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LEGAL PROTECTION FOR BANKING IN FINANCING AND REPAYMENT SCHEMES OF *KOPERASI DESA MERAH PUTIH* THROUGH VILLAGE FUNDS

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Abstract

This research examines the issue of legal protection for the banking sector within the financing scheme of the Koperasi Desa (KDMP) under Minister of Finance Regulation No. 15 of 2026. The problem arises from the use of Village Funds as an instrument for credit repayment, which creates a hybridization between private and public law regimes and potentially threatens banking stability and state finances. This study analyzes whether the KDMP financing scheme fulfils the principles of legal protection for banks and formulates an ideal model of legal protection against state financial risks. The research employs normative legal research. Legal materials are analyzed qualitatively through systematic interpretation of regulations, legal doctrines, and theories related to banking, contract, and security law. The findings reveal that regulation contains normative gaps concerning credit agreements, collateral, and risk management, thereby necessitating sectoral regulations to ensure legal certainty and legal protection for the banking sector.

Keywords: Banking; Legal protection; State financial risk; Village funds.

Abstrak

Penelitian ini mengkaji problematika perlindungan hukum perbankan dalam skema pembiayaan Koperasi Desa Merah Putih (KDMP) berdasarkan Peraturan Menteri Keuangan Nomor 15 Tahun 2026. Permasalahan muncul karena penggunaan Dana Desa sebagai instrumen pelunasan kredit menciptakan percampuran antara rezim hukum privat dan hukum publik yang berpotensi menimbulkan risiko terhadap stabilitas perbankan dan keuangan negara. Penelitian ini menganalisis skema pembiayaan KDMP dalam memenuhi prinsip perlindungan hukum bagi perbankan serta merumuskan model perlindungan hukum yang ideal terhadap risiko keuangan negara. Penelitian menggunakan metode penelitian hukum normatif. Bahan hukum dianalisis secara kualitatif melalui interpretasi sistematis terhadap regulasi, doktrin, dan teori hukum terkait perbankan, perjanjian, dan jaminan. Hasil penelitian menunjukkan bahwa aturan terkait mengandung kekosongan normatif terkait perjanjian kredit, jaminan, dan manajemen risiko, sehingga diperlukan pembentukan regulasi sektoral untuk menjamin kepastian dan perlindungan hukum bagi perbankan.

Kata Kunci: Perbankan; Perlindungan hukum; Resiko keuangan negara; Dana desa.

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INTRODUCTION

Indonesia is a state that fully adopts a people-oriented economic system. The people's economy constitutes a fundamental element of the national economic order, in which the populace serves as the primary driving actor of economic activity. This system requires that society exercises full control over the management of the nation's economic resources. In essence, the people's economic system is a principle grounded in the mandate of Article 33, paragraph (3) of the 1945 Constitution of the Republic of Indonesia (Kuntana Magnar, Junaenah, and Taufik 2010). which states that "The land, the waters, and the natural resources contained therein are controlled by the state and shall be utilized for the greatest possible prosperity of the people."

The discourse on the welfare state originates from this constitutional provision. The central idea it advances is the presence of the state as an active participant in economic life for the purpose of achieving public prosperity. The welfare state emerged as an antithesis to the theories of Nachtwächterstaat and laissez-faire, both of which failed to ensure an equitable distribution of wealth among the population. The welfare state has its own distinctive thread, particularly in that the state is present not only to regulate (*reguleren*) but also to realize general welfare (*bestuurzorg*) (Marbun and Mahfud M.D. 1997). In its concrete realization, the state is required to consistently attend to and fulfill the basic needs of society, including health care, education, housing, and the provision of employment opportunities.

The people's economy and the welfare state ultimately converge on the same objective, albeit with different primary driving actors. The people's economy is people-based, whereas the welfare state rests upon the active presence of the state. In essence, however, these two variables operate simultaneously. The presence of the state becomes a crucial determinant in formulating economic regulations and policies that support community self-reliance (the people's economy) (Hasmawati 2018). The mutually complementary relationship between the two is rooted in the constitutional mandate to promote general welfare. Beyond being a national economic system, the people's economy aims to realize the state's foundational aspirations as operationalized through a coherent development strategy (Swasono 1985). Therefore, in order to enhance public welfare, reduce social inequality, and strengthen national economic self-reliance, it is necessary to empower the people as the principal pillar of economic development, supported by policy choices that are primarily oriented toward the welfare of the broader population (Melati et al. 2022).

In addition to serving as the primary basis for categorizing Indonesia as a welfare state, Jimly Asshiddiqie argues that the substance of Article 33 of the 1945 Constitution of the Republic of Indonesia also indicates that this constitution may be characterized as an economic constitution (Asshiddiqie 2005).The aforementioned article exhibits a distinctive character in that it embodies the foundations of an economic democracy, whereby participation in productive activities is directed toward the benefit of the members of society at large, prioritizing collective prosperity rather than the prosperity of individuals or particular groups (H.P. and Hafild 1999). Article 33 also reflects a strong social spirit, as the vesting of control over natural resources in the state for the public interest signifies that the government holds a mandate, as a form of legitimacy, to regulate policy in accordance with the ideals of economic democracy, including the operation of a people-based economic system.

The people's economy is grounded in Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which states that "the national economy shall be organized as a common

endeavor based upon the principle of familialism." The structure of Indonesia's economic system is thus organized systematically, from the central to the regional level, through collective enterprises founded on this principle of familialism. Such joint endeavors based on familial values can be observed at both the micro and macro levels. From a micro-level perspective, a joint enterprise founded on the familial principle is embodied in the form of a "cooperative." By contrast, from a broader perspective, Indonesia's economic system is developed on the basis of joint endeavors undertaken by all Indonesian people in the economic sphere, without exception and not necessarily in the form of corporate entities.

Within the people's economy system, the cycle of economic activity does not prioritize the profit of individuals or corporations, but rather the attainment of shared prosperity through mechanisms that are more inclusive and equitable for all citizens (Nurhayati et al. 2025). An economic system is a set of rules, policies, and institutional structures that shape the organization of production, distribution, and consumption of goods and services within a state (Chang, Syofya, and Febriyanti 2024). An economic system based on popular economic activity permeates the social fabric and manifests as a collective enterprise founded on the principle of familialism. This principle primarily aims to foster a spirit of solidarity, mutual assistance, and cooperation (Firmansyah 2012). The cooperative system prioritizes cooperation in an atmosphere grounded in togetherness and the familial principle, with the dual aims of fostering cooperation and maintaining fair competition.

Indonesia's economy has entered a new phase under the administration of the newly elected government of Prabowo Subianto and Gibran Rakabuming. The inauguration of this new regime has brought about a series of transitional dynamics, including shifts in policy priorities that significantly affect the country's economic conditions. The divergence in policy focus from the previous administration is reflected in a range of programs that have had tangible implications for Indonesia's economic landscape. According to a study conducted by LPEM FEB UI, at least five major policy directions and macroeconomic developments characterized the national economy throughout 2025 (Rizki et al. 2025). First, the emergence of various populist programs, including the Merah Putih village/urban cooperative scheme, has had substantial implications for the fiscal sector, as it has effectively compelled the government to cut several expenditure items, including intergovernmental transfers. Second, the high intensity of politically driven programs aimed at boosting economic growth has raised concerns that such pressures may erode the independence of the central bank in managing banking sector liquidity. Third, the growth of Gross Domestic Product (GDP) in the second quarter of 2025 has signaled weakening domestic demand and a deceleration in production activities. Fourth, the extensive financing of populist programs has led to an expansion of fiscal spending, which in turn may contribute to a deterioration in the country's sovereign credit rating. Fifth, weak law enforcement, coupled with complex regulations and bureaucratic procedures, has simultaneously constrained the inflow of investment.

Based on the foregoing developments, the overarching thread of the government's economic policy over the past year has been the proliferation of populist programs that risk eroding the stability of the national economy, both directly and indirectly. These populist initiatives introduced by the incumbent regime tend to function as political instruments for mass mobilization, aimed at securing broader public support and narrowing the distance between the populist leader and their followers (Budiman 2021).Several of President Prabowo Subianto's key populist programs include Makan Bergizi Gratis (MBG), the Merah Putih Cooperative initiative, and the Sekolah Rakyat scheme (Avisena 2025). These programs devote significant attention to multiple sectors. One prominent example is the

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Desa/Kelurahan Merah Putih Cooperative initiative, which has substantial implications for the cooperative sector as a business unit created by, for, and on behalf of local communities.

