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A Success Cooperative Analysis: A Comparative Case Study of Taruko and Karatau Gapoktan in Agam Regency, West Sumatra Province

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Abstract

The transformation of the Association of Farmer Groups (Gapoktan) into Farmers' Economic Institutions (KEP) is a strategic step toward building collective agribusiness strength. This study adopts a comparative case study design to examine the institutional transformation and success factors of two distinct Gapoktan in Agam Regency, West Sumatra: Gapoktan Taruko (Matur Subdistrict) and Gapoktan Karatau (Sungai Pua Subdistrict). Using a qualitative deductive framework, data were gathered through semi-structured interviews, Focus Group Discussions (FGDs), and document triangulation involving 18 key informants, including group executives, members (borrowers and fertilizer consumers), and agricultural extension agents. Results show that Gapoktan Taruko successfully operates its Agribusiness Microfinance Institution (LKMA) as a growing savings-and-loan entity. This perceived success is driven by high member participation, functional reward-and-punishment systems, and strategic business diversification. Conversely, LKMA Karatau ceased its savings-and-loan activities shortly after inception due to repayment challenges and currently functions solely as a subsidized fertilizer distributor. The comparative analysis highlights that while both institutions share basic regulatory and organizational frameworks, the critical determinants of successful KEP development reside in high member participation, strict accountability mechanisms, and collective capital reinvestment strategies.

Keywords: Comparative case study; Farmers' Economic Institutions; Gapoktan; Institutional transformation.

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1. INTRODUCTION

Farmers' Economic Institutions (KEP) are institutions that carry out farming business activities and are established by, from, and for farmers to improve the productivity and efficiency of farming, whether legally incorporated or not (Minister of Agriculture Regulation Number 27 of 2023). The formation of KEP represents a strategic effort to strengthen farmers' collective capacity, especially in rural areas where individual farmers often face structural constraints. Farmers' Economic Institutions are important because many small farmers face limitations such as small landholdings, limited capital, and inadequate access to markets, technology, and financial services. These limitations reduce farmers' competitiveness and hinder their ability to participate effectively in modern agribusiness systems. Under such conditions, strong institutions help them work together, access essential services, reduce transaction costs, stabilize production, and improve their bargaining position when dealing with traders, input suppliers, and buyers. In this way, KEP serve not only as

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economic units but also as mechanisms for strengthening farmers' social capital and collective resilience.

Sariati & Hayanti (2023) state that farmer institutions in rural areas contribute significantly to accelerating farmers' socio-economic development, particularly their access to capital, infrastructure, and markets. Their presence facilitates more efficient resource use, enhances farmers' knowledge and skills, and strengthens connections between farmers and external stakeholders. In addition, KEP is important because the government aims to encourage farmers to form independent institutions capable of addressing the challenges of globalization, trade liberalization, and rapid technological change. These global dynamics demand that farmers do not rely solely on traditional production processes but also adopt business-oriented and agribusiness-based perspectives. Therefore, KEP plays a central role in transforming farmers from passive producers into active economic agents who can manage production, post-harvest activities, marketing, and financial operations.

Several forms of Farmers' Economic Institutions are (1) Joint Business Groups (KUB), (2) Farmer Cooperatives, (3) Farmer-Owned Enterprises (BUMP), and (4) Limited Liability Companies. These institutional forms vary in scale, legal standing, resource mobilization capacity, and business orientation, allowing farmers to choose models that best align with their needs and organizational readiness. According to the Agricultural Extension and Human Resource Development Agency (2019), there are five elements in forming Farmers' Economic Institutions: (1) consolidation of farmers into a corporate institution to strengthen collective identity and operational capacity, (2) connectivity with processing industry partners and modern trade networks to secure market access and value-chain integration, (3) accessibility to modern agricultural facilities to enhance productivity and efficiency, (4) accessibility to capital to support business expansion and risk management, and (5) accessibility to public facilities and infrastructure to improve logistics and institutional stability. Therefore, the development of corporate based agricultural areas needs to consider the integrity of the agribusiness system, covering all upstream, on-farm, downstream, and supporting subsystems. Furthermore, commodity focus must include both national priority commodities and region-specific leading commodities to ensure alignment with broader agricultural development strategies. Location focus must also be carried out by aligning development plans with regional spatial directions and ecological conditions, including the agro-ecological zone. Another essential aspect is farmer empowerment in business processes, which includes the provision of training, capacity-building programs, and participatory decision-making mechanisms.

