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By: THE PRESIDENT OF THE REPUBLIC OF INDONESIA
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Reference: STATE GAZETTE 1992/116; SUPPLEMENT TO THE STATE GAZETTE NO. 3502
Title: COOPERATIVES
Index: ECONOMIC DEVELOPMENT. CITIZEN. WELFARE

WITH THE BLESSING OF THE ALMIGHTY GOD

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering:

- a. whereas Cooperatives, either as the peoples economic movement or as business entities which participate to bring about the developed, just and prosperous community on the basis of the Pancasila (Five Principles) and the 1945 Constitution in the national economic system which is arranged as a joint effort on the basis of family principles and economic democracy;
- b. whereas the Cooperative needs to more develop itself and be developed to become strong and independent on the basis of Cooperative principles it shall be able to play a role as the support of national economy;
- c. whereas developing the Cooperative shall represent the task and responsibility of the Government and the whole people;
- d. whereas in order to realize the concerned matters and to harmonize it with the current condition, it is necessary to rearrange the provisions on the cooperatives in a Law in lieu of the Law Number 12 Year 1967 concerning the Fundamentals of Cooperatives;

In view of:

Article 5 paragraph (1), Article 20 paragraph (1), and Article 33 of the 1945 Constitution;

WITH THE APPROVAL OF THE LEGISLATIVE ASSEMBLY

HAS DECIDED:

To stipulate: THE LAW REGARDING COOPERATIVE

CHAPTER I
GENERAL PROVISIONS

Article 1

Intended in this Law with:

1. Cooperative shall be the business entity having individuals or legal entities as members with activities based on the Cooperative principles as well as people economic movement on the basis of family principles.
2. Cooperative system shall be everything relating to Cooperatives.
3. Primary Cooperative shall be the Cooperative which is established by and whose members are individuals.
4. Secondary Cooperative shall be the Cooperative which is established by and whose members are Cooperatives.
5. Cooperative Movement shall be the whole Cooperative organization and cooperative activities which are integrated to the accomplishment of Cooperative collective goals.

CHAPTER II
FOUNDATION, PRINCIPLES AND OBJECTIVES

Part One

Foundation and Principles

Article 2

Cooperative shall be based on Pancasila and the 1945 Constitution as well as the family principles.

Part Two

Objectives

Article 3

The aim of the Cooperative shall be to improve the members' welfare in particular and people's welfare in general and to participate in establishing the national economic system in the context of realizing the developed, just and prosperous community on the basis of Pancasila and the 1945 Constitution.

CHAPTER III
FUNCTIONS, ROLES AND PRINCIPLES

Part One
Functions and Roles

Article 4

The functions and roles of the Cooperative shall be:

- a. to build and develop the economic potencies and capability of the members in particular and the community in general in order to improve their economic and social welfare;
- b. to actively participate in the effort of increasing the living quality of the people and the community;
- c. to fortify the people's economy as the basis of the strength and endurance of national economy with the Cooperative as the main support;
- d. to try to create and develop the national economy which represents a joint effort on the basis of the family principles and economic democracy.

Part Two
Principles

Article 5

- (1) The Cooperative shall perform the following principles:
 - a. voluntary and open membership;
 - b. democratic management;
 - c. fair distribution of the balance of the business earnings in accordance with the volume of the business service of each member;
 - d. rewards limited to the capital;
 - e. self-reliance.
- (2) In its development, the Cooperative shall perform the following principles:
 - a. cooperative education;
 - b. cooperation among cooperatives.

CHAPTER IV

ESTABLISHMENT

Part One
Requirements for Establishment

Article 6

- (1) Primary Cooperative shall be established by at least 20 (twenty) people.
- (2) Secondary Cooperative shall be established by at least 3 (three) Cooperatives.

Article 7

- (1) The establishment of Cooperative as intended in Article 6 shall be conducted with the deed of establishment containing the Articles of Association.
- (2) Cooperative shall have a place of domicile in the region of the Republic of Indonesia.

Article 8

The Articles of Association as intended in Article 7 paragraph (1) shall at least contain:

- a. the list of founders;
- b. the name and place of domicile;
- c. the purposes and objectives as well as the business field;
- d. the provisions on membership;
- e. the provisions on Members' Meeting;
- f. the provisions on management;
- g. the provisions on capital;
- h. the provisions on the timeframe of establishment;
- i. the provisions on the distribution of the balance of business earnings;
- j. the provisions on sanctions;

Part Two Legal Entity Status

Article 9

The Cooperative shall obtain the legal entity status after the deed of establishment has been legalized by the Government.

Article 10

- (1) To obtain the legalization as intended in Article 9, the founders shall file an application attached with the deed of establishment.
- (2) The legalization on the deed of establishment shall be granted in a period of no later than 3 (three) months upon receiving the application for legalization.
- (3) The legalization on the deed of establishment shall be announced in the State Gazette of the Republic of Indonesia.

Article 11

- (1) In case that the application for the legalization on the deed of establishment is rejected, the reasons for rejection shall be notified to the founders in writing by no later than 3 (three) months upon receiving the application.
- (2) In respect of the rejection of legalization on the deed of establishment, the founders can re-submit a application by no later than 1 (one) month upon receiving the rejection.
- (3) The decision for the re-submission of the application shall be granted by no later than 1 (one) month upon receiving the application.

Article 12

- (1) Amendment to the Articles of Association shall be executed by the Members' Meeting.
- (2) In respect of the amendment to the Articles of Association concerning merger, distribution and change in the business field of the Cooperative, application for legalization shall be filed to the Government.

Article 13

The provisions on the requirements for and procedures on the legalization or rejection on the legalization of the deed of establishment, and the amendment to the Articles of Association as intended in Article 9, Article 10, Article 11, and Article 12 shall be further regulated with the Regulation of the Government.

Article 14

- (1) For purposes of business expansion and/or efficiency, one or more Cooperatives can:
 - a. merge into one with other Cooperatives, or
 - b. together with other Cooperatives performing merger by establishing a new Cooperative.
- (2) The merger or merger (????) shall be conducted under the approval of the Members' Meeting of each Cooperative.

