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From Institutional Overlap to Complementarity: Evidence from BUMDes-KDMP Collaboration in Kemranggon

Afidian Sikta Fijayanto[1]*, Ayu Kurnia Fatmawati[2], Rafli Miftakhul Roziqin[1], Laurafita Hilda Fijayanti[3]

Fakultas Ekonomi dan Bisnis, Universitas Jenderal Soedirman, Purwokerto, Indonesia[1]
Fakultas Ekonomi dan Bisnis Islam, UIN Sunan Kalijaga Yogyakarta, Yogyakarta, Indonesia[2]
MTS Negeri 5 Jakarta, Jakarta, Indonesia[3]
*Correspondence: E-mail: afidian.fijayanto@mhs.unsoed.ac.id

ABSTRACT

Village-owned enterprises (BUMDes) and Merah Putih Village Cooperatives (KDMP) coexist in rural economies, creating collaboration opportunities and overlap risks. This study examines how institutional complementarity is constructed between BUMDes and KDMP in Kemranggon Village, Banjarnegara Regency, Indonesia, using an exploratory qualitative case study with data from six stakeholder positions and analysed thematically. The findings show capability-based role differentiation, hybrid governance, and continuing resource interdependence: savings-and-loan management reportedly shifted to KDMP, while BUMDes remained connected through capital cooperation, managerial experience, and profit sharing. Risk allocation, profit sharing, dual-role safeguards, and leadership continuity remain incompletely formalised. The study contributes the concept of capability-based institutional complementarity, in which distinct organisations coordinate functions and resources while preserving separate authority and accountability. Practically, the findings suggest that village and district actors can strengthen BUMDes-KDMP collaboration by clarifying organisational roles, formalising capital and risk arrangements, and preserving cooperative member authority. Economic effects are not claimed because agreements and financial records were not independently verified.

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CONTACT: afidian.fijayanto@mhs.unsoed.ac.id

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INTRODUCTION

Indonesia's policy to accelerate the establishment of Koperasi Desa/Kelurahan Merah Putih (KDMP, Merah Putih Village/Urban Village Cooperatives) introduces a new member-based organisation into village economies where Badan Usaha Milik Desa (BUMDes, village-owned enterprises) may already operate. Presidential Instruction No. 9 of 2025 calls for coordinated and integrated action to support KDMP formation while considering local characteristics, village potential, and existing economic institutions (Instruksi Presiden No 9 Tahun 2025, 2025). This creates an institutional-design question: how can organisations with different ownership bases, beneficiaries, decision rules, accountability routes, and resource endowments operate in the same local economy without generating avoidable duplication, destructive rivalry, or uncertainty over assets and responsibilities? The issue is especially important where BUMDes has already accumulated business experience, operating routines, user relationships, and local legitimacy.

Research on BUMDes shows that formal establishment alone does not guarantee local economic value. Governance, human resources, capital, accountability, innovation, and managerial capability shape an organisation's ability to convert village resources into viable activity (Hilmawan et al., 2023; Ikram et al., 2025; Indrawanto et al., 2025). National evidence associates BUMDes presence with village development, but aggregate relationships do not explain how particular organisations create value or how local capacity conditions that process (Ultari & Khoirunurrofik, 2024). Recent work on sustainability similarly cautions against prioritising formal organisational presence over substantive function, managerial capability, and community empowerment (Harinurdin et al., 2025; Mardiana et al., 2024). KDMP should therefore be analysed in relation to institutions and capabilities already present in a village, not as though it enters an empty economic space.

Cooperative research adds a distinct governance perspective. Member participation, social capital, collective decision-making, and governance quality shape cooperative commitment and performance (Hua & Brown, 2024; Jamaluddin et al., 2023; Martínez-López et al., 2025; Ong'ayo et al., 2026). Contractual and relational governance can complement one another, indicating that written rules and continuing communication perform different but mutually reinforcing functions (Zeng et al., 2023; Zeng & Wan, 2024). For BUMDes-KDMP relations, the issue is therefore not simply which business belongs to which organisation. It is how functions and resources are coordinated while each organisation retains its own ownership logic, decision rights, beneficiaries, and accountability route.

Emerging work on BUMDes-KDMP relations identifies risks of overlap and proposes functional differentiation, collaborative governance, and supply-chain integration as routes towards co-opetition (Judijanto, 2026). These recommendations establish the policy problem but leave a process question: how is complementarity actually negotiated and maintained in village practice? A fixed sectoral division is too blunt because villages differ in managerial capability, assets, demand, member participation, organisational history, and local value chains. A process perspective is

therefore needed to explain how activities are reallocated, how resources remain connected, and how accountability is preserved when capital or personnel cross organisational boundaries.

Kemranggon Village in Banjarnegara Regency offers an analytically useful case because KDMP entered a setting where BUMDes had already been associated with savings-and-loan services, community water supply, refill drinking water, and fish grow-out. After KDMP was established, management of the savings-and-loan activity reportedly shifted to the cooperative, while BUMDes continued other activities and remained economically connected through capital cooperation and a reported profit-sharing arrangement. Managerial experience also crossed the organisational boundary. The case therefore permits examination of institutional reconfiguration: a change in where an activity is managed without an organisational merger. It is not used to assume that collaboration improves performance, but to investigate the mechanisms and governance tensions through which complementarity is attempted.

This study addresses two questions. First, through what mechanisms is complementarity between BUMDes and KDMP constructed in Kemranggon? Second, which governance boundaries remain necessary when functions, capital, and managerial experience cross organisational lines? We use capability-based institutional complementarity to describe a relationship in which distinct organisations coordinate functions and share selected resources according to local institutional suitability and managerial capability while retaining identifiable decision rights and accountability. The analysis focuses on capability-based role differentiation, deliberative and hybrid governance, cross-organisational resource interdependence, and boundary governance around risk, benefits, cooperative autonomy, dual roles, reporting, review, and continuity.

The contribution is processual rather than evaluative. Institutional Theory is the primary lens for explaining why BUMDes and KDMP remain differentiated by ownership, beneficiaries, decision rights, legitimacy, and accountability. Resource Dependence Theory supports the explanation of why these distinct organisations remain linked through distributed resources. Institutional complementarity bridges differentiation and interdependence, while hybrid governance explains how formal rules and relational coordination govern that relationship. The study therefore asks under what conditions coordination remains useful, accountable, and adaptable.