The Desa/Kelurahan Merah Putih Cooperative (KDMP/KKMP) policy represents an ambitious government effort to strengthen a people-based economy and promote village self-reliance. The government maintains that this program aims to reinforce national food security through the empowerment of local economies, implemented via a series of regulatory measures, including:

1. Circular Letter No. 1 of 2025 on Procedures for the Establishment of Desa Merah Putih Cooperatives, dated 18 March 2025;
2. Presidential Instruction No. 9 of 2025 on the Acceleration of Establishing Desa/Kelurahan Merah Putih Cooperatives, dated 27 March 2025;
3. Minister of Cooperatives Implementation Guideline No. 1 of 2025 on the Establishment of Desa/Kelurahan Merah Putih Cooperatives, dated 12 April 2025;
4. Minister of Cooperatives Regulation No. 1 of 2025 on the Distribution of Revolving Fund Loans or Financing to Pilot Cooperatives (Mockup) of Desa/Kelurahan Merah Putih Cooperatives, dated 28 May 2025;
5. Minister of Cooperatives Regulation No. 2 of 2025 on the Business Development of Desa/Kelurahan Merah Putih Cooperatives, dated 9 September 2025;
6. Minister of Villages and Disadvantaged Regions Regulation No. 10 of 2025 on the Mechanism for Village Head Approval in the Financing of Desa Merah Putih Cooperatives, dated 12 August 2025;
7. Minister of Finance Regulation No. 15 of 2026 on Procedures for Channeling General Allocation Funds/Revenue Sharing Funds or Village Funds for the Acceleration of Physical Development of Outlets, Warehousing, and Facilities of Desa/Kelurahan Merah Putih Cooperatives, dated 16 March 2026;
8. Presidential Instruction No. 17 of 2025 on the Acceleration of Physical Development of Outlets, Warehousing, and Facilities of Desa/Kelurahan Merah Putih Cooperatives, dated 22October 2025; and
9. Minister of Finance Decree No. 276 of 2025 on the Placement of State Funds for Managing Cash Surpluses and Deficits to Support Government Programs Aimed at Promoting Economic Growth, dated 12 September 2025.

This ambitious program was initially designed to target only the village level, with a planned total of 70,000 cooperatives, as stipulated in Circular Letter No. 1 of 2025. President Prabowo Subianto first outlined this idea during the Regional Leaders' Retreat in February and a subsequent Limited Cabinet Meeting in March 2025. More recently, Presidential Instruction No. 9 of 2025 mandated that,

> "*In an effort to promote national self-reliance through sustainable food self-sufficiency as the embodiment of the second Asta Cita, and village-driven development for equitable economic distribution as the embodiment of the sixth Asta Cita toward Golden Indonesia 2045, it is necessary to establish Desa/Kelurahan Merah Putih Cooperatives through the establishment, development, and revitalization of cooperatives at the village/kelurahan level. To this end, strategic, integrated, and well-coordinated measures among ministries/agencies and regional governments are required to optimize and accelerate the establishment of Desa/Kelurahan Merah Putih Cooperatives*."

The program, which now targets the establishment, development, and revitalization of 80,000 KDMP/KKMP units, has the potential to pose serious medium- and long-term risks to the state's fiscal position. This concern becomes evident when examining the President's instructions to the Minister of Finance concerning the funding scheme for these cooperatives, which include: "*(a) formulating financing policies to support the establishment of 80 thousand KDMP/KKMP in line with the state's fiscal capacity and the applicable legal framework; (b) formulating policies for channeling state budget (APBN) funds in Fiscal Year 2025 as initial capital for the establishment of KDMP/KKMP; and (c) providing incentive support to KDMP/KKMP through performance-based allocations and/or incentive allocations within the framework of village fund (Dana Desa) distribution*."

The use of public funds as a buffer for banks' commercial risk effectively shifts financial risk from the private to the public sphere, with the state and taxpayers ultimately bearing potential losses (Nur 2025). As of October 2025, financing for Merah Putih Village Cooperatives from Himbara banks had not yet been disbursed on a massive scale, which provides a critical window for in-depth evaluation and the formulation of corrective measures before full implementation (Putri N. 2025). A study by the Center of Economic and Law Studies (CELIOS) projects potential credit defaults of 7.18 trillion rupiah in the first year, rising to 28.33 trillion rupiah by the sixth year, with a cumulative default risk of 85.96 trillion rupiah over the loan period (CELIOS n.d.).At the same time, the Institute for Development of Economics and Finance (INDEF) warns that political or fiscal policy shifts could disrupt the continuity of funding, given the program's heavy dependence on state subsidies.

> *"Without the rapid development of an autonomous and sustainable business model, the scheme is vulnerable to stagnation and increased moral hazard, particularly in a context where communities tend to be permissive toward government aid. INDEF notes that there is a serious risk that beneficiaries and cooperative managers may feel no obligation to manage the funds productively, treating them instead as a "gift" or "assistance" that does not require accountability." (Al Farras, Maulidina, and Amalia 2025).*

Distortion in state budget allocation occurs when village funds that should finance infrastructure and community empowerment are diverted to repay credit obligations. This distortion is compounded by projected macroeconomic losses, as CELIOS estimates a potential decline in GDP of 9.85 trillion rupiah, a reduction in household income of 10.21 trillion rupiah, and the loss of 824,121 jobs due to the Kopdes Merah Putih scheme. At the village level, the risk of unfair competition with BUMDes creates a serious potential for economic cannibalization, since KDMP also relies on village funds that previously served as BUMDes capital. Normatively, this raises concerns because, under Government Regulation No. 37 of 2023, village funds are part of Transfer to Regions (TKD) sourced from the state budget and are intended to finance governmental functions that fall within the authority of regional governments, including village governance, development, and community empowerment.

Under Minister of Finance Regulation No. 15 of 2026, which repeals Regulation No. 49 of 2025, Village Funds may be used to repay bank financing extended to Merah Putih Village Cooperatives (KDMP), effectively tying public fiscal transfers to the settlement of commercial credit obligations. This funding scheme is further supported by the placement of State Funds sourced from the Budget Surplus (SAL), which the Minister of Finance channels through Bank Indonesia and then redistributes to Himbara banks as a liquidity backstop for KDMP lending. Each cooperative may obtain bank financing of up to 3 billion rupiah under a credit scheme that, in principle, gives rise to reciprocal rights and obligations for both creditor and debtor.

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However, the use of Village Funds as the primary repayment source for such bank credit constitutes a legal anomaly. From the perspective of contract, security, and banking law, the financing structure is not accompanied by any explicit requirement to conclude a written credit agreement between the bank and PT Agrinas Pangan Nusantara or KDMP, nor by clear provisions on the delivery of principal and additional collateral by the debtor. This regulatory omission reflects the government's neglect of substantive legal protection for the banking sector, which normally relies on written agreements and adequate security to manage credit risk. Moreover, the repayment of bank loans using Village Funds, which form part of intergovernmental fiscal transfers (TKD) and the current year's state budget appropriations, generates a substantial risk of state financial exposure and blurs the boundary between private law obligations and public finance.The conflation of private and public law elements within the KDMP financing scheme threatens to undermine banks' ability to apply prudential lending principles when extending credit to debtors. In light of this, the legal relationship between banks, Agrinas, and KDMP requires the establishment of a mandatory written credit agreement as the principal contract, supplemented by a security agreement as an accessory contract, in order to ensure a robust and legally secure position for the creditor (Sofwan 1980). Accordingly, the researcher is interested in examining this issue in a thesis entitled "LEGAL PROTECTION FOR BANKS IN THE CREDIT REPAYMENT SCHEME OF MERAH PUTIH VILLAGE COOPERATIVES USING VILLAGE FUNDS." Based on the foregoing background, the research problems in this study can be formulated as follows:

1. Has the lending policy for Merah Putih Village Cooperatives, with a credit repayment scheme using village funds, fulfilled the principles of legal protection for banks?
2. What is the ideal form of legal protection for banks in relation to state financial risks arising from the financing scheme for Merah Putih Village Cooperatives?

