

Cooperative Empowerment Strategy: Integrating Financial Literacy and Entrepreneurship

Hendro Widjanarko^{1*}, Humam Santosa Utomo², Rosalia Dwi Fadma Tjahjanti², Suratna²

¹ Management Department, UPN "Veteran" Yogyakarta, Indonesia;

² Business Administration Department, UPN "Veteran" Yogyakarta, Indonesia

Received : August 24, 2026

Revised : September 12, 2026

Accepted : September 27, 2026

Online : October 7, 2026

Abstract

Cooperatives occupy a strategic position in strengthening community economies, functioning not merely as commercial entities but also as vehicles for building members' economic capacity. Even so, their growth is frequently constrained by limited managerial capability, particularly the administrators' ability to handle finances, expand business activities, innovate, and seize market opportunities. This study examines strategies for empowering cooperatives in Bantul Regency, Indonesia, by integrating financial literacy with entrepreneurial capacity. Using a qualitative design, the research draws on cooperative administrators and local government officials engaged in cooperative development as key informants. The study gathered information through in-depth interviews and supporting documents, then examined it using an interactive process of data condensation, display, and conclusion drawing. Findings reveal that empowerment cannot be achieved through capital assistance and administrative supervision alone; it must be grounded in administrators' capacity to manage finances soundly and pursue viable business opportunities. Financial literacy underpins sound planning, accurate record-keeping, cost control, and evidence-based financial decisions. At the same time, entrepreneurial capacity enables cooperatives to identify opportunities, innovate, develop products, broaden market reach, and build partnerships. Crucially, the two capacities must develop together: entrepreneurial drive unaccompanied by financial discipline exposes cooperatives to business risk, whereas strong financial management without entrepreneurial orientation tends to produce well-administered but stagnant organizations. Accordingly, empowerment strategies in Bantul should emphasize administrator capacity-building, sustained mentoring, digitalization of cooperative management, development of locally rooted business units, stronger access to financing, and closer collaboration between local government and cooperatives. The study contributes to policy design that positions capacity-building and institutional self-reliance at the center of cooperative empowerment.

Keywords: *Cooperatives, Empowerment, Financial Literacy, Entrepreneurship, Self-Reliance*

INTRODUCTION

As an economic institution, cooperatives hold a strategic position in driving community economic development, distinguished by members' dual role as both owners and service users. Success is measured not by profit alone but by the tangible economic benefits delivered to members and the broader community, given cooperatives' capacity to mobilize and organize community resources collectively (Díaz-Foncela & Marcuello, 2015).

Bantul Regency, Special Region of Yogyakarta, has a diverse economy spanning trade, agriculture, handicrafts, home industries, tourism, services, and community startups, creating opportunities for cooperatives to bridge these sectors through financing, product development, market expansion, and value chain strengthening.

However, this potential does not automatically translate into institutional capacity. Administrators are expected to master cooperative principles, governance, management, finance, entrepreneurship, marketing, and technology (Guzmán et al., 2020), amid a rapidly shifting business landscape driven by digitalization and demands for accountability (Parra-Sánchez &

Copyright Holder:

© Widjanarko, Utomo, Tjahjanti & Suratna. (2026)

Corresponding author's email: hendro.widhanarko@upnyk.ac.id

This Article is Licensed Under:



Talero-Sarmiento, 2024).

Financial literacy, extending beyond transaction recording to financial understanding, planning, risk management, and decision-making (Lusardi & Mitchell, 2014), is a key competency, defined by OECD (2018) as the awareness, knowledge, skills, and behaviors MSME owners need for effective financial decisions, and shown to shape long-term financial behavior (Fernandes et al., 2014). For cooperatives, this is especially complex since resources both originate from and are intended for members; proficiency in managing cash flow, capital, and earnings underpins institutional health (Eniola & Entebang, 2017), while weak management erodes growth and member trust.

Financial competence alone is insufficient; entrepreneurship, the ability to identify opportunities, innovate, and create economic value (Shane & Venkataraman, 2000; Lumpkin & Dess, 1996), enables cooperatives to actively develop new business units rather than merely sustain existing ones (Wiklund & Shepherd, 2005). Financial literacy and entrepreneurship are thus complementary: one ensures sound management, the other creates value from it (Padi et al., 2025), consistent with OECD's (2018) emphasis on combining money management with access to finance and sustainable development.