LITERATURE REVIEW

Village Economic Institutions and Rural Development

BUMDes is an organisational instrument through which villages seek to mobilise local assets, services, and economic opportunities. Recent Indonesian research has moved beyond formal establishment and increasingly examines whether BUMDes produces accountable, innovative, and sustainable organisational performance. Fitriani et al. (2024) show that BUMDes accountability involves balancing government expectations with financial, operational, and social realities. Hilmawan et al. (2023) demonstrate that village resources do not translate

automatically into rural development; the relationship depends on the institutional channels through which resources are managed. Ultari and Khoirunurrofik (2024) similarly find a positive relationship between BUMDes and village development at national scale, but such aggregate evidence does not remove the need to understand how particular organisations create value in local settings. A Scopus-indexed mapping of village-enterprise research by Kusumastuti et al. (2022) identifies local ownership, micro-credit, public services, sustainability, innovation, and BUMDes management as recurring knowledge domains, reinforcing the need to read village enterprises as locally embedded institutional arrangements rather than generic business units.

Management capacity is especially important. Indrawanto et al. (2025) identify governance, human resources, and capital as central determinants of BUMDes performance across contrasting Indonesian districts. Ikram et al. (2025) likewise show the importance of recruitment, training, organisational culture, local politics, and facilitation for work motivation and management performance. Ethnographic evidence reported by Mardiana et al. (2024) suggests that BUMDes can remain weak when communities prioritise physical organisational presence over capability, empowerment, and a sustainable business vision. Evidence from 152 village-owned enterprises in Trenggalek also shows that development levels vary with organisational age, business diversification, labour, turnover, profit, and contribution to village revenue, while capital alone does not guarantee success (Hidayah & Prima, 2023). These studies imply that role allocation between BUMDes and another village organisation should not rely only on formal mandates. A function may be more effectively located where managerial knowledge, systems, networks, and accountability arrangements are already stronger.

Open innovation and external relationships add another layer. Wulandari and Wardani (2024) find that entrepreneurial orientation and open innovation matter for the financial and social performance of village-owned enterprises, while Harinurdin et al. (2025) synthesise evidence that BUMDes sustainability is strengthened by the ability to draw on external knowledge and partnerships. In West Java, cross-sector collaboration and leadership were also found to have significant positive effects on social innovation in rural social enterprises, including BUMDes (Kasumaningrum et al., 2024). Rural social enterprise research reaches a similar conclusion: local organisations create development value when they combine local embeddedness with external relationships and institutional resources (Olmedo & O'Shaughnessy, 2023). The implication is that organisational autonomy should not be confused with self-sufficiency. Rural economic organisations often require collaboration precisely because no single institution controls all necessary resources.

This is consistent with research on accountability and governance structures. Sari and Prameswari (2023) highlight transparency, accountability, participation, and responsibility in BUMDes governance, while Hadi et al. (2024) show how governance quality shapes community empowerment through village-owned enterprises. The development of joint BUMDes arrangements also indicates that collaborative structures can be used to overcome fragmented capacity, although such arrangements require political, managerial, and inter-village coordination (Sari &

Ilham, 2024). These findings are relevant to BUMDes-KDMP relations because the central issue is not only whether collaboration occurs, but whether authority, benefits, and obligations remain clear when resources cross organisational boundaries.

Cooperatives, Member Governance, and Collective Action

Cooperatives operate through a different institutional logic from village-owned enterprises. Their legitimacy derives from member ownership, participation, and collective decision processes. Cooperative performance therefore depends not only on managerial efficiency but also on governance quality and the ability to sustain member commitment. Jamaluddin et al. (2023), in a systematic review of cooperative governance, identify board characteristics, policy compliance, management, leadership, strategy, and social or human capital as recurring governance dimensions. Ma et al. (2023) likewise emphasise governance, efficiency, decision-making, and sustainable development as central themes in contemporary research on farmers' organisations.

Participation and opportunism represent a second governance concern. Ong'ayo et al. (2026) show that participation is heterogeneous across cooperative services and is associated with factors including shareholding, member satisfaction, and leadership roles, while Martínez-López et al. (2025) show that network and cognitive social capital can operate as governance mechanisms that reduce opportunism. Member governance is consequently not a symbolic feature: it is part of the institutional boundary that distinguishes a cooperative from organisations governed primarily through village-government decision structures.

The cooperative form is therefore particularly relevant when activities depend on repeated relationships with members and collective participation. Social capital can strengthen trust, collective coordination, and organisational resilience, while weak cohesion, trust, and commitment can undermine cooperative resilience (Hua & Brown, 2024; Martínez-López et al., 2025). Cooperative governance also has to address conflicts of interest and opportunistic behaviour that can arise when members are simultaneously owners, decision makers, suppliers, and clients (Sánchez-Navarro et al., 2024). Strong policy support and rapid organisational expansion do not by themselves establish substantive cooperative strength; case-based evidence shows that local leadership and smallholder-led initiatives remain important and that simple success/failure classifications can obscure how cooperatives function in practice (Wang et al., 2024). For KDMP, this suggests that policy support and formal establishment are insufficient indicators of institutional strength. The cooperative requires real member relationships, capable management, and credible governance practices. A recent systematic review of agricultural cooperative sustainability likewise identifies governance, human and social capital, member participation, and management conditions as recurring determinants of sustained performance (Chollet et al., 2026).

Research on farmer cooperatives further demonstrates the importance of combining formal and relational governance. Zeng et al. (2023) show that contractual

and relational governance both contribute to member commitment, and Zeng and Wan (2024) find that the two mechanisms can be complementary rather than substitutive. Recent evidence from cooperative-company-farmer arrangements also indicates that contractual and relational governance can jointly strengthen organisational participation and performance, with participation itself acting as an important mechanism (Deng et al., 2026). Written rules provide clarity and enforceability, whereas trust, communication, and relational continuity support adaptation when circumstances cannot be fully specified in advance. Huo et al. (2022) similarly show that stable collaboration depends on aligned incentives, supervision, and the distribution of benefits and costs. In the Indonesian regulatory context, capital participation in a cooperative is also treated as a formal relationship requiring member-meeting approval and a written capital-participation agreement, while the external capital provider does not obtain member voting rights merely by supplying that capital (Permenkop UKM No 11 Tahun 2015, 2015). These principles are relevant to BUMDes-KDMP cooperation because collaboration must not erase cooperative member control.

Institutional Theory, Resource Dependence, and Complementarity

Institutional theory directs attention to the rules, norms, legitimacy, and taken-for-granted expectations that shape organisational behaviour. An open-access synthesis by Kauppi (2022) emphasises that institutional theory helps explain why organisations adopt structures and practices that reflect wider regulatory, normative, and cognitive pressures. In the Kemranggon setting, this means that the organisational location of an activity cannot be evaluated only by short-term efficiency. Legitimacy also depends on whether the activity fits the ownership logic, decision rules, and accountability route of the organisation that manages it.