METHOD

The research method employed in this thesis is normative legal research, also referred to as doctrinal or dogmatic legal research (Irwansyah, quoted in Fadli and Widyanti 2025). Peter Mahmud Marzuki's view, normative legal research is understood as "a process of identifying legal rules, legal principles, and legal doctrines in order to resolve concrete legal issues. Normative legal research is conducted to produce arguments, theories, or new concepts as prescriptive responses to the problems at hand (Marzuki 2005). In line with this, the normative legal research method constitutes a scientific approach aimed at discovering truth through norm-based legal reasoning.

The line of reasoning adopted in this study rests on the discipline and distinctive methodology of normative legal science, which takes legal norms as its primary object of inquiry. As explained by Sudikno Mertokusumo, the object of legal science encompasses the body of legal rules, which appears highly diverse and continues to expand each year through the enactment of various legislative instruments (Ibrahim 2006). In this perspective, normative legal research does not regard law as a mere heap of disordered rules, but as an ordered system with an identifiable structure. The scope of normative legal research includes, among other things, research on legal principles, research on legal systematics, research on the degree of vertical and horizontal synchronization of laws and regulations, comparative law studies, and legal history (Soekanto and Mamudji 2012).

In legal research, an approach functions as a vantage point that determines how the researcher traces and delimits the analytical scope of the issues under examination. Through the selection of specific approaches, the researcher can construct a more focused line of discussion, enabling the core

subject matter to be presented clearly and systematically. Among the various types of approaches in legal research, this study employs those most closely aligned with the previously formulated legal issues, namely the statute approach and the conceptual approach (Marzuki 2005).

RESULT AND DISCUSSION

1. *Analysis of the Fulfilment of the Principles of Legal Certainty and Legal Protection for Banks in the Financing Scheme for Merah Putih Village Cooperatives*

Financial dependence of the Merah Putih Village Cooperative program on capital injections sourced from government budgets and bank lending generates complex legal implications, particularly regarding legal certainty and legal protection for banks as creditors. This dependence not only creates fiscal vulnerability but also heightens credit risk if the continuity of public funding declines. Within this context, overlapping institutional mandates and ambiguous functional boundaries emerge between newly established cooperatives and pre-existing Village-Owned Enterprises (BUMDes), which may result in duplicated business activities, unfair competition, and uncertainty as to which legal subject ultimately bears responsibility for debt obligations. The situation is further exacerbated by limited managerial human resource capacity, at both administrative and entrepreneurial levels, as reflected in low levels of digital literacy and the suboptimal application of transparent and accountable governance principles (Sagalane et al. 2026).

The foregoing configuration of issues necessitates a comprehensive analysis of the extent to which the principles of legal certainty and legal protection are fulfilled for banks in extending financing to Merah Putih Village Cooperatives. The KDMP policy, characterized by a top-down approach to cooperative legal entity formation and a rapid proliferation of technical regulations, has instead generated regulatory complexity and ambiguity at the village level, thereby reinforcing concerns regarding legal clarity, coherence, and long-term sustainability. These concerns collectively provide a strong impetus for a systematic examination of the KDMP program.

As of 1 April 2026, the funding scheme for Merah Putih Village Cooperatives (KDMP) has changed following the enactment of Minister of Finance Regulation No. 15 of 2026 on Procedures for the Distribution of General Allocation Funds/Revenue Sharing Funds or Village Funds for the Acceleration of Physical Development of Outlets, Warehousing, and Facilities of Merah Putih Village/Urban Cooperatives (hereinafter referred to as Regulation 15/2026). Under the closing provision in Article 11, this regulation repeals Minister of Finance Regulation No. 49 of 2025, so that all arrangements concerning KDMP funding now refer exclusively to this latest instrument. Accordingly, this thesis examines the differences and, more importantly, the underlying continuity between the two regulations. In substance, both funding frameworks rely on credit extended by Himbara banks (an association of state-owned banks) and are directed toward supporting KDMP operational activities. The principal unresolved issue in both ministerial regulations concerns the muddled design of the financing (credit) scheme for the acceleration of KDMP physical development, which is not accompanied by any explicit requirement to provide collateral or other security, thereby leaving a critical gap in the legal protection afforded to lending banks.

The State Funds placed in each bank vary in amount. A total of 55 trillion rupiah was allocated to BRI, BNI, and Mandiri combined, while 25 trillion rupiah and 10 trillion rupiah were allocated to BTN and BSI, respectively, bringing the overall placement to 200 trillion rupiah. In a press release delivered in September 2025, the Minister of Finance stated that “Himbara banks may utilize the 200 trillion-rupiah liquidity injection to extend loans to Merah Putih Village/Urban Cooperatives.”

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(KumparanBISNIS 2025) State Fund Placement: these funds are used to support growth in the real sector through on call deposit placements, both conventional and sharia, using a non-auction mechanism (Gunawan 2019). In banking law, on-call deposits are a form of time deposit, namely customer savings that can only be withdrawn at a certain time based on an agreement between the customer and the bank. An on-call deposit is a savings placement that remains in the bank until it is needed by the owner, but when the customer wishes to withdraw the funds, they are required to notify the bank in advance (Triyono 2006).

From a fiscal and monetary policy perspective, the placement of state funds that previously remained idle at the central bank (Bank Indonesia) into government partner commercial banks (Himbara) can be understood as a productive instrument for optimizing state cash management. In this context, channelling funds to Himbara banks directly affects the banking intermediation function. Strengthened bank liquidity expands the capacity to extend credit to the real sector, improves key liquidity indicators such as the Loan to Deposit Ratio (LDR), and helps to alleviate short-term liquidity constraints (Peling et al. 2018). This policy, in principle, has the potential to strengthen the transmission of economic policy through the credit channel, thereby supporting the acceleration of national economic growth. Furthermore, within the framework of banking law, the bank's core function as a financial intermediary, as affirmed in the Banking Act, presupposes the availability of adequate liquidity so that banks can optimally perform their fund-mobilizing and fund-lending roles (Syamsiar 2007). In theoretical terms, additional liquidity from government funds can be absorbed by the banking system as long as there remains sufficient room for credit expansion, as reflected in prudential indicators showing that the banking sector is still operating within a safe range.

However, the effectiveness of this policy ultimately depends on credit demand conditions in the real sector. Within the framework of financial intermediation theory, the multiplier effect of higher bank liquidity will only materialize optimally if there is sufficient high-quality, bankable credit demand and if banks are willing and ready to extend productive loans (Viverita et al. 2022).If these two preconditions are not met, there is a significant likelihood that the placed funds will not be channelled into productive lending, but instead will be allocated to safer and more liquid instruments. This, in turn, limits the policy's impact on job creation and overall economic growth.

From the perspective of state financial law, the use of fiscal instruments to support credit expansion must still comply with the principle of fiscal prudence (Nizar 2020). This is particularly relevant to the potential emergence of contingent liabilities when the state provides support or guarantees for high-risk financing. In such cases, policies on channelling public funds through the banking system must be accompanied by clear regulations on risk measurement, exposure limits, risk pricing, and transparency in fiscal reporting. Conceptually, therefore, the placement of state funds within the banking system can be regarded as a policy with sound economic and legal justification, provided that it is implemented within the framework of good governance and strict prudential principles (Mulyati 2021). This policy functions not only as a liquidity-stabilizing instrument but also as a catalyst for strengthening the banking intermediation role in supporting national economic development.

