



Value Chain as a Mediating Mechanism in Developing Sharia Cooperatives: Evidence from Community Empowerment Programs in Indonesia

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Abstract

Background: *Sharia* cooperatives play a strategic role in promoting inclusive economic development and community empowerment in Indonesia. However, existing empowerment programs have largely emphasized institutional strengthening and financial support while paying limited attention to value chain integration as a mechanism for enhancing cooperative sustainability.

Objective: This study examines the direct structural relationships of Government Support, Community Empowerment, Management Support, Partnership, and Value Chain Integration with *Sharia* Cooperative Development, and evaluates the indirect Community Empowerment → Value Chain Integration → *Sharia* Cooperative Development pathway.

Methods: A quantitative explanatory approach was employed using a cross-sectional survey of 392 household heads participating in community empowerment programs in Central Maluku Regency, Indonesia. Data were analyzed using covariance-based Structural Equation Modeling (CB-SEM) with AMOS, consistent with the reported CFA, fit indices, Critical Ratio, and AMOS regression-weight outputs.

Results: Government Support, Community Empowerment, and Value Chain Integration show statistically significant structural associations with *Sharia* Cooperative Development, whereas Management Support and Partnership do not. An indirect effect of Community Empowerment through Value Chain Integration is observed (0.456), but statistical mediation significance is not established because bootstrap confidence intervals are not reported.

Conclusion: study extends the application of Value Chain Theory to *Sharia* cooperatives and offers a cautious structural-association perspective for community-empowerment strategy. The cross-sectional design, model-fit inconsistencies, and incomplete indirect-effect testing preclude strong causal or confirmed-mediation claims.

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INTRODUCTION

Cooperatives have long been recognized as one of the most resilient institutional mechanisms for promoting inclusive economic development, reducing inequality, and strengthening community resilience (Bucos, 2024; Pramesthi, 2025). Unlike investor-oriented corporations, cooperatives prioritize member welfare through democratic governance, equitable distribution of benefits, and collective ownership of productive assets. This institutional model has demonstrated its capacity to sustain local economies during periods of financial crisis, supply chain disruption, and global economic uncertainty. Consequently, international organizations increasingly regard cooperatives not merely as business entities but also as strategic institutions capable of accelerating the achievement of the Sustainable Development Goals (SDGs), particularly those related to poverty reduction, decent work, food security, social inclusion, and

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sustainable economic growth.

Cooperatives operate on a substantial global scale and are widely recognized as institutions that combine economic participation with collective ownership and member-oriented governance (Grashuis & Ye, 2019; Jang, 2026). Because the specific global counts and revenue figures previously stated are not supported by corresponding sources in the reference list, those quantitative claims are not retained in the revised text.

Beyond conventional cooperative systems, Islamic or Sharia cooperatives have emerged as an increasingly important institutional innovation within the global Islamic economy. The rapid growth of the global Muslim population, expansion of halal industries, and increasing awareness of ethical finance have accelerated demand for cooperative institutions operating according to Islamic principles. Unlike conventional cooperatives, Sharia cooperatives integrate economic objectives with *maqāṣid al-sharī'ah* through risk-sharing contracts, the prohibition of interest (*riba*), asset-backed financing, social justice, and community welfare (Ridho et al., 2024). These institutional characteristics position Sharia cooperatives as hybrid organizations capable of simultaneously pursuing commercial sustainability and social empowerment.

During the last decade, Sharia cooperative development has expanded considerably across Muslim-majority countries, including Malaysia, Indonesia, Pakistan, Bangladesh, Türkiye, Saudi Arabia, the United Arab Emirates, and several African countries. These developments indicate that Sharia cooperatives are evolving from small community organizations into strategic economic institutions capable of strengthening inclusive development. Country-specific examples are interpreted only where the cited source directly addresses the relevant context; unsupported comparisons are not used as evidence for the model.