Institutional complementarity provides a way to analyse how different institutional arrangements may reinforce one another without becoming identical. Amable (2016) argues that complementarity should not be understood as a static fit among perfectly aligned institutions; it can also be part of processes of institutional change. Bilan et al. (2019) similarly link institutional complementarity with social and economic development, highlighting the importance of interactions among institutional dimensions. Applied at village level, complementarity does not imply that every BUMDes-KDMP pairing should follow the same portfolio division. It means that the contribution of one organisation can increase the usefulness of another when their distinct functions are coordinated under locally appropriate arrangements.

Resource dependence offers a complementary explanation for why distinct organisations remain linked. Organisations cooperate because important resources are distributed across organisational boundaries. Castanha and Gasparetto (2024) show that resource dependence can influence inter-organisational cooperation, while Viscardi et al. (2024) use a resource-dependence perspective to explain why firms collaborate when needed resources or capabilities cannot be efficiently internalised. In village economies, relevant resources include capital, physical assets, licences, managerial experience, trust, supplier and customer relationships, information, and

government legitimacy. Differentiating roles therefore does not eliminate dependence; in some cases, it makes interdependence more visible and manageable.

Inter-organisational cooperation research reinforces this point. Suchek and Franco (2024) find that collaboration among organisations is shaped by government initiatives, expected outcomes, cooperation processes, and sustainability challenges. Rural social enterprise ecosystems also depend on interactions among organisations that contribute different resources and capabilities (Ricket et al., 2023). More generally, inter-organisational business-process governance requires explicit ownership of shared resources and activities, accountability for operations, clearly assigned roles and responsibilities, and alignment among partners (Ribeiro et al., 2024). Indonesian BUMDes regulation likewise recognises cooperation with other parties and places approval and accountability for such cooperation within the BUMDes governance structure, including the role of Musyawarah Desa (Musdes; Village Deliberation) where required by the organisation's governing rules (PP No 11 Tahun 2021, 2021). These studies point to a general principle: collaboration creates value only when resource interdependence is accompanied by governance arrangements that keep authority, responsibility, and benefits traceable.

BUMDes-KDMP Relations: From Normative Synergy to Process Evidence

Direct research on the simultaneous presence of BUMDes and KDMP remains emergent. Judijanto (2026) identifies institutional overlap, resource competition, regulatory ambiguity, legitimacy risks, and the potential value of differentiation and collaboration. However, recommendations for synergy do not explain how roles are negotiated, how an existing activity is reconfigured, how capital and personnel remain connected, or how local authorisation interacts with each organisation's internal accountability. These are process questions that require case-level evidence.

The gap addressed here is therefore threefold. First, there is limited case-based explanation of how complementarity is constructed when KDMP enters a village where BUMDes already operates. Second, the basis of role allocation needs to be examined beyond a fixed division by business sector. Third, collaboration can be described as synergistic even when risk allocation, benefit-sharing formulas, member decision rights, dual-role conflicts, organisational autonomy, and documentary accountability remain unclear. The Kemranggon case allows these issues to be examined together.

Theoretical positioning is hierarchical rather than additive. Institutional Theory is the primary lens for institutional differentiation; Resource Dependence Theory explains inter-organisational dependence; institutional complementarity is the bridging concept; and hybrid governance specifies how coordination is organised. Capability-based institutional complementarity therefore describes distinct village organisations that preserve separate identities and accountability routes while coordinating functions and sharing selected resources. Capability refers to managerial experience, operational competence, institutional suitability, available resources, familiarity with users or markets, and the ability to administer an activity credibly. It is treated as a qualitative category rather than a numerical score.

The analytical sequence begins with an established BUMDes and an emerging KDMP, then identifies overlap in ownership, beneficiaries, functions, resources, decision rights, and legitimacy. Three mechanisms are examined: capability-based role differentiation; deliberative and hybrid governance; and cross-organisational resource interdependence. Governance boundary conditions are cross-cutting rather than sequential: dual authorisation, cooperative autonomy, risk and benefit allocation, conflict-of-interest safeguards, separate reporting, review and exit arrangements, and leadership continuity condition whether complementarity remains accountable. Economic effects are treated as potential implications rather than demonstrated outcomes.

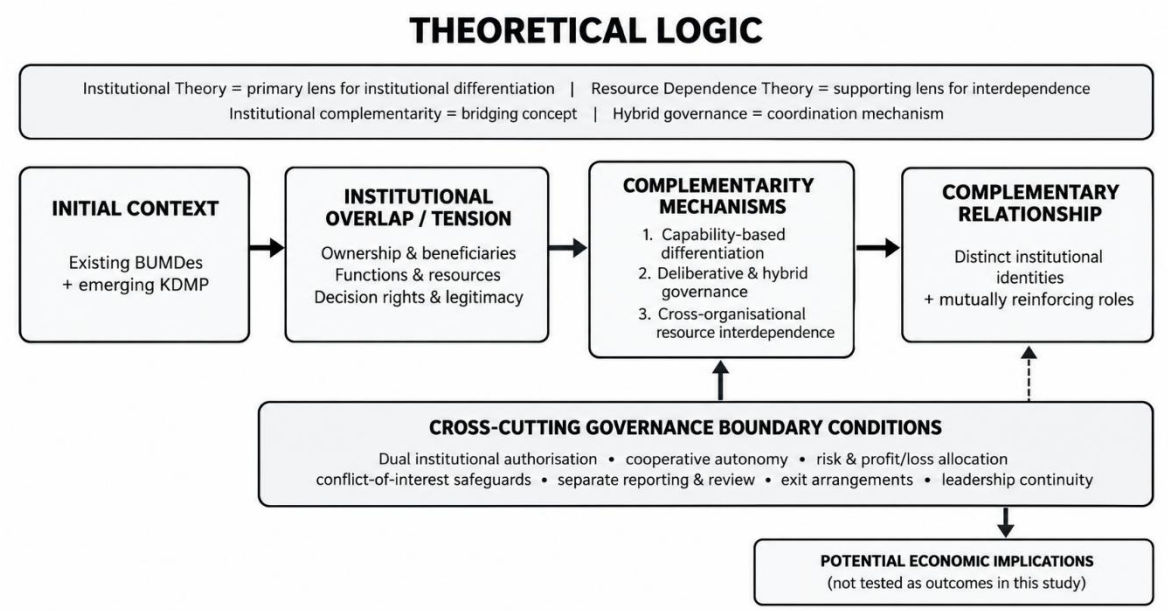


Figure 1. *Theoretical logic of capability-based institutional complementarity between BUMDes and KDMP*

Source: Authors' synthesis. Institutional Theory is the primary lens; Resource Dependence Theory is a supporting lens; institutional complementarity and hybrid governance organise the theoretical logic. The dashed arrow indicates a conditioning relationship between governance boundary conditions and the complementary relationship, not a sequential or causal pathway.

