

Economic Empowerment through Cooperatives: The Case of the Setia Kawan Dairy Cooperative in Nongkojajar, Pasuruan, from an Islamic Entrepreneurial Perspective

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Abstract

Indonesia is the largest archipelagic country in the world with more than 17,000 islands and the population of Indonesia in 2024 is 281,603,800 people, making Indonesia the fourth most populous country in the world. This large population is directly proportional to the issue of stunting. Based on data from the Ministry of Health, the stunting rate in Indonesia in 2023 was recorded at 21.5 percent, only down 0.1 percent from the previous year which was 21.6 percent, while the national target is 14% in 2024. The elected Presidential Candidate, Prabowo, in his campaign raised the main issue of ending stunting through free lunch and milk programs. The free lunch policy that was previously changed to free breakfast has reached an agreement with the Prabowo-Joko Widodo government transition team to allocate funds of around IDR 71 trillion for the free nutritious meal program in the 2025 State Budget draft. The purpose of this study is to analyze the variables of the Free Breakfast Policy on sustainable food security using bibliometric analysis so that it can provide an overview of best practices in implementing the policy. The method used in this study is a literature review using bibliometric analysis by VosViewer software. The results of the visualization map of 150 documents from 2014-2024 show that there are 34 author network clusters and 23 keyword clusters. The author with the most research based on the number of author network strengths (links) is Chun, Yung; Jabbari, Jason and Chiota, s; Eigenbrod, F is the one with the most network strength. The most dominant keywords that appear include "system, regency, plan, province, India, School". Potential future research can use keywords that have not been widely used such as "aspect, sustainable food production, implementation". With bibliometric analysis on density visualization showing low strain and intensity, it shows that research on Free Breakfast Policy on Sustainable Food Security related to sustainable food production and policy implementation is still relatively low, this makes research on this topic still very broad to be studied.

Keywords: *Pendapatan Asli Daerah (PAD); Service innovation; Digitalization; Human resource capacity; Collaborative governance; Construction testing retribution*

Introduction

Community economic empowerment has become an essential pillar of sustainable development strategies in emerging economies. Across rural Indonesia, smallholder farmers depend on local resources—land, livestock, and family labour—as the basis of their livelihoods. However, despite abundant natural potential, many communities remain vulnerable to price fluctuations, market

exclusion, and structural poverty. Within this context, cooperatives represent a crucial institutional mechanism to aggregate resources, enhance bargaining power, and distribute welfare more equitably.

The livestock sector, particularly dairy farming, plays a strategic role in improving rural incomes. Cattle provide not only meat but also milk, leather, and fertilizer, making them a multipurpose asset in rural households. Demand for fresh milk in Indonesia has consistently outpaced domestic supply, creating both opportunities and pressures for smallholder farmers (Daryanto, 2019). Yet, dairy farmers face challenges such as high feed costs, limited access to modern management practices, and dependency on middlemen, which weaken their economic resilience. Cooperatives have emerged as intermediaries to address these structural gaps.

The Setia Kawan Dairy Cooperative (KPSP) in Nongkojajar, Pasuruan, East Java, is one of the most established and successful cooperatives in Indonesia's dairy sector. Established in the early 20th century and formalized under its current identity in 1998, KPSP has consistently pursued a mission of empowering its member-farmers through training, partnerships, and product innovation. Its model combines economic empowerment strategies with strong communal values rooted in cooperation (*gotong royong*), aligning with broader principles of Islamic entrepreneurship.

Islamic entrepreneurship, grounded in the principles of *tawhid* (oneness), *adl* (justice), *maslahah* (benefit), and *ta'awun* (mutual assistance), provides not only an ethical framework but also a practical orientation for business activities. Several studies (Haider & Ali, 2019; Rahman & Ali, 2022; Khan & Ghabban, 2021) highlight that Muslim entrepreneurs are expected to integrate profit-making with social justice and community welfare. In this sense, cooperative models such as KPSP embody Islamic entrepreneurial values by ensuring fairness, avoiding exploitative practices, and distributing benefits collectively.

While there is a rich body of literature on cooperatives and empowerment, several research gaps persist. First, empirical studies on how Islamic entrepreneurship principles shape cooperative practices in rural Indonesia remain limited. Much of the existing work either examines Islamic finance or focuses on urban-based entrepreneurial ventures (Shahid & Qureshi, 2018). Second, cooperative studies often emphasize economic outcomes (income, productivity) but pay less attention to ethical and religious dimensions of entrepreneurship that guide collective action. Third, few case studies provide detailed insights into how cooperatives can simultaneously enhance productivity, create market linkages, and uphold Islamic entrepreneurial ethics.

This study addresses these gaps by analyzing the economic empowerment of the Nongkojajar community through the Setia Kawan Dairy Cooperative (KPSP)

from an Islamic entrepreneurial perspective. Specifically, it examines (1) the empowerment strategies implemented by KPSP, (2) their impact on farmers' productivity and welfare, and (3) their alignment with Islamic entrepreneurship principles. By doing so, this article contributes to scholarship on community empowerment, cooperative economics, and Islamic entrepreneurship while offering practical lessons for policymakers, cooperative managers, and educators.