Part Three Form and Kind

Article 15

Cooperative may be in the form of Primary Cooperative or Secondary Cooperative.

Article 16

The kinds of Cooperative shall be based on the similarity of activities and economic interests of the members.

CHAPTER V

MEMBERSHIP

Article 17

- (1) The Members of Cooperative shall be the owners as well as the users of the Cooperative services.

- (2) The membership of Cooperative shall be recorded in the list of members.

Article 18

- (1) The parties who can become members of Cooperatives shall be every Indonesian citizen capable to perform legal actions or the Cooperatives meeting the requirements as stipulated in the Articles of Association.
- (2) The Cooperative can have extra-ordinary members with membership requirements, rights, and obligations stipulated in the Articles of Association.

Article 19

- (1) The membership of Cooperative shall be based on the similarity on economic interest in the scope of Cooperative business.
- (2) The membership of Cooperative can be obtained or terminated after the requirements as arranged in the Articles of Association are met.
- (3) The membership of Cooperative can not be transferred.
- (4) Each member shall have equal liabilities and rights to the Cooperative as arranged in the Articles of Association.

Article 20

- (1) Each member shall have the following liabilities:
 - a. to respect the Articles of Association and Rules of Association as well as the decisions agreed upon in the Members' Meeting;
 - b. to participate in the business activities held by the Cooperative;
 - c. to develop and maintain togetherness on the basis of family principles.
- (2) Each member shall have the following rights:
 - a. to attend, give opinions, and vote in the Members' Meetings;
 - b. to elect and/or be elected as Managers or Supervisors;
 - c. to ask for Members' Meeting in accordance with the provisions in the Articles of Association;
 - d. to give opinions or suggestions to the Management outside the Members' Meeting, whether asked or not;
 - e. to utilize the Cooperative and get equal service among the members;
 - f. to get information on the progress of the Cooperative in accordance with the provisions in the Articles of Association.

CHAPTER VI

ELEMENTS OF ORGANIZATION

Part One General

Article 21

The elements of the Cooperative organization shall comprise of:

- a. Members' Meeting;
- b. Managers;
- c. Supervisors.

Part Two

Members' Meeting Article 22

- (1) The Members' Meeting shall be the highest authority in the Cooperative.
- (2) The Members' Meeting shall be attended by the members the implementation of which shall be arranged in the Articles of Association.

Article 23

The Members' Meeting shall stipulate:

- a. the Articles of Association;
- b. general policies in the fields of management organization, and Cooperative businesses;
- c. the selection, appointment, termination of Managers and Supervisors;
- d. work plan, revenues and expenditures budget of the Cooperative, and legalization of financial statement;
- e. legalization of accountability of the Management in the implementation of their tasks;
- f. the distribution of the balance of business earnings;
- g. the merger, fusion, division, and dissolution of Cooperative.

Article 24

- (1) The decision of the Members' Meeting shall be made on the basis of deliberation to reach an agreement.
- (2) In the event that decisions cannot be made through deliberation, decision shall be made on the basis of majority votes.
- (3) In the case that voting is conducted, each member shall have one vote.
- (4) The right to vote in the Secondary Cooperative can be arranged in the Articles of Association by putting into consideration the number of members and business services of the members equally.

Article 25

The Members' Meeting shall have the right to ask for the information and accountability of the Managers and Supervisors in respect of the management of the Cooperative.

Article 26

- (1) The Members' Meeting shall be held at least once in 1 (one) year.
- (2) The Members' Meeting to legalize the accountability of the Management shall be held by no later than 6 (six) months after the last accounting year.

Article 27

- (1) Besides the Members' Meeting as intended in Article 26, the Cooperative may hold Members' Extra-ordinary Meeting in the event that the condition requires an immediate decision, the authority of which lies with the Members' Meeting.
- (2) The Members' Extra-ordinary Meeting can be held at the request of a number of members or on the basis of the Management's Decision and executed in accordance with the provisions in the Articles of Association.
- (3) The Members' extra-ordinary Meeting shall have the same authority as that of the Members' Meeting as intended in Article 23.

Article 28

The requirements, procedures and venue of the Members' Meeting and type Member's Extra-ordinary Meeting shall be arranged in the Articles of Association.

Part Three

Managers

Article 29

- (1) Managers shall be elected from and by the members in the Members' Meeting.
- (2) Managers shall represent the authority holder in the Members Meeting.
- (3) For the first time, the structure and list names of Managers shall be stated in the deed of establishment.
- (4) The position period of Managers shall be no longer than 5 (five) years.
- (5) Requirements to be elected and be appointed as Managers shall be stipulated in the Articles of Association.

Article 30

- (1) The managers shall:
 - a. manage the Cooperative and its business;
 - b. propose the work plan and the revenues and expenditures budget of the Cooperative;
 - c. hold the Members' Meetings;
 - d. submit the financial statements and the accountability on the implementation of the task;
 - e. organize financial accounting and inventory in an orderly manner;
 - f. maintain the list of members and managers.
- (2) The managers shall be authorized to:
 - a. represent the Cooperative in and outside the court;

- b. decide the acceptance and rejection of new members and the termination of members in accordance with the provisions in the Articles of Association;
- c. take actions and efforts for the interest and benefit of the Cooperative in accordance with their responsibilities and the decision of the Members' Meeting.

Article 31

The managers shall be responsible for managing the Cooperative and its business to the Members' Meeting or Members' Extra-ordinary Meeting.

Article 32

- (1) The Managers of Cooperative may appoint Officers who are given the authority and power to manage the business.
- (2) In the event that the Managers intend to appoint Officers, the appointment plan shall be proposed in the Members' Meeting for an approval.
- (3) The Officers shall be responsible to the Managers.
- (4) The business management by the Officers shall not reduce the Managers' responsibilities as intended in Article 31.

