the context of policy-making (Abdillah et al., 2025; Creswell, n.d.).

This study is **descriptive-analytical**, focusing on examining the processes and patterns of power relations in establishing KDMP. The qualitative approach enables the in-depth exploration of elite capture and state intervention phenomena contextually in a village community setting.

The study was conducted on the cases of **Merah Putih Village Cooperative** establishments in several areas of Bantul Regency and Gunungkidul Regency, Special Region of Yogyakarta, which serve as the locus of program implementation. Research location was selected **purposively**, considering:

1. Villages that have established a cooperative within the framework of the program,
2. Significant involvement of state actors and national and local elites,
3. Availability of data and informants.

This study focused on three primary aspects: (1) the role of the state in the establishment of KDMP, (2) the role of national and local elites in the policy-making process and policy implementation, and (3) village community participation.

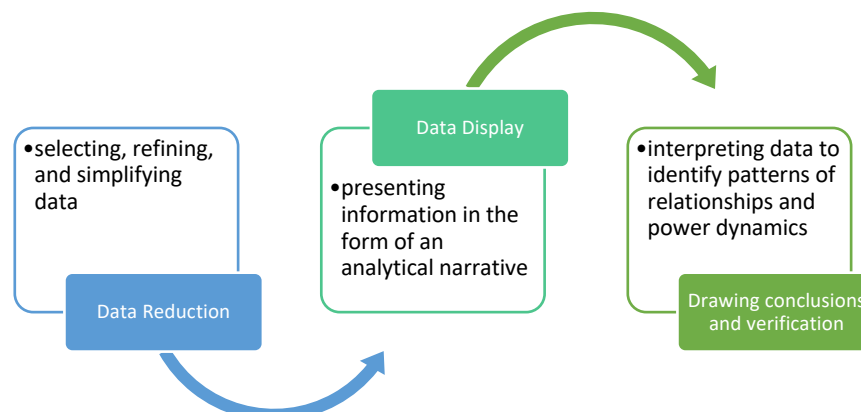
Data collection used several techniques as follows:

1. **In-depth Interview** with key informants:
  - 1) Village and supra-village government apparatus,
  - 2) Cooperative managers,
  - 3) Local elites, comprising community leaders and informal leaders,
  - 4) Village community as cooperative members or non-members.
2. **Observation** to directly observe the dynamics of cooperative establishment, interaction among actors, and the decision-making process at the village level.
3. **Document Analysis** of policy document, village regulations, meeting minutes, and cooperative administrative documents to understand the formal framework of institutional development.

Informants were selected using **purposive** and **snowball samplings** by determining initial informants deemed familiar with the cooperative establishment process. More informants were then involved based on recommendations from previously contacted informants. This technique was utilized to ensure the depth and relevance of the information obtained.

Data analysis was done interactively by referring to the model by Miles, Huberman, and Saldaña (2014), covering:

1. **Data reduction**: the process of selecting, refining, and simplifying data;
2. **Data display**: presenting information in the form of an analytical narrative; and
3. **Drawing conclusions and verification**: interpreting data to identify patterns of relationships and power dynamics (Miles et al., 2014).



**Figure 2. Stages of data analysis.**

Source: Data compiled, 2026

The analysis was performed using the framework of **political economy** and the concept of **elite capture** to identify how state actors and elites influence the process of establishing the cooperative.

To ensure data validity, this study employed several techniques, namely: **Source triangulation** by comparing data from different informants; **Method triangulation** by conducting interviews, observations, and documentation; **Member check** by confirming interview data with informants; and **Peer debriefing** by discussing with colleagues.

To uphold ethical principles, informed consent was obtained from the informants before conducting this study. The research team also maintains the confidentiality of informants' identities and declares that the data will be used solely for academic purposes.

## RESULTS AND DISCUSSION

### 1. State Dominance in the Establishment of Village Cooperatives

The study findings reveal that the establishment of Merah Putih Village Cooperative is strongly driven by state initiatives through a top-down policy framework. In this regard, the state acts not only as a facilitator but also as an initiator and dominant actor that determines the cooperative's institutional design, organizational structure, and operational direction. The cooperative's establishment process typically begins with an instruction or programmatic initiative from the supra-village government, which is then passed down to the village level for immediate implementation.

However, in practice, the room for deliberation at the village level becomes very limited. Village meetings, which should be a participatory arena, often function as a formal mechanism to legitimize pre-determined decisions. This shows that the principle of substantive participation has not yet been fully realized.

From the perspective of political economy, this condition demonstrates that the state is not neutral, but rather has certain interests in directing the establishment of village institutions. Strong state intervention potentially shifts the function of cooperatives from a means of social and economic movement to an administrative policy instrument. This finding supports those of previous studies (D. Scott & Tomas, 2009; T. A. Scott, 2016; Supardal et al., 2025) that state intervention on a large scale often ignores local complexity and results in the simplification of social reality.

### 2. Roles of Local Elites as Mediators and Dominant Actors

Apart from the state, local elites play a crucial role in establishing Merah Putih Village Cooperative. Local elites, i.e., village heads, village officials, and community leaders, act as mediators between state policies and village communities. However, in many cases, this role is not only facilitative but also strategic in directing the process of establishing a cooperative.

Local elites have access to information, power structures, and resources, thus being able to influence decision-making processes, including the selection of cooperative officers and the direction of economic activities. In several cases, individuals with close ties to the village power structures tend to occupy strategic positions in the cooperative.

