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DIARIES

From the Danantara Indonesia Investor Relations Team

COMPANIES OF DANANTARA INDONESIA

KDMP: Strengthening Village Economies Through Cooperative Infrastructure

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Photo credit: Danantara Indonesia Investor Relations Team

"Cooperatives can **foster tolerance** and **a sense of shared responsibility**. Thus, it can foster and strengthen democracy, **the nation's ideal**."

MOHAMMAD HATTA, founding father of Indonesia, diplomat, and former Prime Minister and Vice President of Indonesia.

Berangkat bawa, pulang bawa.

To leave home carrying something, and to return with something in hand.

It is a logic familiar across Indonesia's rural villages. Farmers leave their homes with what the land requires and return carrying sustenance for their families. It is a rhythm shaped by discipline, patience, and uncertainty.

Rafa (born in 2003, age 22) was born into a Javanese farming household that lived by this. One of four characters from Pandu Sjahrir's end-of-year letter published on 24 December 2025, Rafa grew up learning what work looks like when it begins before sunrise and ends only when the body insists. He respected his father's discipline as the family's breadwinner, but he also saw the cost: long hours, narrow margins, and the reality that effort does not always translate into progress.



Fields located in Central Java / Photo credit: Danantara Indonesia Investor Relations Team

DANANTARA INDONESIA

DIARIES

He also came to understand the limits of the land itself. A majority of Indonesian smallholder farmers own less than 0.5 ha of land, according to the Central Bureau of Statistics (BPS). Once the farmers age, the land would be divided among their children, leaving each child with even smaller land.

The same applies in Rafa's family. His father's one-hectare plot must be shared with his siblings, some already married with families of their own, leaving each household with less land to cultivate.

Rafa went on to study agriculture at university. Yet, like many in his generation, his imagination of the future drifted away from the fields. Not because he rejected farming, but because he understood the system surrounding it. Agriculture, as he knew it, was fragmented, underfinanced, and structurally disadvantaged. For Rafa, the future seemed to point elsewhere: the city, an office, a bank.

Versions of this story unfold across villages in Indonesia. According to BPS, the nation's farming population is aging as agricultural land continues to shrink. So have individual farming enterprises: data shows that since 2013, the number declined from a reported 31.7 million farmers to 29.34 million today, a 7.45% drop. In Yogyakarta, the contraction is sharper still, with 26.26% of farmers leaving the sector over the past decade.

The average Indonesian farmer is now around 50 years old. Without regeneration, the question is no longer abstract: who will farm the land in 10 or 20 years?



Rafa (born in 2003, age 22) / Illustrator: Gabriella

DANANTARA INDONESIA

DIARIES

For Joao Angelo De Sousa Mota, the President Director of Agrinas Pangan Nusantara (Agrinas), this question is personal.

As he shared with us at the investor relations team, Joao is a real-life Rafa, the son of a farmer who planted in eights: one plot for each of his eight children. Growing up, there was always enough, never excess nor lack. That early experience continues to shape Joao's commitment to food security and to building systems that allow others the same sense of sufficiency.

Echoed across Indonesian villages, stories like Joao and Rafa's helped shape President Prabowo Subianto's conviction and led to the Koperasi Desa Merah Putih (KDMP) initiative.

Building from the Village Up

A government initiative announced in October 2025, KDMP was never intended to be just another cooperative program. At its core, it is designed to address two long-standing challenges Indonesian farmers face: access to financing and access to markets.



Ground Breaking of KDMP on 17 October, 2025 / Photo credit: Agrinas

DANANTARA INDONESIA
DIARIES

For decades, farmers have suffered from limited access to formal financing. This leaves them without working capital at critical moments in the planting and harvesting cycle.

At the same time, the absence of reliable buyers forces them to sell their produce to middlemen, or *tengkulak*, often at unfavorable prices.

In this arrangement, farmers bear most of the production risk, yet capture the least economic value. Over time, this has weakened rural incomes and reinforced financial vulnerability.

KDMP is designed to interrupt this cycle.