According to the Agricultural Extension HR Statistics Data (2024), there are 5 provinces with the largest number of KEP, namely: (1) Central Java, (2) East Java, (3) West Java, (4) South Sulawesi, and (5) Aceh. These provinces have long-established farmer organizations, strong agricultural infrastructure, and supportive local government policies that facilitate institutional growth. Data show that the total number of KEP in West Sumatra during the 2020–2024 period was 289, 287, 309, 326, and 339 units, respectively. Based on a Compound Annual Growth Rate (CAGR) calculation over these four intervals, KEP in West Sumatra Province grew at an annual rate of 4.1%, reflecting a gradual yet steady acceleration in institutional establishment. Furthermore, data from the Agricultural Extension Information System (2025) records 1,330 Gapoktan units in West Sumatra, out of which 339 units have initiated the formation of KEP. This figure represents a transformation potential of 25.5% among Gapoktan toward becoming economic institutions. Crucially, it must be clarified that the establishment of a KEP does not automatically imply the acquisition of a formal legal entity status (such as an incorporated cooperative or limited liability company); rather, it encompasses both legally incorporated and non-incorporated entities operating active business units, as regulated under the Minister of Agriculture Regulation No. 27 of 2023.

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Based on data from the Agricultural Extension Information System (Ministry of Agriculture, 2025), it is stated that there are 1,330 Associations of Farmer Groups (Gapoktan) in West Sumatra, while the number of Gapoktan that have formed KEP is 339, meaning that 25.5 percent of Gapoktan already have legal status and have cooperatives and business units. This condition shows that despite the relatively slow growth rate, the potential for transformation remains significant, and many Gapoktan in West Sumatra are progressing toward becoming economically independent institutions. The high number of Gapoktan that have not yet transformed also suggests opportunities for policy interventions and capacity-building programs.

Within the regional scope, this study narrows its focus to Agam Regency. Agam Regency serves as a strategic production center for horticultural commodities in West Sumatra. From a geographical-economic perspective, this region maintains strong market linkages with the neighboring province of Riau as the primary recipient of interregional agricultural logistics, making the institutional dynamics of farmer groups in this area highly critical to investigate.Additionally, its strategic location enables strong market linkages with neighboring provinces such as Riau, making it an important region for studying the interaction between farmer institutions, agribusiness activities, and regional economic networks.

2. METHOD

This study was designed as a qualitative comparative case study (Creswell, 2014) to provide an in-depth, contextualized analysis of the transformation processes in two purposively selected cases: Gapoktan Taruko and Gapoktan Karatau. These cases represent contrasting institutional pathways, allowing for a systematic comparative analysis.

A. Deductive Analytical Framework

To avoid circular reasoning and ensure theoretical rigor, this study utilizes a deductive qualitative approach. The analysis is structured around an established institutional framework consisting of six operationalized success criteria:

1. Organizational and Managerial Strengthening: Presence of functional bylaws (AD/ART), distinct leadership structures, and documented administrative procedures.
2. Farmer Capacity Building: Systematic transfer of technical and organizational knowledge to members through structured training.
3. Business Capacity Improvement: Evidence of business diversification, introduction of processing innovations, or expansion into external markets.
4. Access to and Management of Capital: Ability to accumulate, cycle, and expand operational capital.
5. Government and Institutional Support: Provision of external training, infrastructure access, and policy facilitation.
6. Strategic Partnerships: Formal or informal collaborative agreements with market actors, state agencies, and community entities.

B. Data Collection and Informants

Fieldwork was conducted from September to October 2025. To mitigate elite bias, the study expanded its informant pool beyond institutional leaders to include ordinary members with varying socioeconomic profiles. In-depth interviews were conducted with 18 informants (Table 3):

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Informant Group	Gapoktan Taruko (Matur)	Gapoktan Karatau (Sungai Pua)
Institutional Leaders (Gapoktan/LKMA Executives)	3 (Chair, Treasurer, LKMA Chair)	2 (Chair, LKMA Chair)
Active Members (Borrowers / Input Consumers)	4 (Sugarcane farmers, regular borrowers)	4 (Horticultural farmers, fertilizer buyers)
Inactive / Non-borrowing Members	2 (Group members with no active loans)	2 (Farmers not participating in distribution)
External Facilitators (BPP Extension Agents)	1 (Subdistrict BPP Coordinator)	0 (Shared coordinator interviewed once)
Local Government Representatives	1 (Nagari Tigo Balai representative)	1 (Nagari Batu Palano representative)

A total of 4 Focus Group Discussions (FGDs) were conducted (2 sessions per case site, averaging 90 minutes each) with 6–8 participants per session. Triangulation was achieved by verifying interview accounts against secondary documents, including meeting minutes, financial logs, and Nagari administrative files.

