

LAW OF THE REPUBLIC OF INDONESIA  
NUMBER 25 OF 1992  
ON  
COOPERATIVE

WITH THE BLESSINGS OF ALMIGHTY GOD

PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considers : a. that the Cooperative Societies, either as peoples economic movement or as business enterprises, participate to realize an advanced, just and prosperous society under Pancasila and the 1945 constitution in a national economic system organized as a joint endeavor based on the principle of brotherhood and economic democracy;
- b. that the Cooperative Societies need to further develop themselves and to be developed to become strong and self-reliant based on cooperative principles so that they are able to play the role as the pillar of national economy;
- c. that Cooperative Society development is the task and responsibility of the Government and all the people;
- d. that to realize the things mentioned above and to adapt to the development of the situation, it is necessary to re-regulate the provisions regarding cooperative in a law as a substitute of the Law Number 12 of 1967 on Basic Regulations for Cooperatives;
- Observing : Article 5 section (1), Article 20 section (1), and Article 33 of the 1945 Constitution;

With the approval of  
THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA  
HAS DECIDED

To enact : LAW ON COOPERATIVES.

CHAPTER I  
GENERAL PROVISIONS

Article I

In this law:

1. Cooperative Society means a business enterprise having individuals or registered Cooperative Societies as members of which activities are based on cooperative principles and simultaneously as a people's economic movement based on the principle of brotherhood.
2. Cooperative means anything that concerns the life of Cooperative Societies.
3. Primary Cooperative Society means a Cooperative Society established by and having individuals as its members.
4. Secondary Cooperative Society means a Cooperative Society established by and having Cooperative Societies as its members.
5. Cooperative movement means the totality of the cooperative organizations and concerted organized cooperative activities working toward the achievement of cooperative common goals.

CHAPTER II  
FOUNDATION, BASIS, AND OBJECTIVES

Part one  
Foundation and Basis

Article 2

The Cooperative Society is founded on Pancasila and the 1945 Constitution and based on the principle of brotherhood.

Part Two

Objective

Article 3

The Cooperative Society has the objectives to improve the members' welfare in particular and that of the society in general and to participate in developing the national economic system in the framework of realizing an advanced, just, and prosperous society based on Pancasila and the 1945 Constitution.

CHAPTER III

FUNCTIONS, ROLES, AND PRINCIPLES OF COOPERATIVE  
SOCIETY

Part One

Functions and Roles

Article 4

The functions and roles of the Cooperative Society are:

- a. to build and develop the economic potential and capability of the members in particular and that of the society in general as to improve their economic and social welfare;
- b. to participate actively in the effort to raise the quality of human life and that of the society;
- c. to strengthen the people's economy as a basis of the national economic strength and resilience with the cooperatives as its pillar;
- d. to strive for realizing and developing national economy which is a joint endeavor based on the principle of brotherhood and economic democracy.

Part Two

Principles of Cooperative Society

Article 5

- (1) The Cooperative Society implements the following cooperative principles:

- a. membership is voluntary and open;
  - b. the management is carried out democratically;
  - c. the distribution of surplus is done justly in proportion to the amount of the business contribution of each of the members;
  - d. the payment of limited return on capital;
  - e. self-reliance.
- (2) In developing the Cooperative Society, it implements the following cooperative principles as well:
- a. cooperative education;
  - b. cooperation among Cooperative Societies.

## CHAPTER IV ESTABLISHMENT

### Part One Requirements of Establishment

#### Article 6

- (1) A Primary Cooperative Society is established by at least 20 (twenty) persons.
- (2) A Secondary Cooperative Society is established by at least 3 (three) Cooperative Societies.

#### Article 7

- (1) The establishment of a Cooperative Society as referred to in Article 6 is done by means of determining a deed of establishment containing the Articles of Association.
- (2) The Cooperative Society has the domicile in the territory of the Republic of Indonesia.

#### Article 8

The Articles of Association as referred to in Article 7 section (1) contains at least:

- a. the list of names of the incorporators;
- b. the name and domicile;
- c. the purpose and objectives and field of business;

- d. the provisions regarding membership;
- e. the provisions regarding Members' Meeting;
- f. the provisions regarding management;
- g. the provisions regarding capital;
- h. the provisions regarding duration of existence;
- i. the provisions regarding distribution of surplus;
- j. the provisions regarding sanctions.

## Part Two

### Legal Body Status

#### Article 9

The Cooperative Society acquires a legal body status after the endorsement of its deed of establishment by the Government.

#### Article 10

- (1) To acquire endorsement as referred to in Article 9, the incorporators submit a written request attached with the deed of establishment.
- (2) The endorsement of the deed of establishment is given within at the longest 3 (three) months after receiving the endorsement request.
- (3) The endorsement of the deed of establishment is notified in the State Bulletin of the Republic of Indonesia.

#### Article 11

- (1) In the event that the endorsement request of the deed of establishment is refused, the reasons of refusal is being notified to the incorporators in written form, at latest 3 (three) months after the request has been received.
- (2) Upon the refusal of endorsement the incorporators can submit a repeated request at the latest 1 (one) month after receiving the refusal.
- (3) The decision about the submission of the repeated request is given at the latest 1 (one) month since the receipt of the submitted repeated request.

#### Article 12

- (1) Amendment to the Articles of Association is made by the Members' Meeting.
- (2) Upon amendment to the Articles of Association concerning amalgamation, division, and change of the field of business of the Cooperative Societies, the endorsement is requested to the Government.

#### Article 13

Provisions regarding the requirements and procedure of the endorsement or refusal of the endorsement of the deed of establishment, and amendment to the Articles of Association as referred to in Article 9, Article 10, Article 11, and Article 12 will further be regulated by a Government Regulation.

#### Article 14

- (1) For the sake of development and/or business efficiency, one Cooperative Society or more can:
  - a. amalgamate with other Cooperative Society; or
  - b. merge with other Cooperative Society to establish a new one.
- (2) The amalgamation or merger is done with the approval of the Members' Meeting each Cooperative Society.

### Part Three

#### Form and Type

#### Article 15

A Cooperative Society can have the form of a primary or a secondary Cooperative Society.

#### Article 16

The type of a Cooperative Society is based on the similarity of activities and economic interests of its members.

