

Research Article

Farmer Empowerment through Cooperatives in Rural Areas of Tulungagung, East Java

(A Model for Strengthening the Local Economy Based on Community Participation)

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Abstract: This study aims to analyze the role of agricultural cooperatives in empowering farmers in rural areas of Tulungagung, East Java, focusing on economic and social aspects, and examining the extent to which farmer community participation serves as the foundation for building a sustainable local economic empowerment model. This qualitative research using a case study approach was conducted at the “Makmur Abadi” Farmers Cooperative in Tulungagung Regency. The research findings indicate that cooperatives play a significant role in empowering farmers through: (1) Access to more affordable capital and agricultural inputs, reducing dependence on middlemen (a pattern consistent with the findings of Bijman et al., 2014 regarding the role of farmer organizations); (2) Capacity building through agricultural technical and management training; (3) Strengthening bargaining positions in the market through a collective marketing system; and (4) Building social capital through networking and trust among members. Active member participation in decision-making (Rondot & Collion, 2001) is the main key to maintaining the accountability and sustainability of cooperatives. However, the main challenges lie in limited managerial capacity and market price fluctuations. Agricultural cooperatives in Tulungagung have proven effective as a model for strengthening the local economy based on community participation. Recommendations for similar models to be replicated in other rural areas with adaptations to local contexts emphasize the principle of participation as the key to empowerment (Chambers, 1995).

Keywords: Agricultural Cooperatives; Community Participation; Farmer Empowerment; Rural Development; Social Capital.

1. Introduction

Transforming the agricultural sector toward a more competitive and sustainable model has become a central national development agenda in various agrarian countries, including Indonesia. However, the reality at the farmer level, particularly in rural areas, often faces complex structural challenges: limited access to capital, technology, and markets; weak bargaining power in the supply chain; and vulnerability to price fluctuations and climate change (World Bank, 2021). Amidst these conditions, farmer cooperatives are often discussed as a strategic instrument to address collective problems through the principles of a people's economy based on the values of togetherness, participation, and democracy (Birchall & Simmons, 2010). Conceptually, cooperatives are seen as a vehicle for empowerment by increasing farmers' assets, capabilities, and agency (Alsop, Bertelsen, & Holland, 2006).

Tulungagung Regency, East Java, with its economic base still based on agriculture and home industries, is a relevant context for examining the role of cooperatives. This region has a long history of the cooperative movement, ranging from savings and loan units to producer cooperatives integrated with local superior commodities. However, the existence of cooperatives does not automatically guarantee substantive economic empowerment. The literature shows that many rural cooperatives function solely as administrative tools for distributing government assistance, suffer from minimal member participation, and are not professionally managed, thus failing to become independent drivers of the local economy (Ortmann & King,

Received: 17 January 2026

Revised: 30 January 2026

Accepted: 05 February 2026

Published: 09 February 2026

Curr. Ver.: 09 February 2026



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2007; Poulton, Dorward, & Kydd, 2010). This gap between the ideal potential of cooperatives and their actual performance on the ground highlights the need for an in-depth study of the factors determining the success or failure of cooperatives as empowerment institutions.

Furthermore, the discourse on empowerment through cooperatives often focuses solely on economic outcomes, such as increased income or productivity. However, the essence of empowerment lies in a transformative process that increases the collective capacity of communities to control resources and determine the direction of their own development (Cornwall, 2016). In this context, community participation becomes a critical variable. Authentic participation—which goes beyond mere physical presence—involves decision-making, control over resources, and social learning, which in turn can strengthen social capital and institutional sustainability (Mansuri & Rao, 2013). Therefore, the fundamental research question is: How does the cooperative model in rural Tulungagung operate, and to what extent is community participation a determining factor in realizing farmer empowerment and strengthening the local economy?

