

Official Announcement

* GENERAL *

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

LAW NO. 25/1992
DATED : OCTOBER 21, 1992

R E

C O O P E R A T I V E S

BY GRACE OF THE GOD ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Considering :
- a. that as a mass economic movement and business unit, cooperatives take part in creating an advanced, just and prosperous community on the basis of the state ideology Pancasila and the 1945 Constitution in the national economic order drawn up as a common business on the basis of the principles of collective effort and economic democracy;
 - b. that cooperatives need to develop themselves and to be developed into strong and self-reliant cooperatives on the basis of the principle of cooperatives so as to enable them to play a role as the pillar of the national economy;
 - c. that the development of cooperatives constitutes the task and responsibility of the government and the people as a whole;
 - d. that in order to realize the matters above and to make them compatible with the development of situation, it is necessary to regulate provisions on cooperatives with a law in lieu of Law No. 12/1967 on the principles of cooperatives;

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Bearing in mind : Article 5 paragraph (1), Article 20 paragraph (1),
and Article 33 of the 1945 Constitution;

With the approval of
THE HOUSE OF REPRESENTATIVES

HAS DECIDED :

To Stipulate : THE COOPERATIVES LAW

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Law, meant by :

1. Cooperatives shall be a business unit whose membership is composed of an individual/individuals, or cooperatives and which bases its activities on the principle of cooperatives and acts as a mass economic movement based on the principle of collective effort.
2. Cooperatives affairs shall be anything related to the existence of cooperatives.
3. Primary cooperatives shall be the cooperatives which are established by and whose membership is composed of an individual/individuals.
4. Secondary cooperatives shall be the cooperatives which are established by and whose membership is composed of cooperatives.
5. Cooperatives movement shall be the integrated acts of organising cooperatives and the activities of cooperatives as a whole aimed at realizing the common aspirations of cooperatives.

CHAPTER II

BASE, PRINCIPLE AND OBJECTIVE

Part One

Base and Principle

Article 2

Cooperatives shall be based on the state ideology Pancasila and the 1945 Constitution as well as the principle of collective effort.

Part Two

Objective

Article 3

Cooperatives shall aim at improving the welfare of members in particular and the public in general as well as participating in developing the national economic order within the framework of creating an advanced, just and prosperous community on the basis of the state ideology Pancasila and the 1945 Constitution.

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CHAPTER III
FUNCTION, ROLE AND PRINCIPLE OF COOPERATIVES

Part One
Function and Role
Article 4

The function and role of cooperatives shall be to :

- a. develop the economic potential and capability of members in particular and the community in general to promote their economic and social welfare.
- b. actively participate in an effort to enhance the quality of the life of an individual and community;
- c. strengthen the people's economy as the basis of the strength and stamina of the national economy with cooperatives serving as its pillars;
- d. make an effort to create and develop the national economy as a common effort on the basis of collective effort and economic democracy.

Part Two
Principle of Cooperatives
Article 5

- (1) Cooperatives shall implement principles of cooperatives as follows :
 - a. the membership of cooperatives shall be voluntary and open;
 - b. the management of cooperatives shall be implemented democratically;
 - c. the distribution of profit shall be fair in proportion to the services rendered by each member;
 - d. the repayment of services shall be limited to capital;
 - e. self-reliance.
- (2) In developing cooperatives, cooperatives shall also implement the principles of cooperatives as follows :
 - a. education in cooperatives;
 - b. cooperation among cooperatives.

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CHAPTER IV
ESTABLISHMENT

Part One

Requirements of Establishment

Article 6

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

Article 7

- (1) The cooperatives as referred to in Article 6 shall be established with a deed of establishment which contains a statute.
- (2) Cooperatives shall be domiciled in the territory of the Republic of Indonesia.

Article 8

The statute as referred to in Article 7 paragraph (1) shall at least contain :

- a. name list of founders;
- b. name and domicile;
- c. aim and objective as well as business field;
- d. provision on membership;
- e. provision on meetings of members;
- f. provision on management;
- g. provision on capital;
- h. provision on the period of the establishment of cooperatives;
- i. provision on the distribution of profit;
- j. provision on sanctions.

Part Two

The Status of Legal Entity

Article 9

Cooperatives shall obtain the status of legal entity after the government ratifies their deed of establishment.

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Article 10

- (1) To obtain the ratification as referred to in Article 9, founders of cooperatives shall submit a written application by enclosing the deed of establishment.
- (2) The government shall ratify the deed of establishment within a period of 3 (three) months at the most after receiving the application for ratification.
- (3) The ratification of the deed of establishment shall be announced in the Official Gazette of the Republic of Indonesia.