CHAPTER V  
MEMBERSHIP

Article 17

- (1) The members of a Cooperative Society are the owners of the Cooperative Society and simultaneously users of its services.
- (2) Membership of a Cooperative Society is registered in the membership register.

Article 18

- (1) Anyone can become a member of a Cooperative Society is each Indonesian citizen that is capable to perform legal action or a Cooperative Society, which fulfils the requirements as determined in the Articles of Association.
- (2) A Cooperative Society can have associate members of which the requirements, right, and obligations are determined in the Articles of Association.

Article 19

- (1) The membership of a Cooperative Society is based on the similarity of economic interests in the cooperative business field.
- (2) The membership of a Cooperative Society can be obtained or terminated after the requirements as regulated in the Articles of Association fulfilled.
- (3) The membership of a Cooperative Society cannot be transferred.
- (4) Each member has similar obligations and right toward the Cooperative Society as regulated in the Articles of Association.

Article 20

- (1) Each member has the obligations:
  - a. to observe the Articles of Association and decisions agreed in the Members' Meeting;

- b. to participate in the business activities carried out by the Cooperative Society;
  - c. to develop and maintain togetherness based on the principle of brotherhood.
- (2) Each member has the rights
- a. to attend, express his opinion and give a vote in the Members' Meeting.
  - b. to elect and/or be elected to become a member of the Board of Management or Committee of Supervision;
  - c. to request the holding a Members' Meeting according to the provisions in the Articles of Association.
  - d. to express an opinion or given a suggestion to the Board of Management outside the Member's Meeting both requested and not;
  - e. to utilize the Cooperative Society and receive equal services among fellow members;
  - f. to acquire information on the development of the Cooperative Society according to the provisions in the Articles of Association.

## CHAPTER VI ORGANIZATIONAL ORGANS

### Part One General

#### Article 21

Organizational organs of a Cooperative Society consists of

- a. Members' Meeting;
- b. Board of Management; and
- c. Committee of Supervision.



Part Two  
Members' Meeting

Article 22

- (1) The Member's Meeting is the highest holder of authority in the Cooperative Society.
- (2) The Members' Meeting is attended by members, of which the implementation is regulated in the Articles of Association.

Article 23

The Members' Meeting decides:

- a. the Articles of Association;
- b. the general policy in the field of organization, management, and business of the Cooperative Society;
- c. the election, appointment, and discharge of the members of the Board of Management and the Committee of Supervision;
- d. the work plan, revenue and budget plan of the Cooperative Society, and ratification of financial report;
- e. the ratification of the report of the Board of Management concerning the implementation of its duties;
- f. the distribution of net surplus; and
- g. the amalgamation, merger, division, and dissolution of the Cooperative Society.

Article 24

- (1) The decision of the Members' Meeting is taken based on deliberation to reach consensus;
- (2) If a decision cannot be made by way of deliberation, the decision will be made based on majority votes;
- (3) In the event that the voting is carried out, each member has the right of one vote;
- (4) The right of voting in a secondary Cooperative Society can be regulated in its by-laws by considering the number of members and the business contribution of the member Cooperative Societies proportionally.

Article 25

The Member's Meeting has the right to ask for information and report from the Board of Management and Committee of Supervision concerning the management of the Cooperative Society.

Article 26

- (1) The Members' Meeting is held at least once a year.
- (2) The Members' Meeting for ratifying the report of the Board of Management concerning the implementation of its duties is held at the latest 6 (six) months after the fiscal year is over.

Article 27

- (1) Besides the Members' Meeting as referred to in Article 26, the Cooperative Society can hold an Extraordinary Members' Meeting if the situation calls for an immediate decision of which the authority lies at the Members' Meeting.
- (2) The Extraordinary Members' Meeting can be held at the request of a number of members of the Cooperative Society or by decision of the Board of Management of which the implementation is regulated in the Articles of Association.
- (3) The Extraordinary Members' Meeting has the same authority as the authority of the Members' Meeting as referred to in Article 23.

Article 28

The requirements, procedure, and place for holding the Members' Meeting and the Extraordinary Members' Meeting are regulated in the Articles of Association.

Part Three  
Board of Management

Article 29

- (1) The members of the Board of Management are elected from and by the members of the Cooperative Society in a Members' Meeting.
- (2) The Board of Management is the holder of authority of the Members' Meeting.
- (3) The composition and names of the members of the first Board of Management is put in the deed of establishment.
- (4) The term of office of the Board of Management is at the longest 5 (five) years.
- (5) The requirement of eligibility to be elected and appointed as a member of the Board of Management is determined in the Articles of Association.

Article 30

- (1) The Board of Management has the duties:
  - a. to manage the Cooperative Society and its business;
  - b. to submit a draft of work plan and a draft of revenue and budget plan of the Cooperative Society;
  - c. to hold a Members' Meeting;
  - d. to submit a financial report and a report concerning, the implementation of its duties;
  - e. to administer the financial accounting and inventory properly;
  - f. to keep the register of membership and register of members of the Board of Management.
- (2) The Board of Management has the authorities
  - a. to represent the Cooperative Society inside and out of the court of law;
  - b. to decide the acceptance and refusal of a new member and discharge a member in accordance with the provisions in the Articles of Association;
  - c. to act and to make the efforts for the interests and benefits of the Cooperative Society in accordance with

its responsibility and the decisions of the Members' Meeting.

#### Article 31

The Board of Management is responsible for all management activities of the Cooperative Society and its business to the Members' Meeting or Extraordinary Members' Meeting.

#### Article 32

- (1) The Board of Management can appoint a manager who is given the authority and power to manage business.
- (2) In the event that the Board of Management intends to appoint a manager, the plan for the appointment is submitted to the Members' Meeting for getting approval.
- (3) The manager is responsible to the Board of Management.
- (4) The assignment to manage the business to the manager does not diminish the responsibility of the Board of Management as referred to in Article 31.

#### Article 33

The relationship between the business manager as referred to in Article 32 and the Board of Management is work relationship based on contract.

#### Article 34

- (1) The members of the Board of Management, both collectively and individually, is responsible for the loss suffered by the Cooperative Society due to acts of negligence or carried out purposefully.
- (2) Besides the compensation for the loss, if the act is done purposely it does not close the possibility for the public prosecutor to sue the Board of Management.