This article aims to fill the literature gap by offering a holistic empirical analysis of the dynamics of farmer cooperatives in Tulungagung. The research goes beyond measuring economic impacts and emphasizes institutional processes and social relations within cooperatives. Using an empowerment and participation framework, this article argues that the success of cooperatives as a model for strengthening local economies depends heavily on their ability to build and maintain meaningful participation from their members, which in turn catalyzes increased collective capacity, innovation, and economic resilience. The findings of this study are expected to provide practical contributions to the formulation of policies for developing more participatory and sustainable rural cooperatives, as well as theoretical contributions to enriching the discourse on institutional economics and community-based development.

2. Literature Review

Cooperatives as Institutions for Rural Economic Empowerment

Cooperatives are theoretically viewed as alternative economic institutions designed to address market failures and improve the bargaining position of small-scale producer groups. Rooted in the concept of solidarity economics, cooperatives operate based on the principle of the dual identity of their members: as owners and as users of services (Birchall, 1997). The institutional advantage of cooperatives lies in their ability to reduce transaction costs, manage collective risk, and achieve economies of scale unattainable individually (Ortmann & King, 2007). In the agricultural context, cooperatives are expected to provide cheaper inputs, access to credit, integrated marketing services, and build capacity through extension services (Chagwiza, Muradian, & Ruben, 2016).

However, international literature also highlights fundamental dilemmas and challenges. Cooperatives are vulnerable to agency problems, managerial inefficiencies, and free-riding among their members (Cook, 1995). Furthermore, cooperatives often fall into institutional isomorphism, where they focus more on meeting formal external demands (e.g., from the government or donors) than on serving the real needs of their members (Hwang & Powell, 2009). Empirical studies in various developing countries indicate that the success of cooperatives is highly dependent on the context, leadership quality, and the strength of their underlying social capital (Münkner, 2012).

Empowerment: Concept and Dimensions

The concept of empowerment has evolved into a key analytical framework in development studies, extending beyond the income-generating approach alone. Alsop, Bertelsen, and Holland (2006) define empowerment as the process of increasing individual or group agency, comprising three related dimensions: (1) Assets, encompassing material and non-material resources; (2) Capabilities, namely the capacity to utilize assets to achieve goals; and (3) Agency, namely the ability to make strategic choices and control resources that affect livelihoods. In the context of farmers, economic empowerment can be realized through increased ownership and control of the means of production, access to fair markets, and the ability to negotiate within the value chain (Narayan, 2005).

Community Participation as a Key Mechanism

Participation has long been considered a crucial principle in participatory development. However, there is a broad spectrum of participation, ranging from passive or manipulative participation to empowering participation, where communities have full control over processes and decisions (Arnstein, 1969; Cornwall, 2008). In the context of cooperatives, participation does not simply mean membership and use of services, but involves active involvement in strategic decision-making, management oversight, and contributions to the organization's social capital (Borgen, 2001). Authentic participation contributes to the development of social capital—the networks, norms, and trust that enable collective action (Putnam, 1993). This social capital is often the foundation of cooperative sustainability, as it reduces monitoring costs and increases member commitment (Woolcock & Narayan, 2000). Conversely, cooperatives that are formed top-down, with low participation, tend to be fragile and dependent on external stimulants (Mansuri & Rao, 2013).

3. Proposed Method

This research uses a qualitative approach with an intrinsic case study design (Stake, 1995) to deeply understand the phenomenon of farmer empowerment through cooperatives in the specific context of Tulungagung Regency. The qualitative approach was chosen because it aligns with the research objective of exploring the complexity of meanings, processes, and subjective experiences related to participation and empowerment, which cannot be reduced to quantitative data alone (Creswell & Poth, 2018). The case study design allows researchers to holistically examine the interactions between cooperative institutions, member participation dynamics, and empowerment outcomes within a unique rural sociocultural context.

4. Results and Discussion

Cooperative Characteristics and Institutional Dynamics

This research reveals two distinct cooperative models in Tulungagung with different implications for empowerment. Koperasi Maju grew organically from a farmer group initiative in 2008, with leadership derived from successful farmers considered to possess integrity and vision. The decision-making structure is relatively democratic, although centered on a charismatic chairman. In contrast, the Bangkit Cooperative was established in 2015 through a government program with initial capital assistance and intensive training. Although it has a more formal organizational structure, its leadership tends to be filled by former village officials, creating a more hierarchical power relationship.