Indonesia presents a particularly significant context for examining Sharia cooperative development. As the country with the world's largest Muslim population, Indonesia possesses substantial demographic potential to develop Islamic cooperative institutions as drivers of inclusive economic growth. Government initiatives promoting the halal industry, Islamic finance, Islamic social finance (*zakat*, *waqf*, and *sadaqah*), and the national Islamic economic master plan have strengthened the institutional ecosystem supporting Sharia cooperatives. Consequently, the number of *Koperasi Simpan Pinjam dan Pembiayaan Syariah* (KSPPS) and other Islamic cooperative institutions has increased substantially during the past decade, expanding their role in financing *usaha mikro, kecil, dan menengah* (UMKM), strengthening rural economies, and supporting community-based entrepreneurship (Manurung, 2026).

Nevertheless, the development of Sharia cooperatives remains highly uneven across Indonesia. Most successful cooperative ecosystems are concentrated in western regions, particularly Java and Sumatra, where infrastructure, financial access, institutional capacity, and market connectivity are relatively well developed. In contrast, Eastern Indonesia, including Maluku, North Maluku, Papua, and West Papua, continues to experience structural constraints characterized by geographical fragmentation, limited transportation infrastructure, fragmented markets, high logistics costs, weak institutional capacity, and limited integration between production centers and downstream markets. Ironically, these regions possess abundant comparative advantages in agriculture, fisheries, forestry, spices, and marine resources that remain underutilized due to inefficient value chain coordination (Wijaya, 2026).

Previous studies have predominantly investigated Sharia cooperatives from the perspectives of Islamic finance, governance quality, member participation, financial performance, and institutional sustainability (Nurdin et al., 2025). Comparatively little attention has been devoted to understanding how value chain integration functions as an intermediary mechanism connecting community empowerment initiatives with sustainable Sharia cooperative development, particularly within geographically isolated rural communities (Muhardi, 2022). Existing literature rarely explains how upstream production systems, institutional collaboration, market integration, logistics, and downstream commercialization collectively shape cooperative competitiveness under Islamic economic principles. This theoretical gap becomes increasingly important in regions where institutional weaknesses and fragmented supply chains represent major barriers to cooperative sustainability.

Accordingly, this study proposes a value chain perspective as an integrated analytical framework for explaining the development of Sharia cooperatives within community empowerment programs. By positioning value chain integration as a mediating mechanism

linking government support, management capability, partnerships, and community empowerment to cooperative development, this research extends both cooperative theory and Islamic economic development literature. Empirical evidence from Eastern Indonesia, particularly Maluku Province, contributes a unique contextual understanding of how value chain integration can transform resource-rich but institutionally constrained rural communities into sustainable, cooperative-based local economies. Therefore, this study contributes not only to the advancement of cooperative research but also to policy discussions concerning inclusive rural development, the Islamic social economy, and sustainable community empowerment. The consolidated research gap is that prior studies largely examine institutional, financial, governance, or empowerment factors as direct antecedents, while empirical evidence on the indirect relationship between Community Empowerment, Value Chain Integration, and Sharia Cooperative Development remains limited in geographically fragmented Eastern Indonesian settings. This study addresses that specific theoretical and contextual gap while separately estimating the direct structural relationships of the other antecedents with cooperative development.

Addressing these gaps, this study proposes an integrated conceptual model positioning value chain integration as a mediating mechanism linking institutional support and community empowerment to the sustainable development of Sharia cooperatives. Unlike previous studies that primarily emphasize governance or financial perspectives, this research adopts a strategic value chain approach to explain how upstream production, institutional collaboration, logistics, market access, and downstream commercialization collectively generate competitive advantage for Sharia cooperatives. Furthermore, by providing empirical evidence from rural communities in Maluku Province, Eastern Indonesia, this study contributes new theoretical insights to the cooperative development literature, extends the application of value chain theory within the Islamic social economy, and offers practical implications for designing community empowerment policies that promote sustainable and inclusive rural economic development.