#### Article 35

After the fiscal year of the Cooperative Society is terminated, at the latest 1 (one) month before the holding of the Annual Members' Meeting, the Board of Management has to make an annual report covering at least.

- a. annual calculations consisting of a balance sheet at the end of the past fiscal year and calculations of the business results of the concerning year along with the explanations of those documents;
- b. the situation and business of the Cooperative Society and the business results achieved.

#### Article 36

- (1) The annual report as referred to in the Article is Signed by all members of the Board of Management.
- (2) If a member of the Board of Management does not sign the annual report mentioned above, the concerned member has to explain the reason in written form for not signing it.

#### Article 37

Approval of the annual report, including the ratification of the annual calculations means accepting the liability report of the Board of Management concerning the implementation of its duties by the Members' Meeting.

#### Part Four

##### Committee of Supervision

#### Article 38

- (1) The members of the Committee of Supervision are elected from and by the members of the Cooperative Society in the Members' Meeting.
- (2) The Committee of Supervision is responsible to the Members' Meeting.
- (3) The requirements of eligibility to be elected and appointed as a member of the Committee of Supervision are determined in the Articles of Association.

Article 39

- (1) The Committee of Supervision has the duties
  - a. to supervise the implementation of policy and management of the Cooperative Society;
  - b. to make a written report concerning the result of its supervision;
- (2) The Committee of Supervision has the authorities
  - a. to examine carefully the records at the Cooperative Society;
  - b. to get all information needed.
- (3) The Committee of Supervision has to keep secret the result of its supervision from the third party.

Article 40

The Cooperative Society can ask for an audit service to the public accountant.

CHAPTER VII

CAPITAL

Article 41

- (1) The capital of a Cooperative Society consists of own capital and borrowed capital.
- (2) Own capital can come from
  - a. basic savings;
  - b. compulsory savings;
  - c. reserve fund;
  - d. grants.
- (3) Borrowed capital can come from:
  - a. the members;
  - b. other Cooperative Societies and/or their members;
  - c. banks and other financial institutions;
  - d. the issuance of bonds and other securities; and
  - e. other legal sources.

Article 42

- (1) Besides the capital as referred to in Article 41, a Cooperative Society can strengthen its capital originating from share capital.
- (2) Provisions regarding the strengthening of capital originating from share capital are further regulated by a Government Regulation.

CHAPTER VIII  
BUSINESS FIELD

Article 43

- (1) The business of Cooperative Societies is business directly related to the interests of the members for improving their business and welfare.
- (2) The excess of service capability can be utilized to fulfill the needs of society which are non-members.
- (3) The Cooperative Society carries out business activities and plays a principal role in all fields of people's economic life.

Article 44

- (1) A Cooperative Society can collect funds and funnel the funds through savings-loan business from and for
  - a. the members of the concerned Cooperative Society;
  - b. other Cooperative Societies and/or their members.
- (2) The savings-loan business can be carried out as one of the business activities or as the only business activity of the Cooperative Society.
- (3) The implementation of savings-loan business activity carried out by Cooperative Societies is further regulated by a Government Regulation.

CHAPTER IX  
NET SURPLUS

Article 45

- (1) Net surplus of a Cooperative Society is the revenue of the Cooperative Society obtained within a fiscal year subtracted by costs, depreciation, and other obligations, including tax in the concerned fiscal year.
- (2) Net surplus, after the reserve fund is subtracted from it, is distributed to the members in proportion to the amount of the business contribution carried out by each of the members with the Cooperative Society, and utilized for cooperative educational purposes and other purposes of the Cooperative Society in accordance with the decision of the Members' Meeting.
- (3) The amount of the reserve fund accumulated is decided in the Members' Meeting.

CHAPTER X  
DISSOLUTION OF A COOPERATIVE SOCIETY

Part One

Procedure of Dissolution of a Cooperative Society

Article 46

The dissolution of a Cooperative Society can be done based on:

- a. the decision of the Members' Meeting, or
- b. the decision of the Government.

Article 47

- (1) The decision of dissolution by the Government as mentioned in Article 46 letter b is done if:
  - a. there is evidence that the concerned Cooperative Society doesn't fulfill the provisions of this law;
  - b. its activities is contrary to the public order and/or against morality;
  - c. its survival cannot anymore be expected.



- (2) The decision of dissolution of the Cooperative Society by the Government is issued at the latest 4 (four) months since the date of receiving the notification of the plan of dissolution mentioned above by the concerned Cooperative Society.
- (3) At the latest 2 (two) months since the date of receiving the notification, the Cooperative Society has the right to submit its objection.
- (4) The decision of the Government concerning the overruling or sustaining the objection of the dissolution plan is given at the latest 1 (one) month since the date of receiving the objection.

#### Article 48

The provisions regarding dissolution of a Cooperative Society by the Government and the procedure of submitting objection as mentioned in Article 47 is further regulated by a Government Regulation.

#### Article 49

- (1) The decision of dissolution of the Cooperative Society by the Members' Meeting is notified in writing by the attorney of the Members' Meeting to:
  - a. all creditors;
  - b. the Government.
- (2) Notification to all creditors is done by the Government when the dissolution takes place based on the Government decision.
- (3) As long as the notification of the dissolution of the Cooperative Society has not been received yet by the creditors, the dissolution of the Cooperative Society is not valid for them.

#### Article 50

In the notification as referred to in Article 49 is mentioned:

- a. the name and address of the Liquidator, and
- b. the provisions that all creditors can submit their claim

within 3 (three) months after the date of receiving the notification of dissolution.

Part Two  
Liquidation

Article 51

For the interests of the creditors and the members of Cooperative Society, the dissolution of the Cooperative Society is carried out through dissolution settlement which is further called liquidation.

Article 52

- (1) Liquidation is done by the person or the body that have been assigned to carry out the settlement of the dissolution which is further called liquidator.
- (2) For the liquidation based on the decision of the Members' Meeting, the liquidator is appointed by the Members' Meeting.
- (3) For the liquidation based on the decision of the Government, the liquidator is appointed by the Government.
- (4) During the process of liquidation, the Cooperative Society still exists and is called "Cooperative Society in liquidation".

