GIJTM
Greenation International Journal of Tourism and Management
+62 81210467572 https://research.e-greenation.org/GIJTM greenation.info@gmail.com
GREENATION RESEARCH

DOI: https://doi.org/10.38035/gijtm.v4i3.1476
https://creativecommons.org/licenses/by/4.0/
Received: 10 October 2026 | **Revised:** 23 October 2026 | **Accepted:** 30 October 2026

From Legal Formation to Economic Empowerment: Assessing Institutional Readiness of Village Cooperatives in Coastal Communities of Indonesia

Sofhian[1], Wiwin Koni[2], Niswatin[3]
[1]Faculty of Islamic Economics and Business, Sultan Amai State Islamic University, Gorontalo, Indonesia, sofhian@iaingorontalo.ac.if
[2]Faculty of Islamic Economics and Business, Sultan Amai State Islamic University, Gorontalo, Indonesia, wiwinkoni17@iaingorontalo.ac.id
[3]Faculty of Economics and Business, State University of Gorontalo, Gorontalo, Indonesia, niswatin@ung.ac.id

Corresponding Author: sofhian@iaingorontalo.ac.if[1]

Abstract: Village cooperatives are being widely advocated as structural means to bolster rural economies and alleviate poverty; yet, the formation of formal entities does not inherently ensure their efficacy as instruments of economic empowerment. This research investigates the preparedness of Village Red and White Cooperatives (Koperasi Desa/Kelurahan Merah Putih—KDMP) in Indonesia's coastal regions by assessing the disparity between their legal establishment and functional capacity. A mixed-methods study approach was utilized, incorporating 27 KDMPs from three coastal subdistricts in Gorontalo Regency, Indonesia. Information was gathered via surveys, interviews, focus group discussions, observations, and document examination. Quantitative data were subjected to descriptive analysis, and qualitative results were assessed by theme analysis and combined with SWOT analysis to ascertain strategic circumstances. The results indicate a significant disparity in institutional preparedness: whereas all KDMPs received official legal acknowledgment, merely one cooperative had initiated activities, and just five had established business venues. The primary limitations were recognized across four facets of institutional readiness: inadequate collaborative management expertise among leaders, feeble governance structures, insufficient financial and business acumen, and restricted adaptive capability. SWOT research reveals that KDMPs have considerable external prospects due to governmental backing, societal endorsement, and regional economic capabilities, yet internal deficiencies need to be rectified prior to firm growth. This research introduces an Institutional Readiness Framework that delineates the transition from legal establishment to economic empowerment via human capacity, governance proficiency, business preparedness, and operational efficiency. The results underscore the necessity for policymakers to recognize that rural cooperative advancement necessitates the enhancement of skills rather than only the formation of institutions.

Keywords: organizational preparedness, rural cooperatives, economic upliftment of villages, coastal populations, cooperative management, alleviation of poverty, Indonesia

INTRODUCTION

Rural poverty continues to be a formidable developmental obstacle, especially in developing nations where economic prospects, market access, and institutional frameworks are inconsistently allocated. Contemporary development viewpoints highlight that alleviating poverty transcends merely augmenting household income; it also involves fortifying local institutions that empower communities to collaboratively oversee resources, engage with markets, and partake in economic decision-making (Borzaga, Salvatori, & Bodini, 2022). In this framework, community-oriented economic entities, such as cooperatives, have garnered heightened interest as tools for fostering inclusive development due to their integration of economic goals with social engagement, shared ownership, and local empowerment. The viewpoint of the social economy emphasizes that entities like cooperatives can provide both economic value and social capital, trust, and collective capability within marginalized groups (Defourny & Nyssens, 2021).

Cooperatives hold significant importance in rural and coastal areas where individual producers frequently encounter systemic disadvantages, such as diminished bargaining power, constrained financial access, inadequate market connectedness, and reliance on intermediaries. By means of collective organization, cooperatives can enhance the economic standing of their members by consolidating production, facilitating access to services, and establishing alternative value chains that preserve economic advantages within local communities. Recent research indicates that thriving rural cooperatives rely on both organizational frameworks and efficient governance systems, as well as managerial proficiency, member engagement, and the ability to adapt to evolving economic conditions (Mazzarol, Clark, Reboud, & Mamouni-Limnios, 2021). Consequently, cooperative development involves more than mere formalization; it demands institutional competence that enables groups to operate efficiently and sustainably.