From a business perspective, the Maju Cooperative has developed diversified businesses based on the rice and shallot value chain, encompassing input provision, processing, and branded marketing. Meanwhile, the Bangkit Cooperative tends to operate business units recommended by donor programs, such as chicken farming and savings and loans, with a lower level of independent innovation. This finding supports the literature that states that a cooperative's origins and leadership significantly influence its character and independence (Münkner, 2012).

Spectrum of Member Participation and Its Impact on Empowerment

In-depth analysis reveals a varied spectrum of participation, consistent with a modified Arnstein (1969) framework. Participation can be categorized into three levels:

Instrumental Participation (Low Level)

Dominant among members of the Bangkit Cooperative and passive members in both cooperatives. Participation is limited to service users (primarily loans and purchasing cheap fertilizer), without involvement in decision-making.

"I'm a member, but I only want to borrow money. Meetings are rare; they're just for the management." (Mr. Didik, 52, Passive Member of the Bangkit Cooperative)

This type of participation only results in limited empowerment in the asset dimension (access to credit) without significant improvements in agency (Alsop et al., 2006). Members remain price-takers and do not develop collective capacity.

Consultative Participation (Intermediate Level)

This is evident among some active members of the Maju Cooperative. They attend meetings, voice complaints or suggestions, particularly regarding prices and service quality, but the final decision remains with the management.

"We proposed increasing the selling price of unhusked rice because harvesting costs have risen. The management said they would consider it, but in the end, the price remained the same." (Mrs. Siti, 47, Active Member of the Maju Cooperative)

This level contributes to increased capabilities, such as knowledge of market prices, but control over the process (agency) remains low. This participation functions as a social safety net but is not yet transformative.

Transformative Participation (High Level)

Only found among a handful of core members and administrators of the Maju Cooperative. They are actively involved in special committees (e.g., the marketing committee), carry out financial oversight, and act as advisors for other members.

"We in the marketing committee seek buyers directly in the city and negotiate prices, so we don't depend on middlemen. The proceeds go directly to the members." (Mr. Wahyu, 43, Administrator of the Maju Cooperative)

This level of participation results in multidimensional empowerment: increased assets (higher profits), capabilities (negotiation skills, management), and most importantly, collective agency to change the supply chain structure (Alsop et al., 2006). Social capital in the form of trust and norms of reciprocity is strengthened among this group (Putnam, 1993).

Economic Empowerment: Beyond Income

Both cooperatives contributed to increased income, but through different mechanisms and sustainability measures. Koperasi Maju (Advance Cooperative) successfully increased the average profit margin of active members by 25-30% through the elimination of middlemen and value-added processing. Meanwhile, Koperasi Bangkit (Bangkit Cooperative) recorded an increase in income of around 15%, primarily through access to soft loans for consumptive and productive needs.

However, key findings indicate that the most significant economic empowerment is manifested in reduced vulnerability, an aspect often overlooked in conventional measures. Active members of Koperasi Maju reported:

- 1). Price Resilience: The existence of an agreed-upon floor price protects them from crop price fluctuations.
- 2). Social Safety Net: Mandatory and voluntary savings systems serve as emergency funds for health or education needs.
- 3). Access to Non-Financial Services: Technical training and knowledge exchange among members improve productivity and adaptation to climate change.

These aspects align with the concept of empowerment as increased capability to face uncertainty (Sen, 1999). In contrast, members of the Bangkit Cooperative, who rely heavily on loans, actually show increased financial vulnerability in the event of crop failure, indicating a potential debt trap.