Article 53

- (1) The liquidation will immediately be carried out after the issuance of the decision of dissolution of the Cooperative Society.
- (2) The liquidator is responsible to the attorney of the Members' Meeting in the event that the liquidator is appointed by the Members' Meeting and to the Government in the event that the liquidator is appointed by the Government.

#### Article 54

The liquidator has the rights, authorities, and obligations as follows

- a. to make all legal actions for and on behalf of "the Cooperative Society in liquidation";
- b. to collect all information needed;
- c. to call the Board of Management, certain members and ex-members who are required, both individually and collectively;
- d. to obtain, examine, and utilize all notes and files of the Cooperative Society;
- e. to decide and implement all payment obligations which must be put before the payment of other debts;
- f. to use the remainder of the property of the Cooperative Society to settle its remaining obligations;
- g. to distribute the remainder of the result of liquidation to the members; and
- h. to make an official report of liquidation.

#### Article 55

In the event that the Cooperative Society is dissolved, the members bear only the burden of loss to the limit of basic savings, compulsory savings, and share capital which they own.

### Part Three

#### Cancellation of Legal Body Status

#### Article 56

- (1) The Government notifies the dissolution of a Cooperative Society in the State Bulletin of the Republic of Indonesia.
- (2) The legal body status of a Cooperative Society is cancelled since the date of notification of the dissolution of the Cooperative Society mentioned above in the State Bulletin of the Republic of Indonesia.

CHAPTER XI  
INSTITUTION OF COOPERATIVE MOVEMENT

Article 57

- (1) The Cooperative Societies jointly establish a single organization with the function as an association to struggle for the interests and acts as the spokesman of the aspirations of the Cooperative Societies.
- (2) This organization is based on Pancasila.
- (3) The name, objectives, structure, and working rules of the organization is regulated in the Articles of Association of the concerned organization.

Article 58

- (1) The organization mentioned above performs the activities:
  - a. to struggle for and extend the aspirations of the Cooperative Societies;
  - b. to enhance consciousness of the society to cooperate;
  - c. to carry out cooperative education for the members and the society;
  - d. to develop cooperation among Cooperative Societies and between Cooperative Societies and other business enterprises, at the national as well as at the international levels.
- (2) To implement those activities, the Cooperative Societies jointly accumulate cooperative fund.

Article 59

The organization established as referred to in Article 57 section (1) is endorsed by the Government.

CHAPTER XII  
DEVELOPMENT

Article 60

- (1) The Government creates and develops climate and condition that stimulates cooperative growth and socialization.
- (2) The Government provides guidance, facilities, and protection to the Cooperative Societies.

Article 61

In the effort to create and develop climate and condition that stimulates cooperative growth and socialization, the Government:

- a. provides extensive business opportunities to the Cooperative Societies;
- b. improves and consolidates the capability of the Cooperative Societies so that they become healthy, strong, and self-reliant;
- c. strives to realize business relationship between the Cooperative Societies and other business enterprises which benefits one another;
- d. makes the Cooperative Societies cultures in the public.

Article 62

In the framework to give guidance and facilities to the Cooperative Societies, the Government:

- a. guides the business of the Cooperative Societies which is in accordance with the economic interests of the members;
- b. encourages, develops, and assists the implementation of cooperative education, training, extension, and research;
- c. provides facilities to strengthen the capital and develops the financial institutions of the Cooperative Societies;
- d. supports in developing business network of the Cooperative Societies which benefits one another;
- e. provides consultancy assistance to solve the problems

faced by the Cooperative Societies while persistently paying attention to the Articles of Association and cooperative principles.

#### Article 63

- (1) In the framework to give protection to the Cooperative Societies, the Government can:
  - a. decide the fields of economic activities which can only be handled by the Cooperative Societies;
  - b. decide the fields of economic activities in an area which have been handled successfully by the Cooperative Societies for not to be handled by other business enterprises.
- (2) The requirements and procedures for the implementation as referred to in section (1) are further regulated by a Government Regulation.

#### Article 64

The development efforts as referred to in Article 60, Article 61, Article 62, and Article 63 are carried out while paying attention to the situation and interests of the national economy, even distribution of business opportunities and work opportunities.

### CHAPTER XIII

#### TRANSITIONAL PROVISIONS

#### Article 65

Any Cooperative Society which already has a legal body status at the time that this law is valid is stated to have obtained a legal body status based on this law.

CHAPTER XIV  
CLOSING PROVISIONS

Article 66

- (1) With the enter into force of this Law, the Law Number 12 of 1967 on Basic Regulations for Cooperatives (State Gazette of the Republic of Indonesia of 1967 Number 23, Supplement of State Gazette of the Republic of Indonesia of 1967 Number 2832} is declared to be ineffective.
- (2) Any Implementing regulations of Law Number 12 of 1967 Basic Regulations for Cooperatives (Government Gazette of the Republic of Indonesia of the Year 1967. Number 23, Supplement of State Gazette of the Republic of Indonesia of 1967 Number 2832} are declared to remain effective to the extent not contrary to or not amended yet based on this Law.

Article 67

This Law comes into force on the date of its promulgation.

In order that every person knows hereof, it is ordered to promulgate this Law by its placement in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta  
on 21 October 1992

PRESIDENT OF THE REPUBLIC OF  
INDONESIA

signed

SOEHARTO

Promulgated in Jakarta  
on 21 October 1992

MINISTER/STATE SECRETARY  
OF THE REPUBLIC OF INDONESIA

signed

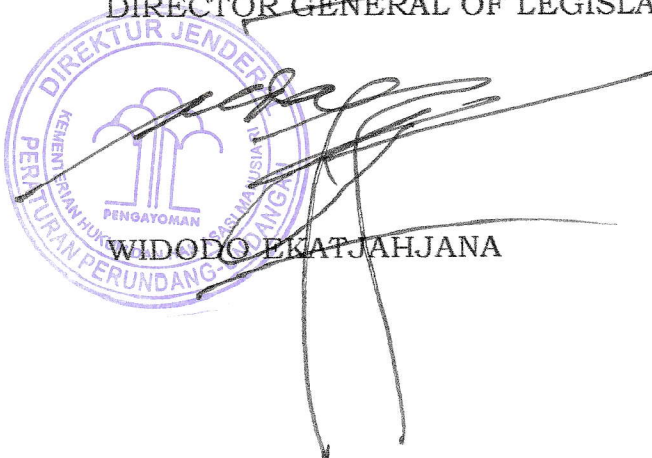
MOERDIONO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 1992 NUMBER 116