Nonetheless, a significant obstacle in several government-initiated community development initiatives is the disparity between the establishment of institutions and their operational efficacy. The formation of legal organizations, organizational frameworks, and administrative acknowledgment does not inherently ensure that institutions have the capability to fulfilll their desired social and economic goals. Institutional theory posits that formal organizations establish norms and frameworks, although its efficacy relies on the capacity of individuals inside the institution to implement these frameworks via suitable governance, knowledge, resources, and organizational practices (Ferreira, 2020). This occurrence can be understood as an institutional preparedness disparity, indicating the difference between an organization's formal establishment and its actual ability to perform economic and social roles. Indonesia's Village Red and White Cooperatives (Koperasi Desa/Kelurahan Merah Putih—KDMP) are a novel policy effort aimed at enhancing the economic resilience of villages and promoting inclusive economic growth. The initiative seeks to create economic entities at the village level that serve as hubs for production, distribution, financial accessibility, and community empowerment. Nonetheless, the efficacy of these activities hinges on the institutional preparedness of newly formed cooperatives, encompassing skilled personnel, responsible governance frameworks, financial management proficiency, operational effectiveness, and strategic alliances.

Coastal communities offer a significant framework for analyzing this matter, as they often face multifaceted economic fragility despite having ample natural assets. Coastal livelihoods frequently suffer from insufficient value-added processing, fragile supply chains, limited access to financial resources, and inadequate institutional frameworks linking local

output to larger markets (Bennett, Blythe, White, & Campero, 2021). In Kabupaten Gorontalo, Indonesia, coastal populations have considerable agricultural and fisheries capabilities; nonetheless, this potential has not been entirely converted into enhanced wellbeing owing to constraints in human resource development, market accessibility, and local economic frameworks. The research backdrop indicates that 27 KDMPs have been formally constituted in three coastal subdistricts, but only one cooperative has become operational, with the majority of cooperative leaders possessing minimal experience in management. These circumstances highlight a crucial inquiry about the efficacy of legal establishment in achieving economic empowerment.

Despite extensive research on cooperative performance, member engagement, and service quality, there has been scant empirical focus on how newly formed rural cooperatives cultivate institutional readiness post-legal establishment, especially in coastal poverty settings of developing nations. Comprehending this shift is crucial as initial institutional deficiencies could jeopardize the enduring viability of cooperative-oriented development initiatives. This research is to evaluate the institutional preparedness of Village Red and White Cooperatives in Indonesia's coastal regions by analyzing their internal capabilities, external obstacles, and strategic stance for economic empowerment. This research enhances the wider conversation on rural institutional advancement and community-oriented poverty alleviation by pinpointing the elements that influence the shift from legal frameworks to operational economic entities.

2. Literature Review

2.1 Cooperative Institutions and Rural Economic Empowerment

Cooperatives have increasingly been acknowledged as key institutional structures for fostering rural economic empowerment in contexts where small-scale producers and marginalized groups face structural barriers to market access, financial services and productive resources. Cooperatives are founded on common ownership, democratic involvement and economic rewards for members, unlike traditional commercial organizations which are based on capital accumulation. Such qualities make cooperatives social-economic structures that organize individual economic agents into collective systems that can enhance bargaining power and promote local economic resilience (Bijman & Wijers, 2022). Hence, the role of cooperatives is not only in business success but also in creating institutional arrangements that promote collaboration, trust building and inclusive engagement among community members.

Current analyzes indicate that rural cooperatives can aid in economic empowerment through numerous means, such as boosting market entry, decreasing transaction costs, increasing production effectiveness, and bolstering local value chains. Within agricultural and coastal communities, where producers typically deal with fragmented production systems and weak negotiating power, collective organizations facilitate resource aggregation, enhance information accessibility, and cultivate stronger relationships with buyers and service providers (Candemir, Duvaleix-Tréguer, & Latruffe, 2021). These functions are essential for reducing poverty, given that rural poverty is often tied to both a deficiency of assets and a scarcity of institutional systems that allow communities to leverage available resources for sustainable lives.

The ability of cooperatives to foster empowerment is largely influenced by their institutional resources. A cooperative framework alone fails to provide economic transformation, as cooperatives require appropriate organizational capacities to effectively manage communal resources, uphold member participation, and adjust to fluctuating market conditions. Prior research demonstrates that cooperative sustainability is heavily shaped by governance standards, management expertise, fiscal accountability, and the skill to integrate economic aspirations with social aims. Hence, to fully comprehend cooperative growth, one must progress from questioning the existence of cooperatives to evaluating their institutional capability to do their prescribed economic and social duties.

2.2 Institutional Readiness of Community-Based Organizations

The notion of institutional preparedness serves as a crucial theoretical framework for elucidating why certain community-based organizations thrive while others continue to be ineffectual, even with formal acknowledgment. Institutional readiness denotes the degree to which an organization has the requisite internal competencies, governance structures, resources, and adaptive strategies necessary for effective function execution. In developmental settings, the preparedness of institutions has gained prominence as numerous government initiatives concentrate mainly on creating organizational frameworks, neglecting to assess the institutions' ability to function sustainably post-establishment (Abdullah, Hassan, & Ibrahim, 2023; Klerkx & Begemann, 2022).