This study makes three principal contributions. First, it reconceptualizes Value Chain Integration as a strategic mediating mechanism linking Community Empowerment to Sharia Cooperative Development, while also estimating direct paths from government support, management support, and partnership. Second, it extends value chain theory into the domain of Islamic cooperative development by demonstrating that competitive advantage in Sharia cooperatives is generated through integrated institutional, production, logistics, and market processes rather than through financial or governance factors alone. Third, it provides a context-specific empirical examination of this integrated framework in Eastern Indonesia, offering new evidence from geographically fragmented and resource-rich rural communities that have been largely overlooked in previous cooperative research. This formulation avoids claiming systematic priority beyond what the cited literature can establish. The proposed paths are theoretically differentiated as follows: Institutional Theory motivates the Government Support relationship; Empowerment Theory motivates Community Empowerment; the Resource-Based View and Dynamic Capability perspectives inform Management Support; Resource Dependence Theory informs Partnership; Value Chain Theory motivates Value Chain Integration; and Islamic Economic Theory provides the normative context for cooperative development. These perspectives are used to justify structural associations rather than causal identification.

METHOD

This study employed a quantitative research design using an explanatory approach to examine the structural relationships among Government Support, Community Empowerment, Management Support, Partnership, Value Chain Integration, and Sharia Cooperative Development. The explanatory design was selected because the primary objective of the study was to test theoretically grounded structural associations among latent constructs and to evaluate the proposed indirect role of Value Chain Integration within the conceptual framework.

The study adopted a cross-sectional survey design, whereby primary data were collected from respondents at a single point in time through a structured questionnaire. This design was considered appropriate for investigating organizational and institutional phenomena in which respondents' perceptions, experiences, and evaluations were used to explain the relationships among theoretical constructs. Cross-sectional surveys are widely employed in cooperative and

organizational research because they facilitate the empirical examination of complex structural association models involving multiple latent variables. Because the design was cross-sectional and perception-based, temporal or experimental causality was not claimed. The available manuscript records indicated that data were collected using a structured questionnaire; however, item counts, item sources, response scales, translation or adaptation procedures, and pilot-testing details were not documented in the supplied study materials. This limitation constrained full replication of the measurement instrument.

The research framework was developed based on the integration of Institutional Theory, the Resource-Based View (RBV), Dynamic Capability Theory, Resource Dependence Theory, Empowerment Theory, Value Chain Theory, and Islamic Economic Theory. Within this framework, Government Support, Community Empowerment, Management Support, and Partnership were conceptualized as strategic institutional antecedents that strengthened organizational capabilities. Value Chain Integration was positioned as a mediating mechanism hypothesized to carry part of the association between Community Empowerment and Sharia Cooperative Development, while Sharia Cooperative Development represented the ultimate endogenous construct reflecting institutional sustainability, organizational competitiveness, economic performance, member participation, and social impact.

The unit of observation was the household head participating in community empowerment programs in Central Maluku Regency. The measured constructs therefore represented respondent-level perceptions of government support, empowerment, management support, partnership, value chain integration, and Sharia cooperative development. No aggregation procedure to a cooperative-level organizational unit was reported; interpretations were consequently restricted to respondent-level structural associations within the sampled program context.

Data were analyzed using covariance-based Structural Equation Modeling (CB-SEM) with AMOS, consistent with the reported confirmatory factor analysis (CFA), chi-square-to-degrees-of-freedom ratio (χ^2/df), Comparative Fit Index (CFI), Goodness-of-Fit Index (GFI), Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA), Critical Ratio (CR), and AMOS regression-weight outputs. The analysis therefore did not use PLS-SEM criteria such as Q^2 or f^2 . Measurement and structural results were interpreted only on the basis of the CB-SEM evidence reported. The study included 392 respondents; however, the supplied materials did not document the sample allocation by village, probability-based selection mechanism, or a formal sample-size calculation. Generalizability was therefore treated cautiously. The supplied materials also did not document an ethics approval reference number or informed-consent procedure. No claim of formal ethics approval was therefore made in this revised manuscript, and this absence was acknowledged as a reporting limitation.

Accordingly, the adopted research design enabled a comprehensive examination of the theoretical relationships proposed in this study while providing empirical evidence regarding the strategic role of Value Chain Integration in translating institutional support into the sustainable development of Sharia cooperatives.