Article 33

The relationship between the Officers as intended in Article 32 and the Managers of Cooperative shall represent an agreement-based work relationship.

Article 34

- (1) The Managers, jointly or individually, shall bear the loss experienced by the Cooperative, due to their actions committed on purpose or negligence.
- (2) Besides the compensation for the concerned concerned, in the event that the actions are committed on purpose, the possibility shall not be closed for the general attorney to make a lawsuit.

Article 35

After the accounting year of the Cooperative is closed, by no later than 1 (one) month prior to the annual members' meeting, the Management shall prepare the annual report which shall at least include:

- a. the annual calculation consisting of the final balance sheet of the previous year's accounting and the calculation of business earnings of the related year as well as the explanation on the said documents;
- b. the condition and business of the Cooperative as well as the business earnings gained.

Article 36

- (1) The annual report as intended in Article 35 shall be signed by all members of the Management.
- (2) In the event that one of the members of Management does not sign the annual report, the related member shall explain the reasons in writing.

Article 37

The approval of the annual report, including the legalization of annual calculation shall be in the form of acceptance of the accountability of the Management by the Members' Meeting.

Part Four Supervisors

Article 38

- (1) Supervisors shall be elected from and by the members of Cooperative in the Members' Meeting.
- (2) The Supervisors shall be responsible to the Members' Meeting.
- (3) Requirements to be elected and appointed as Supervisors shall be stipulated in the Articles of Association.

Article 39

- (1) The Supervisors shall:
 - a. conduct the supervision over the implementation of policies and management of Cooperative;
 - b. prepare reports in writing in respect of the result of their supervision.
- (2) The Supervisors shall be authorized to:
 - a. examine the notes maintained with the Cooperative;
 - b. acquire all required information.
- (3) The Supervisors should keep the result of their supervision confidential from third parties.

Article 40

The Cooperative may request for audit services from a public accountant.

CHAPTER VII

CAPITAL

Article 41

- (1) The capital of the Cooperative shall comprise of own capital and loan capital.
- (2) Own capital can originate from:
 - a. principal savings;
 - b. obligatory savings;
 - c. reserves;
 - d. grants.
- (3) Loan capital can originate from:
 - a. members;
 - b. other Cooperatives and/or their members;
 - c. banks and other financial institutions;
 - d. issues of bonds and other debt certificates;
 - e. other legal sources.

Article 42

- (1) Besides the capitals as intended in Article 41, the Cooperative can also carry out the building up of capital originating from investment.
- (2) The provisions in respect of the building up of capital coming from investment shall be further regulated with the Government Regulation.

CHAPTER VIII

FIELD OF BUSINESS

Article 43

- (1) Cooperative business shall be the business which is directly related to the members' interest in order to increase the members' business and welfare.
- (2) The excess capacity of the Cooperative services can be applied to meet the needs of non-Cooperative members community.
- (3) The Cooperative shall perform business activities and play the main role in all public economic sectors.

Article 44

- (1) The Cooperative may collect funds and distribute them through savings and loan business activities from and for:
 - a. the related Cooperative members;
 - b. other Cooperative and/or their members.
- (2) The savings and loan business activities may be conducted as one of or the only business activity of the Cooperative.
- (3) The implementation of the savings and loan business activities by the Cooperative shall be further regulated with the Government Regulation.

CHAPTER IX

BALANCE OF BUSINESS EARNINGS

Article 45

- (1) The Balance of Business Earnings of the Cooperative shall be the Cooperative's income earned in one accounting year less costs, depreciation, and other liabilities including taxes in the related accounting year.
- (2) The Balance of the Business Earnings after deduction of with reserves, shall be divided to the standing members with the business services conducted by each member with the Cooperative, and shall be used for the purpose of the cooperative education and other needs of the Cooperative, in accordance with the decision of the Members' Meeting.
- (3) The total building up of the reserves shall be stipulated in the Members' Meeting.

CHAPTER X

DISSOLUTION OF COOPERATIVE

Part One

Procedures on Dissolution of Cooperative

Article 46

Dissolution of Cooperative can be conducted on the basis of:

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

Article 47

- (1) The decision on dissolution by the Government as intended in Article 46 point b shall be made in the event that:
 - a. there are evidences that the said Cooperative does not meet the provisions in this Law;
 - b. its activities are contradictory to the public order and/or morality;
 - c. the continuity of its business can no longer be expected.
- (2) The decision on the dissolution of the Cooperative by the Government shall be issued by no later than 4 (four) months as of the date of the receipt of notification on the plan for dissolution from the related Cooperative.
- (3) In a time period of no later than 2 (two) months as from the receipt of the notification, the concerned Cooperative shall have the right to file an objection letter.
- (4) The Government Decision in respect of the acceptance or rejection of the plan for dissolution shall be issued by no later than 1 (one) month as of the receipt of the statement on the said objection.

Article 48

The provisions on the dissolution of Cooperative by the Government and the procedures on filing the objection as intended in Article 47 shall be further regulation with the Government Regulation.

Article 49

- (1) The decision on the dissolution of Cooperative by the Members' Meeting shall be notified in writing by the Proxy of the Members' Meeting to:
 - a. all creditors;
 - b. the Government.
- (2) The notification to all creditors shall be made by the Government, in case that the dissolution occurs on the basis of the Government decision.
- (3) As long as the notification for the dissolution of the Cooperative is not yet received by the creditors, the dissolution of the Cooperative has not yet been applicable to them.

Article 50

The notification as intended in Article 49 shall state:

- a. the names and addresses of Settling Parties, and
- b. the provisions that all creditors can submit their claims within a time period of 3 (three) months as of the date of receipt of the notification for dissolution.

Part Two

Settlement

Article 51

For the interest of the creditors and members of Cooperative, dissolution settlement shall be made on the dissolution of the Cooperative further referred to as settlement.

Article 52

- (1) The settlement shall be conducted by the dissolution settling parties further referred to as Settling Parties.
- (2) For the settlement on the basis of the decision of the Members' Meeting, the Settling Parties shall be appointed by the Members' Meeting.
- (3) For the settlement on the basis of the decision of the Government, the Settling Parties shall be appointed by the Government.
- (4) During the settlement process, the concerned Cooperative remains existing in the term of "Cooperative under settlement".