This urgency is reflected in Bantul Regent Regulation Number 30 of 2026 on the Regional Action Plan for Cooperative Empowerment and Protection (2026–2028), which implements Regional Regulation Number 6 of 2024 and aligns with evidence that government policy support strengthens SME entrepreneurial orientation and performance (Prasannath et al., 2024). The challenge is translating policy into programs that build internal capacity beyond capital assistance alone (Doh & Kim, 2014). This study analyzes cooperative empowerment strategies in Bantul by integrating financial literacy and entrepreneurship.

LITERATURE REVIEW

Cooperative Empowerment

Cooperative empowerment should not be narrowly interpreted as merely providing capital assistance, since capital injections without managerial competence risk fostering dependency and do not automatically guarantee business sustainability.

A comprehensive empowerment process must encompass enhanced knowledge, technical skills, and decision-making capacity, as well as stronger organizational structures, network expansion, and the ability to create new economic value, given that cooperative growth exhibits distinct spatial characteristics compared to conventional business entities, underscoring the importance of local capacity in fostering new cooperatives (Díaz-Foncea & Marcuello, 2015).

This relevance is increasingly evident in Bantul Regency, where the local government has issued Bantul Regent Regulation Number 30 of 2026 on the 2026 to 2028 Regional Action Plan for Cooperative Empowerment and Protection, framing empowerment as interconnected processes involving work programs, stakeholder engagement, cross-sector coordination, and monitoring and evaluation, consistent with evidence that government policy support can strengthen the performance of small and medium-sized economic organizations (Prasannath et al., 2024).

Financial Literacy

Financial Literacy is fundamentally the ability to understand and apply financial knowledge in decision-making, encompassing sources and uses of funds, cash flow management, financial planning, financing schemes, risk management, and performance evaluation, and is widely recognized as a crucial determinant of financial decision quality for individuals and businesses (Lusardi & Mitchell, 2014; Fernandes et al., 2014).

The OECD (2018), through the OECD/INFE network, developed a financial literacy

framework for MSMEs and aspiring entrepreneurs emphasizing financial proficiency as a foundation for starting, operating, and growing a business. In cooperatives, this is particularly critical since administrators are accountable to members for resource management, and studies confirm that owner-manager financial literacy significantly influences organizational financial performance (Eniola & Entebang, 2017).

Financial literacy is also linked to access to finance, as the OECD (2018) notes that financial education helps small businesses strengthen management and improve access to funding, while financial literacy, entrepreneurial competence, and governance mutually reinforce business performance (Padi et al., 2025).

Entrepreneurship

Entrepreneurship is the capacity to recognize opportunities, innovate, take calculated risks, organize resources, and create added value (Shane & Venkataraman, 2000), essential for cooperatives to grow into dynamic economic organizations rather than remain purely administrative.

An entrepreneurial orientation, reflected in innovation, proactiveness, and risk-taking (Lumpkin & Dess, 1996), encourages cooperatives to identify member needs and market changes. However, its influence on performance depends on environmental context and resource configuration (Wiklund & Shepherd, 2005). Entrepreneurship is inseparable from risk management, which is where it intersects with financial literacy.

Integration of Financial Literacy and Entrepreneurship

These two capacities are mutually reinforcing: financial literacy allows managers to assess opportunities' financial viability while entrepreneurship enables identification of value-generating opportunities, a relationship empirically demonstrated among MSMEs (Padi et al., 2025).

This integration helps cooperatives weigh not just available opportunities but also required capital, costs, cash flows, returns, and risks, as reinforced by findings from Spanish worker cooperatives showing that cooperative principles influence performance both directly and through entrepreneurial orientation (Guzmán et al., 2020).

Cooperative empowerment strategies should therefore focus on developing "financial entrepreneurial capability," defined as a cooperative's ability to make business decisions by weighing opportunities, resources, financial viability, and risks simultaneously.