Institutional theory posits that formal establishment signifies merely the preliminary phase of institutional evolution. Efficient institutions necessitate coherence among formal regulations, organizational behaviors, human competencies, and resource accessibility. Entities can attain legal validity even as they encounter operational deficiencies due to insufficient internal capabilities. This situation establishes an institutional readiness disparity, wherein mere institutional presence does not equate to institutional efficacy. Contemporary research about community organizations highlights that organizational preparedness is influenced by various factors, such as leadership proficiency, informational assets, governance frameworks, financial resources, and technological flexibility (Fischer, Böhme, & Geiger, 2021; Haldane, De Foo, Abdalla, & Legido-Quigley, 2022).

For rural cooperatives, institutional preparedness can be comprehended through various interrelated aspects. Initially, human resource preparedness pertains to the proficiency of cooperative leaders and managers in domains like strategic planning, financial oversight, and cooperative tenets. Secondly, governance preparedness pertains to accountability frameworks, transparency, role delineation, and internal control measures that guaranty responsible administration. Third, business preparedness signifies the capacity of cooperatives to formulate sustainable business frameworks, oversee financial assets, and cultivate market connections. Fourth, adaptive preparedness encompasses the ability to embrace digital innovations, react to market fluctuations, and cultivate strategic alliances. These parameters are especially pertinent for nascent village cooperatives, as fledgling organizations frequently encounter difficulties associated with unseasoned leadership, fragile administrative frameworks, insufficient financial planning, and ambiguous operating methodologies. Consequently, evaluating institutional preparedness offers a more thorough insight into cooperative development than traditional assessments that rely solely on legal standing or organizational presence.

2.3 Institutional Readiness Framework for Sustainable Village Cooperatives

This research introduces an Institutional Readiness Framework, grounded in cooperative theory, institutional theory, and rural empowerment literature, to elucidate the transition from legal establishment to economic empowerment. The framework posits that legal formation serves as the cornerstone of cooperative advancement, although institutional preparedness dictates the capacity of cooperatives to convert formal frameworks into operational economic entities.

The suggested structure has four successive elements. The initial element is legal establishment, signifying the official acknowledgment of cooperatives by regulatory endorsement, organizational framework, and institutional validity. While essential, legal establishment by itself is inadequate as it does not guaranty functional competence. The second element is institutional preparedness, serving as the fundamental link between organizational existence and organizational efficacy. Institutional preparedness include human resource capability, governance capability, financial and business capacity, and adaptability.

The third aspect is operational efficacy, illustrated by the ability of cooperatives to conduct business activities, offer services to members, ensure accountability, and cultivate

sustainable economic practices. In conclusion, operational efficiency promotes economic empowerment, defined by better market entry, heightened income opportunities, reinforced local economic engagement, and more livelihood durability.

This methodology enhances earlier cooperative investigations by concentrating analytical scrutiny on the institutional prerequisites that foster cooperative performance rather than the outcomes themselves. Rather than taking for granted that the creation of cooperatives directly results in empowerment, this paradigm posits that empowerment develops along a specific pathway:

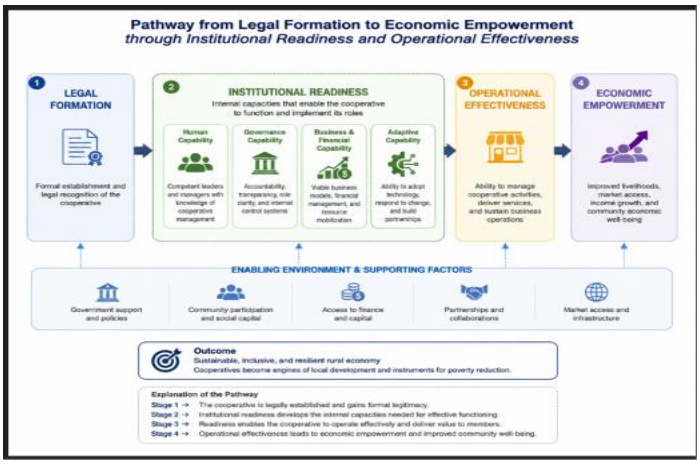


Figure 1. Institutional Readiness Framework illustrating the pathway from legal formation to economic empowerment through institutional readiness and operational effectiveness.

This viewpoint is especially pertinent for rural cooperatives in developing nations, as governmental initiatives often emphasize swift institutional formation while potentially neglecting the significance of enhancing organizational competencies. Utilizing the Institutional Readiness Framework, this research enhances comprehension of how nascent rural cooperatives might transition from a mere symbolic institutional existence to substantial economic change.