The population of this study consisted of households participating in the Community Economic Empowerment Program implemented across 28 villages in Central Maluku Regency, Maluku Province, Indonesia. These households were selected because they constituted the primary beneficiaries of government-led community empowerment initiatives designed to strengthen local economic capacity through the establishment and development of Sharia cooperatives. The selected communities actively participated in productive economic activities supported by government agencies, local institutions, and community-based organizations, making them an appropriate population for examining the relationships among Government Support, Community Empowerment, Management Support, Partnership, Value Chain Integration, and Sharia Cooperative Development.

According to official records of the Community Economic Empowerment Program, each participating village comprised approximately 150 registered households, resulting in a total population of 4,200 households across the 28 villages. These households represented diverse socioeconomic backgrounds while sharing common involvement in community empowerment activities and cooperative-based economic development. Consequently, they provided an empirical basis for investigating the institutional and organizational mechanisms that influenced

the sustainable development of Sharia cooperatives in rural communities.

From this population, 392 household heads were selected as respondents for the empirical survey. Household heads were chosen because they served as the principal decision-makers in family economic activities and possessed direct knowledge of participation in community empowerment programs, cooperative membership, business activities, institutional support, and value chain implementation. Their perspectives therefore provided relevant information for evaluating the latent constructs incorporated into the proposed research model.

The selection of Central Maluku Regency as the study area was motivated by its strategic characteristics as one of the priority regions for community empowerment in Eastern Indonesia. Despite possessing abundant agricultural, plantation, fisheries, and marine resources, the region continued to experience structural challenges, including geographical fragmentation, limited infrastructure, weak institutional coordination, and restricted market access. These characteristics made Central Maluku an appropriate empirical setting for investigating how institutional support and value chain integration contributed to the sustainable development of Sharia cooperatives within community empowerment programs.

Structural Equation Modeling (SEM) was used in this research because it was capable of testing complex models involving multiple variables simultaneously. SEM enabled the analysis to be conducted through a single estimation procedure, whereas comparable analyses using separate regression models would require multiple estimation procedures. This made SEM more efficient for the present study. The analysis was specified as covariance-based SEM because the empirical output was generated using AMOS.

Covariance-based Structural Equation Modeling (CB-SEM) was employed as the primary analytical technique. The reported AMOS output estimated direct structural paths among Government Support, Community Empowerment, Management Support, Partnership, Value Chain Integration, and Sharia Cooperative Development and provided an observed indirect effect for the Community Empowerment → Value Chain Integration → Sharia Cooperative Development pathway.

The development of the structural model followed a systematic procedure. First, the conceptual framework was established through an extensive review of the literature on Institutional Theory, the Resource-Based View, Dynamic Capability Theory, Resource Dependence Theory, Empowerment Theory, Value Chain Theory, and Islamic Economic Theory. These theoretical perspectives provided the foundation for specifying the hypothesized structural relationships among the latent constructs. Second, the conceptual relationships were translated into a path diagram representing the hypothesized direct and indirect effects. Finally, the proposed model was empirically estimated through CB-SEM in AMOS to assess the reliability and validity of the measurement model and the model fit and structural coefficients of the proposed model.

The CB-SEM analysis provided estimates of the hypothesized structural relationships. Because the design was cross-sectional and the available output did not include a complete measurement-model report or bootstrap confidence intervals for the indirect effects, the findings were interpreted as structural associations rather than causal effects or fully confirmed mediation.

RESULTS AND DISCUSSION

Result

Structural Model Analysis

To ensure that all observed indicators adequately represented their respective latent variables, a Confirmatory Factor Analysis (CFA) was conducted. The supplied output does not report standardized factor loadings, composite reliability (CR) or Cronbach's alpha, average variance extracted (AVE), or discriminant validity statistics; therefore, the revised manuscript does not claim that measurement validity and reliability are fully established based on Critical Ratio (CR) values alone.