METHODS

1. Research Design and Case Selection

This study used an exploratory, multi-stakeholder qualitative case-study design. The unit of analysis was the institutional relationship between BUMDes and KDMP in Kemranggon Village, Banjarnegara Regency, Central Java. The case boundary covered KDMP formation, the reported reconfiguration of a pre-existing savings-and-loan activity, continuing capital and personnel links, role negotiation, and the governance arrangements used to coordinate the organisations. Kemranggon was purposively selected because functional differentiation and continuing resource links are visible in the same bounded case, allowing complementarity to be examined as a process rather than mere coexistence.

The case was not selected for statistical representativeness and is not treated as a model that other villages should reproduce. Its analytical value lies in a specific institutional configuration: an established village enterprise, a newly formed cooperative, a reported transfer of activity management, and continuing links across organisational boundaries. The study uses this configuration to identify mechanisms and governance conditions that can be compared with other settings. Transferability depends on contextual similarity and analytical reasoning rather than population generalisation.

2. Participants and Sampling

Six participants were purposively selected to represent distinct institutional positions directly involved in, or knowledgeable about, the BUMDes-KDMP relationship in Kemranggon. They comprised the KDMP chair, the BUMDes director, the village head, one cooperative member, a community-empowerment official from the Banjarnegara Regency Office of Community and Village Empowerment, Population Control and Family Planning (Dispermades PPKB), and a cooperative facilitator from the Banjarnegara Regency Office of Industry, Trade, Cooperatives and SMEs (Disperindagkop UKM). Participants were selected on the basis of their institutional roles and proximity to the processes being examined rather than for statistical representativeness. The six positions provided complementary perspectives on operational transition, village governance, cooperative governance, capital cooperation, member experience, and inter-organisational coordination.

The single cooperative-member interview was treated as an illustrative user perspective rather than as evidence of member-wide consensus. The two district-level informants were treated as informed institutional actors whose accounts supported interpretation of governance practices but were not treated as definitive legal opinions. Participants were selected for institutional-role coverage rather than to claim thematic saturation. Qualitative sample adequacy depends on research scope, participant diversity, and analytical purpose (Hennink & Kaiser, 2022). For this bounded inter-organisational case, adequacy was assessed by whether key institutional positions relevant to the research questions were represented and whether major claims could be compared across institutional perspectives.

3. Data Collection Methods

Primary data were collected directly by the researcher at different stages of the study. Direct evidence from the BUMDes director and a Dispermades PPKB community-empowerment official was collected on 14 October 2026. Evidence from a cooperative facilitator from the Banjarnegara Regency Office of Industry, Trade, Cooperatives and SMEs (Disperindagkop UKM) was collected on 15 October 2026. Semi-structured field interviews with the KDMP chair, the village head, and one cooperative member were conducted on 12 October 2026. Follow-up questioning was undertaken where clarification of particular issues was required.

All case-specific evidence reported in the Results section was generated through direct researcher-participant interaction. Media reports, websites, and secondary

case descriptions were not used as evidence of events in Kemranggon. Interview materials were retained as researcher-held transcripts, notes, and follow-up response records according to the mode of interaction. The mode of interaction was described as face-to-face, written, recorded, or otherwise mediated only where this could be supported by the retained research record.

Table 1. *Stakeholder perspectives and evidentiary contribution*

Stakeholder	Direct data collection mode	Primary evidentiary contribution
KDMP chair (P1)	Direct semi-structured interview, 12 October 2026, plus direct follow-up clarification	Formation process, operational transition, role differentiation, managerial continuity, and resource linkages.
BUMDes director (P2)	Direct follow-up responses elicited by the researcher, 14 October 2026	Pre-existing activities, capital cooperation, reported profit sharing, risk understanding, personnel overlap, and the BUMDes view of complementarity.
Village head (P3)	Direct semi-structured interview, 12 October 2026	Village-government support, local legitimacy, Musdes, and policy facilitation.
Cooperative member (P4)	Direct semi-structured interview, 12 October 2026	Service continuity, user trust, participation, and user experience.
District community-empowerment official (Dispermades PPKB) (P5)	Direct semi-structured interview, 14 October 2026	Village-governance perspective on role differentiation, Musdes, assets, formal agreements, overlap risks, and regulatory boundaries.
District cooperative facilitator Banjarnegara Regency Office of Industry, Trade, Cooperatives and SMEs (Disperindagkop UKM) (P6)	Direct semi-structured interview / structured response record, 15 October 2026	Cooperative ownership and member authority, autonomy, capital participation, cooperation-agreement (PKS) design, capability, participation, leadership-continuity risk, and transferability conditions.

4. Ethical Considerations and Informed Consent

All participants were informed about the purpose of the study before data collection and participated voluntarily. They were informed that their responses would be used for academic research and scholarly publication and that they could decline to answer particular questions. All participants provided informed consent for participation and for the academic use of their responses. Personal names and unnecessary identifying information were excluded from the manuscript, while institutional roles were retained because they were analytically relevant to the study. Interview materials were used solely for research purposes and were handled confidentially by the researcher.

5. Documentary and Contextual Sources

Policy and academic documents established the regulatory and analytical context but were not used as proof of specific events in Kemranggon. Presidential Instruction No. 9 of 2025 provided the KDMP policy context; Government Regulation No. 11 of 2021 informed the BUMDes cooperation and accountability

context; and the 2015 regulation on cooperative capital participation provided a public reference point for member approval, written capital-participation agreements, and risk provisions (Instruksi Presiden No. 9 Tahun 2025, 2025; Permenkop UKM No. 11/2015, 2015; PP No. 11 Tahun 2021, 2021). The study did not directly examine the Musdes minutes, the BUMDes-KDMP cooperation agreement, a cooperative member-meeting resolution, accounting ledgers, payment records, or detailed profit-sharing calculations. Their existence and content are therefore reported as stakeholder accounts rather than independently verified documentary facts.

6. Research Instruments

The primary research instrument was a semi-structured interview guide developed from the research questions and theoretical framework. The guide covered institutional history, role differentiation, capital and asset relations, member and village interests, benefit and risk allocation, personnel overlap, decision forums, coordination mechanisms, dispute prevention, cooperative autonomy, member participation, and conditions for independent or collaborative operation. A common set of core questions was maintained across participants, while follow-up questions were adapted to each participant's institutional role and knowledge of the case. Illustrative quotations presented in the Results were translated from Indonesian into English for publication while preserving their substantive meaning.

Open-ended questions explored what changed after the emergence of KDMP, how organisational roles were determined, how decisions were reached, which resources remained connected across organisational boundaries, and which aspects of the relationship remained uncertain. Follow-up questions were used to clarify ambiguous responses without replacing participants' accounts with researcher assumptions.