Jakarta, 25 June 2020

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on behalf of Minister of Law and Human Rights  
of the Republic of Indonesia

DIRECTOR GENERAL OF LEGISLATION,



WIDODO EKATJAHJANA



ELUCIDATION  
OF  
LAW OF THE REPUBLIC OF INDONESIA  
NUMBER 25 OF 1992  
ON  
COOPERATIVE

I. GENERAL

The 1945 Constitution, especially Article 33 section (1) states that the Indonesian economy is organized as joint endeavor based upon the principle of brotherhood. Further, the elucidation of the Article 33 among others states that the prosperity of the society that is given priority, not the prosperity of the individuals, and the form of enterprise in conformity with that is the Cooperative Societies. The elucidation of Article 33 places the cooperative in a position as the pillar of the national economy as well as the integral part of the national economic system.

By paying attention to the cooperative position as mentioned above, the cooperative role is very important in growing and developing the people's economic potential and in realizing an economically democratic life which has characteristics i.e. democratic, togetherness, brotherhood, and openness. In such an economic life, the Cooperative Societies should have vast play space and business opportunity concerning the interests of the people's economic life. But in such fast economic development, the cooperative growth up till now has not shown its existence and role as referred to in the 1945 Constitution yet. The same goes for the existing legislation has not yet fully covered all that is needed to support the realization of Cooperative Societies as enterprise as well as a people's economic movement. Therefore, to adapt to the development of dynamic environment, it is necessary to have a new legal basis which is able to push the Cooperative Societies so that they can grow and develop to become stronger and self-reliant.

Cooperative development needs to be directed so that the Cooperative

Societies will play bigger role in the national economy. The development is directed in order that the, Cooperative Societies implement the cooperative principles and economic business norms truly. Thus the Cooperative Societies will become stable, democratic, autonomous; and participatory organization with social character. The cooperative building is basically meant to push the Cooperative Societies to carry out business activities and play the leading role in the people's economic life.

This law confirms that the giving of legal entity status to a Cooperative Societies and the endorsement of the change of the Articles of Association forms the authority and responsibility of the Government. Besides the Government is responsible to develop Cooperative Societies. In its implementation, the above mentioned authority and responsibility is carried out by the Minister administering cooperative affairs. Nevertheless, it does not mean that the Government meddles in the internal affairs of the cooperative organizations and still pays attention to the principle of cooperative self-reliance.

The Central Government as well as the Local Government, creates and develops a climate and condition which promoted the growth and socialization of Cooperative Societies. Besides, the Government provides guidance, facilities, and protection to the Cooperative Societies. Further, the Government can decide the field of economic activities which can merely be carried on by Cooperative Societies. The Government can also decide the field of economic activities in a certain region which have been carried on successfully by Cooperative Societies not to be carried on by other enterprises. This is done by paying attention to the national economic interest and the realization of fair distribution of opportunities in running economic business

This Law also gives opportunities to the Cooperative Societies to strengthen their capital through the mobilization of share capital from the members as well as the non-members. With this possibility, the Cooperative Societies can accumulate more funds for developing their business. Parallel to that, in this law it is planted the concept toward the development of cooperative professional management.

Based on the above mentioned points, this Law is drafted with the intention to clarify and confirm the identity, objectives, position, roles, management, business, and capital of the Cooperative Societies and the role of the Government and its implementation in cooperative development that will better assure the realization of the cooperative life in accordance with the message of Article 33 of the 1945 Constitution.

## II. ARTICLE BY ARTICLE

### Article 1

#### Point 1

Sufficiently clear

#### Point 2

The term “cooperative life” means the aspects closely related to cooperative development, such as philosophy, ideology, organization, management, business, education, the role of Government and its implementation in cooperative development, etc.

#### Point 3

Sufficiently clear

#### Point 4

Sufficiently clear

#### Point 5

Sufficiently clear

### Article 2

Sufficiently clear

### Article 3

Sufficiently Clear

### Article 4

Sufficiently Clear

### Article 5

Cooperative Principles from a unity and cannot be separated from cooperative life. By implementing the whole principles the Cooperative Societies realizes itself as a business enterprise and simultaneously as a people's economic movement with social character.

#### Section (1)

These Cooperative Principles from the essence of cooperative work basis as a business enterprise and the specific characteristics and identity of the Cooperative Societies which differentiate it from other business enterprises.

Point a

The voluntary characteristic in the cooperative membership has the meaning that to become a cooperative member cannot be forced upon by anybody. The voluntary characteristic has also the meaning that a member can withdraw from his/her Cooperative Societies in accordance with the requirements determined in the Articles of Association of Cooperative Societies. Whereas the characteristic of openness has the meaning that there is no limitation or discrimination in whatever from in the cooperative membership.

Point b

The democratic principle shows that the cooperative management is carried out by the desire and decision of its members. Those members hold and implement the highest authority in the Cooperative Societies.

Point c

The distribution of net surplus to the members is not only based on the capital owned by a person in the Cooperative Societies but also based on the proportion of business contribution of the member to the Cooperative Societies. Such kind of stipulation forms the realization of the values of brotherhood and justice.

Point d

The capital in the Cooperative Societies is basically used for the benefit of the members and not only for seeking profit. Therefore, the return of the capital provided to the members is also limited, and not only based on the amount of the capital provided. The term "limited" means reasonable in the sense that it will not exceed the interest rate valid in the market.

Point e

Self-reliance has the meaning to be capable to stand on its own without being dependent on other parties based on confidence to its own judgment, decision ability, and effort. In self-confidence, there is also a meaning of responsible freedom, autonomy, self-help, courage to

account for its own deeds, and the desire to manage itself.

Section (2)

Besides the five principles as referred to in section (1) to develop itself the Cooperative Societies shall implement two other cooperative principles as well, namely cooperative education and cooperation among Cooperative Societies.