Article 53

- (1) The settlement shall at once be conducted after the issue of the decision on the dissolution of the Cooperative.
- (2) The Settling Parties shall be responsible to the Proxy of the Members' Meeting in case that the Settling Parties are appointed by the Members' Meeting and to the Government in case that the Settling Parties are appointed by the Government.

Article 54

The Settling Parties shall have the following rights, authorities and obligations:

- a. to take all legal actions for and on behalf of the "Cooperative under settlement";
- b. to collect all required information;
- c. to summon the Management, members and certain former members, either individually or jointly;
- d. to get, inspect, and use all records and files of the Cooperative;
- e. to stipulate and perform all payment liabilities prioritized from other debt payments;
- f. to use the balance of the Cooperative assets to settle the balance of the liabilities of the Cooperative;
- g. to distribute the balance of the settlement earnings to the members;
- h. to prepare minutes on the settlement.

Article 55

In case of the taking place of the dissolution of Cooperative, the members shall only bear the loss limited to the principal savings, obligatory savings and participation capital in their ownership .

Part Three

Nullification of Legal Entity Status

Article 56

- (1) The Government shall announce the dissolution of the Cooperative in the State Gazette of the Republic of Indonesia.
- (2) The legal entity status of the Cooperative shall be nullified as of the announcement date of the dissolution of the Cooperative in the State Gazette of the Republic of Indonesia.

CHAPTER XI

COOPERATIVE MOVEMENT INSTITUTION

Article 57

- (1) Cooperatives shall jointly establish a sole organization which functions as the institution to struggle for their interest and acts as the aspirator of the Cooperatives.
- (2) The organization shall be based on the Pancasila.
- (3) The name, objectives, structure, and working system of the organization shall be arranged in the Articles of Association of the said organization.

Article 58

- (1) The organization shall perform the following activities:
 - a. to fight for and distribute the aspiration of the Cooperatives;
 - b. to increase the awareness in cooperative among the people;
 - c. to carry out cooperative education for members and the community;
 - d. to develop cooperation among cooperatives and between the Cooperatives and other business entities, either in the national or international level.
- (2) To perform the concerned activities, the Cooperatives shall collectively collect Cooperative fund.

Article 59

The organization established as intended in Article 57 paragraph (1) shall be legalized by the Government.

CHAPTER XII

GUIDANCE

Article 60

- (1) The Government shall create and develop the atmosphere and condition stimulating the growth and socialization of the Cooperatives.
- (2) The Government shall provide guidance, facilities, and protection to Cooperatives.

Article 61

In the effort of creating and developing the atmosphere and condition stimulating the growth and socialization of Cooperatives, the Government shall:

- a. provide the widest business opportunities to the Cooperatives;
- b. improve and strengthen the Cooperatives' capability to become sound, tough and independent Cooperatives.
- c. to strive for business relationship between the Cooperatives and other business entities which is beneficial to each other;
- d. to socialize the Cooperative in the society.

Article 62

In the context of providing guidance and facilities to the Cooperatives, the Government shall:

- a. guide the Cooperative business which is appropriate to the economic interest of the members;
- b. stimulate, develop, and assist the performance of education, training, information and research in the cooperative system;
- c. provide facilities to strengthen the capital of the Cooperative and develop the financial institutions of the Cooperatives;
- d. assist in the development of Cooperative business network and cooperation among Cooperatives which is beneficial to each other;
- e. provide consultation assistance in solving the problems encountered by the Cooperatives by constantly taking the Articles of Association and Cooperative principles into account.

Article 63

- (1) In the context of providing protection to the Cooperative, the Government can:
 - a. decide the fields of the economic activity which may only be carried out by Cooperatives;
 - b. decide that the fields of the economic activity in a region which have successfully been conducted by a Cooperative not to be conducted by other business entities.
- (2) The requirements and procedures on the implementation as intended in paragraph (1) shall further be arranged with the Government Regulation.

Article 64

The guidance as mentioned in Article 60, Article 61, Article 62, and Article 63 shall be conducted by paying attention to the condition and interest of national economy, and the equality in business opportunity and job opportunity.

CHAPTER XIII

TRANSITIONAL PROVISIONS

Article 65

Cooperatives already having legal entity status at the time this Law comes into force, shall be declared as having obtained the legal entity status on the basis of this Law.

CHAPTER XIV

CLOSING PROVISIONS

Article 66

- (1) With the enforcement of this Law, Law Number 12 Year 1967 concerning the Principles of Cooperatives (State Gazette Year 1967 Number 23, Supplement to

the State Gazette Year 1967 Number 2832) shall be declared as no longer effective.

- (2) The regulations for the implementation of Law Number 12 Year 1967 concerning the Principles of Cooperatives (State Gazette Year 1967 Number 23, Supplement to the State Gazette Year 1967 Number 2832) shall be declared as still in effect provided that they are not contradictory to or have not been amended on the basis of this Law.

Article 67

This Law shall commence to become effective as of the date of its stipulation.

For public cognizance, this Law shall be announced by publishing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
On October 21, 1992

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

sgd.

SOEHARTO

Enacted in Jakarta
On October 21, 1992

THE STATE SECRETARY OF THE REPUBLIC OF INDONESIA,

sgd.

MOERDIONO

ELUCIDATION
ON
THE LAW OF THE REPUBLIC OF INDONESIA
NUMBER 25 YEAR 1992
CONCERNING
COOPERATIVES

I. GENERAL

The 1945 Constitution particularly Article 33 paragraph (1) states that the Indonesian economy shall be arranged as joint business on the basis of family principles. Furthermore the elucidation on Article 33 shall among others state that it is the people's welfare which should be prioritized, not individual welfare, and the suitable form of enterprise shall be the cooperative. The elucidation on Article 33 shall place the Cooperative in the position as principal factor of national economy as well as an integrated part of the national economic system.