7. Data Analysis Techniques

Thematic analysis proceeded abductively through iterative movement between the empirical material and concepts from Institutional Theory, institutional complementarity, Resource Dependence Theory, and hybrid governance. The lead researcher conducted first-cycle and second-cycle coding and retained the interview materials, follow-up records, coding notes, and category development as an audit trail. Following open-access thematic-analysis guidance (Byrne, 2022; Naeem et al., 2023), first-cycle codes captured concrete processes and conditions such as Musdes authorisation, member decision rights, activity transfer, BUMDes capital, shared managers, active communication, profit sharing, unclear risk, cooperative autonomy, specialisation, leadership change, and avoidance of direct competition. Second-cycle analysis grouped these codes into institutional reconfiguration, capability-based differentiation, deliberative and hybrid governance, resource interdependence, cooperative-autonomy safeguards, and governance boundary conditions. Theoretical concepts were used to interpret patterns after coding rather than to replace missing empirical evidence.

Cross-source analysis distinguished convergence, complementarity, divergence, and unresolved evidence. Accounts were treated as convergent when several

stakeholders independently described the same basic process, such as the shift in savings-and-loan management and the intention to avoid parallel competition. Evidence was complementary when respondents illuminated different parts of one relationship, such as the BUMDes director explaining the capital link while district informants described governance requirements. Divergent or incomplete evidence was retained rather than reconciled by assumption. For example, case actors reported Musdes authorisation, while the cooperative facilitator stressed member authority for strategic cooperative decisions; because the study did not inspect a relevant member-meeting resolution, that issue remains a documentary question rather than an assumed fact.

8. Validity and Reliability (Trustworthiness)

In this qualitative study, validity and reliability were addressed through the trustworthiness criteria of credibility, dependability, confirmability, and analytical transferability. Trustworthiness was addressed through four linked strategies. Credibility was strengthened by direct data from six institutional positions and comparison of convergent, complementary, divergent, and disconfirming accounts. Dependability was supported by the interview guide, retained transcripts and follow-up records, an explicit coding trail, and separation of participant reports from researcher interpretation. Confirmability used source-proximity weighting and claim calibration: BUMDes capital claims were anchored primarily in the BUMDes director's account, cooperative-governance claims were compared with the cooperative facilitator and public regulation, and district officials' regulatory statements were treated as informed interpretations rather than definitive legal opinions. Transferability was analytical, based on detailed context and boundary conditions rather than population generalisation. Agreement across positions was treated as corroboration, not proof of success.

9. Study Limitations

The study nevertheless has important evidentiary limits. It is based on one case and a small purposive stakeholder set, including only one cooperative member; that member's account therefore illustrates an individual user experience and cannot represent the views of the wider membership. Direct interviews strengthen reconstruction of the institutional process, but they do not substitute for documentary, financial, or legal verification. The study did not audit financial records, verify the exact legal-accounting classification or amount of the capital cooperation, calculate realised returns, assess the cooperation agreement clause by clause, verify a cooperative member-meeting resolution, or measure changes in productivity, income, village revenue, or welfare. Descriptions of long-term investment, profit sharing, expected productivity gains, and the sufficiency of current authorisation are therefore reported according to their evidentiary status rather than as audited outcomes. The evidence is sufficiently credible to explain how relevant actors understand and organise the relationship, but it cannot establish that the arrangement is legally optimal, financially sound, representative of all members, or economically superior to alternatives.

RESULT

Case Context and Sequence of Institutional Change

Across interviews and follow-up responses, participants described a five-step institutional sequence. Unless otherwise stated, the Results present stakeholder accounts rather than independently audited or legally verified facts. First, BUMDes operated savings-and-loan and other village businesses before KDMP was formed. Second, after KDMP emerged, local actors reconsidered the organisational location of the savings-and-loan activity because they wanted clearer institutional arrangements and to avoid parallel competition. Third, participants described Musdes as providing village-level authorisation for cooperation and role adjustment. Fourth, operational management of the savings-and-loan activity was placed under KDMP while BUMDes remained connected and a profit-sharing mechanism described by participants. Fifth, the organisations continued separately through ongoing communication and some personnel continuity. The cooperative facilitator emphasised that strategic cooperative commitments involving capital, benefits, and risk should also preserve member authority. Because the study did not inspect the Musdes, member-meeting, cooperation, or financial documents, this sequence records stakeholder accounts rather than a legal or financial audit.

Reconfiguration of the Savings-and-Loan Activity

Before cooperation with KDMP, BUMDes reportedly operated savings-and-loan services, community water supply, refill drinking water, and fish grow-out, according to the interview accounts. According to the BUMDes director (P2), the savings-and-loan activity involved collecting community savings while its institutional relationship was considered locally to be insufficiently clear. After KDMP was established, management of the activity was placed under the cooperative. The study does not characterise the earlier arrangement as illegal or unlicensed because no independent legal review was conducted. The narrower finding is that case actors and the cooperative facilitator (P6) regarded the cooperative form as a clearer member-based organisational location for the activity. BUMDes continued its other activities and remained economically connected through capital cooperation and profit sharing.

The BUMDes director's account (P2) converged with the KDMP chair's description (P1) that the savings-and-loan activity had previously operated through BUMDes and with the village head's statement (P3) that the two organisations were not expected to run parallel savings-and-loan operations in the same village. Across these accounts, the activity was described as pre-existing rather than newly created by KDMP. Respondents also described continuity in some resources, users, and managerial experience after operational management was placed under the cooperative.

Respondents emphasised different but compatible rationales for the change. The BUMDes director stressed institutional placement for the savings-and-loan activity; the village head stressed avoidance of parallel operations; the KDMP chair

stressed continuity in experience, users, and operating knowledge; and the cooperative facilitator stressed member ownership and member-governed decision making. These are respondent explanations for the arrangement, not evidence that it is legally or economically optimal.

Decision and Coordination Arrangements

Village deliberation was repeatedly described as the source of village-level authorisation. The BUMDes director (P2) stated that cooperation emerged through Musdes and village-government support so that both organisations could continue to operate. The Dispermades PPKB official (P5) also described Musdes as an important forum for strategic BUMDes decisions and village economic coordination. The cooperative facilitator (P6) added that KDMP remains member-owned and that strategic cooperative commitments should remain subject to cooperative member authority. These governance routes were corroborated across interview accounts.

The two district perspectives converged on the need for written coordination but emphasised different institutional responsibilities. The community-empowerment official (P5) focused on Musdes, village assets, and village-level coordination. The cooperative facilitator (P6) focused on member authority, organisational autonomy, and a written cooperation agreement covering capital, roles, risk, and benefit sharing. Musdes was consistently described as legitimising the relationship at village level; whether a separate cooperative member-meeting resolution authorised the specific capital arrangement could not be independently established.