LITERATURE REVIEWS

Community Economic Empowerment

Economic empowerment refers to the process of enabling individuals and communities to gain greater control over resources, improve their capabilities, and enhance their income-generating potential (Arora & Chiu, 2020). It involves not only material aspects—such as access to capital, infrastructure, and markets—but also intangible dimensions like confidence, knowledge, and social capital. Empowerment is therefore both an economic and a social process (Patel, 2019).

Studies show that rural empowerment strategies are most effective when they integrate multiple dimensions, including human capital development, institutional strengthening, and sustainable resource use (Hulme & Mosley, 2022). Ravallion (2021) emphasizes that poverty reduction requires comprehensive strategies that combine direct assistance with structural reforms in production and marketing systems. Cooperatives, by pooling resources and building institutional capacity, have been recognized as one of the most effective vehicles for empowerment in rural contexts.

Dairy Cooperatives and Livelihoods

The dairy sector has long been acknowledged as a pathway for improving rural livelihoods in developing countries. Demand for milk and dairy products is rising globally, particularly in Asia, driven by population growth, urbanization, and rising incomes (FAO, 2020). Dairy cooperatives allow smallholders to integrate into these expanding markets by providing them with collective bargaining power, quality assurance mechanisms, and value-added processing facilities.

Evidence from India, Kenya, and Indonesia shows that dairy cooperatives enhance farmer incomes, improve access to veterinary services, and encourage the adoption of better feeding and breeding practices (Birner et al., 2021). In East Java, dairy cooperatives such as KPSP have played a central role in connecting farmers to multinational companies like Nestlé and Indolakto, thereby ensuring stable demand and prices (Dahlan, 2024).

Empowerment and Sustainability

Economic empowerment strategies must be evaluated not only in terms of immediate income increases but also in their contribution to long-term sustainability. Empowerment programs that emphasize capacity building, technological innovation, and market diversification tend to generate more resilient outcomes (Miller & Williams, 2019). Training and mentoring, for instance, have been shown to significantly improve farmers' productivity and reduce dependency on external actors (Zander, 2020).

Sustainable empowerment also requires inclusive institutions that allow marginalized groups, including women and youth, to participate in decision-making and benefit-sharing (Patel, 2019). By building community ownership and accountability, cooperatives can serve as sustainable platforms for empowerment.

Islamic Entrepreneurship

Islamic entrepreneurship is grounded in Qur'anic principles and Prophetic traditions that emphasize honesty, justice, and mutual benefit in economic transactions. Shahid & Qureshi (2018) identify Islamic entrepreneurship as distinct from conventional models because it integrates ethical obligations with business objectives. Haider & Ali (2019) extend this view by framing Islamic social entrepreneurship as a tool for poverty alleviation and social inclusion.

Rahman & Ali (2022) argue that successful Muslim entrepreneurs balance innovation with adherence to Islamic prohibitions such as *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling). Khan & Ghabban (2021) demonstrate how Islamic finance principles can support entrepreneurial ventures by providing risk-sharing mechanisms and ethical investment structures.

The principles of Islamic entrepreneurship—*tawhid*, *adl*, *maslahah*, and *ta'awun*—resonate strongly with cooperative values. For instance, the principle of justice ensures fair distribution of profits, while *ta'awun* emphasizes mutual assistance, closely mirroring cooperative solidarity. By aligning cooperative practices with Islamic principles, institutions like KPSP provide a faith-based legitimacy that strengthens community trust and participation.

Method

The research was conducted in Tukur District, Pasuruan Regency, East Java, where KPSP is located. KPSP is one of the largest dairy cooperatives in the province, with thousands of farmer-members. Data were collected from cooperative leaders, employees, and member farmers. Key informants included the cooperative head, extension officers, and individual dairy farmers.

Data Collection

Three primary methods were used:

1. **Observation** – field visits were conducted to observe cooperative facilities, farmer training sessions, and milk collection processes.
2. **Interviews** – semi-structured interviews were held with cooperative leaders, employees, and farmers to gather in-depth insights on empowerment practices.
3. **Documentation** – secondary data were obtained from cooperative records, official websites, and government publications, as well as statistical reports from the Central Bureau of Statistics (BPS).

Data Analysis

Data were analyzed through Miles and Huberman's (1994) three-stage model: data reduction, data display, and conclusion drawing/verification. This iterative process allowed researchers to identify recurring themes related to empowerment strategies, farmer outcomes, and Islamic entrepreneurial principles. Triangulation of sources ensured validity, while member checking with participants enhanced reliability (Merriam & Silva, 2023).

Results And Discussions

Findings: Cooperative Profile

KPSP was established in 1911 under Dutch administration and restructured in 1998 into its current form. It has since expanded its membership and diversified its services, becoming a central institution in the Nongkojajar dairy economy. KPSP manages milk collection, quality control, and marketing, while also providing training, feed supplies, and financial services to its members.