By paying attention to the above-referenced position of the Cooperative, the role of Cooperative is very important in growing and developing the people's economic potentials as well as in realizing the economic democratic life which have the characteristics of democratic, togetherness, family and openness characteristics. In such economic life the Cooperative should have operating space and business opportunities in connection with the people's economic life. However, in the economic development which is running so quickly, the growth of Cooperative so far has not yet shown its actual form and role as intended in the 1945 Constitution. The regulations of the existing laws have still not yet fully accommodated matters required to support the performance of Cooperative as a business entity or as a public economic movement. Therefore, in order to harmonize it with the dynamic progress of environment, it is necessary to have new legal foundation capable to stimulate the Cooperative to grow and develop stronger and more independently.

It is necessary that the development of Cooperative be directed that it shall be more active in its role in national economy. Its development shall be directed in order that the Cooperative really applies the principles of Cooperative and the economic business principles. Therefore, the Cooperative shall represent an economic organization which is stable, democratic, autonomy, participative, and of social nature. The development of Cooperative shall basically be intended to stimulate in order that the Cooperative perform its business activities and to play the main role in the people's economic life.

This Law confirms that the provision of the legal entity status of Cooperative, the legalization on the amendment to the Articles of Association, and the guidance on Cooperative shall represent the authorities and responsibilities of the Government. In the implementation, the Government can delegate the authorities to the Minister in the Field of Cooperative. However, this does not mean that the Government interferes with the internal business of the Cooperative organization and remains paying attention to the principles of independence of the Cooperative.

The Government, both central and regional, shall create and develop the atmosphere and condition stimulating the growth and socialization of Cooperative. The Government shall also provide guidance, facilities and protection to the Cooperative. Furthermore, the Government can decide the fields of the economic activity which can only be conducted by the Cooperative. Besides the Government can also decide that the fields of the economic activity in a certain region which have successfully been run by a Cooperative shall not be run by other business entities. This shall be conducted by paying attention to the interest of the national economy and the visualization of equal business opportunities.

This Law also provides the opportunities to Cooperatives to strengthen their capitals through the mobilization of investment from the members or non members. With this possibility, the Cooperative will be able to collect more funds for business expansion. In line with this matter, a thought toward the development of the management of the Cooperative shall be invested in a professional manner.

On the basis of the above-referenced matter , this Law confirms the identity, objectives, position, role, management, business, and capital of the Cooperative as well as the development of Cooperative, that the realization of the life of the Cooperative as instructed in Article 33 of the 1945 Constitution.

II. ARTICLE BY ARTICLE

Article 1

Number 1

Sufficiently clear

Number 2

Intended with the life of the Cooperative shall be the aspects closely related to the establishment of Cooperative, such as principles, ideology, organization, management, business, education, development and so forth.

Number 3

Sufficiently clear

Number 4

Sufficiently clear

Number 5

Sufficiently clear

Article 2

Sufficiently clear

Article 3

Sufficiently clear

Article 4

Sufficiently clear

Article 5

The Principles of Cooperatives shall represent a unit and shall be inseparable from the life of the cooperative. By implementing the whole said principles the Cooperative shall visualize itself as a business entity simultaneously as an people's economic movement with social character.

Paragraph (1)

These Principles of Cooperatives shall represent the essence of the basis of the work of Cooperative as a business entity and shall represent the special characteristics and identities of the Cooperative differentiating it from other business entities.

Point a

The volunteering characteristics in the Cooperative membership shall contain a meaning that becoming the members of Cooperative may not be forced by anyone. The volunteering characteristics shall also contain a meaning that a member can resign from the Cooperative in accordance with the requirements stipulated in the Articles of Association of the Cooperative.

Whereas the open characteristic shall mean that in the membership no limitation or discrimination in any forms shall be applied.

Point b

The principles on democracy shall indicate that the management of Cooperative shall be conducted at the intention and decision of the members. It is the members that hold and implement the highest authority in the Cooperative.

Point c

The distribution of the balance of business earnings to the members shall be conducted not merely on the basis of the capital owned by an individual in the Cooperative but also on the basis of the ratio of the business service of the members to the Cooperative. Such provision shall represent the visualization of the value of family and justice.

Point d

The capital in the Cooperative shall basically be used to the members' benefit and not just for seeking profit. Therefore, rewards to the capital extended by the members are also limited, and it is not only based on the total capital extended. Intended with limited shall be reasonable in a sense of not exceeding the interest rate which is applicable in the market.

Point e

Self reliance shall have the meaning of independent, not depending on others based on the reliance to own consideration, decision, capability, and business. Self reliance shall also have the meaning of responsible freedom, autonomy, self-operated business, accounting for own action and the intended for self management.

Paragraph (2)

Besides the five principles as intended in Paragraph (1), for self development the Cooperative may also perform two other principles of Cooperatives, namely cooperative education and cooperation among cooperatives.

The performance of cooperative education and cooperation among cooperatives shall represent the principles of Cooperatives which are important in improving the capability, broadening the members' view, and strengthening the solidarity in accomplishing the Cooperative objectives. The concerned Cooperation can be conducted among cooperatives in the local, regional, national and international levels.

Article 6

Paragraph (1)

This requirement shall be intended to maintain the feasibility of business and life of the Cooperative. The founders shall be the people who meet the membership requirements and have the same economic interests.

Paragraph (2)

Sufficiently clear

Article 7

Paragraph (1)
Sufficiently clear

Paragraph (2)
Intended with the place of domicile shall be the permanent address of the Cooperative 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 time period for the establishment of the Cooperative can be decided in a certain or unlimited time period in accordance with its objectives.

Point i
Sufficiently clear

Point j
The sanctions in this provision shall be the sanctions internally arranged by each Cooperative, which are imposed to the Managers, Supervisors, and members violating the provisions in the Articles of Association.