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The following section outlines the differences in the loan schemes regulated under the two Minister of Finance Regulations:

Table 1. Comparison between Minister of Finance Regulation 49/2025 and 15/2026

No.	Indicator	Permenkeu 49/2025	Permenkeu 15/2026
1.	Title	Procedures for Loans for the Financing of Merah Putih Village/Urban Cooperatives	Procedures for the Distribution of General Allocation Funds/Revenue Sharing Funds or Village Funds for the Acceleration of Physical Development of Outlets, Warehousing, and Facilities of Merah Putih Village/Urban Cooperatives
2.	Definition	Loan means credit/financing provided by the Bank to KKMP/KDMP as initial capital for KKMP/KDMP.	Financing means credit provided by the Bank to PT Agrinas Pangan Nusantara (Persero) for the acceleration of the construction of outlets, warehousing, and facilities of KKMP/KDMP.
3.	Regulatory focus	The granting of Loans to KKMP/KDMP as referred to in Article 2 paragraph (1) is carried out in the form of financing to conduct cooperative office activities, procurement of basic necessities, savings and loans, village/urban clinics, village/urban pharmacies, warehousing (cold storage), and/or village/urban logistics, taking into account the characteristics and potential of the village/urban area as well as existing economic institutions.	The distribution of General Allocation Funds (DAU), Revenue Sharing Funds (DBH), or Village Funds (Dana Desa) for the payment of all obligations arising from the implementation of accelerated physical development of outlets, warehousing, and facilities of KKMP/KDMP shall be carried out based on the principles of transparency, accountability, prudence, and performance-based allocation.
4.	Credit Mechanism	For the purpose of carrying out KKMP/KDMP business activities, the Bank may provide financing in the form of Loans to KKMP/KDMP. Loans to KKMP/KDMP as referred to in paragraph (1) are granted only after KKMP/KDMP have obtained approval from the regent/mayor or the village head, based on the outcome of urban development deliberations or village deliberations. Approval from the regent/mayor or the village head based on the results of the urban development deliberation/village deliberation as referred to in paragraph (2) also constitutes approval for the use of Village Funds or DAU/DBH to support the repayment of KKMP/KDMP Loans as referred to in paragraph (1).	In order to support Bank Financing for the acceleration of the physical development of outlets, warehousing, and facilities of KKMP/KDMP, the Minister places funds as a source of liquidity for such Financing, to be implemented in stages with due regard to the liquidity position of the state's public finances.

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5.	Credit Scheme	The loan scheme is set with a maximum ceiling of Rp3,000,000,000, an interest/profit-sharing rate of 6 percent per year, a maximum tenor of 72 months, a 6–8 month grace period, and monthly installments. The Loan ceiling as referred to in paragraph (1) letter a, including the portion that may be used for Operational Expenditures, is capped at a maximum of Rp500,000,000.00 (five hundred million rupiah).	The financing scheme is set with a maximum limit of Rp3,000,000,000.00 (three billion rupiah) per KKMP/KDMP outlet unit, an interest/margin/profit-sharing rate of 6% (six percent) per year charged to the financing recipient, a financing term (tenor) of 72 (seventy-two) months, and a financing grace period of 6 (six) months or up to a maximum of 12 (twelve) months for the payment of principal and interest/margin/profit-sharing installments. . It is necessary to know how long the remaining surplus budget can last, given that the financial system is very flexible and therefore requires a clear determination of the appropriate budget buffer. Sustainable investment (green investment) raises the question of whether, if part of the budget is effectively "burned" at the outset, what the resulting Return on Assets (RoA) will be in the future.
6.	Loan Application Procedures	Here are the procedures for submitting a loan application: (1) The chairperson of the KKMP/KDMP management submits a Loan proposal to the Bank with the approval of: a. the regent/mayor for KKMP; or b. the village head for KDMP. (2) The Loan proposal as referred to in paragraph (1) shall be accompanied by a business plan proposal and written approval from the regent/mayor or the village head. (3) Based on the Loan proposal as referred to in paragraph (1), the Bank conducts a loan feasibility assessment in accordance with banking regulations, taking into account: a. the Loan ceiling for Operational Expenditures as referred to in Article 5 paragraph (2); and b. the amount of DAU/DBH or Village Fund allocation for each regency/municipality or village. (5) The amount of the Loan as referred to in paragraph (4) letter a shall take into consideration the average Village Fund	Not Available

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received by the village over the last 3 (three) years.
(6) The Loan Maturity Date as referred to in paragraph (4) letter h is set on the 12th day of each month.

(7) In the event that the 12th day as referred to in paragraph (6) falls on a public holiday or a day declared a holiday, the Loan Maturity Date shall fall on the next working day.

(8) The Credit Agreement as referred to in paragraph (4) shall be signed by:
a. the authorized official acting on behalf of the Bank as the party granting the Loan;
b. the chairperson of the management authorized under the articles of association of the KKMP/KDMP as the party receiving the Loan; and
c. the regent/mayor for KKMP or the village head for KDMP as the party acknowledging the Loan Agreement.

(9) The Bank shall submit the Credit Agreement data as referred to in paragraph (4) to the Minister through the application provided by the Minister no later than 14 (fourteen) working days after the Credit Agreement is signed.

(10) Simultaneously with the signing of the Loan Agreement as referred to in paragraph (8), a power of attorney for the placement of funds shall be signed by:
a. the village head in favor of the State General Treasurer Budget User Proxy (KPA BUN) for the Disbursement of Village Funds, Incentives, Special Autonomy, and Special Status to place Village Funds into the Loan Repayment Account; or
b. the regent/mayor in favor of the State General Treasurer Budget User Proxy (KPA BUN) for the Disbursement of General Transfer Funds to place DAU/DBH into the Loan Repayment Account.

(11) The power of attorney as referred to in paragraph (10) shall at a minimum contain:
a. the identity of the Lender and the Borrower;
b. the agreement number;
c. the loan amount;

		d. the effective period of the power of attorney; and e. the substance of the power of attorney. (12) The regent/mayor or the village head shall submit the power of attorney as referred to in paragraph (10) through the TKD OM-SPAN Application no later than 3 (three) days after the date of signing. (13) The detailed procedures for Loan submission by KKMP/KDMP shall further follow the provisions stipulated by the Lender.	
7.	Credit Agreement	In the event that the Bank approves the Loan application, the Bank enters into a Credit Agreement with the KKMP/KDMP which at a minimum contains: a. the loan amount; b. the purpose of the Loan; c. the loan term (tenor); d. the loan grace period; e. the loan interest / margin / profit-sharing rate; f. the stages and conditions for loan disbursement; g. the amount of loan installments; and h. the Loan Maturity Date.	Not Available
8.	Installment/Loan Repayment	Repayment of the Loan: (1) The chairperson of the management, acting in accordance with the articles of association of the KKMP/KDMP, shall pay the loan installments to the Bank in accordance with the amount of principal and interest/margin/profit-sharing on the Loan as agreed in the Credit Agreement as referred to in Article 7 paragraph (4). (2) Payment of the Loan installments as referred to in paragraph (1) shall be made by depositing funds into the Loan Repayment Account in the name of the KKMP/KDMP. (3) The Bank shall debit the Loan Repayment Account as referred to in paragraph (2).	Not Available
9.	Legal Position of Village Funds	The portion of intergovernmental transfers allocated to villages for the purpose of supporting the financing of government administration, development	The portion of intergovernmental fiscal transfers allocated to villages for the purpose of supporting the financing of government administration, development

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implementation, community empowerment, and social affairs.	implementation, community empowerment, and community affairs.
Village Funds as "Support for Loan Repayment",	Village Funds as an "instrument" for paying principal and interest/margin/profit-sharing installments
Village Funds as "Support for Loan Repayment": (1) In the event that the amount of funds in the Loan Repayment Account as referred to in Article 10 paragraph (2) is insufficient to cover the amount of principal and interest/margin/profit-sharing installments of the Credit Agreement that have fallen due as referred to in Article 7 paragraph (4), the Bank shall submit a written request for the placement of funds to cover the shortfall in principal and interest/margin/profit-sharing installments of the Loan to: a. the State General Treasurer Budget User Proxy (KPA BUN) for the Management of Village Funds, Incentives, Special Autonomy, and Special Status, for KDMP Loans; and/or b. the State General Treasurer Budget User Proxy (KPA BUN) for the Management of General Transfer Funds, for KKMP Loans. (2) The placement of funds to cover the shortfall in principal and interest/margin/profit-sharing installments of the Loan as referred to in paragraph (1) shall be sourced from: a. Village Funds in the case of KDMP; or b. General Allocation Funds (DAU) / Revenue-Sharing Funds (DBH) in the case of KKMP.	(1) The Bank submits a written request for the disbursement of General Allocation Funds (DAU) / Revenue-Sharing Funds (DBH) or Village Funds to pay the principal and interest/margin/profit-sharing installments to: a. the State General Treasurer Budget User Proxy (KPA BUN) for the Management of General Transfer Funds for KKMP Financing; and/or b. the State General Treasurer Budget User Proxy (KPA BUN) for the Management of Village Funds, Incentives, Special Autonomy, and Special Status for KDMP Financing. (2) The written request as referred to in paragraph (1) shall be submitted after the Bank receives the work handover document from the Minister of Cooperatives, which has been reviewed by the Financial and Development Supervisory Agency and/or the internal supervisory apparatus of the relevant ministry/agency/local government, using guidelines issued by the Financial and Development Supervisory Agency.