METHOD

3.1 Research Design and Analytical Approach

This research utilized a mixed-methods approach to evaluate the institutional preparedness of Village Red and White Cooperatives (Koperasi Desa/Kelurahan Merah Putih—KDMP) in facilitating coastal economic empowerment. A mixed-methods strategy was chosen due to the fact that institutional readiness is a complex phenomenon that cannot be fully comprehended by quantitative analysis alone. Quantitative data facilitate the recognition of structural patterns and organizational circumstances, while qualitative evidence offers profound understanding of managerial difficulties, governance methodologies, and contextual elements affecting institutional advancement (Fetters & Molina-Azorin, 2022; Shorten & Smith, 2017).

The research was structured according to the suggested Institutional Readiness Framework, which defines cooperative readiness through four interconnected dimensions: (1) human resource preparedness, (2) governance preparedness, (3) business and financial preparedness, and (4) adaptive preparedness. The variables were analyzed to ascertain the degree to which newly formed cooperatives had advanced from mere legal establishment to operational economic entities. The evaluative method integrated descriptive evaluation, qualitative analysis, and strategic examination to discern institutional strengths, flaws, opportunities, and threats.

3.2 Research Context and Study Area

The study was carried out in the coastal regions of Gorontalo Regency, Indonesia, encompassing Village Red and White Cooperatives formed in three coastal subdistricts: Batudaa Pantai, Biluhu, and Bilato. These sites were chosen as they embody communities with significant agricultural and fisheries potential yet face obstacles concerning market accessibility, value-added products, and the enhancement of institutional capacity. The study concentrated on KDMP as it embodies a government-led effort aimed at enhancing rural economic entities. The empirical environment offers a significant chance to analyze the shift from institutional formation to operational proficiency. Despite all chosen cooperatives attaining formal recognition, their levels of operational preparedness differed significantly, establishing a suitable environment for examining institutional preparation deficiencies.

3.3 Population, Participants, and Data Sources

The demographic encompassed all 27 KDMPs situated in the coastal regions of Gorontalo Regency. Due to the relatively small population size, this study employed a whole population methodology, incorporating all identified cooperatives as units of analysis. The main responders included cooperative chairpersons and management representatives who had firsthand experience of organizational structure, operational planning, and institutional difficulties. Supplementary qualitative participants comprised members from village governance, facilitators of cooperatives, local government authorities tasked with cooperative advancement, and pertinent stakeholders engaged in rural economic enhancement. The incorporation of many stakeholder groups facilitated the triangulation of viewpoints and enhanced the reliability of the results. The research employed both primary and secondary data sources. Primary data were obtained by questionnaires, semi-structured interviews, focus group discussions (FGDs), and field observations. Secondary data were sourced from collaborative documents, governmental reports, institutional archives, and pertinent policy papers.

3.4 Data Collection Procedures

Quantitative data gathering was performed with structured surveys formulated based on the Institutional Readiness Framework. The survey evaluated organizational factors concerning managerial competence, governance standards, operational readiness, financial resources, and business growth prospects. Qualitative data acquisition was performed using semi-structured interviews and focus group discussions. Interviews examined participants' experiences related to the formation of cooperatives, managerial obstacles, resource limitations, and anticipations for future growth. Focus Group Discussions were held to ascertain shared viewpoints on institutional impediments and strategic prospects for enhancing KDMP. The amalgamation of several data gathering methods adhered to the notion of methodological triangulation, enhancing study validity through the comparison of information acquired from many sources and procedures (Fetters & Molina-Azorin, 2022). This methodology was especially pertinent as institutional readiness encompasses both quantifiable organizational traits and socially built experiences among stakeholders.

3.5 Data Analysis

Quantitative data were examined by descriptive statistical methods, such as frequency distributions and percentage analysis, to encapsulate cooperative traits and preparedness markers. The findings were utilized to discern prevailing trends about organizational readiness. Qualitative data underwent examination by thematic analysis, employing an iterative approach involving data familiarization, coding, topic formulation, and interpretation. This methodology facilitated the recognition of persistent motifs linked to human resource deficiencies, governance obstacles, fiscal limitations, and adaptive capability (Braun & Clarke, 2022). To enhance strategic interpretation, the research utilized SWOT analysis by creating Internal

Factor Analysis Summary (IFAS) and External Factor Analysis Summary (EFAS) matrices. SWOT analysis served not as the principal theoretical framework but as an analytical instrument to convert institutional readiness results into strategic consequences. The amalgamation of mixed-method results enabled the research to discern the impact of internal competencies and external contexts on the evolution of KDMP from legally constituted entities into proficient economic empowerment institutions.