Article 9

Sufficiently clear

Article 10

Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Paragraph (3)
Sufficiently clear

Article 11

Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Paragraph (3)
Sufficiently clear

Article 12

Paragraph (1)

Sufficiently clear

Paragraph (2)

With this provision it is intended that only basic amendments which should be requested for the Government legalization, that is the amendments concerning the merger, segregation and amendment in the field of business. The concerned legalization in case of merger and amendment in the field of business shall represent the legalization on the amendment to the Articles of Association, and in case of segregation shall represent the legalization on the amendment to the Articles of Association and or the legalization on the new legal entity. The legalization on the amendment on the field of business on the Cooperative intended in this provision shall not reduce the opportunities for the Cooperative to try all businesses in the field of economy.

Article 13

Sufficiently clear

Article 14

Paragraph (1)

The merger or known with the term of amalgamation, and fusion can only be conducted if it is based on the consideration for the development and/or efficiency of the business in the management of Cooperative in accordance with the interest of members. In case of the merger and fusion requires the legalization on the Articles of Association or new legal entity, it shall be conducted in accordance with the provisions regulated in this Law.

Paragraph (2)

Sufficiently clear

Article 15

The definition of Secondary Cooperative shall cover all Cooperatives established by and having Primary Cooperatives and/or Secondary Cooperatives members. On the basis of the equality of interest and efficiency purpose, Secondary Cooperative can be established by the same type of Cooperative or various Cooperatives or the level. In case that the Cooperative establishes Secondary Cooperatives in various kinds or levels, which are so far known as Central, Joint, and Main, the number of levels or names shall be regulated by the related Cooperative.

Article 16

The basis for deciding the kinds of Cooperative shall be the similarity of activities, interest and economic needs of their members, such as Loan Saving Cooperative, Consumer Cooperative, Producing Cooperative, Marketing Cooperative, and Service Cooperative. Particularly for Cooperative established by functional groups such as government employees, members of the Armed Forces, employees and so forth, shall not represent a separate kind of Cooperative.

Article 17

Paragraph (1)

As the owners and users of Cooperative services, the members shall actively participate in the Cooperative activities. However, as long as it does not disturb its interest, the Cooperative can also provide services to non-members in accordance with the nature of its business activities with the intention to attract the non-members to become members of the Cooperative.

Paragraph (2)
Sufficiently clear

Article 18

Paragraph (1)
Those who can become members of the Primary Cooperative shall be the individuals who have been capable to take legal actions and meet the requirements stipulated by the said Cooperative. This matter is intended as the consequence of the Cooperative as a legal entity. However, especially for pupils, students and/or those parties treated equally or considered as not having been able to take legal actions can establish Cooperatives, but the said Cooperatives are not legalized as legal entities and their status are only listed Cooperatives.

Paragraph (2)
In case that there are people having the intention to acquire the services and become the members of Cooperative, but can not fully meet the requirements as stipulated in the Articles of Association, they can be accepted as extra-ordinary members. This provision shall give the opportunity to non-Indonesian citizens to become the extra-ordinary members of a Cooperative provided that they meet the regulation of the prevailing laws.

Article 19

Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Paragraph (3)
The membership of Cooperative can basically not be transferred because the requirements to become members of Cooperative shall be the economic interest attached to the concerned member. In case that the member of the Cooperative is deceased, his membership can be continued by the heirs meeting the requirements in the Articles of Association.

This matter shall be intended to maintain the interest of the heirs and to facilitate their process to become members.

Paragraph (4)
Sufficiently clear

Article 20

Paragraph (1)
As a consequence of an individual to become a member of the Cooperative, the member shall have obligations which should be met , namely to follow the provisions existing in the Articles of Association and Rules of Association and the decisions agreed in the Members' Meeting. Recalling that the members are the owners and users of the services having great interest in the business performed

by the Cooperative, the participation of members shall also mean to develop the Cooperative's business. This matter shall also be in line with the rights of the members to use and get the services from their Cooperative. Members shall represent the deciding factor in the life of the Cooperative, therefore it is important for the members to develop and maintain togetherness.

Paragraph (2)
Sufficiently clear

Article 21
Sufficiently clear

Article 22
Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Article 23
Sufficiently clear

Article 24
Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Paragraph (3)
Voting mentioned in this paragraph shall only be conducted by the current members.

Paragraph (4)
Intended with considering the total members and the business services of member-Cooperative in a balanced manner shall be the decision on voting rights shall be conducted in standing with the total members of each member-Cooperative and the volume of the business service of the member-Cooperative on the Secondary Cooperative.

Article 25
Sufficiently clear

Article 26
Paragraph (1)
Sufficiently clear

Paragraph (2)
The deadline of the performance of the Members' Meeting in this provisions shall be no later than 6 (six) months after prior accounting year, but is shall be implemented as soon as possible.

Article 27
Paragraph (1)
Extra-ordinary Members' Meeting shall be held if very much required and it cannot wait for the Members' Meeting.

Paragraph (2)

The request for the Extra-ordinary Members' Meeting by the members may be made due to various reasons, especially if the members evaluate that the Management have performed activities contradictory to the interest of the Cooperative and incur loss to the Cooperative. In the event that the said request is filed in accordance with the provisions of the Articles of Association, the Management should accept it. The Extra-ordinary Members' Meeting on the decision of the Management shall be held for the interest of Cooperative development.

Paragraph (3)

Sufficiently clear

Article 28

Sufficiently clear

Article 29

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Paragraph (3)

Sufficiently clear

Paragraph (4)

Members of the Management whose working period is over maybe reelected.

Paragraph (5)

Sufficiently clear

Article 30

Paragraph (1)

In managing the Cooperative, the Management as the proxy of the Members' Meeting shall carry out the activities only for the interest and benefit of the Cooperative and its members in accordance with the decision of the Members' Meeting.