Source: Primary Data, processed by the researcher.

From a normative perspective, the validity of Minister of Finance Regulation Number 15 of 2026 preserves the existence of a bank-based financing mechanism, which is explicitly classified as credit, as evidenced by the provision that such financing constitutes credit extended by banks with general parameters in the form of a ceiling limit, interest rate, term, and grace period for payment. This indicates that, in formal-juridical terms, the legal relationship constructed remains within the banking law regime as understood in credit law doctrine, namely the relationship between a creditor and a debtor that gives rise to an obligation to repay a certain amount of funds within a specified period in return for interest or margin. Thus, when examined from the aspect of legal form, the scheme under Minister of Finance Regulation Number 15 of 2026 continues to satisfy the essential elements of credit as formulated in national banking law.

However, a deeper examination of its economic substance and normative structure reveals a fundamental shift in the nature of the credit arrangement. The source of repayment no longer relies solely on the debtor's financial capacity, but is systematically tied to the disbursement of state funds from the General Allocation Fund (DAU), the Revenue-Sharing Fund (DBH), or the Village Fund. Through the transfer-to-regions mechanism and direct deduction (intercept) system, the bank's position as creditor ultimately depends more on the certainty of state fiscal flows than on the debtor's business performance. Although formally classified as credit, this scheme has, substantively, evolved into state-intervention-based financing. The credit risk ordinarily borne by the bank is effectively transferred to fiscal risk borne by the state, since repayment is implicitly secured through the channelling of state funds. As a result, the regulation creates a situation in which the state indirectly underwrites private financial obligations without expressly framing such support as a legal guarantee.

Moreover, the financing model under Minister of Finance Regulation Number 15 of 2026 reflects a transition from the cooperative-based microcredit approach previously regulated under Minister of Finance Regulation Number 49 of 2025 toward a project-financing scheme integrated with national development policy. This is evident from the involvement of state-owned or state-mandated entities in cooperative infrastructure development and the use of public funds as the primary safeguard for repayment. Consequently, the legal relationship is no longer purely private between the bank and the debtor but has developed into a more complex arrangement in which the state acts as a central actor. From the perspective of the prudential banking principle, this scheme may deviate from the core principles of credit granting, which require assessing a debtor's feasibility, repayment capacity, and collateral adequacy. Under Minister of Finance Regulation Number 15 of 2026, bank credit analysis becomes less significant because repayment certainly depends more on state fiscal intervention than on debtor performance. This condition also creates potential moral hazard for both debtors and banks, as credit risk is no longer the dominant consideration in financing decisions.

Accordingly, although Minister of Finance Regulation Number 15 of 2026 formally retains elements of banking credit, it has, substantively, transformed into a hybrid financing model combining banking credit with state financing mechanisms. Banks no longer function as the primary bearer of credit risk, but rather as intermediaries for state financial policy. Conceptually, this scheme may therefore be classified as a "quasi-state" financing model positioned in the gray area between banking law and state finance law, with important implications for legal protection, prudential principles, and financial risk governance. Normatively, compared to Minister of Finance Regulation Number 49 of 2025, three essential elements of a credit agreement are absent in Minister of Finance Regulation Number 15 of 2026: procedures for loan applications, regulation of credit agreements, and instalment payment mechanisms. While Regulation Number 49 of 2025 still maintains these credit-law structures, Regulation Number 15 of 2026 no longer explicitly regulates them. Instead, bank financing is treated as part of a state fund distribution.

The removal of these essential elements weakens banks' legal position. Without clear regulations on credit agreements, repayment mechanisms, and collateral, banks lack a normative basis for assessing creditworthiness, enforcing contractual obligations, and managing credit risk effectively. Consequently, Minister of Finance Regulation Number 15 of 2026 reduces banks to financing intermediaries, while risk control and repayment are shifted to the state fiscal system, potentially undermining prudential banking principles and credit discipline.

This normative weakness becomes even more problematic when linked to financing sourced from state finances. As regulated under Minister of Finance Regulation Number 7 of 2026 concerning the

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Management of Village Funds for Fiscal Year 2026 (Permenkeu 07/2026), it is stipulated in the Article 3 and 4, that:

(3) The *allocation adjustment resulting from government policy to support the implementation of KDMP, as referred to in paragraph (2), is calculated at 58.03% of the Village Fund ceiling for each village, amounting to IDR 34,570,000,000,000 (thirty-four trillion five hundred seventy billion rupiah)*

and

(4) The difference between the ceiling referred to in Article 7 paragraph (1) letter and the ceiling referred to in paragraph (3), amounting to IDR 25,000,000,000,000 (twenty-five trillion rupiah), shall be allocated as the regular ceiling.

To support Koperasi Desa Merah Putih, the government allocated approximately 58.03% of Village Funds, equivalent to around IDR 34.5 trillion, leaving only about IDR 25 trillion as the regular allocation (JawaPos.com 2026). This scheme shows a substantial shift of credit risk from banks to state finances, particularly through Village Funds, raising concerns about fiscal sustainability, legal protection for banks, and the use of public funds to support financing that no longer relies on adequate credit agreements. These funds are distributed through transfers from the RKUN (State General Treasury Account), which serves as the central account for managing state revenues and expenditures.

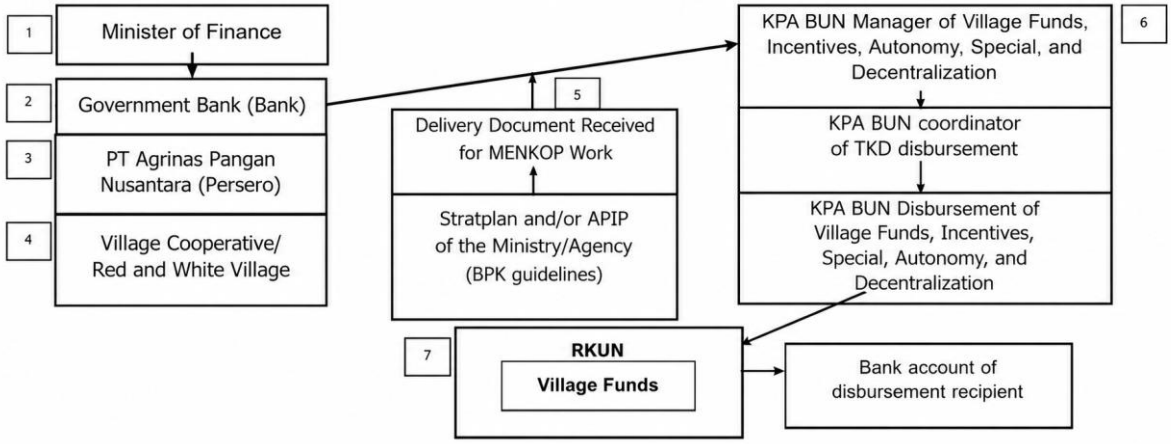

Figure 1. The Financing Mechanism by Banks to KDMP
Source: Primary Data, processed by researcher

Based on the flowchart, it can be concluded that the financing mechanism by banks to KDMP, which is repaid using Village Funds, operates as follows:

1. The Minister places funds as a liquidity source for bank financing, implemented gradually in accordance with the state's fiscal condition.
2. Banks provide credit to PT Agrinas Pangan Nusantara for the accelerated construction of KDMP retail outlets, warehouses, and supporting facilities.
3. PT Agrinas Pangan Nusantara carries out the physical development based on contractual arrangements with the Minister of Cooperatives.