RESEARCH METHOD

This study uses a qualitative approach to gain an in-depth understanding of cooperative empowerment strategies in Bantul Regency by integrating financial literacy and entrepreneurship, aiming to capture the experiences, perceptions, practices, needs, and viewpoints of actors directly involved in sustaining and empowering cooperatives. The research was conducted in Bantul Regency, Special Region of Yogyakarta, chosen given cooperatives' role in strengthening the local economy and the existence of Bantul Regent Regulation Number 30 of 2026 concerning the Regional Action Plan for Cooperative Empowerment and Protection (2026 to 2028).

Research subjects include cooperative administrators and local government officials directly involved in cooperative guidance and empowerment. Administrators were included for their direct experience managing organizations, conducting business activities, handling finances, and addressing member needs. In contrast, officials were included because of their roles in planning, training, facilitation, supervision, and ecosystem development.

The study purposively selected informants based on their level of involvement and knowledge. The study's informants consist of administrators from two cooperatives in Bantul

Regency and Bantul Regency government officials knowledgeable about relevant policies and programs.

Primary data were collected through in-depth interviews focusing on cooperative management conditions, board financial management capabilities, recording and planning practices, business development capabilities, guidance experience, capacity-building needs, local government support, and relevant empowerment strategies.

Interviews were conducted in June and July 2026, averaging 45 to 60 minutes each, in Indonesian. All interviews were audio-recorded with consent and transcribed verbatim shortly after each session to preserve conversational context; transcripts were returned to informants for review and verification before analysis. Before interviews began, informants were assured their responses would remain confidential and used solely for research purposes, with this explanation provided verbally to obtain informed consent.

This study did not use secondary documents as data sources; all primary data came from in-depth interviews. Regional policies, including Bantul Regent Regulation Number 30 of 2026, served only to provide institutional context for site selection, not as analytical material.

Data analysis followed the qualitative model of [Miles et al. \(2014\)](#), comprising data condensation, data display, and conclusion drawing and verification. Transcripts were read repeatedly during condensation, with open coding applied to meaningful units. For instance, statements indicating difficulties in financial recording were coded "irregular financial recording," and codes sharing similar meanings, such as weak bookkeeping knowledge and budget planning, were grouped into the category "weak financial literacy among administrators."

Interrelated categories were reduced to broader themes through constant comparison; for example, "weak financial literacy among administrators" and "lack of continuous guidance" were combined into "need for strengthening administrator capacity." The team compared themes across informants and interpreted patterns. Validity was reinforced through source triangulation by comparing administrator and government perspectives to assess consistency or divergence in empowerment needs and strategies.

FINDINGS AND DISCUSSION

Cooperative Empowerment Requires Strengthening Internal Capacity

Research findings indicate that cooperative empowerment efforts should focus on strengthening internal organizational capacity, as the mere availability of facilities or external support is insufficient; cooperatives must manage the organization while simultaneously developing their business activities ([Ofem et al., 2020](#)). This reflects a shift from an assistance-centered to a capacity-centered approach: capital assistance remains necessary in certain situations, but it yields tangible benefits only when administrators can manage it productively.

This aligns with a South Korean study showing that government financial support improves SME performance only when paired with stronger managerial capacity and innovation ([Doh & Kim, 2014](#)). Administrators need skills in formulating business plans, managing finances, developing products, interpreting market dynamics, and making data-driven decisions, so empowerment programs should be designed as continuous capacity-building processes rather than one-off activities.

These findings align with the [OECD \(2018\)](#) framework identifying financial competence as crucial for operating and expanding a business, and with evidence that government support policies can simultaneously strengthen entrepreneurial orientation and organizational performance ([Prasannath et al., 2024](#)). In Bantul, this need has become increasingly relevant following Bantul Regent Regulation Number 30 of 2026 concerning the Regional Action Plan for Cooperative Empowerment and Protection (2026 to 2028), which emphasizes clear policy direction, structured

work programs, stakeholder engagement, and continuous monitoring and evaluation.

Financial Literacy as a Strategic Necessity

Financial literacy is likewise a crucial aspect of cooperative strengthening: administrators' ability to record transactions, understand financial conditions, control costs, manage cash flow, and formulate financial plans determines the quality of organizational decision-making, as underscored by international literature on financial literacy's role in financial decision quality ([Lusardi & Mitchell, 2014](#)).