Article 11

- (1) In the case the government rejects the application for the ratification of the deed of establishment, it shall inform the founders of the reason for the rejection in writing within a period of 3 (three) months at the most after receiving the application.
- (2) As to the ratification of the deed of establishment being rejected, the founders of cooperatives shall be allowed to submit another application within a period of 1 (one) month at the most after the rejection is accepted.
- (3) Decisions on the submission of another application shall be given within a period of 1 (one) month at the most after the submission of another application is accepted.

Article 12

- (1) Changes in statute shall be based on the meeting of members.
- (2) The changes in statute concerning merger, distribution and business fields of cooperatives shall be subject to the ratification by the government.

Article 13

Provision on the requirements and procedures for ratifying the deed of establishment and changes in statute as referred to in Articles 9, 10, 11, and 12 and for rejecting their ratification shall be further stipulated with a Government Regulation.

Article 14

- (1) In order to develop and/or make business activities efficient, one or more cooperatives shall be allowed to :
 - a. merge with other cooperatives; or
 - b. consolidate with other cooperatives to form new cooperatives.
- (2) The merger or consolidation shall be approved by the meeting of members of respective cooperatives.

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Part Three
Form and Type
Article 15

Cooperatives shall take the form of primary cooperatives or secondary cooperative.

Article 16

The type of cooperatives shall be based on the same activities and economic interests of members.

CHAPTER V
MEMBERSHIP
Article 17

- (1) Cooperatives members shall be owners who are also cooperatives service users.
- (2) Cooperatives shall be recorded in a member register.

Article 18

- (1) Those who can become members of cooperatives shall be Indonesian citizens capable of taking legal or cooperatives actions pursuant to requirements as laid down in the statute.
- (2) Cooperatives shall have extraordinary members whose requirements, rights and obligations of membership shall be laid down in the statute.

Article 19

- (1) The membership of cooperatives shall be based on the equality of economic interests in the scope of cooperatives' business activities.
- (2) The membership of cooperatives shall be obtained or shall expire after requirements as laid down in the statute is fulfilled.
- (3) The membership of cooperatives shall not be transferred to somebody else.
- (4) Every member shall have the same right of and the same obligation towards cooperatives as laid down in the statute.

Article 20

- (1) Every member shall have the obligation to :
 - a. comply with the statute and By Laws as well as decisions already agreed upon at meetings of members.

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- b. participate in business activities undertaken by cooperatives.
 - c. develop and maintain the spirit of togetherness on the basis of the principle of collective effort.
- (2) Every member shall have the right to :
- a. attend meetings of members and express opinion and give vote at the meetings.
 - b. choose and/or to be chosen executive board or supervisory board members of cooperatives.
 - c. make requests for meetings of members pursuant to provisions in the statute.
 - d. give opinion or advice to the executive board of cooperatives outside meetings of members, either at the request of the executive board of cooperatives or at his/her own request.
 - e. make use of cooperatives and obtain the same services as other members.
 - f. have information on cooperatives developments pursuant to provisions in the statute.

CHAPTER VI
ORGANIZATIONAL ELEMENTS

Part One
General
Article 21

The organizational elements of cooperatives shall consist of :

- a. Meetings of members;
- b. Executive Board;
- c. Supervisory Board.

Part Two
Meetings of Members
Article 22

- (1) Meetings of members shall constitute the supreme holder of authority in cooperatives.
- (2) Meetings of members shall be attended by members and held pursuant to the statute.

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Article 23

Meetings of members shall stipulate :

- a. Statute;
- b. General policies on the organisation, management and business activities of cooperatives;
- c. Appointment and dismissal of executive board and supervisory board members;
- d. Programmes, plans of budgets of revenue and expenditure, and ratifications of financial statements;
- e. approval of reports on the responsibility of the executive board for the realization of tasks;
- f. distribution of profit;
- g. merger, consolidation, distribution and dissolution of cooperatives.

Article 24

- (1) Decisions of the meeting of members shall be based on a discussion to reach a consensus.
- (2) If no decisions are reached in the discussion, the decisions shall be based on the majority of votes.
- (3) Every member shall have one vote in the case of voting.
- (4) The right to vote in secondary cooperatives shall be regulated in the statute by taking into account the number of members and services rendered by members equality.

Article 25

Meetings of members shall have the right to ask the executive board and supervisory board to give information on and the responsibility for the management of cooperatives.