4. KDMP receives financing of up to IDR 3 billion per unit, with a 6% annual interest/profit-sharing rate, a 72-month financing term, and a grace period of 6–12 months.
5. Repayment of the bank credit is made using Village Funds, prompting banks to submit a request for Village Fund disbursement to the relevant KPA BUN authority.
6. The request is submitted after the bank receives work completion documents from the Minister of Cooperatives that have been reviewed by the supervisory authority.
7. The KPA BUN for Village Fund Management issues a recommendation for Village Fund disbursement through the regional transfer coordination mechanism.
8. Finally, the KPA BUN for Village Fund Distribution transfers the funds from the RKUN (State General Treasury Account) to the designated distribution account.

The involvement of PT Agrinas Pangan Nusantara (hereinafter referred to as PT APN) was mandated by the President through Presidential Instruction Number 17 of 2025 concerning the Acceleration of the Physical Development of Retail Outlets, Warehousing, and Supporting Facilities for Koperasi Desa Merah Putih (Inpres 17/2025). Under this policy regulation (Badan Pembinaan Hukum Nasional, quoted in Hsb. 2019), the President instructed the Head of the State-Owned Enterprises Agency (BP BUMN) and the Head of the Danantara Investment Management Agency (BPI Danantara) to coordinate with PT APN to accelerate KDMP. In addition, the President ordered the President Director of PT APN to participate directly in the acceleration and physical development of KDMP. PT APN is not only assigned to carry out the construction process but is also responsible for operating KDMP for two years from its establishment before management is transferred to the village (Mediana 2026). This arrangement aims to accelerate the operationalization of KDMP through business activation, although the legal framework governing the transfer of management authority remains unclear.

No regulation currently defines the division of roles between PT Agrinas Pangan Nusantara, KDMP management, and KDMP members in operational governance, including profit-sharing mechanisms. Although the President Director of PT Agrinas Pangan Nusantara stated that 97% of cooperative profits would be returned to villages and 82% distributed to villagers through monthly coupons for essential goods, such arrangements remain politically stated rather than legally regulated. Consequently, the government's commitment to establishing a sustainable business and governance ecosystem for KDMP remains uncertain.

Moreover, Minister of Finance Regulation Number 15 of 2026, which replaced Regulation Number 49 of 2025 as the operational basis for KDMP financing, contains significant normative weaknesses that create legal uncertainty for banks. The regulation does not specifically regulate financing schemes repaid through public funds, despite banking law requiring repayment based on the debtor's own financial capacity. The use of Village Funds for KDMP credit repayment blurs the boundary between private banking law and public finance law, while failing to clarify legal responsibility if such funds become unavailable or insufficient, thereby creating a legal vacuum (*rechtsvacuum*) (Djati et al. 2022).

This legal vacuum is not merely the absence of several provisions, but the absence of a comprehensive framework governing the legal relationship between banks as creditors, PT Agrinas Pangan Nusantara as intermediary, KDMP as the substantive debtor, village governments as Village Fund managers, and the central government as the authority over Village Funds. Without such regulations, banks lack a clear legal basis to determine liability in the event of default. Furthermore,

Minister of Finance Regulation Number 15 of 2026 does not provide specific rules on financing limits or risk classification for KDMP financing schemes. This is problematic because, under Financial Services Authority Regulation Number 18/POJK.03/2016 on Risk Management for Commercial Banks, banks are required to implement comprehensive policies and procedures for identifying, measuring, monitoring, and controlling credit risk. This obligation requires a clear risk classification system based on debtor characteristics, credit purpose, repayment capacity, and collateral. However, Minister of Finance Regulation Number 15 of 2026 provides no guidance on how banks should classify KDMP credit risk, determine maximum credit exposure for each KDMP unit, or assess the dependence of repayment on Village Funds within overall risk management.

The absence of rules on risk limits and classification contradicts the principles of Basel II and Basel III, which have been adopted into Indonesian banking regulations. One of the core pillars of Basel II is the minimum capital requirement based on risk, which assumes that every credit exposure is subject to comprehensive risk assessment and that credit portfolios are managed according to diversification principles (Idroes 2008, 70).When 80,000 KDMP units across Indonesia receive financing from Himbara banks under a uniform scheme with the same dependence on Village Funds for repayment, this creates extreme risk concentration in public fiscal instruments. Such risk concentration is a major contributing factor to systemic banking crises, as demonstrated in various global financial crises (Ghozali 2018, 24).

Third, Minister of Finance Regulation Number 15 of 2026 does not require banks to treat KDMP financing as separate from regular financing or credit. Such ring-fencing is a crucial mechanism in banking risk management, enabling banks to independently monitor and control risk exposure arising from special financing programs in addition to their commercial credit portfolios (Ghozali 2018, 24). Without such a mechanism, banks cannot accurately measure the impact of the KDMP program on the overall health of their credit portfolios, thereby limiting their ability to manage risk effectively.

a. Regulation of Koperasi Desa Merah Putih and its Problematic Implications

The funding scheme for the KDMP program was initially regulated under Minister of Finance Regulation Number 49 of 2025, which contained its own legal issues. The regulation provided that KDMP funding would be sourced from the State Budget (APBN), Regional Budgets (APBD), Village Budgets (APBDes), and other sources, including financing distributed through Himbara state-owned banks. Under the Presidential Instruction, the President directed the Minister of State-Owned Enterprises, now the State-Owned Enterprises Regulatory Agency, under Law Number 16 of 2025, to support Himbara banks in financing KDMP. This support included a channelling scheme in which the Ministry of Finance allocated funds to the Ministry of Cooperatives for KDMP investment needs, such as infrastructure development covering buildings, water systems, electricity, and roads. Additional support included People's Business Credit (KUR) schemes for cooperative working capital, as well as operational, financial, and non-financial assistance.

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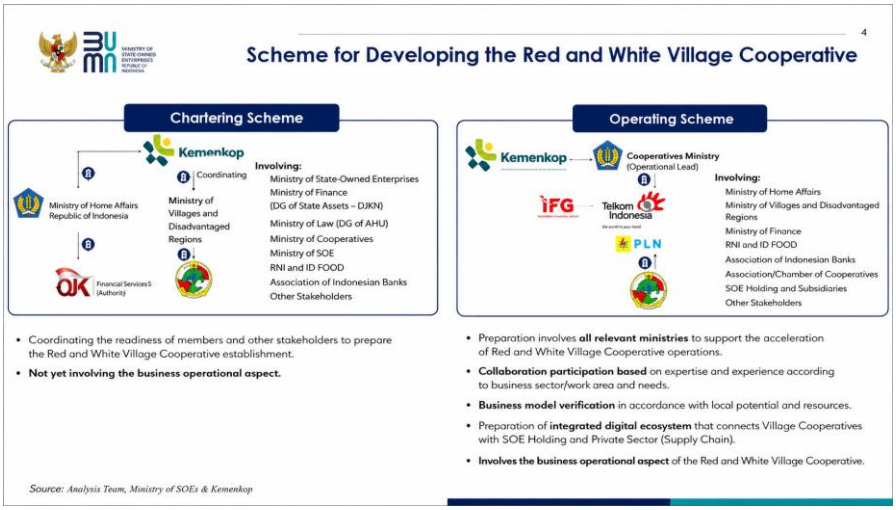

Figure 2. Banking Scheme in Financing Koperasi Desa Merah Putih
Source: Kopdesa.com, 2026.

The involvement of the banking sector through Himbara creates tension within the state's financial system. Under Minister of Finance Regulation Number 49 of 2025, these schemes were framed as a financing synergy between the government and banks to support the sustainability of KDMP/KKMP. The regulation provided guidelines for government–bank financing cooperation, including procedures for KDMP/KKMP loans. Article 5 of the regulation specifically outlined the loan scheme as follows:

a. A maximum loan ceiling of IDR 3,000,000,000 (three billion rupiah) per KKMP/KDMP;
b. An annual interest/profit-sharing rate of 6%;
c. A maximum loan tenor of 72 months;
d. A grace period of 6 months, extendable up to 8 months; and
e. Monthly instalment payments.