Basis of Role Differentiation

The BUMDes director (P2) described role allocation as dependent on managerial capability and the potential of an activity. In his account, the organisation better positioned to manage a business should lead it while the other coordinates rather than duplicates the same operation. He did not describe KDMP's emergence as automatically reducing BUMDes business space. The cooperative facilitator (P6) independently expressed a similar capability logic: activities should be handled by the organisation able to manage them, while uncovered village potential can be developed by the other institution.

Both district informants also described horizontal and vertical forms of cooperation. They distinguished the organisations by ownership and beneficiary logic and used upstream-downstream examples to explain how BUMDes and KDMP might operate at different stages of one local value chain. Their accounts favoured adaptation to local capacity, assets, potential, and unmet needs rather than a uniform national division of business sectors.

Across the direct accounts, capability was described through managerial experience, operational competence, institutional suitability, existing assets or resources, familiarity with users or markets, and administrative ability. No respondent described a numerical scoring system. Similar activities were considered problematic when they created direct competition for the same limited market

without a clear rationale, whereas unmet demand or unused capacity was described as a reason for complementary or additional activity.

Capital, Profit Sharing, and Continuing Resource Links

The most important cross-organisational resource relationship concerned capital. The BUMDes director (P2) stated that BUMDes supplied cash capital to support KDMP's operation of the savings-and-loan activity. He explained, "The main cooperation concerns capital. BUMDes provided cash capital to KDMP so that the cooperative could operate the savings-and-loan activity" (P2). The article uses the neutral term 'capital cooperation' because the precise legal and accounting classification was not independently verified. The director described the arrangement in BUMDes records as a long-term investment and described a profit-sharing mechanism linked to the cooperative's realised results. "The profit-sharing arrangement is not determined by the value of the capital, but is adjusted to the results obtained by the cooperative" (P2). The cooperative facilitator (P6) considered external capital potentially useful but stressed that it should not displace member decision rights or cooperative autonomy.

Managerial experience also crossed the organisational boundary. Several individuals involved in BUMDes were reported to have roles in KDMP. The BUMDes director (P2) described this personnel continuity as helpful for coordination and knowledge transfer. The interviewed cooperative member (P4) reported continuity in a familiar service from the period before KDMP, while the KDMP chair (P1) and village head (P3) linked trust in the cooperative to people and operating experience already known locally. The cooperative facilitator (P6) similarly noted the advantage of using existing managerial experience rather than rebuilding capability from zero. These accounts indicate continuity in experience and user familiarity, but the single member interview is not treated as evidence of member-wide perceptions. All respondent groups nevertheless continued to describe BUMDes and KDMP as separate organisations with different owners or beneficiaries, decision procedures, and accountability routes.

No respondent described a formal conflict-of-interest or recusal protocol for decisions involving individuals with roles across both organisations. The cooperative facilitator (P6) stressed that decisions should remain anchored in the separate deliberative forums of each institution so that personal proximity does not override collective authority. The available evidence therefore records personnel continuity together with an unresolved question about safeguards for dual-role decision making.

Formal Agreements, Cooperative Authority, and Ongoing Coordination

Respondents described a combination of formal and relational coordination. Formal elements included Musdes and a cooperation agreement described in the interviews, while relational elements included frequent communication among managers and support from village government. Both district informants stated that written cooperation should specify contributions, roles, benefit sharing, risk allocation, dispute resolution, review, and termination. The cooperative facilitator

(P6) additionally stressed that external capital should not displace member authority and that time limits or review points can reduce prolonged dependence on outside capital. These statements describe governance expectations for the arrangement.

Both district perspectives warned against uncoordinated operation in the same limited village market. They described the main danger as overlapping business space, inefficient competition, and possible loss to both organisations. At the same time, neither advocated organisational merger. The cooperative facilitator emphasised member participation and annual accountability within KDMP, while the community-empowerment official emphasised BUMDes accountability through its own governance route.

Unresolved Risk, Profit-Sharing, and Continuity Issues

The clearest unresolved issue concerned downside risk. The BUMDes director (P2) stated that the cooperation agreement did not yet specify risk allocation in detail, although the local understanding was that KDMP would be responsible for capital entrusted to the cooperative. The available evidence did not specify how non-performing loans, liquidity shortfalls, operating losses, or capital impairment would be treated. The cooperative facilitator (P6) stated that benefits and risks should be negotiated in relation to each party's role and that higher-risk arrangements warrant stronger formalisation. Operational responsibility was therefore described more clearly than downside allocation.

The profit-sharing mechanism was also insufficiently specified for independent assessment. The BUMDes director (P2) described sharing as responsive to cooperative results, but the study did not obtain a fixed formula, verified payment records, or an audited basis for distributable results. The cooperative facilitator (P6) additionally identified leadership change as a continuity risk if cooperation depends too heavily on a particular village administration. Across the accounts, cooperation, capital linkage, and profit sharing were consistently described, but the completeness and durability of their documentary basis could not be established.

DISCUSSION

Complementarity as a Process of Institutional Reconfiguration

The Kemranggon case is best interpreted as institutional reconfiguration rather than a simple expansion or division of business portfolios. A pre-existing savings-and-loan activity came under KDMP management while BUMDes reportedly remained connected through capital, managerial experience, and profit sharing. The cooperative-facilitation evidence adds an important boundary: complementarity is not only about locating an activity where operational capability appears stronger, but also about preserving the decision logic of the organisation that receives it. Institutional complementarity therefore concerns alignment among organisational location, resource relationships, and accountability rather than business separation alone (Amable, 2016; Bilan et al., 2019).

The case refines capability-based institutional complementarity as a relationship in which BUMDes and KDMP retain distinct identities while differentiating functions according to managerial and institutional capability and maintaining selected resource interdependencies under explicit governance boundaries. The concept is narrower than a general claim of 'synergy'. Capability explains why a function may be located in one organisation rather than another; complementarity explains why that differentiation can make the two organisations mutually reinforcing; and boundary governance explains why the relationship should not collapse into informal substitution or organisational capture. Cooperative autonomy and member authority are therefore substantive conditions rather than optional features.

This process-based account extends emerging calls for BUMDes-KDMP synergy (Judijanto, 2026). The case suggests a sequence in which an existing activity is reconsidered, a more suitable organisational location is negotiated, village deliberation provides one layer of legitimacy, cooperative governance remains relevant to KDMP commitments, capital stays connected through an inter-organisational relationship, and ongoing communication supports implementation. Complementarity is thus not a static map of businesses but a continuing governance process through which roles, resources, and decision rights are aligned across separate institutional systems.