Empowerment Programs

KPSP's empowerment strategies can be grouped into four main areas:

1. **Training and Mentorship** – Regular training sessions cover livestock management, feed formulation, artificial insemination, and disease prevention. Farmers also receive continuous mentoring to reinforce skills. These initiatives have significantly improved the quality and quantity of milk production.
2. **Market Expansion and Partnerships** – Since 1998, KPSP has partnered with Nestlé and later Indolakto, ensuring stable demand and higher bargaining power. By collaborating with external feed suppliers, KPSP has also secured cheaper and better-quality inputs.
3. **Innovation and Product Diversification** – KPSP has promoted the development of *hydroponic milk*, produced from cows fed on natural forage without chemicals. This premium product has created new market niches and reflects the cooperative's commitment to innovation.

4. **Institutional Support and Services** – The cooperative provides access to credit, affordable feed, and health services for cows, reducing farmers' dependency on informal lenders and ensuring sustainability.

Outcomes for Farmers

The empowerment programs have resulted in tangible benefits:

- **Increased productivity:** Training improved livestock health and milk yield.
- **Higher income:** Farmers now sell milk at graded prices, with higher quality fetching better rates (up to IDR 5,600 per liter).
- **Innovation adoption:** Farmers are motivated to adopt better practices and explore new product lines such as hydroponic milk.
- **Social benefits:** The cooperative fosters solidarity among members, builds confidence, and reduces rural-urban migration by providing viable local livelihoods.

Discussion

The case of KPSP demonstrates how cooperatives can serve as effective vehicles for economic empowerment while embodying Islamic entrepreneurial principles. The findings confirm prior literature that highlights the role of training, partnerships, and innovation in enhancing community resilience (Arora & Chiu, 2020; Hulme & Mosley, 2022).

Empowerment Mechanisms.

The cooperative's training and mentoring programs directly address human capital development, which is central to empowerment (Patel, 2019). By providing knowledge and continuous support, KPSP enables farmers to become more self-reliant and capable of improving productivity. Market partnerships with multinational companies illustrate the importance of external linkages in ensuring sustainable demand and fair prices (Birner et al., 2021).

Alignment with Islamic Entrepreneurship.

KPSP's practices reflect key principles of Islamic entrepreneurship. The cooperative ensures justice (*adl*) by implementing transparent pricing based on quality grades. Exploitative practices such as *riba*, *gharar*, and *maysir* are avoided by grounding transactions in clear, lawful contracts. Mutual assistance (*ta'awun*) is evident in cooperative services such as collective feed procurement and credit support. Finally, the emphasis on innovation and community welfare aligns with *maslahah*, ensuring that economic activities bring broad social benefit (Haider & Ali, 2019; Rahman & Ali, 2022).

Sustainability and Innovation.

The introduction of hydroponic milk illustrates how cooperatives can respond to market demand for healthier, premium products. This innovation not only

diversifies income but also positions farmers competitively in a changing dairy market. As argued by Miller & Williams (2019), innovation is critical for sustainable empowerment.

Policy and Practice Implications.

The success of KPSP suggests that cooperatives can be strategic partners in rural development policy. Governments and NGOs should support cooperative-based training, provide infrastructural support, and facilitate market linkages. Integrating Islamic entrepreneurship principles into cooperative management can strengthen trust, legitimacy, and social cohesion in Muslim-majority contexts.

Research Contribution.

This study extends cooperative and empowerment literature by showing how Islamic entrepreneurial ethics can be operationalized in rural economic institutions. It also highlights the importance of combining material and ethical dimensions in evaluating empowerment outcomes.

Conclusion

This study examined the economic empowerment of the Nongkojajar community through the Setia Kawan Dairy Cooperative (KPSP) from an Islamic entrepreneurial perspective. Findings reveal that empowerment strategies—including training, market expansion, product innovation, and institutional support—have significantly enhanced farmers' productivity, incomes, and confidence. Importantly, these practices align with Islamic entrepreneurship principles such as justice, mutual assistance, and social benefit.

The study contributes theoretically by bridging the literature on empowerment, cooperatives, and Islamic entrepreneurship, and empirically by providing a detailed case study from rural Indonesia. It demonstrates that cooperatives can simultaneously improve economic welfare and uphold ethical-religious values, reinforcing their role as sustainable development actors.

However, the study has limitations. Being qualitative, it does not measure empowerment outcomes quantitatively. Future research could adopt mixed-method approaches, including surveys and econometric analysis, to assess empowerment more systematically. Longitudinal studies could also track the sustainability of innovations like hydroponic milk.

For policymakers, the study underscores the importance of supporting cooperative empowerment programs that integrate Islamic entrepreneurial principles. For practitioners, it offers insights into how cooperatives can design inclusive, ethical, and innovative strategies. Ultimately, empowerment through cooperatives such as KPSP demonstrates a viable pathway for building resilient rural communities in line with both national development goals and Islamic values.

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