The loan ceiling referred to in paragraph (1) also includes a maximum operational expenditure allocation of IDR 500,000,000 (five hundred million rupiah). Tension arises when the Himbara loan scheme for KKMP/KDMP involves the fiscal sector, particularly the use of State Budget (APBN) expenditure instruments to cover loan repayment shortfalls, including through Village Funds. Village Funds are categorized as an instrument of "Loan Repayment Support" under Article 11 paragraph (2) of Minister of Finance Regulation Number 49 of 2025, which states that,

> *"Placement of funds to cover shortages in principal and interest/profit-sharing installments, as referred to in paragraph (1), shall be sourced from: (a) Village Funds for KDMP; or (b) General Allocation Funds (DAU)/Revenue-Sharing Funds (DBH) for KKMP." The loan repayment support is limited to a maximum of 30% of the annual Village Fund ceiling.*

Under Article 9 paragraph (1) of Minister of Cooperatives Regulation Number 2 of 2025, KDMP/KKMP may apply for loans or financing from banks, non-bank financial institutions, cooperative revolving fund agencies, or other financial institutions to develop their businesses. This differs from the earlier Minister of Cooperatives Regulation Number 1 of 2025, which limited financing arrangements to pilot cooperatives through revolving funds. In support of this scheme, Minister of Villages and Development of Disadvantaged Regions Regulation Number 10 of 2025, particularly

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Article 1 point 7, further justifies the involvement of village heads in covering shortages in principal and interest/profit-sharing installments, stating that,

> *"Loan Repayment Support is the placement of funds sourced from Village Funds in cases where the balance in the loan repayment account is insufficient to cover principal and interest installments."*

In short, loan repayment support allows Village Funds to be used as a facility for KDMP to fulfill loan repayment obligations, with allocations of up to 30% when Koperasi Desa Merah Putih defaults. These funds are then placed by the Ministry of Finance through an intercept mechanism to cover unpaid KDMP loans. As a result, Village Funds originally intended for local community development are redirected to cover KDMP credit defaults (Mulyati 2016, 202). This repayment support scheme significantly increases the risk of non-performing loans and may ultimately weaken the performance of state-owned banks.

Minister of Finance Regulation Number 49 of 2025 defines a loan as "credit/financing provided by banks to KKMP/KDMP as initial capital." This definition aligns with Indonesia's national banking framework under Law Number 10 of 1998, which defines credit as "the provision of money or equivalent claims based on a lending agreement between a bank and another party, requiring the borrower to repay the debt within a specified period with interest." (Indonesia 1998). Accordingly, KDMP loans or credit should inherently contain the essential elements of credit, namely trust, repayment period, risk level, credit object or performance, and maturity period (Hermansyah 2014).

The credit agreement contains provisions regarding the schedule for principal and interest/profit-sharing installment payments. Under Article 6 paragraphs (1) and (2) of the ministerial regulation, KKMP/KDMP recipients must fulfill several requirements, including being legally established as a cooperative, possessing a cooperative registration number, bank account, taxpayer identification number, business identification number, and a business proposal containing capital and operational expenditure plans, loan disbursement stages, and repayment plans. Banks may also impose additional eligibility criteria in accordance with prevailing laws and regulations.

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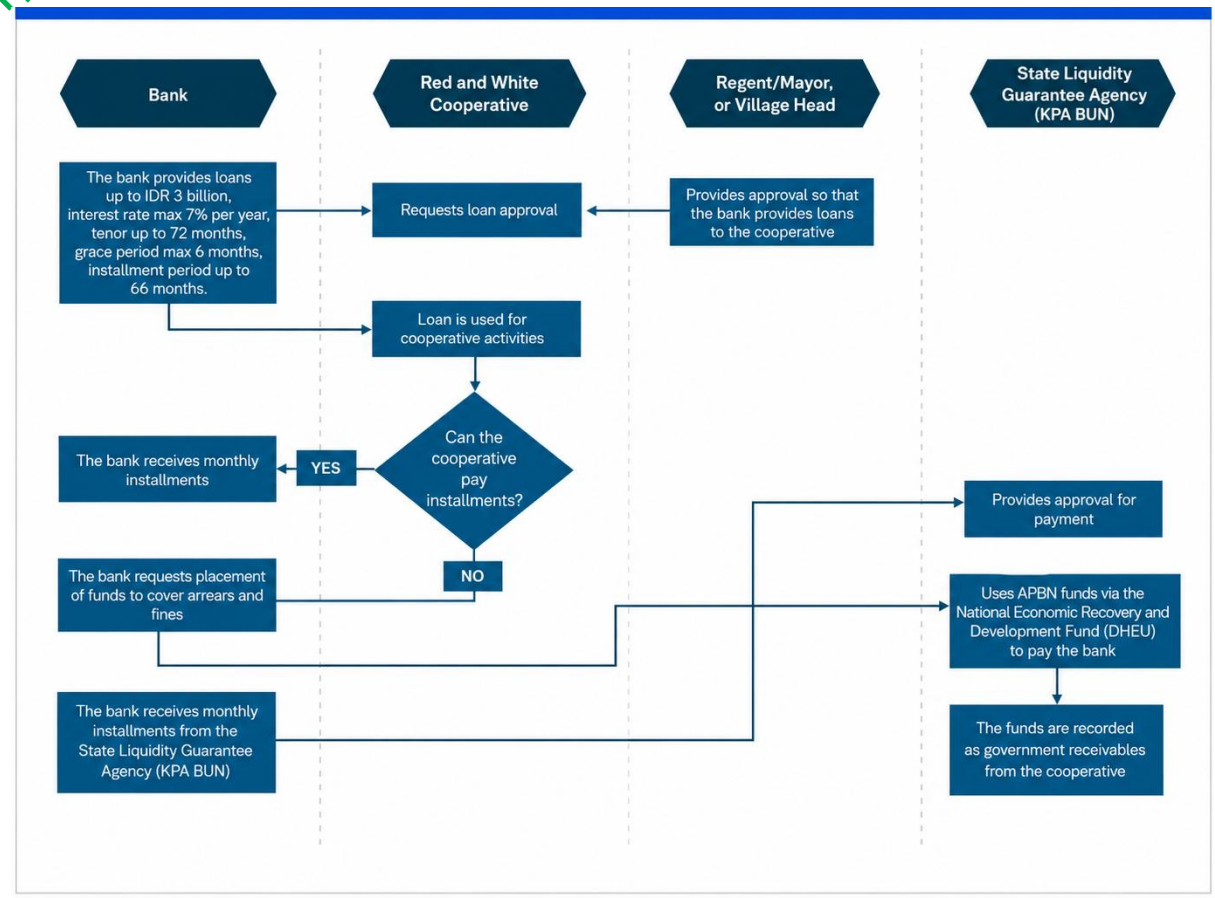

Figure 3. Banking Scheme in Financing Koperasi Desa Merah Putih Based on Permenkeu
Source : *www.jdih.kemendesa.go.id., 2026.*

> *Under Article 7 paragraph (4) of Minister of Finance Regulation Number 49 of 2025, when a bank approves a loan application, it must enter into a credit agreement with KKMP/KDMP containing at least: (a) the loan amount; (b) the loan purpose; (c) the loan tenor; (d) the grace period; (e) the interest/profit-sharing rate; (f) the stages and requirements for loan disbursement; (g) the installment amount; and (h) the loan maturity date.*

This indicates that the available legal protection remains merely procedural through credit agreements, without providing substantive protection against banking risk exposure. Rather than requiring KDMP to provide guarantees or collateral, the scheme relies on Village Funds to cover potential defaults. Although the 30% allocation may appear limited, in practice it can create significant contingent liabilities for the state's fiscal balance on a macroeconomic level.The absence of rules requiring KDMP to provide guarantees or collateral creates legal uncertainty and exposes Himbara banks to high credit risk. Although the loan ceiling reaches IDR 3 billion, KDMP lacks sufficient initial capital, causing risk exposure to rely entirely on external financing without adequate capital buffers. Given the cooperative sector's history of defaults, this scheme may increase KDMP non-performing loans (NPLs), reduce banks' Return on Assets (ROA), and threaten banking stability.