The implementation of cooperative education and cooperation among Cooperative Societies are important cooperative principles to enhance the ability, broaden the insight of the members, and strengthen the solidarity in realizing the cooperative objectives.

Cooperation can be implemented among Cooperative Societies at the local, national, and international levels.

Article 6

Section (1)

This requirement is meant to secure the business feasibility and the life of the Cooperative Societies. Individuals establishing a Cooperative Societies are those who fulfill the membership requirements and who have similar economic interest.

Section (2)

Sufficiently clear

Article 7

Section (1)

Sufficiently clear

Section (2)

The term “domicile” means the permanent address of the Cooperative Society office.

Article 8

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

Sufficiently clear

Point d

Sufficiently clear

Point e

Sufficiently clear

Point f

Sufficiently clear

Point g

Sufficiently clear

Point h

The duration of existence of a Cooperative Societies can be decided to be limited within a certain period of time or unlimited in accordance with its objectives.

Point i

Sufficiently clear

Point j

The sanctions in this provision are sanctions arranged internally by each Cooperative Societies, being imposed on the Board of Management, Committee of Supervision, and members who violate the provisions of the Articles of Association.

Article 9

Sufficiently clear

Article 10

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 11

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 12

Section (1)

Sufficiently clear

Section (2)

By this provision is meant only the basic changes which need to be asked for endorsement by the Government, namely concerning amalgamation, division, and change of business fields. The endorsement meant in the case of amalgamation and change of business fields is the endorsement of the amendment to the Articles of Association, and in the case of division is the endorsement of the amendment to the Articles of Association and or endorsement of new legal entity. The endorsement of the change of cooperative business fields meant in this provision will not decrease the opportunities of the Cooperative Societies to make businesses in all economic fields.

Article 13

Sufficiently clear

Article 14

Section (1)

The joining or known by the term amalgamation and merger can only be done if it is based on considerations of cooperative development and/or business management efficiency in accordance with members' interest. In the case of amalgamation and merger which needs endorsement of the Articles of Association or a new legal entity it is done in accordance with the provisions arranged in this law

Section (2)

Sufficiently clear

Article 15

The meaning of secondary Cooperative Societies covers all Cooperative Societies established by and having as members The Primary

Cooperative Societies and/or secondary Cooperative Societies. Based on similarity of interest and objective of efficiency, a secondary Cooperative Societies can be established by Cooperative Societies of various types or levels. In case that the Cooperative Societies establish secondary Cooperative Societies in various levels, witch up to the present has been known as Centre of Cooperative Societies, Union of Cooperative Societies, and Mother of Cooperative Societies, the number of levels and their names are arranged by the concerned Cooperative Societies.

#### Article 16

The basis for deciding the cooperative type is similarity of activities, interest and economic needs of the members such as among others saving-loan Cooperative Societies, consumer Cooperative Societies, and service Cooperative Societies. Specifically the Cooperative Societies established by the functional groups such as government officials, members of the Armed Forces of the Republic of Indonesia, workers, etc. are not considered as a special type of Cooperative Societies.

#### Article 17

##### Section (1)

As the owners and users of the cooperative service, the members participate actively in cooperative activities. Nevertheless, as long as it does not harm the interest of the members, the Cooperative Societies can also provide services to non-members in accordance with the characteristics of its business activities, with the intention to attract non-members to become cooperative members.

##### Section (2)

Sufficiently clear

#### Article 18

##### Section (1)

Who can become a member of a primary Cooperative Societies is an individual who is capable to perform legal action and fulfill the requirements determined by the concerned Cooperative Societies. This is meant as a consequence for the Cooperative Societies as a legal entity. However, specifically for students, pupils and/or



individuals similarly considered who are not yet capable to perform legal action can establish a Cooperative Societies, but it will not be endorsed as a legal entity and its status in only as a registered Cooperative Societies.

Section (2)

In the event that there is somebody who wants to get services and become a cooperative member, however, does not fulfill the requirements as determined in the Articles of Association, he/she can be accepted as an associate member. This provision gives an opportunity to the Indonesian Inhabitants who do not have Indonesian Citizenship to become associate members of a Cooperative Societies as long as they fulfill the valid provisions.

Article 19

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Basically, cooperative membership cannot be transferred since the requirements to become a cooperative member is the economic interest of the concerned member.

In the event that the cooperative member passed away, his/her membership can be continued by his/her heirs who fulfill the requirements determined in the Articles of Association. This is meant to maintain the interest of the heirs and facilitate the process for them to become members.

Section (4)

Sufficiently clear

Article 20

Section (1)

As a consequence of becoming a cooperative member, the member has obligations to be fulfilled, namely to obey the provisions in the Articles of Association and the decisions approved in the Members Meeting. Considering that the members are the owners and service users who have a deep interest in the business done by the

Cooperative Societies, so the members' participation is also meaningful for the development of the cooperative business. This is parallel to the members' right to use and get services from their Cooperative Societies. The members form a decisive factor in the life of the Cooperative Societies, therefore it is important for the members to develop and maintain togetherness.

Section (2)

Sufficiently clear

Article 21

Sufficiently clear

Article 22

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Article 23

Sufficiently clear

Article 24

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Voting meant in this Section is done only by the members present at the meeting.

Section (4)

The term "considering the number of members and business contribution of the member Cooperative Societies proportionally" means that the allocation of voting rights is proportional to the number of members of each member Cooperative Societies and the amount of business contribution of member Cooperative Societies towards its secondary Cooperative Societies.

Article 25

Sufficiently clear

Article 26

Section (1)

Sufficiently clear

Section (2)

The time limit for holding the Members' Meeting in this Section is at the latest 6 (six) months after the fiscal year is over. However, in its implementation the Members' Meeting should be held at the earliest possible moment.

Article 27

Section (1)

The Extraordinary Members' Meeting is held if considered to be very urgent and which cannot wait until the holding of the Members' Meeting.

Section (2)

The request of holding an Extraordinary Members' Meeting by the members can be made due to various reasons, especially if the members consider that the Board of Management has made activities contradictory to the interest of the Cooperative Societies and causing loss to it. If the request has been made in accordance with the provisions in the Articles of Association, then the Board of Management has to fulfill the request. The Extraordinary Members' Meeting which is decided by the Board of Management is held for the interest of cooperative development.