Financial literacy must be understood more broadly than the skill of preparing financial statements; administrators are expected to use these reports to determine whether a business unit yields adequate returns, whether obligations can be met, whether an investment is viable, and whether expansion is feasible, aligning with findings that financial literacy is strongly correlated with better long-term financial behavior rather than short-term technical proficiency alone ([Fernandes et al., 2014](#)).

This necessity highlights that enhancing financial literacy requires a practical approach: training based on theory alone is insufficient, and administrators need to work with their cooperative's own data to connect financial concepts with real-world challenges, supported by studies showing that practice-based financial literacy training is more effective than theoretical instruction alone ([Eniola & Entebang, 2017](#)).

The [OECD \(2018\)](#) emphasizes that financial education for MSMEs must account for owners' and managers' capabilities in both operating and growing their businesses. This can be implemented through assistance with cash flow management, budgeting, feasibility analysis, working capital calculations, and measured risk management, aligning with findings that financial literacy, entrepreneurial competence, and governance reinforce one another in driving business performance ([Padi et al., 2025](#)).

Entrepreneurship as a Driver of Business Development

Cooperatives also need to strengthen their entrepreneurial orientation by shifting management practices from an administrative focus to a more productive, business-development orientation that reflects innovation and proactivity ([Lumpkin & Dess, 1996](#)). Cooperatives are expected to identify opportunities from member needs and regional economic potential ([Shane & Venkataraman, 2000](#)), tailoring business development to member characteristics and local resources rather than using standardized approaches.

In Bantul, diverse economic potential can underpin cooperative business units that integrate production, financing, procurement, processing, marketing, and distribution, transforming cooperatives from mere service providers into connecting points within the community's economic value chain. Configurational studies confirm that the benefits of entrepreneurial orientation depend on alignment with resources and business environment context ([Wiklund & Shepherd, 2005](#)).

Fostering entrepreneurship also requires innovation capacity, including digital technology to enhance service quality, marketing, record-keeping, and member relations, aligning with bibliometric evidence of growing research interest in SME digital transformation ([Parra-Sánchez & Talero-Sarmiento, 2024](#)). The [OECD \(2018\)](#) identifies financial literacy and digitalization as two crucial elements in empowering business owners and managers, both linked to resource management and technology utilization for growth.

Integration of Financial Literacy and Entrepreneurship

These findings confirm that financial literacy and entrepreneurship cannot be developed in

isolation; they must be integrated into a unified empowerment process, as shown among MSMEs where both capabilities influence financial performance ([Padi et al., 2025](#)).

A cooperative developing a new business unit needs both the ability to identify opportunities and assess financial viability, since a promising idea may fail if costs are high, market share is limited, or cash flow is insufficient, while a cooperative focused solely on financial control without pursuing opportunities risks becoming administratively orderly yet stagnant.

This integration creates an empowerment cycle spanning opportunity identification, business model formulation, resource analysis, financial viability assessment, implementation, financial control, performance evaluation, and further development, a pattern also observed in worker cooperatives where organizational principles influence performance both directly and through entrepreneurial orientation ([Guzmán et al., 2020](#)).

The Role of Local Government in Cooperative Empowerment

Local government plays a crucial role in creating a conducive environment, acting as a facilitator, coordinator, and catalyst beyond mere regulation, consistent with evidence that government policies can directly and indirectly influence SME entrepreneurial orientation and performance ([Prasannath et al., 2024](#)).

This includes capacity building, facilitating access to financing, developing marketing networks, encouraging digitalization, business mentoring, and stakeholder coordination, with South Korean experience showing that support effectiveness depends heavily on beneficiaries' innovation and managerial capacity ([Doh & Kim, 2014](#)).

Bantul Regent Regulation Number 30 of 2026 situates empowerment within a regional action plan encompassing programs, stakeholders, coordination, monitoring, and evaluation, which needs translation into needs-based mentoring, since cooperatives with record-keeping issues require financial mentoring while financially robust but stagnant cooperatives require entrepreneurial and marketing mentoring, an approach also proven effective in regional collaboration-based economic development organizations ([Ofem et al., 2020](#)). Local government must therefore avoid a one-size-fits-all approach and ground empowerment in each cooperative's specific diagnosis.