C. Data Analysis and Trustworthiness

Thematic analysis was conducted using a structured codebook derived from the six deductive criteria. Data saturation was reached when subsequent interviews yielded no new thematic insights. Trustworthiness was secured through member-checking, where preliminary findings were shared back with the informants for verification, and the maintaining of a transparent qualitative audit trail.

D. Ethical Considerations

Written or oral informed consent was obtained from all participants prior to interviews and FGDs. Anonymity has been preserved by using pseudonyms for non-public figures. The study was conducted with institutional approval and strictly managed potential conflicts of interest among local leaders.

3. RESULT AND DISCUSSION

A. Farmers' Economic Institutions (KEP) in Agam Regency

The Farmers' Economic Institutions (KEP) in Agam Regency take the form of Agribusiness Microfinance Institutions (LKMA). As institutional entities, LKMAs are designed to strengthen farmers' access to financial services, particularly through savings-and-loans schemes that provide flexible capital support tailored to the needs of smallholder farmers. In addition to their financial role, LKMAs in Agam Regency also function as distribution channels for subsidized fertilizer, which is a critical input for ensuring the continuity and productivity of local agricultural activities. By managing both financial services and input distribution, LKMAs play a central role in supporting farmers' operational efficiency, reducing dependency on external intermediaries, and enhancing institutional cohesion within the Gapoktan.

This study examines two KEPs that represent different institutional dynamics and levels of development, namely the KEP of Gapoktan Taruko in Nagari Tigo Balai, Matur Subdistrict, and the KEP of Gapoktan Karatau in Nagari Batu Palano, Sungai Pua Subdistrict. These two KEPs were selected because they exhibit distinct operational patterns, member participation characteristics, and managerial approaches, allowing for a comparative understanding of how institutional factors shape the performance of LKMAs within the broader KEP framework. For further details, see Table 1 below.

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To ground the comparative analysis, "success" is defined using multi-dimensional qualitative and perceived indicators, including asset stability, loan repayment rates, savings growth, product diversification, and members' perceived benefits. Both institutions received an identical initial capital injection of Rp 100,000,000 in 2011 through the Rural Agribusiness Development Program (PUAP). However, their operational trajectories diverged significantly (Table 4).

Institutional Indicator	**Gapoktan Taruko (Matur Subdistrict)**	**Gapoktan Karatau (Sungai Pua Subdistrict)**
Core LKMA Focus	Active Savings-and-Loans (exclusive focus)	Subsidized Fertilizer Distribution (primary focus)
Current Financial Status	Perceived asset growth; operational reserves expanded through undivided SHU.	Initial PUAP capital depleted for savings-and-loans; zero loan portfolio active.
Savings & Loan Activities	Highly functional. Loans of Rp 5M–15M disbursed regularly.	Defunct. Discontinued shortly after 2011 due to non-repayment.
Member Repayment Rate	Estimated >95% (maintained through peer pressure and sanctions).	Critically low during early operations, leading to cessation.
SHU Allocation Policy	Retained for institutional reinvestment (unanimous agreement).	Distributed annually as Holiday Allowance (THR) upon member demand.
Fertilizer Distribution	None managed through LKMA.	Highly active; successfully coordinates subsidized allocation.

In Gapoktan Taruko, the LKMA has successfully maintained capital circulation. The sugarcane farmers in Nagari Tigo Balai rely heavily on these microloans for seasonal production capital. Perceived financial security is high because of strict internal regulations: loan eligibility requires formal recommendations from individual farmer group leaders, and late repayments result in delayed disbursement of benefits.

Conversely, in Gapoktan Karatau, the savings-and-loan scheme collapsed shortly after its inception. Informants stated that members viewed the 2011 PUAP funds as grant-in-aid rather than revolving credit, resulting in widespread default. To maintain institutional relevance, Gapoktan Karatau pivoted exclusively to subsidized fertilizer distribution. This unit functions efficiently because the demand for fertilizer is consistent among the local horticultural farmers, and transaction terms are strictly cash-on-delivery, which eliminates default risks.