This phenomenon indicates a tendency toward elite capture, where elite actors can manipulate institutional processes for specific purposes. According to Platteau (2004), elite capture occurs when the distribution of public resources no longer reflects collective interest, but is rather dominated by certain groups (Platteau, 2022). In this context, the cooperative—which should belong to everyone—has the potential to become a tool for consolidating the power of local elites.

### 3. Community Participation: Between Formality and Substance

Village community participation in the establishment of Merah Putih Village Cooperative tends to be limited and reflects administrative formalities. Although villagers are involved in deliberation forums, their participation is not always accompanied by the ability to influence decisions substantively.

Several factors contributing to low community participation are: (1) the limited information available to the public, (2) elite dominance in decision-making forums, and (3) a social culture that tends to be hierarchical, making people reluctant to express critical opinions.

From the perspective of community-driven development, this condition indicates a failure to encourage inclusive and meaningful participation (Mansuri & Rao, 2013). Symbolic participation is insufficient to ensure that the cooperative truly represents the interests of the village community.

### 4. State-Elite-Village Relations: Power Configuration in Cooperative Establishment

The study findings suggest that the establishment of Merah Putih Village Cooperative is a result of the configuration of power relations between the state and the elite (national and local), with the village community remaining in a subordinate position. The state provides a policy framework and resources, while national and local elites implement the policy at the village level.

This relation is symbolic; the state needs national elites to ensure the smooth policy implementation, while local elites gain legitimacy and access to resources from the state. Nevertheless, such a relation does not always benefit the village community as a whole (Muhammad, Sugiyanto, et al., 2025; Supardal et al., 2025).

Within the framework of political economy, this condition reflects an alliance between the state and local elites, potentially distorting the objectives of public policies (Muhammad et al., 2017). Village cooperatives, which should be an instrument for empowering people's economy, have the potential to become a tool for reproducing power.

## 5. Implications for Economic Democracy and Village Governance

The dominance of the state and local elites in the establishment of village cooperatives weakens the principles of economic democracy. Cooperatives no longer function entirely as participatory collective entities; instead, they become organizations controlled by certain actors.

From the perspective of governance, this condition reflects a deficit in the aspects of transparency, accountability, and participation. Non-inclusive cooperative governance can reduce public trust in village institutions and hinder the program's sustainability (Abduh, 2025; Muhammad, Sugiyanto, et al., 2025).

Furthermore, these findings highlight that the success of village development policies is determined not only by program design but also by the dynamics of power relations at the local level. Without efforts to reduce elite dominance and increase community participation, village cooperatives will struggle to achieve their goal of serving as instruments of collective well-being.

Overall, the findings of this study indicate that the establishment of Merah Putih Village Cooperative cannot be separated from the dynamics of power relations between the state, the elite, and the village community. State dominance, the strategic role of the local elites, and the lack of community participation create conditions susceptible to elite capture practices.

These findings support the argument in the literature on political economy that public policy is not merely a technocratic process; it is also an arena of contestation of interests. Therefore, village cooperatives should be understood not only as economic institutions but also as political arenas that reflect the distribution of power at the local level.

## CONCLUSIONS

This study shows that the establishment of Merah Putih Village Cooperative (*Koperasi Desa Merah Putih/KDMP*) does not fully reflect the ideals of cooperatives as instruments of economic democracy and village community empowerment. Conversely, the establishment process reveals a configuration of strong power relations between the state and local elites, with the village community remaining in a relatively subordinate position.

State dominance in initiating and determining institutional design makes the establishment of village cooperatives a top-down process, thus limiting the room for substantive community participation. On the other hand, local elites serve as mediators and strategic actors capable of directing the cooperative establishment process in line with their interests. This condition creates opportunities for elite capture, which has implications for the distortion of the cooperative's purpose as a collective economic institution.

Village community participation in the cooperative establishment process is largely administrative, without meaningful contribution to decision-making. This signifies that the principles of participation, transparency, and accountability in the village governance have not been fully realized. Consequently, village cooperatives risk losing their social legitimacy as the community's economic institutions.

Theoretically, these findings emphasize that village development policies cannot be understood merely as technocratic processes; they should also be viewed as arenas of political economy fraught with competing interests. Furthermore, the symbiotic relationship between the state and local elites in policy implementation can perpetuate power imbalances at the village level.

Therefore, policies on the establishment of village cooperatives need to be reoriented toward a more participatory, inclusive, and community-driven approach. The government should limit prescriptive interventions and promote authentic deliberative mechanisms at the village level. In addition, community capacity building and a transparent and accountable monitoring system are key to preventing elite capture and ensuring that cooperatives truly function as instruments of collective well-being.

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## AUTHOR CONTRIBUTIONS

**Supardal:** Research conceptualization, formulation of a theoretical framework, supervision of the entire study, and quality assurance of the academic manuscript.

**Adji Suradji Muhammad:** Field data collection, qualitative data analysis, and writing of the main draft of the research article.

**Rumsari Hadi Sumarto:** Development of research methodology, data validation, and contribution to conceptual analysis.

**R. Widodo Triputro:** Data collection and interpretation, and refinement of scientific discussion and argumentation.

**Muhammad Fatchul Annaji:** Data collection support, field documentation, and research administration.

**Mu'adz Abddurozaq Anshorulloh:** Data collection support, interview transcription, and initial data processing.

## CONFLICT OF INTEREST

The author declares no conflicts of interest in the conduct of this study or the publication of this article.

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