Even before Minister of Finance Regulation Number 15 of 2026 revoked Regulation Number 49 of 2025, government policy already reflected regulatory inconsistency, particularly due to the absence of collateral requirements in KDMP credit agreements. The replacement of Regulation Number 49 of

2025 with Regulation Number 15 of 2026 further demonstrates policy uncertainty, while the financing scheme remains heavily dependent on fiscal support from the Ministry of Finance and potentially threatens the sustainability of the State Budget (APBN).

2. *The Ideal Model of Legal Protection for the Banking Sector in Anticipating State Financial Risks within the Financing Scheme for the Koperasi Desa Merah Putih Cooperative*

The financing scheme of the Koperasi Desa Merah Putih, as regulated in Minister of Finance Regulation Number 15 of 2026, gives rise to serious normative problems regarding legal protection for the banking sector (Indonesia, Kementerian Keuangan Republik Indonesia 2025). From the perspective of contract law, this regulation obscures the legal standing and obligations of debtors, removes the requirement for written credit agreements, and opens the possibility of coercion that is inconsistent with the principle of consensualism and the validity requirements of agreements under the Indonesian Civil Code (KUHPerdata) (Marzuki 2005; Ibrahim 2006). The absence or weakening of written credit agreements makes the parameters of default, evidentiary standards, and enforcement mechanisms unclear, thereby weakening both preventive and repressive legal protection for banks (Hermansyah 2014; Mulyati 2016, 202). In this context, Minister of Finance Regulation 15/2026 creates a hybridization between the private law regime of bank credit and the public law regime through the use of Village Funds as a repayment instrument, which in practice shifts credit risk from debtors and banks to state finances without adequate contractual design (Djati et al. 2022).

Furthermore, Minister of Finance Regulation 15/2026 transfers the burden of KDMP financing installments to the General Allocation Fund/Revenue Sharing Fund (DAU/DBH) and Village Funds, thereby breaking continuity with the conventional banking credit regime and potentially weakening regional fiscal capacity (Nizar 2020). When intergovernmental fiscal transfers (TKD) are prioritized to pay KDMP obligations, regional governments are forced to sacrifice infrastructure development or public service provision, which in the long term can widen regional development disparities (Hasmawati 2018; Swasono 1985). Government intervention in state-owned banks (Himbara) throughout 2025–2026, through the placement of Excess Budget Balance (SAL) from the government's account at Bank Indonesia into Himbara accounts in very large amounts, accompanied by reductions in TKD, reinforces the indication that banking stability and the KDMP scheme are being maintained at the expense of the distributive function and public services at the regional level (KumparanBISNIS 2025). This situation becomes even more worrying given that, according to CELIOS data, as of 2025 there were twenty regencies with very low fiscal capacity that rely almost entirely on TKD for development, so the use of TKD to cover KDMP obligations could push them into a continuous spiral of development lag (CELIOS n.d.).

As a consequence, the legal position of banks as creditors becomes increasingly unclear because the source of credit repayment no longer fully depends on the debtor's financial capacity, but rather on the fiscal capacity of the state (Syamsiar 2007). In banking law, the relationship between banks and debtors is fundamentally contractual in nature and arises through credit agreements (Hermansyah 2014). Credit agreements function as the primary legal instrument to ensure legal certainty, regulate the rights and obligations of the parties, and implement the prudential banking principle (Mulyati 2016, 202). Nevertheless, Minister of Finance Regulation No. 15 of 2026 does not explicitly require a direct credit agreement between banks and KDMP as the actual debtor, thereby creating a normative vacuum that weakens the legal foundation of credit disbursement (Indonesia, Kementerian Keuangan Republik Indonesia 2025).

This normative vacuum becomes even more problematic because the KDMP financing scheme does not require adequate collateral or security. In the theory of security law and banking risk management practices, collateral constitutes an essential instrument to ensure loan repayment in the event of debtor default (Sofwan 1980). When credit is extended without executable collateral, the entire credit risk exposure is borne by the bank and may ultimately threaten the stability of the national banking sector (Triyono 2006). Furthermore, Minister of Finance Regulation No. 15 of 2026 does not specifically regulate risk classification mechanisms or financing limits for KDMP schemes. This condition contradicts banking risk management principles as regulated under POJK No. 18/POJK.03/2016, as well as the Basel II and Basel III frameworks, which require every credit exposure to be assessed based on debtor characteristics, repayment capacity, and risk diversification (Peling et al. 2018). When thousands of KDMP entities receive financing under a uniform scheme heavily dependent on Village Funds, a substantial concentration of risk arises within state fiscal instruments (Viverita et al. 2022).

The use of Village Funds as an instrument for repaying KDMP credit represents a normative deviation from the original legal design of Village Funds under the fiscal decentralization framework (Indonesia 1945). Village Funds are part of Transfers to Regions (TKD) sourced from the State Budget (APBN) and are intended to finance governmental functions at the village level, particularly infrastructure development, public services, and rural community empowerment (Nurhayati et al. 2025). When Village Funds are diverted to absorb KDMP credit defaults, their function shifts from supporting community development to acting as a buffer for problematic credit, so that commercial credit risk is transferred from debtors and banks to public finances (Firmansyah 2012). This shift is consistent with the hybrid character of Minister of Finance Regulation No. 15 of 2026, which formally uses a banking credit structure but substantially transforms it into a quasi-state financing model that combines private credit mechanisms with public finance instruments (Asshiddiqie 2005). Normatively, such a design creates a latent burden on the APBN and threatens fiscal sustainability, because state resources that should be used for development and basic services are structurally exposed to the risk of KDMP credit failure (Rizki et al. 2025). This condition confirms the existence of a legal vacuum (rechtsvacuum) in Indonesia's banking law and state finance law regarding the use of public funds as a systematic repayment instrument for private credit obligations (Djati et al. 2022).

From the perspective of prudential banking principles, the KDMP financing scheme normatively weakens the core elements of creditworthiness assessment and risk management that banks must apply under Indonesian banking law (Hermansyah 2014). In the current design, the certainty of credit repayment is more dependent on fiscal intervention through Village Funds and TKD than on the actual repayment capacity and business performance of KDMP entities, which creates strong moral hazard incentives for both banks and KDMP (Mulyati 2021). Banks may reduce the intensity of proper due diligence because they perceive the presence of state backing through Village Funds, while KDMP may lose payment discipline on the assumption that their obligations will ultimately be covered by the state (Gunawan 2019). The absence of a regulatory obligation to segregate KDMP financing portfolios from regular credit portfolios further increases systemic risk, because banks cannot accurately isolate and measure KDMP exposure within their overall asset quality indicators such as NPL and ROA (Peling et al. 2018). In line with the thesis findings, this lacuna normatively requires the enactment of a specific OJK Regulation (POJK).

CONCLUSION

Based on the research findings, the financing scheme for Koperasi Desa Merah Putih (KDMP) using Village Funds has not fully fulfilled the principles of legal protection in banking law. Although formally regulated as banking credit under Minister of Finance Regulation Number 15 of 2026, substantively the scheme has become a hybrid financing model that combines private credit mechanisms with state fiscal intervention. This condition creates legal uncertainty because banks no longer act solely based on prudential banking principles and risk management, but also as instruments of state fiscal policy. The absence of mandatory written credit agreements and collateral requirements further weakens legal certainty and creditor protection. In addition, the use of Village Funds as a repayment mechanism shifts commercial banking risks into potential state financial risks, demonstrating the lack of a comprehensive regulatory framework for KDMP financing.

Therefore, ideal legal protection for banks in the KDMP financing scheme requires specific sectoral regulations that clearly regulate financing agreements, collateral obligations, risk mitigation, and dispute resolution mechanisms. Village Funds should not replace banking collateral because they are public financial instruments governed by accountability principles. The Financial Services Authority also needs to establish special regulations for KDMP financing, including separate risk classifications, supervision mechanisms, and portfolio management standards. Harmonization between banking law, state financial law, collateral law, and village development policy is essential to maintain prudential banking principles, legal certainty, and national financial system stability while still supporting village economic development.

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