Based on Table 1, it can be seen that both Gapoktan were established in 2011 through PUAP (Rural Agribusiness Development Program) assistance funds of Rp 100,000,000 for each Gapoktan. This initial funding played an important role in supporting the institutional formation of the groups and in enabling early economic activities. Gapoktan Taruko in Nagari Tigo Balai, Matur Subdistrict, is chaired by Mr. Richard and has 130 members originating from 13 farmer groups, reflecting a relatively cohesive medium-sized farmer

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organization. The Taruko LKMA is chaired by Mr. Rio Dasril with Mrs. Nelmi as Treasurer, both of whom have actively overseen the institution's financial operations since its establishment. From the outset, LKMA Taruko has focused exclusively on savings-and-loan activities, demonstrating clarity, consistency, and stability in its business orientation.

Meanwhile, Gapoktan Karatau in Nagari Batu Palano, Sungai Pua Subdistrict, is chaired by Mr. Hengki and has a much larger membership of 394 people more than triple the membership size of Gapoktan Taruko. The LKMA in Karatau is chaired by Mr. Zul. Since the beginning, LKMA Karatau has concentrated on fertilizer distribution and has not succeeded in implementing savings-and-loan activities. The inability to establish a functioning savings-and-loan system is closely associated with repayment difficulties among members, which hindered capital circulation and ultimately prevented the program from continuing.

This situation indicates that Gapoktan Taruko has been more successful in managing savings-and-loans compared to Gapoktan Karatau. The success of Gapoktan Taruko is attributed to integrated LKMA management, the implementation of reward and punishment mechanisms, and active oversight from the Gapoktan Chair. The system in Taruko demonstrates a clear division of responsibilities: the LKMA Chair supervises loan disbursement and repayment, the Gapoktan Chair provides recommendations for eligible borrowers, and the Treasurer handles all financial administration. This separation of duties contributes to effective governance, transparency, and accountability.

Generally, members of Gapoktan Taruko are involved in sugarcane-based businesses. They cultivate and process sugarcane into sugar, which requires substantial working capital. To support these activities, LKMA Taruko provides capital loans ranging from 5 million to 15 million rupiah, depending on business scale. Members have demonstrated strong repayment discipline, which helps maintain the sustainability of the loan system. As a result, they consistently receive the Remaining Operating Results (SHU) as a form of financial reward. Conversely, members who delay or fail to repay loans are subject to penalties, including fines and the withholding of SHU. Borrowers are also required to obtain recommendations or guarantees from their respective farmer group leaders an important safeguard that ensures loan responsibility and fosters collective accountability.

In contrast, Gapoktan Karatau has focused solely on fertilizer distribution, as its savings-and-loan system could not be sustained. The success of fertilizer distribution in LKMA Karatau is supported by the central role of fertilizer in horticultural farming, which is widely practiced in Nagari Batu Palano. The presence of LKMA is therefore essential for coordinating and facilitating access to subsidized fertilizer. LKMA Karatau records and verifies the fertilizer needs of each farmer and ensures that the allocated amounts correspond to actual requirements. As the institution representing the Gapoktan, LKMA Karatau is responsible for ensuring that farmers do not experience fertilizer shortages, especially during critical planting periods.

The sustainability of fertilizer distribution in LKMA Karatau is largely driven by the clear, predictable, and consistent demand for fertilizer among horticultural farmers. This ensures that all fertilizer allocations can be fully distributed at standardized subsidized prices. In addition to facilitating fertilizer supply, LKMA Karatau also distributes Remaining Operating Results in the form of holiday allowances (THR), which strengthens farmers' welfare, reinforces their trust in the institution, and maintains their engagement with the Gapoktan despite the absence of a functioning savings-and-loan program.

B. Success Factors of Gapoktan in Becoming Farmers' Economic Institutions (KEP)

Farmers' Economic Institutions (KEP) are institutions established to strengthen the economic position of farmers and enhance the efficiency of farming activities. In essence, KEP aims to consolidate farmer resources, improve bargaining power, and provide a structured mechanism for managing both production inputs and marketing activities. KEP originating from Gapoktan generally places greater emphasis on the provision of agricultural production facilities and the collective marketing of products generated by the member farmer groups. These functions position the Gapoktan-based KEP as an institutional hub that supports farmers in accessing inputs, coordinating production cycles, and improving market linkages.