Section (3)

Sufficiently clear

Article 28

Sufficiently clear

Article 29

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

The members of the Board of Management who have terminated their term of office can be reelected.

Section (5)

Sufficiently clear

Article 30

Section (1)

In managing the Cooperative Societies, as the authority holder of the Members' Meeting, the Board of Management carries out activities solely for the interests and benefits of the Cooperative Societies along with its members in accordance with the decision of the Members' Meeting.

Section (2)

Sufficiently clear

Article 31

Sufficiently clear

Article 32

Section (1)

This provision is meant to realize professionalism in cooperative business management. Therefore, the Board of Management can appoint an expert manager to manage the concerned cooperative business. The use of the term manager is meant to cover a broader meaning and provides alternatives to the Cooperative Societies. Thus in accordance with its interest, the Cooperative Societies can appoint a manager or a director. The meaning of the words "is given the authority and power" is the delegation of authority and power owned by the Board of Management. Thus the Board of Management does not have to carry out the authority and power which has been delegated to the manager by itself anymore and henceforth the task of the Board of Management is to supervise

the implementation of the authority and power done by the manager. The size of authority and power delegated to the manager is decided in accordance with the interests of the Cooperative Societies.

Section (2)

The approval to be requested concerning the plan to appoint a business manager. The selection and appointment of a business manager is done by the Board of Management.

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Article 33

Work relationship between the manager and the Cooperative Board of Management follows the provisions of law of contract in general. Thus the manager is fully responsible to the Board of Management. Further the work relationship is in accordance with the agreement and is stated in the contract.

Article 34

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Article 35

Sufficiently clear

Article 36

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Article 37

The approval of the liability report of the Board of Management by

Members' Meeting releases the Board from its responsibility of what has been done in the concerned fiscal year.

#### Article 38

In case that the Cooperative Societies appoints a manager, the Committee of Supervision can be established permanently or when it is necessary in accordance with the decision of the Members' Meeting. This does not reduce the significance of the Committee of Supervision as an organizational organ and gives opportunity to the Cooperative Societies choose a permanent or a temporary Committee of Supervision in accordance with its necessity. The Committee of supervision established when it is necessary carries out supervision in accordance with the assignment given by the Members' Meeting.

#### Article 39

##### Section (1)

Sufficiently clear

##### Section (2)

Sufficiently clear

##### Section (3)

Sufficiently clear

#### Article 40

In the framework of enhancing efficiency, open management, and giving protection to the interested parties, a Cooperative Societies can ask for an audit service to the public accountant. By this provision the Board of Management or the Committee of Supervision can ask for an audit service to the public accountant. To realize an appropriate audit, the Members' Meeting can decide that the audit is carried out by public accountant. The term “audit service” means audit of the financial report and other audits in accordance with the cooperative needs. Besides the Cooperative Societies can ask other services from the public accountant, such as consultancy and training.

#### Article 41

##### Section (1)

Sufficiently clear

Section (2)

The term “own capital” means capital which bears a risk or is called equity capital.

Point a

Basic savings is the similar amount. of money which a member is obliged to pay to the Cooperative Societies at the time of entering the Cooperative Societies as a member. Basic savings cannot be withdrawn as long as the concerned person is still a member of the Cooperative Societies.

Point b

Compulsory savings is a certain amount of savings which need not be of the same amount and has to be paid by a member to the Cooperative Societies at a certain time and occasion. Compulsory savings cannot be withdrawn as long as the concerned person is still a member of the Cooperative Societies.

Point c

Reserve fund is the amount of money obtained from the net surplus set aside with the purpose to strengthen the own capital and to cover the loss of the Cooperative Societies if needed.

Point d

Sufficiently clear

Section (3)

To develop its business, the Cooperative Societies can utilize borrowed capital by paying attention to the feasibility and viability of its business.

Point a

The loan obtained from the members, including the member candidates fulfilling the membership requirements.

Point b

The loan from other Cooperative Societies and/or their members based on agreement of cooperation among the Cooperative Societies.

Point c

The loan from banks and other financial institutions based on provisions of the valid legislation.

Point d

The issuance of bonds and other securities based on the provisions of the valid legislation.

Point e

Other legal sources are the loan from non-members which is made not through general offers.

Article 42

Section (1)

Capital mobilization from share capital, originating from the Government as well from the society, is carried out in the framework to strengthen cooperative business activities, especially in the form of investment. Share capital bears a risk. The owner of the share capital does not have a vote in the Members' Meeting nor in the deciding the cooperative policy as a whole. Nevertheless, the owner of the share capital can be involved in the management and supervision of investment business supported by his her share capital in accordance with the agreement.

Section (2)

Sufficiently clear

Article 43

Section (1)

Cooperative business is mainly directed to the field of business which is directly connected with the members' interest to support their business as well as to enhance their welfare. Therefore, the management of cooperative business must be done productively, effectively, and efficiently in the sense that the cooperative has to have ability to realize business services which can increase the added value and benefit for the members to the utmost by considering persistently to obtain reasonable net surplus. To achieve the above-mentioned business capability, the Cooperative Societies can carry out business flexibly by developing backward as well as forward linkages and in other various related types of



businesses. The implementation of cooperative business can be done anywhere at home and abroad by considering its feasibility.

Section (2)

The term “the excess of business capability of the Cooperative Societies” is the excess of funds capacity and power owned by the Cooperative Societies to serve the members. The excess of capacity can be utilized by to do business with non-members with the objective to optimize the economic scale in the sense of increasing the business volume and decreasing cost per unit as to render the greatest advantage to its members and to socialize the cooperative in the society.

Section (3)

In order that the Cooperative Societies can realize its functions and roles as referred to in Article 4, the Cooperative Societies makes business in all fields of the economy and play the leading role in the people's economic life. The term “people's economic life” means all economic activities implemented and related to the interests of many people.