Following estimation of the measurement model, the structural model was estimated to examine the structural relationships among the latent constructs. Evaluation of the structural model included an assessment of model fit indices and hypothesis testing based on the estimated path coefficients and their statistical significance. The results of the SEM analysis for the full

structural model are illustrated in the following figure.

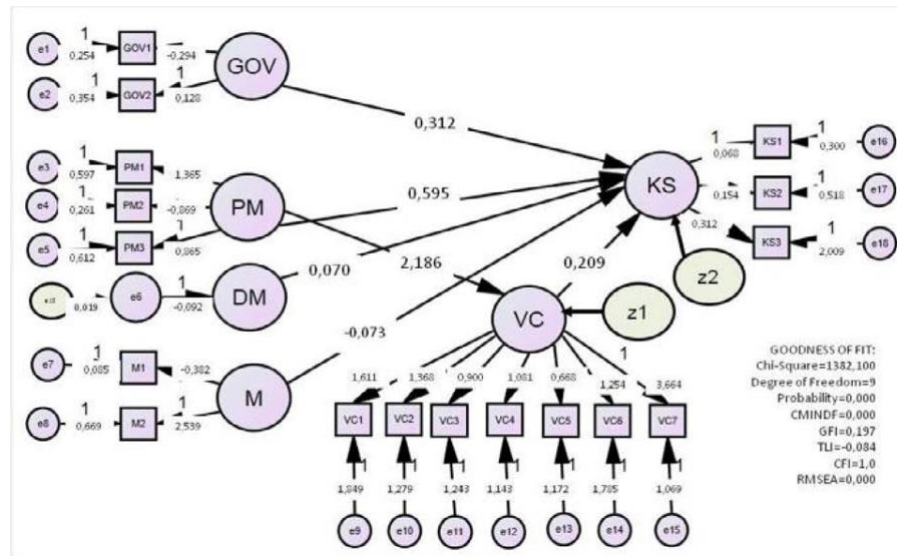


Diagram 1. Results of data processing for analysis of the SEM Full Model

The reported fit statistics do not support a conclusion of acceptable overall model fit. The diagram reports $\chi^2 = 1382.100$ and $df = 9$, while the manuscript also reports $CMIN/DF = 0.000$ and $RMSEA = 0.000$; these values are internally inconsistent because χ^2/df cannot equal zero when $\chi^2 = 1382.100$ and $df = 9$. In addition, $GFI = 0.197$ and $TLI = -0.084$ indicate substantial model-fit problems despite $CFI = 1.000$. The model-fit output therefore requires verification, and the structural coefficients below are interpreted cautiously rather than justified by a majority-vote rule across fit indices.

Critical Ratio values indicate whether individual estimated parameters differ from zero, but they do not by themselves establish construct reliability, convergent validity, or discriminant validity. Because the complete measurement-model diagnostics are not reported in the available output, the revised manuscript limits its interpretation to the structural estimates that can be directly verified.

Hypothesis Testing and Discussion

Table 1

Total Effect of Model

	Government (GOV)	Value Chain (VC)	Community Empowerment (PM)	Partners Management (M)	Management Support (DM)
Value Chain (VC)	0,000	0,000	2,186	0,000	0,000
Development of Sharia Cooperatives (KS)	0,312	0,209	0,595	-0,073	0,070
Development of Sharia Cooperatives through Value Chain (Direct Effect)	0,312	0,209	0,139	-0,073	0,070
Development of Sharia Cooperatives through Value Chain (Indirect Effect)	0,000	0,000	0,456	0,000	0,000

Source: Data is processed with AMOS

As shown above, the total effect, both direct and indirect, of the role of and government support (GOV) on the development of Sharia cooperatives (KS) is 0.312. This indicates a positive effect, suggesting continuity between the role and support of the government and the

development of Sharia cooperatives.

The effect of the value chain (VC) on the development of Sharia cooperatives (KS) is 0.209. This indicates a positive effect, suggesting continuity between the value chain concept and the development of Sharia cooperatives. The effect of management support (DM) on the development of Sharia cooperatives (KS) is 0.070. This indicates a positive effect, suggesting continuity between management support and the development of Sharia cooperatives.