Resource Interdependence as a Strategic Relationship

Resource-dependence reasoning explains why differentiation did not produce separation. BUMDes retained resources that KDMP could use, while KDMP offered a member-based organisational form and operational focus through which those resources could remain productive. Organisations often cooperate because valuable resources, capabilities, or legitimacy are distributed across organisational boundaries (Castanha & Gasparetto, 2024; Viscardi et al., 2024). In Kemranggon, the relevant resources included cash capital, managerial experience, a user base, social trust, and village-government support. The cooperative facilitator adds a critical qualification: productive interdependence must remain compatible with cooperative autonomy and member authority.

Dependence should therefore not automatically be interpreted as weakness, but neither should it be romanticised. KDMP's use of BUMDes capital does not by itself imply capture, and BUMDes' reliance on KDMP to operate a particular activity does not imply organisational irrelevance. The strategic question is whether dependence is visible, authorised, reviewable, and governable. Cooperative-capital rules reinforce this distinction by separating the capital provider's financial position from member voting rights and by requiring formal approval and agreement for capital participation (Permenkop UKM No. 11/2015, 2015). The theoretical implication is that functional differentiation does not eliminate dependence; it reorganises dependence into a governed inter-organisational relationship.

This point is especially relevant in rural development, where organisations often face fragmented resources and limited scale. Rural social-enterprise research

shows that development can depend on ecosystems of organisations that contribute different market, social, and institutional resources rather than operating in isolation (Olmedo & O'Shaughnessy, 2023; Ricket et al., 2023). Open-innovation research on BUMDes likewise emphasises external knowledge and partnerships (Harinurdin et al., 2025; Wulandari & Wardani, 2024). Institutional strength should therefore not be equated with organisational self-containment.

Deliberation, Trust, and Hybrid Governance

The reported role of Musdes illustrates how local legitimacy can support institutional change, but village-level authorisation cannot substitute for the internal governance obligations of either organisation. The community-empowerment official emphasised Musdes and village-level coordination, whereas the cooperative facilitator emphasised Rapat Anggota (cooperative members' meeting), member authority, and cooperative autonomy. This dual-accountability logic is consistent with research showing that contractual and relational governance can complement one another (Zeng et al., 2023; Zeng & Wan, 2024) and with public rules that place BUMDes cooperation and cooperative capital participation within distinct governance routes (Permenkop UKM No. 11/2015, 2015; PP No. 11 Tahun 2021, 2021).

Relational governance remains necessary because no agreement can anticipate every operating contingency. Communication and trust can reduce misunderstanding and support adaptation, but relational closeness also creates risk when the same individuals occupy roles across organisations. Personnel continuity can transmit knowledge and local confidence, yet it should not substitute for separate decision rights, disclosure and recusal expectations, reporting routes, and collective oversight. This is consistent with inter-organisational governance research that treats ownership, accountability, roles, and partner alignment as explicit design requirements rather than informal assumptions (Ribeiro et al., 2024). Coordination without institutional fusion therefore requires two functioning governance centres rather than one informal network.

The Governance Gap as a Substantive Finding

The most consequential governance finding is the asymmetry between the operational arrangement and the incomplete treatment of downside risk. Participants could describe which organisation manages the activity and how BUMDes is expected to share in results, but the study could not verify the formula or establish how losses, non-performing loans, liquidity stress, or capital impairment would be allocated. The cooperative facilitator framed benefit and risk as matters that should be negotiated in relation to each party's role, while the BUMDes director acknowledged that risk allocation was not detailed in the reported agreement. Operational complementarity has therefore developed faster than formal risk governance. This is a substantive feature of the relationship as documented, not merely a limitation of the research design.

This gap cautions against treating collaboration as inherently beneficial. Resource sharing can support continuity and reduce unnecessary duplication, but it

can also expose organisations to unclear liabilities, conflicted decisions, or disputes over the distribution of benefits. The relevant criterion is not cooperation itself, but whether operational authority, resource contribution, benefit allocation, risk bearing, and accountability are credibly aligned. Because the underlying agreement and financial records were not examined, the study cannot conclude that adequate clauses or informal safeguards are absent; it can only show that they were not established by the available evidence.

Coordination without Institutional Fusion

The central theoretical implication is coordination without institutional fusion. BUMDes and KDMP do not need to merge, nor do they need to sever all resource connections to demonstrate autonomy. Capital cooperation and personnel continuity can coexist with distinct ownership logics, beneficiaries, decision procedures, and accountability routes. The district perspectives sharpen this distinction: BUMDes was associated with village-oriented value and governance, while KDMP was associated with member ownership, participation, and cooperative accountability. Shared resources may connect the organisations, but their legitimacy continues to flow through different institutional channels.

This distinction clarifies the boundary between complementarity and informal substitution. If KDMP merely performs or finances an activity without authorised decisions, transparent records, member oversight, benefit-sharing rules, or responsibility for losses, accountability becomes blurred. Complementarity requires deliberate role allocation, identifiable contributions, preserved cooperative autonomy, and functioning governance routes for both organisations. This is especially important in policy settings where formal support or rapid organisational expansion can outpace substantive governance; case-based evidence cautions against equating policy-promoted organisational presence with effective, member-centred operation (Wang et al., 2024). Cooperative research further warns that hybrid ownership and decision roles can generate opportunism or conflict unless incentives, dependence, and accountability are actively governed (Sánchez-Navarro et al., 2024).

Complementarity can be horizontal, when organisations specialise in different activities or customer functions, or vertical, when they contribute at different stages of the same value chain. Both district informants used an upstream-downstream logic to describe potential collaboration. Policy should therefore avoid rigid sector lists and instead require a documented rationale showing why a proposed allocation adds value relative to duplication and whether the responsible organisation has the capability and governance structure to perform it.

Governance Boundary Conditions and Transferability

The stakeholder evidence suggests six governance boundary conditions. First, cooperation affecting BUMDes resources or strategic functions requires the appropriate BUMDes and village-level authorisation. Second, strategic KDMP commitments must preserve member decision rights and cooperative autonomy. Third, financial relationships must remain traceable across separate accounts.

Fourth, personnel overlap requires conflict-of-interest and recusal safeguards. Fifth, profit, loss, risk, reporting, review, and exit conditions should be specified before problems occur. Sixth, agreements should be robust enough to survive changes in village leadership rather than depend on personal alignment with a particular office holder. These conditions make interdependence governable; they do not guarantee economic success.