RESULTS AND DISCUSSION

Result

Legal Formation versus Operational Reality: Evidence of Institutional Readiness Gap

The evaluation of the Village Red and White Cooperatives (Koperasi Desa/Kelurahan Merah Putih KDMP) in coastal Gorontalo indicated a significant disparity between the foundation of the organization and its operational execution. The study recognized 27 KDMPs located within three coastal subdistricts: Batudaa Pantai, Biluhu, and Bilato. Despite all cooperatives acquiring legal institutional recognition, hardly a few have advanced to operational endeavors.

Table 1. Organizational Standing of Red and White Cooperatives in Coastal Gorontalo

Coastal Subdistrict	Number of KDMP	Operational KDMP	KDMP with Outlet
Batudaa Pantai	9	1	4
Biluhu	8	0	0
Bilato	10	0	0
Total	**27**	**1**	**5**

Source: KDMP Gorontalo Research Data, 2026

The results indicate that the establishment of legal frameworks transpired more swiftly than the evolution of operations. Of the 27 legally recognized KDMPs, hardly one cooperative had commenced operations, whilst five cooperatives had established commercial outlets. Two outlets were finalized, while three outlets remained in the building phase. The constrained operational advancement was mostly linked to infrastructure preparedness, especially the accessibility of land and amenities necessary for outlet establishment. These results suggest that the presence of formal organizational frameworks does not inherently signify effective institutional capability. The predominant number of KDMPs continued to be in the preparatory stage and had not yet completely executed business operations that may directly facilitate community economic empowerment.

Human Resource Readiness of Village Cooperatives

The evaluation of human resource preparedness indicated that KDMP leadership has sufficiently suitable educational qualifications; yet, their managerial experience in cooperative management was still restricted. The traits of cooperative leaders are outlined in Table 2.

Table 2. Characteristics of KDMP Leaders in Coastal Gorontalo

Characteristics	Category	Number
Age	17–25 years	3
	26–40 years	5
	>41 years	19
Education	Senior high school	13
	Bachelor degree	14
Gender	Male	25
	Female	2

Source: KDMP Gorontalo Research Data, 2026

The preponderance of KDMP leaders were over the age of 41 (19 persons), signifying that leadership within the cooperative was primarily held by seasoned community members. Concerning academic qualifications, 14 leaders held bachelor's degrees, whereas 13 had attained senior high school education. Nevertheless, academic achievement was not coupled with prior experience in cooperative management. The survey results indicated that 24 of the 27 KDMP leaders lacked prior experience in cooperative management, although merely three leaders claimed to have such experience. This situation suggests that despite the availability of people resources in terms of formal appointments and educational qualifications, actual proficiency in cooperative management was still constrained. The leadership framework was marked by inadequate gender representation. Male executives predominated in cooperative management roles, with 25 male leaders contrasted against merely two female leaders. This demonstrates that men community members predominantly engaged in leadership roles within KDMP.

Governance and Organizational Readiness

The qualitative results from interviews and focus group talks uncovered multiple obstacles concerning governance preparedness. Despite the establishment of organizational frameworks by KDMPs, the majority of cooperatives has yet to implement thorough management systems to facilitate sustainable practices.

Table 3. Governance Readiness Conditions of KDMP

Governance Aspect	Findings
Standard Operating Procedures (SOPs)	Most KDMPs had not developed written operational procedures
Financial management	Financial recording systems were not systematically implemented
Authority structure	Separation of duties among chairperson, secretary, treasurer, and supervisors remained unclear
Internal control	Internal audit mechanisms had not been established
Digital management	Digital financial recording systems were not optimally utilized

Source: Interview and FGD Findings, KDMP Gorontalo Research, 2026

The research revealed that the majority of KDMPs were in the first phase of organizational formation and had yet to establish formal protocols for financial oversight and accountability. Numerous cooperatives exhibited ambiguous authority structures, with essential duties including transaction documentation, financial oversight, and decision-making inadequately delineated.

Moreover, none of the cooperatives had implemented autonomous internal audit systems. Financial reports, when accessible, were generated sporadically instead of via defined reporting frameworks. The findings from the focus group discussion underscored a lack of financial management acumen, inadequate comprehension of digital management systems, and minimal awareness of organizational risk management.

Business and Financial Readiness

The analysis of business and financial readiness showed that KDMPs had identified various potential business sectors, but most cooperatives still required significant financial resources to initiate operations.

Table 4. Funding Requirements of KDMP in Coastal Gorontalo

Funding Requirement	Number of KDMP
< IDR 500 million	3

IDR 501 million–1 billion	6
IDR 1–2 billion	11
IDR 2–3 billion	7

Source: KDMP Gorontalo Research Data, 2026

Most KDMPs required funding between IDR 1–2 billion, followed by IDR 2–3 billion. The findings indicate that cooperative development requires substantial capital support, particularly for establishing productive business units and supporting operational activities.

The potential business sectors identified by KDMP managers are presented in Table 5.