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However, when the form of KEP implemented is an Agribusiness Microfinance Institution (LKMA), the institutional focus shifts toward financial services, especially savings-and-loan activities. LKMA plays a crucial role in meeting farmers' capital needs, providing financial liquidity, and offering alternative financing schemes that are more accessible compared to formal financial institutions. Through LKMA, farmers can obtain working capital to support various stages of their farming operations, while also benefiting from more flexible repayment arrangements tailored to agricultural production cycles.
The success of a Gapoktan in transforming into a fully functioning KEP depends on a combination of institutional readiness, member participation, managerial capacity, and the ability to adapt to economic opportunities within the region. These factors determine whether a Gapoktan can develop into a sustainable economic institution that delivers real benefits to its members. The key factors that contribute to the successful transformation of Gapoktan into KEP can be seen in Table 2 below, which summarizes the institutional, managerial, and operational components that influence the performance of KEP in the study area.

The comparative analysis demonstrates that the fulfillment of the six deductive factors varies greatly between the two institutions, explaining their divergent paths.

Deductive Factor	Evidence from Gapoktan Taruko	Evidence from Gapoktan Karatau
1. Organizational & Managerial	Active AD/ART; high attendance at monthly/annual planning and evaluation meetings.	AD/ART exists; attendance is moderate and limited to fertilizer scheduling.
2. Farmer Capacity Building	Regular agronomic and financial training via BPP extension agents and universities.	Limited to basic agricultural extension; no financial or administrative training.
3. Business Capacity	High. Diversified into granulated sugar processing; purchased a 5-ha sugarcane field.	None. Activities restricted to raw input distribution; no processing units.
4. Access to Capital	Sustained internally by reinvesting 100% of the SHU back into loan capital.	Constrained. Members demand complete annual SHU payouts as holiday bonuses (THR).
5. Government Support	Strong. Received processing equipment and technical advisory services.	Focused on subsidized fertilizer quotas and logistical support.

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Deductive Factor	**Evidence from Gapoktan Taruko**	**Evidence from Gapoktan Karatau**
6. Strategic Partnerships	Formed marketing linkages with traders in Pekanbaru for collective sugar sales (300kg/mo).	Collective produce collection to supply local hospitals and regional traders.

The primary differentiator lies in member participation and collective vision. Taruko's members demonstrated a strong commitment to long-term institutional growth, agreeing to forfeit immediate SHU payouts to expand the revolving fund. This collective discipline enabled the cooperative to purchase physical assets (a 5-hectare sugarcane field and processing machinery), generating independent revenue. In contrast, Karatau's members prioritize short-term personal returns (annual THR payouts), which restricts capital accumulation and prevents the LKMA from scaling up.

Based on Table 2, it can be seen that the factors determining the success of Gapoktan in becoming KEP show both similarities and differences. This indicates that not all success factors are fulfilled by both Gapoktan. In both Gapoktan, it appears that organizational and managerial strengthening is supported by the Articles of Association/Bylaws (AD/ART), organizational structure, and member participation. However, there is a difference in that member participation in Gapoktan Taruko is higher than in Gapoktan Karatau. This is due to the attendance of Gapoktan Taruko members at monthly meetings, annual meetings, planning meetings, and evaluation meetings. The high level of member participation is due to the strong dependence of Gapoktan members on the existing LKMA.

In addition, the Gapoktan Chair, LKMA Chair, LKMA Treasurer, and Agricultural Extension Center (BPP) Coordinator work cohesively in implementing the existing KEP in Nagari Tigo Balai, Matur Subdistrict. This differs from the participation of members in Gapoktan Karatau, Nagari Batu Palano, Sungai Pua Subdistrict, where planning meetings are attended by members because they need to confirm the amount of fertilizer they will receive and the subsidized fertilizer price set by the government; however, in other activities, farmers do not participate much due to their work obligations. According to Prasetyo (2020), farmer participation is influenced by internal factors such as age, non-formal education, risk-taking level, and membership activeness, while formal education and landholding size do not affect farmer participation.

Business capacity improvement in the two Gapoktan is vastly different. Gapoktan Taruko performs business diversification by expanding its business into external markets through partnerships with traders in Pekanbaru, with monthly sugarcane sugar demand reaching 300 kg collected from all Gapoktan members. This provides a guaranteed market for Gapoktan members. In addition, Gapoktan Taruko also develops a superior product by processing block sugarcane sugar into granulated sugarcane sugar, thus providing two sugarcane sugar variants for consumers. Gapoktan Taruko also applies innovation through the use of sugarcane milling machines; previously, sugarcane was milled using buffalo power, but through this innovation, sugarcane processing has become faster and yields have increased.