Paragraph (2)

Sufficiently clear

Article 31

Sufficiently clear

Article 32

Paragraph (1)

This provision shall be intended to bring about professionalism in managing Cooperative businesses. Accordingly, the Management can appoint skilled Managing Officers to manage the businesses of the said Cooperative. The application of the term Officer shall be intended to be able to cover a wider definition to provide an alternative for the Cooperative. Therefore, in accordance with its interest the Cooperative

can appoint the Managing Officers as managers or board of directors. The purpose of the term given the authority and power shall be the delegation of authority and power owned by the Managers. Therefore the Management then no longer perform the authority and power delegated to the Managing Officers and the duty of the Management shall transfer to become supervising the implementation of the authorities and power conducted by the Managing Officers. The size of the delegated authorities and power shall be decided in accordance with the interest of the Cooperative.

Paragraph (2)

That required for approval shall be the appointment of the business managing officer. The selection and appointment of the managing officers shall be conducted by the Management.

Paragraph (3)

Sufficiently clear

Paragraph (4)

Sufficiently clear

Article 33

The working relationship between the Managing Officers and the Management of the Cooperative shall be subject to the provisions of the legal agreement in general. Therefore, the managing Officers shall be fully responsible to the Management. Thereafter working relationship shall be executed in accordance with the contractual agreement.

Article 34

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Article 35

Sufficiently clear

Article 36

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Article 37

The acceptance of accountability of the Management by the Members' Meeting shall mean releasing the Management from their responsibilities in the related accounting year.

Article 38

In case that a Cooperative appoints a managing Officer, Supervisors can be executed permanently or executed when required in accordance with the decision of the Members' Meeting. This condition shall not reduce the definition

of the Supervisor as the element of organization and shall provide opportunities to the Cooperative to select the permanent Supervisors or if necessary in accordance with its needs. Supervisors executed at the said required time shall conduct supervision in accordance with the task assignment given by the Members' Meeting.

Article 39

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Paragraph (3)

Sufficiently clear

Article 40

In the context of increasing efficiency, open management, and protecting interested parties, the Cooperative can ask for audit service from a public accountant. With this provision, the Management can apply for audit service from a public accountant, and does not close the possibility for the said application to be conducted by the Supervisors. For proper execution of audit, the Members' Meeting can make the decision therefor. Intended with Audit service shall be the audit on the financial statements and other audits in accordance with the Cooperative's needs. Besides, the Cooperative can request for other services from the public accountant such as consultation and training.

Article 41

Paragraph (1)

Sufficiently clear

Paragraph (2)

Intended with own capital shall be the risk bearing or that which is called equity capital.

Point a

Main savings shall be the equal amount of money which should be obligated to be paid by the members to the Cooperative upon becoming the members. The main savings cannot be reimbursed as long as the time the related persons are still members.

Point b

Obligatory savings shall be the certain amount of money which is not necessarily equal but should be paid by the members to the Cooperative in a certain time and opportunity. The obligatory savings cannot be reimbursed as long as the related persons are still members.

Point c

Reserves shall be the amount of money which acquired from the reserve of the balance of the business profits, intended to build up own capital and to cover the loss of the Cooperative if required.

Point d
Sufficiently clear

Paragraph (3)

For its business expansion the Cooperative may use loan capital by paying attention to the feasibility and continuity of its business.

Point a
Loans acquired from the members, including candidate members meeting the requirements.

Point b
Loans from other Cooperatives and/or members on the basis of the inter-cooperation cooperative agreement.

Point c
Loans from Banks or other financial institutions shall be made on the basis of the provisions of the regulation of the prevailing laws.

Point d
The issue of bonds and other debt certificates shall be made on the basis of the provisions of the regulation of the prevailing laws.

Point e
Other legal sources shall be the loans from non-members conducted through public offering.

Article 42

Paragraph (1)

The building up of the capital from investments, originating either from the Government or from the society shall be conducted in the context of strengthening the Cooperative's business activities of the Cooperatives especially those in the form of investment. Investment capital holders shall also bear the risks. The investors shall not have the vote in the Members' Meeting and in deciding the Cooperative policies in general. However, the investors may be involved in the management and supervision on invested businesses and the capital in accordance with the agreement.

Paragraph (2)
Sufficiently clear

Article 43

Paragraph (1)

Cooperative's businesses are particularly directed to the fields of business which are directly related to the interest of the members to support their businesses or welfare. In this relation, the management of the Cooperative business should be conducted productively, effectively, and efficiently in the sense that the Cooperative should have the capability to realize the business service which can improve the added values and highest benefits to the members by still considering to obtain normal business earnings. To achieve the above-referenced business capacity, the Cooperative can flexibly try to do business upstream or downstream as well as the various kinds of other related business. The

implementation of the Cooperative businesses can be conducted anywhere, both inside and outside the country, by putting into consideration its business feasibility.

Paragraph (2)

Intended with excessive business capacity of the Cooperative shall be the excess on the capacity of fund and power capacity owned by the Cooperative to serve its members. The excess of the said capacity can be applied by the Cooperative to do business with non-members in order to optimize the economic scale in terms of adding up the business volume and pressing the cost per unit which gives the biggest benefits for the members and to socialize the Cooperative.

Paragraph (3)

In order that the Cooperative can realize its functions and roles as intended in Article 4, the Cooperative shall perform business in all economic sectors and play the main role in the people's economic life. Intended with the people's economic life shall be all economic activities which are conducted and which relate to the interest of many people.

Article 44

Paragraph (1)

In accordance with the provisions in the Law regulating banking, the concerned loan business shall especially be regulated in this Law. The definition of Cooperative members as mentioned in letter a of this paragraph shall include applicant members meeting the requirements. Whereas the provisions in letter b shall be applicable provided that they are based on the said inter-cooperation agreement.

Paragraph (2)

Sufficiently clear

Paragraph (3)

Sufficiently clear

Article 45

Paragraph (1)

Sufficiently clear

Paragraph (2)

The decision on the total division to the members and kinds as well as the amount of other needs shall be made by the Members' Meeting.

Intended with business service shall be business transaction and capital participation.