By establishing strong cooperatives at the village level, KDMP aims to provide farmers with a more reliable market for their harvests, allowing produce to be sold at fairer prices and consumed locally. Beyond that, these cooperatives also strengthen local food security and can directly support government programs such as Makan Bergizi Gratis (MBG) or free nutritious school lunches, ensuring that agricultural output benefits the community it comes from.

The same logic applies on the financing side. At the grassroots level, formal financial planning remains limited. Farmers often require small, short-term funding that traditional banks or multifinance institutions are not structured to provide quickly. Without good alternatives, many turn to middlemen or informal lenders who charge high interest rates.

KDMP offers a more sustainable solution. Here, village cooperatives function as accessible financial intermediaries. It brings financing closer to where it is needed, at a more affordable rate.

Beyond financing and markets, however, KDMP also plays a less visible but economically important role: expanding monetary inclusion at the lower end of the income distribution.

By formalizing fragmented rural cash flows through savings, loan services, and daily cooperative transactions, KDMP helps convert off-system liquidity into formal deposits. As deposits are pooled at the cooperative level and recycled into local working capital and consumption, money begins to circulate among households and micro-enterprises that are typically credit-constrained. This strengthens monetary transmission, raises money velocity in rural areas, and improves the growth impact of existing liquidity, complementing KDMP's real-sector objectives with a broader macroeconomic benefit.



Koperasi Desa Merah Putih Interior / Photo credit: Agrinas

DANANTARA INDONESIA
DIARIES

Ultimately, the banking system ends up capturing more of rural liquidity, effectively expanding M2 money supply from the bottom up without requiring additional monetary stimulus.

An additional benefit arises on the funding side of the financial system. Compared to deposits from large corporate or high-net-worth individuals, deposits mobilized from rural households and cooperatives tend to be more stable and less sensitive to interest-rate movements. This is because corporate and affluent deposits are often actively managed and respond quickly to changes in yields and alternative investment options.

By contrast, rural deposits are primarily linked to transactional needs and ongoing economic activity, rather than return maximization. This results in lower withdrawal volatility and greater funding stability for banks.

At sufficient scale, such deposits can help reduce refinancing risk and support more consistent monetary transmission, particularly during periods of tighter financial conditions.



Pickup truck, Light-duty box truck, and three-wheeled motorcycle / Photo credit: Agrinas



KDMP cooperatives also operate essential village-level businesses, including grocery outlets, savings and loan services, pharmacies, and access to operational logistics vehicles. Each cooperative is supported by physical infrastructure such as buildings, storage facilities, and farming and logistics equipment, designed to strengthen the local economic ecosystem. KDMP will also be the market that can provide accessible fertilizer, gas, agriculture equipment for the farmers and society in the villages.

The objective is not short-term relief, but long-term village financial independence.

DANANTARA INDONESIA

DIARIES

Coordinating Capital, Managing Risk

KDMP is designed to be a one-stop institutional platform. Agrinas serves as the coordinating backbone, aligning execution across regions and institutions, while the Indonesian National Armed Forces (TNI) supports on-the-ground implementation, ensuring coordination, security, and continuity at the village level.

That said, the cross-institutional approach is most visible on the financing side.



Koperasi taking shape across communities (as of January 8, 2026) / Photo credit: Agrinas

The KDMP program aims to establish 80,000 cooperatives nationwide, with an initial CAPEX investment of 3 billion rupiah per cooperative (or around USD179,000), as outlined in the Presidential Instruction (Instruksi Presiden No.17 Tahun 2025). This comes out to 240 trillion rupiah (around USD 14,260,000,000) overall.

Initial funding will be channeled as loans to Agrinas through Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, and Bank Syariah Indonesia. The repayment is ultimately backed by the Ministry of Finance through *Dana Alokasi Umum* (DAU - General Allocation Fund) / *Dana Bagi Hasil* (DBH - Revenue Sharing Fund) or *Dana Desa* (Village Funds). These are funds that are allocated in the national budget and transferred to villages for local development.

For context, government budget for Village Funds of 2026 is 60.57 trillion rupiah (around USD 3,600,000,000). Under the scheme, the repayment will be done by the Ministry of Finance, allowing the bank to put 0% credit cost on the loan.