Article 26

- (1) Meetings of members shall be held once a year.
- (2) To approve reports on the responsibility of the executive board, meetings of members shall be held not later than 6 (six) months after the book year is over.

Article 27

- (1) Apart from the meetings of members as referred to in Article 26, cooperatives shall hold extraordinary meetings of members if circumstances compel members to make immediate decisions of which authority rest upon meetings of members.

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- (2) Extraordinary meetings of members shall be held at the request of a number of cooperatives members or under the decision made by the executive board of which implementation is stipulated in the statute.
- (3) Extraordinary meetings of members shall have the same authority as meetings of members as referred to in Article 23.

Article 28

Requirements, procedures and places for holding meetings of members and extraordinary meetings of members shall be regulated in the statute.

Part Three

Executive Board

Article 29

- (1) Executive board members shall be chosen from and by cooperatives members in a meeting of members.
- (2) Executive board members shall be the holder of authority for holding meetings of members.
- (3) The organisational structure of the executive board and name of executive board members shall be for the first time contained in the deed of establishment.
- (4) The tenure of office of executive board members shall be 5 (five) years at the most.
- (5) The requirements for being chosen and appointed executive board members shall be stipulated in the statute.

Article 30

- (1) The task of executive board members shall be to :
 - a. manage cooperatives and their business activities;
 - b. submit the draft of working plans and the draft of budgets of revenue and expenditure;
 - c. hold meetings of members;
 - d. submit financial statements and reports on the responsibility for the realization of tasks;
 - e. conduct financial accounting and inventory in an orderly way;
 - f. keep the registers of members and executive board members.

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- (2) Members of the executive board shall have the authority to :
- a. represent cooperatives in connection with cases inside and outside a court;
 - b. decide the acceptance and rejection of new members and the dismissal of members pursuant to provisions in the statute;
 - c. take steps and make efforts for the interest and benefit of cooperatives pursuant to their responsibility and decision reached at meetings of members;

Article 31

Executive board members shall be responsible to meetings of members or extraordinary meetings of members for the management of cooperatives and all business activities.

Article 32

- (1) Executive board members shall appoint managers authorized to manage business activities.
- (2) In the case executive board members plan to appoint managers, they shall bring forward the plan to a meeting of members for approval.
- (3) Managers shall be responsible to executive board members.
- (4) The management of business activities by the managers shall not reduce the responsibility of executive board members as referred to in Article 31.

Article 33

The relations between the managers referred to in Article 32 and the executive board of cooperatives shall constitute working relations on the basis of agreements.

Article 34

- (1) Executive board members shall jointly or individually take responsibilities for the losses suffered by cooperatives because of their deliberate acts or acts of negligence.
- (2) Besides compensating the cooperatives for the losses, if the executive board members prove to have deliberately committed the acts it is possible for general prosecutors to file a lawsuit against them.

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Article 35

After the end of the book year, not later than 1 (one) month before an annual meeting of members is held, executive board members shall draw up an annual report containing at least :

- a. an annual calculation consisting of a balance sheet at the end of the last book year and a profit calculation of the current year as well as an explanation of the documents.
- b. the condition and business activities of cooperatives and profit.

Article 36

- (1) The annual report as referred to in Article 35 shall be signed by all executive board members.
- (2) If one of the executive board members does not sign the annual report, the member concerned shall explain in writing the reasons for not signing it.

Article 37

The approval of the annual report, including the ratification of the annual calculation shall constitute the acceptance by meetings of members of responsibilities from executive board members.

Part Four

Supervisory Board

Article 38

- (1) Supervisory board members shall be chosen from and by cooperatives members at a meeting of members.
- (2) Supervisory board members shall be responsible to meetings of members.
- (3) The requirements for being chosen and appointed supervisory board members shall be stipulated in the statute.

Article 39

- (1) The tasks of supervisory board members shall be to :
 - a. supervise the implementation of policies and the management of cooperatives.
 - b. prepare a written report of the results of supervision.

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- (2) Supervisory board members shall have the authority to :
 - a. examine all records existing in cooperatives;
 - b. have all information required.
- (3) Supervisory board members shall keep the results of supervision secret from third parties.

Article 40

Cooperatives shall request audit services from public accountants.

CHAPTER VII

CAPITAL

Article 41

- (1) The capital of cooperatives shall consist of their equity capital and loan capital.
- (2) The equity capital shall be in the form of :
 - a. principal deposits;
 - b. compulsory deposits;
 - c. reserve funds;
 - d. grant.
- (3) The loan capital shall be derived from :
 - a. members;
 - b. other cooperatives and/or their members;
 - c. banks and other financial institutions;
 - d. the issue of bonds and other debentures;
 - e. other legal sources.