The effect of partners (M) on the development of Sharia cooperatives (KS) is -0.073. This indicates a negative effect, suggesting a lack of continuity between partnerships and the development of Sharia cooperatives. The effect of community empowerment (PM) on the development of Sharia cooperatives (KS) is 0.595. This indicates a positive effect, suggesting continuity between community empowerment and the development of Sharia cooperatives. The effect of community empowerment (PM) on the value chain concept (VC) is 2.186. This indicates a positive effect, suggesting continuity between community empowerment and the value chain concept (VC). The coefficient of 2.186 reported for Community Empowerment → Value Chain Integration is treated as an unstandardized estimate (B), consistent with the AMOS output table headed Estimate, S.E., C.R., and P; it is not interpreted as a standardized beta coefficient.

The direct effect of community empowerment (PM) on the development of Sharia cooperatives (KS) is 0.139. This indicates a positive effect, suggesting a positive direct relationship between community empowerment and the development of Sharia cooperatives.

As shown in Table 1 above, the indirect effect of community empowerment (PM) on the development of Sharia cooperatives (KS) is 0.456. This indicates a positive indirect effect of community empowerment programs on the development of Sharia cooperatives through Value Chain Integration as a mediating variable. The magnitude of the indirect effect is 0.456. Because the available output does not report a bootstrap standard error or a 95% confidence interval, the statistical significance of the mediation effect is not claimed.

Hypothesis testing is conducted on the basis of the results of data processing using structural equation modeling (SEM) analysis. In general, hypothesis testing is conducted by analyzing the critical ratio (C.R.) and probability (P) values obtained from the data-processing results and comparing them with the required statistical criteria. The critical ratio is required to be greater than 1.96, and the probability value is required to be less than 0.05. If the data-processing results meet these criteria, the proposed hypothesis is considered supported.

The hypotheses proposed in this study are discussed in detail and in stages, in accordance with the sequence of the proposed hypotheses. The final section presents general conclusions regarding the research problem and scope of the study, as well as the significance of the hypotheses based on the available statistical data. This study proposes seven hypotheses/propositions, as listed in Table 3, and the full discussion is presented below:

Table 2

Hypothesis Testing

			Estimate	S.E.	C.R.P		Label
VC	<---	PM	2,186	0,091	23,940	0,000*	par_1
KS	<---	GOV	0,312	0,062	5,027	0,000*	par_2
KS	<---	PM	0,139	0,065	2,125	0,034*	par_3
KS	<---	VC	0,209	0,026	8,035	0,000*	par_4
KS	<---	DM	0,070	0,073	0,958	0,338	par_5
KS	<---	M	-0,073	0,075	-0,973	0,331	par_6

Source: The primary data was processed by AMOS

Table 3

Conclusion of the Hypothesis Testing

Hypothesis	Testing Result
Hypothesis 1 There is an effect of the Government Support towards the development of Sharia Cooperatives	Accepted
Hypothesis 2 There is an effect of Community Empowerment towards the development of Sharia Cooperatives	Accepted
Hypothesis 3 There is an effect of Management Support towards the	Rejected

	development of Sharia Cooperatives	
Hypothesis 4	There is an effect of Partnership towards the development of Sharia Cooperatives	Rejected
Hypothesis 5	There is an effect Value Chain towards the development of Sharia Cooperatives	Accepted
Hypothesis 6	There is an effect of Community Empowerment towards the Value Chain	Accepted
Hypothesis 7	Value Chain Integration carries an indirect pathway from Community Empowerment to Sharia Cooperative Development.	Not formally confirmed (bootstrap CI not reported)

Source: Results of Analysis and Data Processing

Discussions

Government Support and the Development of Sharia Cooperatives

The empirical results indicate that Government Support has a significant positive association with the development of Sharia cooperatives ($B = 0.312$, $CR = 5.027$, $p < 0.001$). This finding suggests that government policies, regulatory frameworks, technical assistance, and financial facilitation play an essential role in strengthening cooperative institutions. Government intervention reduces institutional barriers, improves access to financing, and enhances organizational legitimacy, thereby enabling Sharia cooperatives to expand their economic activities. This result is consistent with institutional theory, which argues that supportive public policies improve organizational performance by creating a favorable institutional environment (Acharya, 2018; Boháček & Kejak, 2018). In the context of rural economic development, government support also contributes to improving infrastructure, market access, and capacity-building programs that enable cooperatives to become more competitive and sustainable.