Article 44

Section (1)

In accordance with the provisions in the law that arranges banking, the above mentioned savings-loan business is specifically arranged in this Law. The meaning of cooperative member as referred to in point a of this Section includes the member candidate who fulfils the membership requirements. While the provision in point b is valid as long as it is based on the agreement of cooperation among the concerned Cooperative Societies.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Article 45

Section (1)

Sufficiently clear

Section (2)

The fixing of the amount to be distributed to the members and the types and amount of the other needs is decided by the Member's Meeting. The term business contribution is business transaction and capital participation.

Section (3)

Sufficiently clear

Article 46

Sufficiently clear

Article 47

Section (1)

The decision of dissolution with the reason that the cooperative activities is contrary to the public order and/or against morality as mentioned in this provision is made if it is proven by the decision of the court of justice. The decision of dissolution due to the reason that the survival of the Cooperative Societies cannot anymore be expected, among others because of being declared as bankrupt.

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

Sufficiently clear

Article 48

Sufficiently clear

Article 49

Section (1)

The term “the attorney of the Members' Meeting in this paragraph” means those appointed and given the authority and responsibility by the members' Meeting to carry out the task related to the dissolution of the Cooperative Societies.

Section (2)

Sufficiently clear

Section (3)

This provision is meant to provide protection to the creditors who have not yet known about the dissolution of the above-mentioned Cooperative Societies.

Article 50

Sufficiently clear

Article 51

Sufficiently clear

Article 52

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Section (3)

Sufficiently clear

Section (4)

This provision confirms that "the Cooperative Societies in liquidation" still exists and still has the rights and obligations to settle all its affairs.

Article 53

Section (1)

The term the decision of cooperative dissolution is the decision of dissolution based on the decision of the Members Meeting as well as the decision of the Government.

Section (2)

Sufficiently clear

Article 54

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

The term “certain ex-members” means for instance those who have withdrawn from Cooperative Societies and still have the obligation to assume liability In accordance with the provision of its Articles of Association.

Point d

Sufficiently clear

Point e

Sufficiently clear

Point e

Sufficiently clear

Point g

Sufficiently clear

Point h

Sufficiently clear

Article 55

This provision confirms that the members bear only the burden of loss to the limit of the amount of basic savings, compulsory savings, and share capital which they own. While the cooperative borrowed capital coming from the members is not included in this provision.

Article 56

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Article 57

Section (1)

The organization mentioned above is not a business enterprise and therefore does not carry out business activities directly. At the time that this law is endorsed, this organization, called the Indonesian Cooperative Council (DEKOPIN, Dewan Koperasi Indonesia), has further to adapt with the stipulations of this law. The objectives

and activities of the organization mentioned above. have to be in accordance and in harmony with the soul and spirit of this law.

Section (2)

Sufficiently clear

Section (3)

The Articles of Association of the concerned organization contains at least

- a. the name of the organization;
- b. the objectives of the organization;
- c. the structure of the organization;
- d. provisions concerning Board of Management and its term of office;
- e. provisions concerning systems and procedures of the organization;
- f. provisions concerning Members Meeting and other meetings;
- g. provisions concerning members rights and obligation;
- h. provisions concerning financial sources and management;
- i. provisions concerning amendment of Articles of Association and dissolution;
- j. provisions concerning organizational sanctions.

Article 58

Section (1)

Point a

Sufficiently clear

Point b

The efforts to enhance the consciousness of the society to cooperate are carried out among others through extension activities, disseminations of information, publishing, and cultivation of business groups in the society to be directed to become Cooperative Societies.

Point c

Sufficiently clear

Point d

To develop the cooperation among Cooperative Societies and between the Cooperative Societies and other business enterprises, this organization promotes the growth and

development of the cooperative institutional and business network at regional, national, as well as international levels.

Section (2)

Sufficiently clear

Article 59

Sufficiently clear

Article 60

With this provision, the Government has a clear and strong foundation to implement its role in determining development policies needed to promote the growth. Development and socialization of Cooperative Societies. In accordance with the principle of self-reliance, the above-mentioned development efforts are implemented without interfering the internal affairs of the cooperative organization. The effort of growing, developing, and socializing the Cooperative Societies is done by the Government so that the general public understands the cooperative concept and with full awareness establish and utilize the Cooperative Societies to fulfill their economic and social interests. The provision of guidance, facilities, and protection by the Government forms an effort to develop Cooperative Societies through the stipulation of policies, provision of facilities, and consultancy needed by the Cooperative Societies so that the Cooperative Societies have the capability to perform their functions and roles to achieve their objective. Thus it is the obligation of all the Government apparatus, at the center as well as at the local areas, to make efforts in enhancing the growth, development, and socialization of the Cooperative Societies.

Article 61

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

A harmonious and mutually beneficial business relationship between Cooperative Societies and other business enterprises forms an important factor in the framework to realize the national

economic system based on economic democracy. In this connection, the above-mentioned cooperation must be mutually supporting and advantageous.

Point d

To institutionalize cooperative is to socialize the cooperative soul and spirit.

Article 62

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

This provision confirms the government commitment in the effort to strengthen cooperative capital and develop cooperative financial institutions since capital is one of the sources of strength for the development of cooperative business. In the implementation, among others, it is done by developing share capital, originating from the Government as well as from the society, and facilitating the requirements and procedures to obtain credits. The Government also provides guidance and facilities to develop financial institutions which have Cooperative Societies as their legal entity status.

Point d

The development of strong cooperative business network and close and mutually beneficial cooperation among cooperative societies is an important factor in enhancing the potential of each Cooperative Societies and the whole Cooperative Societies.

Point e

Sufficiently clear

Article 63

Section (1)

Point a

This provision firmly reflects the government commitment to strengthen the growth and development of the Cooperative Societies as enterprises stated in the 1945 Constitution. In

the framework of this commitment, the Government can decide certain economic fields, especially which is strongly related to the peoples' economic activities, which can be handled only by the Cooperative Societies. The implementation of these provisions is dynamic in character by paying attention to aspects of equilibrium towards the national economic condition and interest and aspect of equity in doing business.

Point b

This provision is meant to protect the survival of cooperative business.

Section (2)

Sufficiently clear

Article 64

Sufficiently clear

Article 65

Sufficiently clear

Article 66

Section (1)

Sufficiently clear

Section (2)

Sufficiently clear

Article 67

Sufficiently clear