Table 5. Potential Business Activities Identified by KDMP

Potential Business Activity	Number of KDMP
Agricultural input shop	22
Fisheries equipment shop	17
Ice production facility	5
LPG distribution	27
Pharmacy	27
Basic food/minimarket	27
Digital financial services	11
Tourism	4
Drinking water depot	5
Livestock	7
Savings and loans	22

Source: KDMP Gorontalo Research Data, 2026

The most frequently identified business opportunities were basic food distribution, pharmacy services, LPG distribution, agricultural inputs, and savings and loan services. These findings indicate that KDMP managers had identified business opportunities aligned with community needs and local economic conditions.

Strategic Position of KDMP Based on SWOT Analysis

The SWOT analysis was conducted to evaluate internal and external conditions affecting KDMP development. The results of the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices are summarized in Table 6.

Table 6. SWOT Strategic Position of KDMP

Factor	Score
Strength	1.72
Weakness	-1.82
Internal Position	-0.10
Opportunity	1.77
Threat	-1.75
External Position	0.01

Source: KDMP Gorontalo Research Data, 2026

The SWOT analysis positioned KDMP in Quadrant I, indicating a progressive strategic position. The external environment provided opportunities for development, including government support, community acceptance, and potential partnerships. However, the internal assessment showed a negative value, indicating that internal limitations remained significant.

Overall, the results demonstrate that KDMP in coastal Gorontalo possesses strong institutional potential but remains constrained by limited operational readiness, particularly in human resource capacity, governance systems, and business implementation capacity.

Discussion

From Legal Recognition to Functional Institutions: Understanding the Institutional Readiness Gap

The results indicate a significant difference between the formation of institutions and their operational efficacy in rural cooperative advancement. Despite all 27 Village Red and White Cooperatives (KDMP) in coastal Gorontalo obtaining official legal status, merely one cooperative had advanced to operational functions. This research illustrates that legal formation constitutes merely the preliminary phase of institutional evolution and does not inherently establish operational economic institutions. The shift from formal organizations to efficient community-oriented economic entities necessitates internal competencies that empower organizations to establish governance frameworks, oversee resources, and provide economic advantages to its members. This discovery enhances the wider discourse on institutional evolution by emphasizing the significance of institutional preparedness as a mediating factor between organizational establishment and developmental results. Prior research concerning rural development entities suggests that institutions established externally often encounter difficulties in execution when the enhancement of organizational capacity is not integrated with institutional establishment (Klerkx & Begemann, 2022).

Community-based organizations frequently encounter a disparity between policy anticipations and practical implementations, as formal frameworks are developed more swiftly than managerial competencies, resource accessibility, and organizational learning mechanisms (Domlyn, Wandersman, & Chien, 2021; Vax, Gidugu, Farkas, & Drainoni, 2021). The KDMP instance exemplifies this phenomenon distinctly. Government engagement effectively established organizational legitimacy; however, the capacity to convert legal acknowledgment into economic empowerment was hindered by insufficient operational readiness. Consequently, this research contends that assessing rural cooperatives exclusively through their legal status may yield an inadequate comprehension of institutional efficacy (Prasetyo et al., 2022; Walters, 2021). Institutional preparedness need to be regarded as a vital evaluative phase prior to anticipating that cooperatives will aid in alleviating poverty and fostering local economic change.

Human Capacity as the Foundation of Cooperative Sustainability

The capacity of human resources has surfaced as a critical limitation impacting KDMP preparedness. While many cooperative leaders had sufficient academic education, most were deficient in prior experience in cooperative management. This discovery indicates that academic achievement by itself does not guaranty organizational competence. Cooperative leaders necessitate particular skills pertinent to collective enterprise oversight, fiscal management, strategic formulation, member engagement, and company advancement. This discovery corresponds with contemporary studies highlighting that human capacity is a crucial factor in the sustainability of community organization. Rural organizations often do not succeed not due to a deficiency in economic potential within communities, but rather because managers lack the requisite knowledge and abilities to convert prospective resources into effective economic endeavors (Domlyn et al., 2021; Vax et al., 2021). In collaborative environments, managerial proficiency is crucial since leaders are required to balance organizational performance with the social goals related to member well-being. The restricted collaborative experience among KDMP leaders suggests that capacity enhancement ought to be the initial phase of institutional fortification. Training initiatives ought to transcend administrative guidance and concentrate on practical skills, such as

corporate strategy, financial acumen, risk assessment, digital management frameworks, and relationship cultivation. This reinforces the notion that cooperative empowerment ought to be viewed as a process of developing capabilities instead of simply establishing an organization.