Article 42

- (1) In addition to the capital as referred to in Article 41, cooperatives shall accumulate capital derived from capital participation.
- (2) The provision on the accumulation of capital derived from capital participation shall be further regulated with a Government Regulation.

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CHAPTER VIII
FIELD OF BUSINESS
Article 43

- (1) The business of cooperative shall be the business which are directly related to the interests of members to increase their business and welfare.
- (2) Services in excess of cooperatives' capacity shall be used to fulfil the need of the public who are not members of the cooperatives.
- (3) Cooperatives shall undertake business activities and play a main role in all aspects of the economic life of the people.

Article 44

- (1) Cooperatives shall raise funds from and channel them to :
 - a. cooperatives members concerned;
 - b. other cooperatives and/or their members; through credit savings business activities.
- (2) Credit savings business activities shall be undertaken as one of business activities or the only business activities of cooperatives.
- (3) The realisation of credit savings business activities shall be further regulated with a Government Regulation.

CHAPTER IX

PROFIT

Article 45

- (1) Cooperatives' profit shall be income received by cooperatives within one book year minus expenses, depreciation expenses, other obligations including taxes within the relevant book year.
- (2) After being reduced by reserve funds, cooperatives' profit shall be distributed to members in proportion to the services each member has rendered to the cooperatives and used for the purpose of cooperatives education and other purposes pursuant to decisions reached at meetings of members.
- (3) The amount of reserve funds to be accumulated shall be determined at meetings of members.

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CHAPTER X
DISSOLUTION OF COOPERATIVES
Part One
Method of Dissolving Cooperatives
Article 46

Cooperatives shall be dissolved on the basis of :

- a. a decision reached at a meeting of members, or
- b. a government decision.

Article 47

- (1) The government decision on the dissolution of cooperatives as referred to in Article 46 letter b shall be issued if :
 - a. there is proof that the cooperatives concerned fail to fulfil provisions in this law.
 - b. their business activities are contrary to public order and / or ethics.
 - c. their survival cannot be guaranteed any longer.
- (2) The government decision on the dissolution of cooperatives shall be issued not later than 4 (four) months starting from the date on which the cooperatives concerned receive a letter of notification on the plan of dissolution.
- (3) Within a period of not later than 2 (two) months starting from the receipt date of the notification, the cooperatives concerned shall be entitled to file an objection.
- (4) The government decision on the acceptance or rejection of the objection in connection with the plan of dissolution shall be issued not later than 1 (one) month starting from the receipt date of the objection.

Article 48

Provisions on the dissolution of cooperatives by the government and the procedures for the submission of the objection as referred to in Article 47 shall be further regulated with a Government Regulation.

Article 49

- (1) The decision reached at a meeting of members on the dissolution of cooperatives shall be announced in writing by the proxies of a meeting of members to :
 - a. all creditors;
 - b. the government.

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- (2) The government shall announce the plan of dissolution to all creditors, in the case the dissolution is based on a government decision.
- (3) As long as creditors have not yet received notification on the dissolution of cooperatives, the dissolution of cooperatives is not yet valid for them.

Article 50

The notification as referred to in Article 49 shall contain :

- a. name and address of liquidators, and
- b. provisions that all creditors can file claims within a period of (three) months after the receipt date of the notification on the dissolution. 3

Part Two

Liquidation

Article 51

For the interest of creditors and cooperatives members, the dissolution of cooperatives shall be done through liquidation.

Article 52

- (1) The liquidation shall be done by liquidators.
- (2) To liquidate cooperatives on the basis of decisions reached at meetings of members, liquidators shall be appointed by a meeting of members.
- (3) To liquidate cooperatives on the basis of government decisions, the liquidators shall be appointed by the government.
- (4) As long as cooperatives are in the process of liquidation, they remain to exist with the name "Cooperatives in liquidation".

Article 53

- (1) Liquidation shall be done shortly after decisions on the dissolution of cooperatives are issued.
- (2) Liquidators shall be responsible to the proxies of a meeting of members if they are appointed by a meeting of members and to the government if they are appointed by the government.

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Article 54

Liquidators shall have the right, authority and obligation to :

- a. take legal actions for the interest of and on behalf of "cooperatives in liquidation".
- b. collect all information required.
- c. summon certain executive board members, members and former members, either individually or jointly.
- d. obtain, examine and use all notations/records and file(s) of the Cooperatives.
- e. determine and make the payment for liabilities which have priority over the other.
- f. use the remaining assets of cooperatives to settle the payment for the remaining liabilities of cooperatives.
- g. distribute the remaining assets as a result of liquidation to members.
- h. prepare an official report on liquidation.