Furthermore, the Gapoktan develops the human resources of farmer group members through training conducted by agricultural extension workers, community service programs from universities, and government agencies. Meanwhile, in Gapoktan Karatau, there is no improvement in business capacity because Gapoktan Karatau only carries out the distribution of subsidized fertilizer and discontinued savings-and-loans activities after the 2011 PUAP program.

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Horticultural farming carried out by members of Gapoktan Karatau focuses more on increasing production by paying attention to fertilizer needs, and their produce is sold in local markets. There is no development of superior products because the commodities planted do not prioritize any particular product. According to Effendy and Mustofa (2020), in developing a model for transforming farmer institutions into farmers' economic institutions, the process can begin by maintaining the function of the farmer group, then improving group classification and membership within farmer groups.

Access to capital in both Gapoktan comes only from savings-and-loans; there are no soft loans and no partnerships with financial institutions. However, in Gapoktan Taruko, savings-and-loans activities have grown because members agreed not to distribute the Remaining Operating Results (SHU) to members, allowing loan amounts to be increased. In addition, the LKMA purchased a 5-hectare sugarcane field and operates a sugarcane milling enterprise owned by the LKMA, with the profits entering the LKMA's cash reserves. Thus, the LKMA cooperative has grown and the members of Gapoktan have become more prosperous. In Gapoktan Karatau, however, this does not occur because the members do not agree to develop the cooperative by withholding SHU distribution. Members demand that SHU be distributed every year, which prevents the cooperative from expanding. According to Sasmita et al. (2025), strategies to increase SHU include increasing member participation, adding more members, rebranding the cooperative, developing new business units, and seeking potential business opportunities. In addition, the cooperative also provides rewards to active members to increase efficiency, adds cooperative capital, and sets minimum spending targets for members. Increasing SHU is very important because it reflects the sustainability and competitiveness of the cooperative in the business sector. The addition of business units owned by the cooperative also contributes to increased income and profits, which ultimately ensures stable cooperative economic activity.

Government support for both Gapoktan comes in the form of technical training assistance, market facilities, and policy support, aligned with strong partnerships between the Gapoktan and farmers, with other businesses, and with the government. This means that both Gapoktan partner with farmers, with other enterprises, and with government entities. The partnership in Gapoktan Taruko takes the form of collaboration among farmers to meet sugarcane sugar orders from the Pekanbaru area; in addition, the demand for mobile sugarcane beverage vendors in West Sumatra is supplied by the Gapoktan cooperative. The Nagari government also provides strong support by facilitating the use of the village office conference room for meetings and gatherings of Gapoktan and LKMA members. Meanwhile, in Gapoktan Karatau, partnerships among farmers involve collecting horticultural produce to meet the needs of nearby hospitals in the Agam area and also fulfilling demand from the Pekanbaru area.

In addition, the Nagari Government facilitates the administrative needs of Gapoktan members required for collaboration with other parties. According to Utami (2015), to support the development of LKM-A, the role of Penyelia Mitra Tani (PMT) must be strengthened in administrative and bookkeeping assistance. The development of autonomous LKMA units should not only function as lending institutions but also as savings units and should obtain loan funds from institutions offering lower profit-sharing requirements for sustainability. Developing business growth processes and building an entrepreneurial spirit involves forming linkages with the banking sector for capital loans, marketing through district promotion units, agricultural product processing through cooperation with district MSME agencies, and collaboration with agricultural universities in training and curriculum development, with the goal of strengthening cooperative entrepreneurship within LKMA.

4. CONCLUSION

A. Conclusion

This comparative case study reveals that the formal establishment of a KEP is insufficient to guarantee long-term operational success. While both Gapoktan Taruko and Gapoktan Karatau fulfilled the basic administrative and structural criteria of KEP, their actual operational performance diverged due to differences in internal governance and collective capital management. Gapoktan Taruko successfully established a self-sustaining microfinance entity by implementing strict social accountability measures, active peer monitoring, and capital

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reinvestment. Conversely, Gapoktan Karatau pivoted to a raw input distribution model following early credit defaults, constrained by a lack of peer enforcement and a strong member preference for immediate financial payouts (THR). Consequently, success in KEP transformation is highly contingent on robust internal governance, active member participation, and collective consensus on capital retention.

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