Community Empowerment and the Development of Sharia Cooperatives

Community Empowerment has a significant positive association with the development of Sharia cooperatives ($B = 0.139$, $CR = 2.125$, $p = 0.034$). Although the direct coefficient is relatively moderate, the statistical significance confirms that empowering local communities remains an important prerequisite for cooperative sustainability. Community empowerment strengthens human capital, entrepreneurial capacity, collective participation, and local ownership, which ultimately improve cooperative performance (Suprabha, 2014). These findings support the principles of participatory development, emphasizing that sustainable economic development depends on the active involvement of local communities rather than solely on external interventions (Asmaria et al., 2025). Empowered communities possess greater capacity to utilize local resources efficiently, adopt innovation, and respond to changing market conditions.

Management Support and the Development of Sharia Cooperatives

Contrary to the proposed hypothesis, Management Support does not have a statistically significant association with the development of Sharia cooperatives ($\beta = B = 0.070$, $CR = 0.958$, $p = 0.338$). This result indicates that managerial support alone is insufficient to improve cooperative performance when broader institutional and market conditions remain unchanged. One possible explanation is that many Sharia cooperatives operate with relatively standardized management practices, resulting in limited variation across organizations. Another explanation is that managerial capability may influence cooperative performance indirectly through improved governance, operational efficiency, or innovation rather than exerting a direct impact (Manurung, 2026). Therefore, strengthening managerial competence should be accompanied by improvements in external support systems and market integration.

Partnership and the Development of Sharia Cooperatives

The results further reveal that Partnership has no significant association with the development of Sharia cooperatives ($B = -0.073$, $CR = -0.973$, $p = 0.331$). The negative but statistically insignificant coefficient suggests that existing partnerships have not yet generated meaningful economic value for cooperative development. This finding may reflect the limited

quality of collaboration between cooperatives and external stakeholders, including private enterprises, financial institutions, and government agencies. In many rural regions, partnerships often remain administrative rather than strategic, providing limited knowledge transfer, technology diffusion, or market expansion (Setiawati et al., 2024). Consequently, partnerships that lack long-term commitment and mutual value creation may fail to contribute significantly to cooperative sustainability.

Value Chain Integration and the Development of Sharia Cooperatives

The study confirms that Value Chain Integration significantly influences the development of Sharia cooperatives ($\beta=B = 0.209$, $CR = 8.035$, $p < 0.001$). This finding emphasizes that cooperative sustainability depends not only on production activities but also on effective coordination across the entire value chain, including production, processing, logistics, marketing, and distribution (Tanjung, 2026). Integrated value chains improve operational efficiency, reduce transaction costs, increase product quality, and strengthen market competitiveness. These findings are consistent with value chain theory, which argues that coordinated economic activities generate greater value addition and improve organizational competitiveness (Chandra et al., 2018; Qizam et al., 2025). For Sharia cooperatives, value chain integration also facilitates equitable distribution of economic benefits among cooperative members while supporting inclusive rural development.

Community Empowerment and Value Chain Integration

One of the most important findings of this study is the significant positive relationship between Community Empowerment and Value Chain Integration ($\beta=B = 2.186$, $CR = 23.940$, $p < 0.001$). This large unstandardized estimate is consistent with the proposition that empowered communities possess greater capability to participate actively in integrated production and marketing systems. Community empowerment enhances knowledge, technical skills, organizational capacity, and collective action, enabling local producers to become active participants throughout the value chain rather than merely suppliers of raw materials (Muhardi, 2022). Consequently, empowerment serves as the primary driver for establishing efficient and sustainable value chain networks. Because it is unstandardized, its magnitude should not be compared directly with standardized effect-size conventions.