Determinants and Barriers to Empowering Participation

The discussion identifies key determinants that differentiate the two cooperatives:

- 1) Accountable and Servant Leadership: In the Maju Cooperative, leadership is built on trust and tangible achievements in improving member welfare. Financial transparency through simple monthly reports serves as the foundation for accountability. This reinforces Borgen's (2001) finding that identification with and trust in leadership are key drivers of participation.
- 2) Meaningful and Direct Incentives: High participation in the Maju Cooperative is driven by clear economic (proportional distribution of SHU) and non-economic (social recognition, increased status) incentives. In contrast, in the Bangkit Cooperative, benefits are often general and indirect, thus discouraging active participation.

- 3) Structural and Cultural Barriers: In both cooperatives, women's participation remains low (less than 20% of active administrators). Patriarchal norms and the dual burden of domestic work limit their participation in meetings and training, hindering inclusive empowerment (Cornwall, 2016). Furthermore, the legacy of dependency on government programs (project mentality) remains strong in Koperasi Bangkit, hampering members' independence and initiative.

5. Comparison

The findings of this study reinforce and deepen the theoretical claim that participation is central to empowerment through cooperatives. However, the study shows that this relationship is not linear, but is influenced by mediating institutional factors such as governance, leadership, and incentive design. Koperasi Maju illustrates an internalized participation model, where involvement becomes part of the collective logic for survival and competition. This model results in deeper and more sustainable economic empowerment. Meanwhile, Koperasi Bangkit represents a mobilized participation model, driven by external incentives and vulnerable to stagnation when program support ends.

Therefore, this study argues that to become effective engines of local economic empowerment, cooperatives need to consciously build institutions that facilitate the transition from instrumental to transformative participation. This requires more than management training; it requires an approach that builds collective agency by creating safe spaces for critical dialogue, distributing authority concretely, and linking participation to increased control over direct economic resources.

6. Conclusions

This study concludes that farmer cooperatives in rural Tulungagung have the potential to become a vehicle for empowerment and strengthening the local economy. However, their success depends heavily on the quality of member participation and the characteristics of the institutions that facilitate it. Key findings indicate a dichotomy between cooperatives that grow organically and through self-reliance (Koperasi Maju) and cooperatives formed through external programs (Koperasi Bangkit), resulting in significantly different participation dynamics and empowerment outcomes. First, the study confirms that participation is not a monolithic concept, but rather gradates from instrumental to transformative levels (Arnstein, 1969). Transformative participation—characterized by active involvement in strategic decision-making, control over resources, and collective learning—is the key linking cooperative institutions to multidimensional farmer empowerment (Alsop et al., 2006).

Koperasi Maju, with its higher transformative participation, has successfully increased not only income (assets) but also the capabilities and collective agency of its members, particularly in the face of market uncertainty. Second, economic empowerment through cooperatives has been shown to go beyond purely monetary indicators. The most valuable outcomes, according to farmers' perceptions, are reduced vulnerability through social safety net mechanisms, price stability, and access to knowledge provided by cooperative membership. This aligns with a development perspective that emphasizes the expansion of substantive freedoms as the ultimate goal (Sen, 1999).

Third, the determining factors for the success of cooperatives as empowerment institutions lie in: (1) Accountable and trust-based leadership, (2) Transparency and clear incentives that link participation to direct benefits, and (3) strong social capital in the form of networks, norms of reciprocity, and trust among members (Putnam, 1993; Woolcock & Narayan, 2000). Conversely, cooperatives that rely heavily on external programs, with participation based on mobilization and short-term incentives, tend to produce shallow and unsustainable empowerment.

Author Contributions: Author 1 is the owner of the idea for the article, while author 2 helps develop the existing idea, so that it is more in line with the existing conditions regarding Cooperatives in the region.

Funding: Please add: This article will then receive funding from the institution where the author works after being accepted and published by the publishing journal.

Data Availability Statement: Data is stored by the author and parties who have provided support as personal data.

Acknowledgments: Thank you to the co-authors and parties who have helped at the research location.

Conflicts of Interest: By the time this article was finished, we were grateful that conflicts of interest were not the main factor that could disrupt the process of completing this article. References

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