Governance Capability as a Determinant of Institutional Effectiveness

The governance analysis reveals that KDMP encounters significant obstacles in establishing accountability frameworks. The lack of uniform operational protocols, ambiguous delineation of authority, insufficient financial records, and absence of internal auditing mechanisms suggest that organizational frameworks have not been effectively implemented into governance practices. The ability to govern is crucial for community-oriented economic entities, as cooperative groups rely significantly on trust, transparency, and active member involvement. Prior research indicates that inadequate governance frameworks diminish organizational legitimacy and heighten susceptibility to financial mismanagement, especially in collective entities overseeing public or community assets (Borzaga et al., 2022; Fetters & Molina-Azorin, 2022; Zenebe, Gebremedhin, Henry, & Regassa, 2018). Efficient governance necessitates both formal frameworks and systems that oversee decision-making, accountability, oversight, and stakeholder involvement.

The KDMP results indicate that the advancement of governance should occur prior to the growth of business. In the absence of adequate internal control mechanisms, augmenting financial backing or broadening firm operations could introduce greater dangers instead of fostering enduring economic advantages. Consequently, institutional preparedness necessitates governance structures that guaranty transparent resource management and hold cooperatives accountable to their members and communities.

Business Capability and the Transformation of Local Resources into Economic Value

The research uncovered significant economic prospects for KDMP, encompassing agricultural supplies, fishery services, food distribution, pharmacies, logistics, and financial services. These prospects represent the robust economic promise of coastal regions. Nonetheless, the results indicate that business prospects have not been entirely converted into practical endeavors owing to insufficient capital preparedness, managerial proficiency, and business planning aptitude. This situation illustrates that merely local resources are inadequate for fostering economic empowerment. The conversion of resources into economic worth necessitates institutional frameworks that can orchestrate production, link markets, and cultivate sustainable value chains. Contemporary research regarding rural economic evolution highlights that local advancement relies on the ability of institutions to amalgamate producers, marketplaces, technology, and financial frameworks (Bijman & Wijers, 2022; Borzaga et al., 2022)

Consequently, KDMP should not be positioned merely as a distribution channel but as an economic integrator that connects local producers with wider markets. This role is particularly important in coastal areas where fragmented production systems often reduce community bargaining power. Through appropriate business models, including strategic.

CONCLUSION AND SUGGESTIONS

Conclusion

This research illustrates that the formation of Village Red and White Cooperatives (KDMP) in coastal Gorontalo has established a crucial institutional framework for rural economic enhancement; nonetheless, mere legal acknowledgment has proven inadequate for converting cooperatives into operational economic entities. The results indicate a notable deficiency in institutional preparedness: whereas 27 KDMPs were officially instituted in three coastal subdistricts, merely one cooperative had initiated operations and only five had built business outlets. The primary limitations were recognized across four aspects of institutional

preparedness. Initially, the capability of human resources was constrained, as the majority of cooperative leaders had prior experience in cooperative management, even though they had quite sufficient educational qualifications. Secondly, the preparedness for governance was inadequate, evidenced by the lack of established operational protocols, restricted financial oversight tools, ambiguous delineation of roles, and deficient accountability frameworks. Third, the preparedness of businesses and finances continued to be hindered by significant capital demands and a restricted ability to convert recognized commercial prospects into actionable operations. Nonetheless, the SWOT analysis revealed that KDMP has significant external opportunities, such as governmental backing, community endorsement, and local economic prospects, although internal deficiencies need to be rectified prior to growth.

This research possesses numerous constraints. Initially, the study serves as a preliminary evaluation of KDMP development; hence, it predominantly reflects the preparedness of institutions rather than the enduring economic effects on household well-being. Secondly, the research concentrates on coastal KDMPs in Gorontalo Regency, thus constraining the applicability of results to other areas with varying socioeconomic attributes. Third, subsequent research ought to utilize longitudinal methodologies to investigate the progression of institutional readiness following capacity-building initiatives and business execution.

The ramifications of this research are both conceptual and pragmatic. This study proposes the Institutional Readiness Framework as a conceptual lens for examining the shift from formal institutional formation to successful community-oriented economic empowerment. Policymakers need to transition from a focus on formation to a strategy centered on capability enhancement by emphasizing managerial training, governance fortification, digital advancement, business planning, and strategic alliances prior to significant investment and development. This strategy is crucial for establishing village cooperatives as enduring frameworks for equitable economic advancement and alleviating coastal poverty.

Acknowlegment

The authors gratefully acknowledge the financial support provided by the Government of Gorontalo Regency through BAPELITBANGDA in collaboration with LP2M, Institut Agama Islam Negeri (IAIN) Sultan Amai Gorontalo. The authors also thank the Village Red and White Cooperative (*Koperasi Desa/Kelurahan Merah Putih*) managers, local governments, and all research participants for their valuable contributions and support throughout the study.