Based on these findings, the cooperative empowerment strategy in Bantul Regency can be formulated into five interconnected stages.

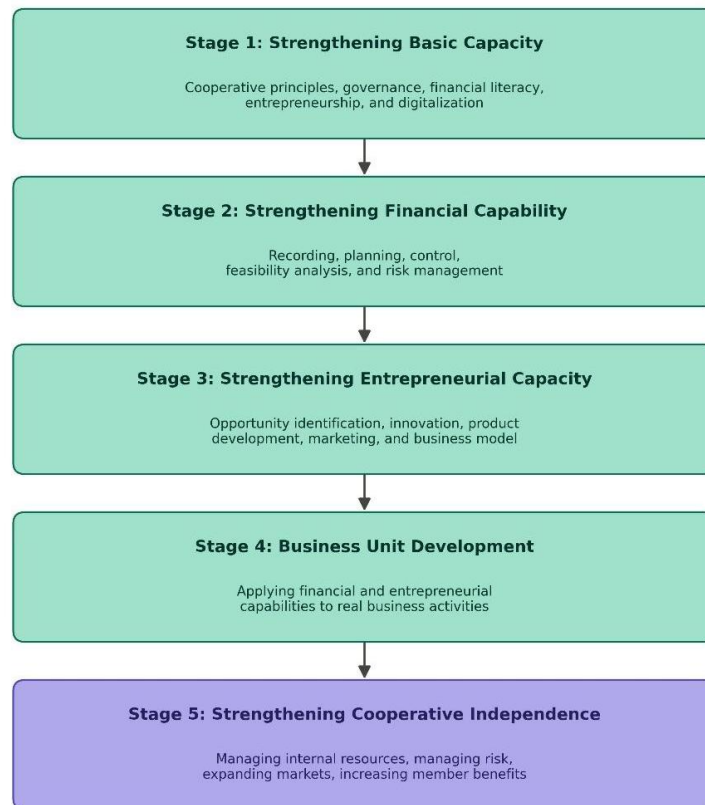


Figure 1. Five-Stage Model of Cooperative Empowerment in Bantul Regency

The first stage strengthens basic capacity in cooperative principles, governance, financial literacy, entrepreneurship, and digitalization. The second strengthens financial capabilities: record-keeping, planning, control, and risk management (Lusardi & Mitchell, 2014). The third strengthens entrepreneurial capacity: opportunity identification, innovation, and business model development (Lumpkin & Dess, 1996).

The fourth applies these capabilities to business unit development. The fifth strengthens self-reliance, enabling cooperatives to manage resources, expand markets, and deliver greater member benefits. This model positions financial literacy and entrepreneurship at the core of the empowerment process, consistent with evidence that integrating both drives SME performance (Padi et al., 2025; Guzmán et al., 2020), with local government as a facilitator and cooperatives as primary actors.

CONCLUSIONS

This study indicates that cooperative empowerment strategies in Bantul Regency should focus on strengthening internal capacity, particularly financial literacy and entrepreneurship, since assistance-based approaches focused solely on capital and administrative guidance are insufficient to build independent, sustainable cooperatives.

Financial literacy enhances administrators' ability to record, plan, control cash flow, analyze viability, and make informed decisions (Lusardi & Mitchell, 2014; Eniola & Entebang, 2017), while entrepreneurship strengthens capacity to identify opportunities, innovate, develop products, expand markets, and build partnerships (Shane & Venkataraman, 2000; Lumpkin & Dess, 1996).

These two capacities must be developed in an integrated manner: financial literacy provides a rational foundation for decisions, while entrepreneurship drives the creation of economic opportunities, together enabling more calculated, innovative, and sustainability-oriented business

decisions (Padi et al., 2025; Guzmán et al., 2020).