Table 2. *Empirical mechanisms and governance requirements of BUMDes-KDMP complementarity*

Mechanism	Case evidence	Governance requirement
Capability-based role differentiation	Savings-and-loan management moved to KDMP; other BUMDes activities continued; organisational and district informants linked roles to capability, local potential, and unmet needs.	Map existing functions, capability, demand, assets, and value-chain opportunities before assigning or duplicating activities.
Deliberative and hybrid governance	Musdes legitimacy, a reported cooperation agreement, village-government facilitation, active communication, and a distinct cooperative member-governance requirement.	Record the relevant village/BUMDes and cooperative authorisations; define decision rights, review, dispute resolution, and termination.
Resource interdependence with cooperative autonomy	BUMDes capital, managerial experience, user networks, and local legitimacy supported KDMP, while cooperative member authority and internal equity remained important.	Maintain separate accounts, preserve member voting authority, review external-capital dependence, and value contributions transparently.
Cross-cutting governance boundary conditions	Profit sharing was reported, but formula, loss treatment, risk allocation, dual-role safeguards, member authorisation, and resilience across leadership change were not fully verified.	Specify dual authorisation, cooperative autonomy, profit/loss and risk allocation, reporting, audit, recusal, review, leadership-transition, and exit arrangements explicitly.

Transfer to other villages should be conditional rather than mechanical. The cooperative facilitator considered the Kemranggon pattern potentially transferable where BUMDes and KDMP managers share a development vision, but that view remains an informed stakeholder judgement rather than evidence of general effectiveness. A village with a strong BUMDes retail network and a weak new cooperative may require a different arrangement from a village where the cooperative already has capable members and BUMDes primarily manages infrastructure. Institutional mapping should precede collaboration and identify existing services, unmet demand, asset ownership, managerial competence, member capacity, customer relationships, financing needs, decision forums, and the transaction costs of duplication versus coordination.

The practical test is whether a proposed arrangement fills an unmet need or uses existing capacity more effectively, whether coordination creates value rather than unnecessary transaction layers, and whether the organisation taking operational responsibility can manage the activity and account for its risks. Parallel provision should not automatically be prohibited: competition may be reasonable where

demand is unmet or service quality is poor. The heterogeneous development patterns found across village-owned enterprises in Trenggalek reinforce the case for context-sensitive rather than uniform institutional prescriptions (Hidayah & Prima, 2023). The objective is context-sensitive institutional design, not collaboration for its own sake.

Management and Policy Implications

Village-level policy should move beyond general calls for synergy and institutionalise a decision process for BUMDes-KDMP coordination. Before new investments, transfers, or shared activities are approved, a village economic and institutional map should identify existing services, unmet demand, asset ownership, capital providers, managerial capability, member capacity, decision authority, intended beneficiaries, risk bearers, reporting channels, and overlap in services. Musdes can coordinate the village-level picture, but strategic KDMP commitments must also preserve the cooperative's own member-governance requirements. The aim is not to prescribe fixed sectors, but to document why a particular allocation fits local capability and accountability.

In Kemranggon, the immediate priority is to consolidate the governance architecture of the existing relationship rather than simply add new business activities. The parties should verify the legal and accounting classification of BUMDes capital, document the profit-sharing formula and payment schedule, specify treatment of non-performing loans and other losses, establish reporting frequency and record-access requirements, confirm the appropriate cooperative member authorisation, adopt disclosure and recusal rules for dual-role personnel, and include periodic review, leadership-transition, renewal, and termination provisions. External-capital dependence should also be reviewed so that financial cooperation does not gradually weaken member-based equity or cooperative autonomy.

At district level, the agencies responsible for village economic institutions and cooperatives should facilitate the relationship jointly rather than through isolated sectoral guidance. Practical instruments could include a standard institutional-mapping template, model cooperation agreements, guidance on capital and asset documentation, joint governance and management training, facilitation of member participation, mediation when boundaries are disputed, and periodic review of whether collaboration respects both BUMDes and cooperative accountability routes. Such facilitation should strengthen local decision quality without centrally assigning particular business sectors to either organisation.

At national and monitoring levels, the findings suggest that future policy development could prioritise minimum governance standards rather than prescribe a uniform list of businesses for BUMDes or KDMP. Further policy development may provide greater clarity on capital cooperation, use of assets, accounting treatment, benefit and risk allocation, dual-role conflicts, reporting, and continuity of agreements across leadership change. Evaluation could then distinguish institutional coordination from economic performance: governance indicators may include authorisation, reporting compliance, member participation, traceability of capital

and assets, and functioning conflict-resolution mechanisms, while economic indicators may include service reach, repayment performance, operating costs, revenue contribution, member benefits, member equity, and asset utilisation. The manuscript therefore maintains three claim levels: stakeholder-reported processes; theoretical interpretation developed from those processes; and expected economic outcomes that remain untested.

CONCLUSION

This study shows that the BUMDes-KDMP relationship in Kemranggon is better understood as institutional reconfiguration than as a simple division of business portfolios. Direct evidence from six stakeholder positions indicates that a savings-and-loan activity previously associated with BUMDes was managed through KDMP after village-level deliberation, while capital cooperation, managerial experience, user relationships, and government support remained connected. The cooperative-governance perspective further shows that sustainable complementarity depends on preserving member authority and organisational autonomy rather than allowing resource sharing to blur institutional identity.

Regarding the first research question, complementarity was constructed through capability-based role differentiation, village deliberation and hybrid governance, and continuing cross-organisational resource interdependence. Regarding the second, this complementarity remained conditional on governance boundaries concerning member authority, organisational autonomy, financial traceability, conflict-of-interest safeguards, risk and benefit allocation, review arrangements, and leadership continuity.

The study contributes the concept of capability-based institutional complementarity: distinct organisations may coordinate functions and share selected resources according to local capability and institutional fit without merging. In Kemranggon, the process involved capability-based role differentiation, village deliberation, relational coordination, and continuing resource interdependence. Its sustainability, however, depends on boundary governance that preserves cooperative autonomy, keeps accounts and decision rights distinct, manages dual-role conflicts, specifies risk and benefit allocation, and remains robust across leadership change. Functional differentiation therefore does not eliminate dependence; it reorganises dependence into a relationship that must be governed.

The evidence does not establish that the arrangement is economically superior or fully formalised. The profit-sharing formula, loss allocation, capital classification, cooperative member authorisation, and safeguards for dual-role managers were not independently verified, and economic outcomes were not measured. These are both evidentiary limits and substantive governance questions. Kemranggon is analytically informative rather than statistically generalisable: its mechanisms may guide comparison elsewhere, but its business allocation should not be copied mechanically. Future research should examine the cooperation agreement, Musdes and member-meeting records, and financial statements directly; compare cases with different organisational capabilities; and test whether institutional complementarity affects

costs, service coverage, productivity, village revenue, member welfare, participation, or inclusion.

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