REFERENCES

Abdullah, A., Hassan, H., & Ibrahim, M. (2023). Institutional capacity and community-based development initiatives: Understanding the role of organizational readiness. *Journal of Rural Studies*, *99*, 120–130. https://doi.org/10.1016/j.jrurstud.2023.02.012

Bennett, N. J., Blythe, J., White, C. S., & Campero, C. (2021). Blue growth and blue justice: Ten risks and solutions for the ocean economy. *Marine Policy*, *125*, 104387. https://doi.org/10.1016/j.marpol.2020.104387

Bijman, J., & Wijers, G. (2022). Exploring the role of cooperatives in inclusive rural development. *Annals of Public and Cooperative Economics*, *93*(4), 923–945. https://doi.org/10.1111/apce.12389

Borzaga, C., Salvatori, G., & Bodini, R. (2022). Social and solidarity economy and the future of work. *Journal of Entrepreneurial and Organizational Diversity*, *11*(1), 1–15. https://doi.org/10.5947/jeod.2022.001

Braun, V., & Clarke, V. (2022). Conceptual and design thinking for thematic analysis. *Qualitative Psychology*, *9*(1), 3–26. https://doi.org/10.1037/qup0000196

Candemir, A., Duvaleix-Tréguer, S., & Latruffe, L. (2021). Agricultural cooperatives and

farmers' economic performance: Evidence from developing economies. *Journal of Rural Studies*, *84*, 1–10. https://doi.org/10.1016/j.jrurstud.2021.02.004

Defourny, J., & Nyssens, M. (2021). Social enterprise in Europe: Recent trends and developments. *Social Enterprise Journal*, *17*(1), 1–17. https://doi.org/10.1108/SEJ-11-2020-0098

Domlyn, A. M., Wandersman, A., & Chien, V. H. (2021). R = MC2 Readiness Building Process: A Practical Approach to Support Implementation in Local, State, and National Settings. *Journal of Community Psychology*, *49*(5), 1173–1190. https://doi.org/10.1002/jcop.22531

Ferreira, H. D. S. (2020). Anthropometric assessment of children's nutritional status: A new approach based on an adaptation of Waterlow's classification. *BMC Pediatrics*, *20*(1), 1–11. https://doi.org/10.1186/s12887-020-1940-6

Fetters, M. D., & Molina-Azorin, J. F. (2022). The Journal of Mixed Methods Research starts a new decade: Perspectives on the future. *Journal of Mixed Methods Research*, *16*(1), 3–10. https://doi.org/10.1177/15586898211062943

Fischer, H., Böhme, T., & Geiger, S. (2021). Community resilience and organizational capacity in local development initiatives. *Sustainability*, *13*(14), 7893. https://doi.org/10.3390/su13147893

Haldane, V., De Foo, C., Abdalla, S. M., & Legido-Quigley, H. (2022). Community participation and organizational capacity for sustainable development. *The Lancet Planetary Health*, *6*(4), e260--e269. https://doi.org/10.1016/S2542-5196(22)00017-6

Klerkx, L., & Begemann, S. (2022). Supporting food systems transformation through innovation capacity and institutional change. *Agricultural Systems*, *196*, 103341. https://doi.org/10.1016/j.agsy.2021.103341

Mazzarol, T., Clark, D., Reboud, S., & Mamouni-Limnios, E. (2021). Developing a conceptual framework for the cooperative business model. *Journal of Co-Operative Organization and Management*, *9*(1), 100137. https://doi.org/10.1016/j.jcom.2021.100137

Prasetyo, A., Gartika, D., Hartopo, A., Harwijayanti, B. P., Sukamsi, & Fahlevi, M. (2022). Capacity Development of Local Service Organizations through Regional Innovation in Papua, Indonesia after the COVID-19 Pandemic. *Frontiers in Psychology*, *13*, 912692. https://doi.org/10.3389/fpsyg.2022.912692

Shorten, A., & Smith, J. (2017). Mixed Methods Research: Expanding the Evidence Base. *Evidence Based Nursing*, *20*(3), 74–75. https://doi.org/10.1136/eb-2017-102699

Vax, S., Gidugu, V., Farkas, M., & Drainoni, M.-L. (2021). Ready to Roll: Strategies and Actions to Enhance Organizational Readiness for Implementation in Community Mental Health. *Implementation Research and Practice*, *2*, 1–13. https://doi.org/10.1177/2633489520988254

Walters, J. E. (2021). More Than Meets the Eye: Organizational Capacity of Nonprofits in the Poor, Rural South. *Journal of Rural Studies*, *86*, 497–507. https://doi.org/10.1016/j.jrurstud.2021.07.017

Zenebe, M., Gebremedhin, S., Henry, C. J., & Regassa, N. (2018). School feeding program has resulted in improved dietary diversity, nutritional status and class attendance of school children. *Italian Journal of Pediatrics*, *44*(1). https://doi.org/10.1186/s13052-018-0449-1