Article 55

In the case of dissolution of cooperatives, members shall only be responsible for losses to the maximum of the principal deposits, compulsory deposits, and capital participation they own.

Part Three

Abolition of Legal Entity Status

Article 56

- (1) The government shall announce the dissolution of cooperatives in the Official Gazette of the Republic of Indonesia.
- (2) The legal entity status of cooperatives shall be abolished as from the announcement date of the establishment of cooperatives in the Official Gazette of the Republic of Indonesia.

CHAPTER XI

COOPERATIVES MOVEMENT INSTITUTION

Article 57

- (1) Cooperatives shall jointly establish a sole organisation which functions as a forum to strive for interest and to channel aspirations.
- (2) This organisation shall be based on the principle of the state ideology Pancasila.

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- (3) The name, structure, and working system of the organisation shall be regulated in the statute of the organisation concerned.

Article 58

- (1) The organisation shall carry out activities to :
- a. strive for the interest of and channel aspirations of cooperatives;
 - b. promote the people's awareness of the importance of cooperatives;
 - c. provide cooperatives training for members and the public;
 - d. develop cooperation between cooperatives, and between cooperatives and other business units, either at national or international level.
- (2) To carry out the activities, cooperatives shall jointly raise funds for cooperatives.

Article 59

The organisation as referred to in Article 57 paragraph (1) shall be ratified by the government.

CHAPTER XII

DEVELOPMENT

Article 60

- (1) The government shall create and develop a climate and condition which encourage the growth and popularisation of cooperatives.
- (2) The government shall give guidance, facility, and protection to co-operatives.

Article 61

In an effort to create and develop the climate and condition which encourage the growth and popularisation of cooperatives, the government shall :

- a. give the widest business opportunities to cooperatives;
- b. promote and strengthen the competence of cooperatives to make them sound and self-reliant.
- c. strive for mutually beneficial working relations between cooperatives and other business units.
- d. popularize cooperatives among the people.

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Article 62

In an effort to give guidance and facility to cooperatives, the government shall :

- a. develop the business activities of cooperatives pursuant to the economic interest of their members;
- b. encourage, develop, and help the realisation of education, training, counselling and research in cooperatives affairs.
- c. give facility to strengthen the capital of cooperatives and develop cooperatives financial institutions.
- d. help develop cooperatives' business networks and mutually beneficial cooperation between cooperatives;
- e. give consultative aid to cooperatives to solve their problems by taking into account the statute and the principle of cooperatives.

Article 63

- (1) In an effort to give protection to cooperatives, the government shall:
 - a. determine fields of economic activities which can only be carried on by cooperatives;
 - b. determine fields economic activities in an area which has successfully been carried on by cooperatives so as to prevent other business units to carry on it.
- (2) The requirements and procedures for giving protection to cooperatives as referred to in paragraph (1) shall be further regulated with a Government Regulation.

Article 64

The development as referred to in Articles 60, 61, 62, and 63 shall be realized by taking into account the condition and interest of the national economy, equitable distribution of business and job opportunities.

CHAPTER XIII

TRANSITIONAL PROVISIONS

Article 65

Cooperatives already having legal entity status at the moment of the enforcement of this law shall be declared to have obtained legal entity status on the basis of this law.

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CHAPTER XIV

CONCLUSION

Article 66

- (1) With the enforcement of this law, law No. 12/1967 on the principles of cooperatives (State Gazette of 1967 No. 23, Supplement to State Gazette of 1967 No. 2832) shall be declared null and void.
- (2) The implementation regulations of law No. 12/1967 on the principles of cooperatives (State Gazette of 1967 No. 23, Supplement to State Gazette of 1967 No. 2832) shall remain valid as long as they are not contrary to or have not been amended on the basis of this law.

Article 67

This law shall come into force as from the date of promulgation.

For public cognizance, this law be promulgated by placing it in the State Gazette of the Republic of Indonesia.

Ratified in : JAKARTA

On : OCTOBER 21, 1992

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

signed

S O E H A R T O

Promulgated in : JAKARTA

On : OCTOBER 21, 1992

THE MINISTER/STATE SECRETARY OF THE
REPUBLIC OF INDONESIA

signed

M O E R D I O N O

STATE GAZETTE OF THE REPUBLIC OF INDONESIA 1992 NUMBER 116

ELUCIDATION

(TO BE CONTINUED)

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