Paragraph (3)

Sufficiently clear

Article 46

Sufficiently clear

Article 47

Paragraph (1)

The decision on the dissolution due to reasons that the Cooperative's activities are contradictory to public order and/or morality in

this provision shall be proven with the decision of the court's decision.
The decision on the dissolution due to reason that the continuity of its
business life can no longer be expected, among others because it is
declared as bankrupt.

Paragraph (2)
Sufficiently clear

Paragraph (3)
Sufficiently clear

Paragraph (4)
Sufficiently clear

Article 48
Sufficiently clear

Article 49
Paragraph (1)
Intended with Proxy of the Members' Meeting in this paragraph shall be
those who are appointed and given the authority and responsibilities by
the Members' Meeting to execute the tasks related to the dissolution of
the Cooperative.

Paragraph (2)
Sufficiently clear

Paragraph (3)
This provision shall be intended to give protection to the creditors who
have not yet been aware of the dissolution of the Cooperative.

Article 50
Sufficiently clear

Article 51
Sufficiently clear

Article 52
Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Paragraph (3)
Sufficiently clear

Paragraph (4)
This provision shall confirm that the rights and obligations of the
"Cooperative under settlement" shall still exist in order to settle the whole
affairs.

Article 53
Paragraph (1)

Intended with the decision on the dissolution of Cooperative shall be either the decision made by the Members' Meeting or by the decision of the Government.

Paragraph (2)
Sufficiently clear

Article 54

Point a
Sufficiently clear

Point b
Sufficiently clear

Point c
Intended with certain former members shall be those who resign from the Cooperative membership still having the liabilities in accordance with the provisions in the Articles of Association.

Point d
Sufficiently clear

Point e
Sufficiently clear

Point f
Sufficiently clear

Point g
Sufficiently clear

Point h
Sufficiently clear

Article 55

This provision shall represent a confirmation that the members shall only bear the loss limited to the main savings and obligatory savings and the investments. Whereas that representing the loan capital of Cooperatives from the members shall not be included in this provision.

Article 56

Paragraph (1)
Sufficiently clear

Paragraph (2)
Sufficiently clear

Article 57

Paragraph (1)
The said organization does not represent business entity and therefore does not perform economic activities directly. At the time this Law is enacted, this organization called the Indonesian Cooperative Board (DEKOPIN) should further adjust itself to the provisions in this Law. The objectives and activities of the organization must be in accordance with and suitable to the spirit contained in this Law.

Paragraph (2)
Sufficiently clear

Paragraph (3)
The Articles of Association of the concerned organization shall at least include:

- a. name of organization;
- b. objectives of organization;
- c. organization chart;
- d. provisions in respect of the management and its management period;
- e. provisions on the work procedures of organization;
- f. provisions on the Members' Meeting and other meetings;
- g. the provisions on the rights and obligations of members;
- h. the provisions on the financial sources and management;
- i. the provisions on the amendment to the Articles of Association and dissolution;
- j. the provisions on organization sanctions;

Article 58

Paragraph (1)

Point a
Sufficiently clear

Point b
The efforts of increasing the awareness for cooperative among the people shall be conducted through information activities, information spread, issues and development of business groups in the society to be directed into Cooperatives.

Point c
Sufficiently clear

Point d
To build cooperation among cooperatives and between the Cooperative and other business entities, this organization shall encourage the growth and progress of Cooperative institutional network and businesses in the regional, national or international level.

Paragraph (2)
Sufficiently clear

Article 59
Sufficiently clear

Article 60

With this provision, the Government has clear and strong foundation to perform its roles in deciding guidance policies which are required to encourage the growth, progress and socialization of Cooperative. According to self reliance principles, the guidance shall be conducted without interfering the internal affairs of the Cooperative organization.

The growth, expansion and socialization of Cooperative shall represent the efforts taken by the Government so that people at large shall comprehend the ideas of Cooperative and consciously establish and benefit the Cooperative in order to fulfill their economic and social interest. The guidance, easiness and protection from the Government are the efforts of developing the Cooperative which are conducted through the stipulation of policies, the provision of facilities, and necessary consultation for the Cooperative to be able to perform its functions and roles and to accomplish its goals. Accordingly, it is the responsibility of the whole central and regional Government apparatus to take the efforts in supporting the growth, expansion and socialization of Cooperative.

Article 61

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

The harmonized and mutual business relationship between the Cooperative and other business entities shall be an important factor in the context of bring about the national economic system based on the economic democracy. In this relationship the said cooperation should represent a mutual relationship.

Point d

Socializing the Cooperative shall mean socializing the soul and spirit of the Cooperative.

Article 62

Point a

Sufficiently clear

Point b

Sufficiently clear

Point c

This provision confirms the Government's commitment in the effort of fortifying the Cooperative capital system and expanding Cooperative financial institution, since capital is one of the power sources for the business expansion of Cooperative. It is implemented through the expansion of capital investment either from the Government or from the society, and by giving soft requirements and procedures to obtain the loan. The Government also gives guidance and facility to expand financial institutions with Cooperative legal status.

Point d

The development of strong Cooperative business network and close and mutual cooperation among Cooperatives shall represent the important factors in growing the potentials of each Cooperative and the whole Cooperatives.

Point e

Sufficiently clear

Article 63

Paragraph (1)

Point a

This provision clearly reflects the Government's commitment to strengthen the growth and development of the Cooperative as an establishment indicated in the 1945 Constitution. In the context of this commitment the Government can decide certain fields of economy, particularly those which are closely related to people's economic activities, which may only be conducted by the Cooperative. The implementation of this provision shall be of dynamic nature by paying attention to the equilibrium aspects on the national economic condition and interest and the aspect of the even business distribution.

Point b

This provision shall be intended to protect the business continuity of the Cooperative.

Paragraph (2)

Sufficiently clear

Article 64

Sufficiently clear

Article 65

Sufficiently clear

Article 66

Paragraph (1)

Sufficiently clear

Paragraph (2)

Sufficiently clear

Article 67

Sufficiently clear

Note

SOURCE: STATE GAZETTE AND SUPPLEMENT TO THE STATE GAZETTE YEAR 1992