In addition, the Ministry of Finance will provide liquidity support to banks using excess budget balances (*Saldo Anggaran Lebih*), further easing funding constraints.

The structure ensures that participating banks do not bear credit or liquidity risk, while simultaneously delivering tangible economic impact at the village level.

On the other hand, villages will also gain access to a cooperative that is supported by the central government. This cooperative can potentially leverage the ecosystem of Danantara Indonesia companies and other government programs to support its development.

The KDMP program helps reduce inefficient and fragmented use of Village Funds across villages by promoting scale, coordination, and the implementation of clearly defined programs.

Case Study: Mondragon - Spain's Cooperative

The idea that cooperatives can anchor an entire economic system is not without precedent. One of the most cited examples comes from Spain.

Since its launch in 1956, Mondragon stands as one of the most significant socioeconomic business projects in the Basque Country and in Spain more broadly. What began as a single cooperative has evolved into a federated system spanning four core areas: finance, industry, retail, and knowledge. Today, the Mondragon Corporation comprises 92 autonomous and independent cooperatives, employs around 70,000 people, and operates 12 research and development centers. It ranks first in the Basque business landscape and among the top 10 largest industrial groups in Spain.



Laboral Kutxa, the financial arm of the Mondragon Corporation / Photo credit: Flickr (Mondragon)

Mondragon's success did not come from scale alone. Its organizing principle was simple but demanding: enterprises created by people, for people. Cooperatives were designed to be self-governing, locally rooted, and interconnected through shared institutions, particularly in finance, education, and innovation. Growth was gradual, built on discipline, coordination, and long-term trust.

For Indonesia, the context is different. The geography is wider. The farming base is more fragmented. The challenges of poverty and food security are more acute.

But the underlying lesson remains relevant. Sustainable cooperative systems are not built overnight, nor are they imposed from above. They are constructed patiently, with clear institutional roles, strong coordination, and a commitment to keeping people at the center of economic activity.

KDMP draws from this same logic. Not as an attempt to replicate Mondragon, but as a recognition that when cooperatives are treated as infrastructure rather than programs, they can become engines of resilience. Mondragon shows what is possible when collective institutions are allowed to mature over time. KDMP represents an effort to apply that lesson within Indonesia's own social, economic, and agricultural realities.

An Institutional Redesign

Danantara Asset Management's role is to enhance the value, performance, and sustainability of Danantara Indonesia companies, while also fulfilling its dual mandate of delivering economic impact. KDMP is an example of how these objectives can be pursued simultaneously, aligning commercial discipline with national development priorities.

In the near term, Agrinas aims to build 20,000 cooperatives by March 2026. In essence, though, KDMP is not about expanding cooperatives. It is an institutional redesign. An attempt to redesign how rural markets function: reducing dependency, strengthening resilience, and ensuring that growth reaches those who have long carried the risks but captured the least rewards.

For farmers like Rafa's father, KDMP signals to the next generation that farming can once again be a viable choice. With KDMP in place, Rafa's future does not have to be about escaping agriculture.



Photo credit: Danantara Indonesia Investor Relations team

We can imagine Rafa growing up in a village where farming is organized, incomes are more predictable, and markets are accessible. He may still pursue education elsewhere, but not because he must leave agriculture behind. He could return as a cooperative manager, an agribusiness operator, a food systems entrepreneur, or simply as a farmer by choice rather than necessity.

It raises a broader question: what kind of future can we imagine for the many "Rafas" across the nation?

Did You Know?



DANANTARA INDONESIA

DIARIES

Source: JAFF Film Festival

Some conversations are most effective through art. Books, music, and in this case, film.

Seribu Bayang Purnama (A Thousand Shades of Purnama), executive produced by Agrinas President Director Joao Mota, has expanded beyond cinemas and the 20th JAFF Film Festival, reaching farming communities through regional screenings.

While a romantic drama, the film confronts a real dilemma that has been described as “scarier than horror”: one where farmers are caught between natural practices passed down through generations and a growing dependency on chemical-based methods.

Danantara Indonesia Diaries is a newsletter produced by Danantara Indonesia's investor relations team.

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