Mediating Role of Value Chain Integration

The reported indirect effect from Community Empowerment to Sharia Cooperative Development through Value Chain Integration is 0.456, compared with a direct effect of 0.139. This pattern is consistent with an indirect pathway through Value Chain Integration. However, because the available AMOS output does not provide a bootstrap confidence interval or other formal significance test for the indirect effect, the revised manuscript does not characterize the mediation effect as statistically significant. The finding should therefore be interpreted as preliminary structural evidence that warrants confirmation with bootstrap indirect-effect testing.

Theoretical and Practical Implications

The findings contribute to the literature on cooperative development, Islamic social economy, and rural development by introducing Value Chain Integration as a critical mediating construct that links community empowerment with sustainable cooperative performance. Unlike previous studies that primarily focused on institutional support or financial assistance, this research demonstrates that cooperative sustainability depends on the interaction between social capital, institutional support, and integrated economic systems (Apriyanto, 2026).

From a practical perspective, policymakers should prioritize strengthening integrated value chains alongside community empowerment initiatives. Development programs should focus on improving production capacity, post-harvest processing, logistics infrastructure, digital marketing, and access to broader markets. Such policies are particularly important in geographically dispersed regions such as Maluku and other parts of Eastern Indonesia, where fragmented supply chains continue to constrain local economic development. Strengthening value chain integration will enable Sharia cooperatives to generate greater value-added products, improve members' income, and contribute more effectively to inclusive and sustainable regional economic development.

CONCLUSION

This study identifies significant structural associations of Government Support, Community Empowerment, and Value Chain Integration with Sharia Cooperative Development, while Management Support and Partnership do not show statistically significant direct associations in the reported model. The observed Community Empowerment → Value Chain Integration → Sharia Cooperative Development indirect effect is consistent with an intermediary role for Value Chain Integration, but formal statistical mediation cannot be confirmed from the reported output because a bootstrap confidence interval is unavailable. These findings extend the discussion of value-chain mechanisms in Sharia cooperative development while remaining conditional on the cross-sectional design and the model-fit and measurement-reporting limitations described above.

From a practical perspective, the findings imply that policies aimed at developing Sharia cooperatives should move beyond financial assistance and institutional formation toward strengthening integrated value chains. Community empowerment programs should therefore emphasize improving productive capacity, market connectivity, logistics efficiency, and collaboration among stakeholders to increase cooperative competitiveness, particularly in geographically fragmented and infrastructure-constrained regions such as Maluku and other parts of Eastern Indonesia. Overall, this study contributes to the advancement of cooperative studies, Islamic social economy, and rural development by providing empirical evidence that Value Chain Integration is a critical link between community empowerment and sustainable cooperative development. Future research is recommended to validate this framework across different regions and economic sectors using longitudinal or comparative research designs to enhance the robustness and generalizability of the findings. Study limitations include the cross-sectional and self-report design, possible common-method bias, incomplete documentation of the questionnaire and measurement model, uncertain respondent selection and village clustering, the single-regency context, the mismatch between household respondents and organizational-level claims, and internally inconsistent model-fit statistics. These limitations constrain causal inference and generalizability and should be addressed in future longitudinal, multi-regency, and measurement-validated studies.

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AUTHOR CONTRIBUTION STATEMENT

Teuku Fajar Shadiq contributed to the conceptualization of the research, development of the theoretical framework, research methodology, data analysis, interpretation of findings, and preparation of the initial manuscript draft. Hani Hasanah contributed to the refinement of the conceptual model, theoretical validation, critical review of the manuscript, and improvement of the discussion and research implications. Dwi Sri Dani Afriza contributed to data management, manuscript editing, visualization, and final revision of the article. All authors participated in reviewing and approving the final version of the manuscript and agreed to be accountable for the integrity and accuracy of the research.

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