In Bantul Regency, empowerment strategies should focus on strengthening administrator capacity, providing continuous mentoring, digitizing cooperative management (Parra-Sánchez & Talero-Sarmiento, 2024), developing business units based on local potential, improving access to financing, and fostering multi-stakeholder collaboration.

Local government plays a vital role as regulator, facilitator, coordinator, and catalyst (Prasannath et al., 2024; Doh & Kim, 2014), though cooperatives must remain the primary actors. Empowerment should therefore shift from an assistance-based to a capability-based approach, aiming not merely to increase activity volume but to build cooperatives that can manage resources independently, innovate, generate member benefits, and strengthen Bantul's local economy.

REFERENCES

- Díaz-Foncella, M., & Marcuello, C. (2015). Spatial patterns in new firm formation: Are cooperatives different? *Small Business Economics*, 44(1), 171–187. <https://doi.org/10.1007/s11187-014-9581-4>
- Doh, S., & Kim, B. (2014). Government support for SME innovations in the regional industries: The case of government financial support program in South Korea. *Research Policy*, 43(9), 1557–1569. <https://doi.org/10.1016/j.respol.2014.05.001>
- Eniola, A. A., & Entebang, H. (2017). SME managers and financial literacy. *Global Business Review*, 18(3), 559–576. <https://doi.org/10.1177/0972150917692063>
- Fernandes, D., Lynch, J. G., & Netemeyer, R. G. (2014). Financial literacy, financial education, and downstream financial behaviors. *Management Science*, 60(8), 1861–1883. <https://doi.org/10.1287/mnsc.2013.1849>
- Guzmán, C., Santos, F. J., & Barroso, M. de la O. (2020). Analysing the links between cooperative principles, entrepreneurial orientation and performance. *Small Business Economics*, 55(4), 1075–1089. <https://doi.org/10.1007/s11187-019-00174-5>
- Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1), 135–172. <https://doi.org/10.5465/amr.1996.9602161568>
- Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44. <https://doi.org/10.1257/jel.52.1.5>
- Miles, M. B., Huberman, A. M., & Saldaña, J. (2014). *Qualitative data analysis: A methods sourcebook* (3rd ed.). SAGE Publications.
- Ofem, B., Arya, B., Ferrier, W. J., & Borgatti, S. P. (2020). Entrepreneurial orientation, collaborative engagement, and performance: Evidence from rural economic development organizations. *Economic Development Quarterly*, 34(3), 269–282. <https://doi.org/10.1177/0891242420922331>
- Organisation for Economic Co-operation and Development. (2018). *OECD/INFE core competencies framework on financial literacy for MSMEs*.
- Padi, A., Musah, A., Blay, M. W., & Okyere, D. O. (2025). Small and medium scale enterprise (SME) owner financial literacy, entrepreneurial competencies and financial performance: The role of corporate governance. *Future Business Journal*, 11(1), Article [nomor artikel]. <https://doi.org/10.1186/s43093-025-00585-9>
- Parra-Sánchez, D. T., & Talero-Sarmiento, L. H. (2024). Digital transformation in small and medium enterprises: A scientometric analysis. *Digital Transformation and Society*, 3(3), 257–276. <https://doi.org/10.1108/DTS-06-2023-0048>
- Pemerintah Kabupaten Bantul. (2024). *Peraturan Daerah Kabupaten Bantul Nomor 6 Tahun 2024*. JDIH Kabupaten Bantul.

- Pemerintah Kabupaten Bantul. (2026). *Peraturan Bupati Bantul Nomor 30 Tahun 2026 tentang Rencana Aksi Daerah Pemberdayaan dan Pelindungan Koperasi Tahun 2026–2028*. JDIH Kabupaten Bantul.
- Prasannath, V., Adhikari, R. P., Gronum, S., & Miles, M. P. (2024). Impact of government support policies on entrepreneurial orientation and SME performance. *International Entrepreneurship and Management Journal*, 20(3), 1533–1595. <https://doi.org/10.1007/s11365-024-00993-3>
- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 25(1), 217–226. <https://doi.org/10.5465/amr.2000.2791611>
- Wiklund, J., & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: A configurational approach. *Journal of Business Venturing*, 20(1), 71–91. <https://doi.org/10.1016/j.jbusvent.2004.01.001>