

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;

RD.

3953

CAFI 148 / 10-12-1992.

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.

RD.

3954

CAFI 148 / 10-12-1992.

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.

RD.

3955

CAFI 148 / 10-12-1992.

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.

RD.

3956

CAF1 148 / 10-12-1992.

#### 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.

RD.

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.

RD.

3958

CAFI 148 / 10-12-1992.

- 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.

RD!

#### 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.

RD.

3960

CAFI 148 / 10-12-1992.



- (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.

- (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.

RD.

3962

CAFI 148 / 10-12-1992.

#### 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 co-operatives.
  - b. prepare a written report of the results of supervision.

- (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.

RD.

3964

CAFI 148 / 10-12-1992.

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.

RD.

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.

RD.

3966

CAFI 148 / 10-12-1992.

- (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 3 (three) months after the receipt date of the notification on the dissolution.

#### 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.

RD.

3967

#### 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.

RD.

3968

CAFI 148 / 10-12-1992.



- (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.

RD.

#### 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.

RD.

3970

CAFI 148 / 10-12-1992.

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

SOEHARTO

Promulgated in : JAKARTA

On : OCTOBER 21, 1992

THE MINISTER/STATE SECRETARY OF THE  
REPUBLIC OF INDONESIA

signed

MOERDIONO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA 1992 NUMBER 116

ELUCIDATION

(TO BE CONTINUED)

RD.

CAFI 148 / 10-12-1992.

3971

=====  
\* 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

( Continued from Warta CAFI Number : 148      Dated : December 10, 1992      )

ELUCIDATION  
ON

LAW NO. 25/1992

R E

COOPERATIVES

#### I. GENERAL

The 1945 Constitution especially Article 33 paragraph (1) states that Indonesian economy is designed as a common effort on the basis of the principle of collective effort. The elucidation of Article 33 among others states that public prosperity has a top priority over individual prosperity and the model of company appropriate to that effect is cooperatives. Article 33 places cooperatives in a position either as the pillar of national economy of national economy or the integral part of national economic order.

Taking into consideration the position of cooperatives referred to above, cooperatives play a very important role in fostering and developing the people's economic potential as well as in creating the life of economic democracy which has the characteristics of democracy, togetherness, collective effort, and openness. In such economic life, cooperatives should have wide movement space and business opportunities relating to the economic life of the people. In the fast growing economic development, however, cooperatives growth has not fully indicated its shape and role as meant in the 1945 Constitution. The existing law has not also fully accommodated matters to support efforts to make cooperatives either business units or mass economic movement. Therefore, to make cooperatives compatible with dynamic developments, there should be new legal basis which enables cooperatives to grow and develop more strongly and autonomously.

RD.

4039

CAFI 151 / 17-12-1992.

There is need to direct the development of cooperatives so that they play a bigger role in the national economy. The development of cooperatives should be directed to enable them to apply the principles of cooperatives and economic business. Therefore, cooperatives will constitute stable, democratic and autonomous organisations which have social characters. Basically, the development of cooperatives is aimed at encouraging them to run business activities and play a main role in the economic life of the people.

This law affirms that the granting of legal entity status to cooperatives, the ratification of the change in statute, and the development of cooperatives are the authority and responsibility of the government. In this connection, the government can delegate the authority to the ministers in charge of cooperatives. This does not mean that the government intervenes in the internal affairs of cooperatives, however, it remains attentive to the principle of cooperatives' self-reliance.

Both central and regional governments create and develop a climate and condition which encourage the growth and popularisation of cooperatives. The government also gives guidance, facility and protection to cooperatives. The government can determine fields of economic activities that only cooperatives can carry on. In addition, the government can also determine fields of economic activities in certain areas that cooperatives have successfully carried on so as to prevent other business units from carrying on economic activities in the areas. This is done by taking into consideration the interest of the national economy and the realisation of the equitable distribution of business opportunities.

This law also gives opportunities to cooperatives to strengthen their capital through the mobilization of capital participation from both members and non-members. This will make it possible for cooperatives to raise funds to develop their business. In line with this, this law implants thought towards the professional management of cooperatives.

Based on the matters above, this law is enacted with the aim of clarifying and affirming the identity, objective, position, role, management, business and capital of cooperatives as well as developing cooperatives so as to ensure the creation of the life of cooperatives as stated in Article 33 of the 1945 Constitution.

## II. ARTICLE BY ARTICLE

### Article 1

#### Figure 1

Self - Explanatory

#### Figure 2

Hereinafter referred to as the life of cooperatives is the aspect closely linked to the development of cooperatives, such as philosophy, ideology, organisation, management, business, education, guidance and so forth.

RD.

Figure 3  
Self - Explanatory

Figure 4  
Self - Explanatory

Figure 5  
Self - Explanatory

Article 2  
Self - Explanatory

Article 3  
Self - Explanatory

Article 4  
Self - Explanatory

Article 5

The principles of cooperatives constitutes an integral part and cannot be separate from one another in the life of cooperatives. By implementing all of the principles, cooperatives can become business units as well as mass economic movement which have social characters.

Paragraph (1)

The principles of cooperatives constitute the essence of the work basis of cooperatives as business units and constitute the typical characteristic and identity of cooperatives to distinguish themselves from other business units.

Letter a

The nature of being voluntary in the membership of cooperatives means that nobody is allowed to force other people to become cooperatives members. The nature of being voluntary also means that a member can retire from the cooperatives pursuant to requirements stipulated in the statute. The nature of being open means that there is no any form of restriction or discrimination in the membership of cooperatives.

Letter b

The principles of democracy indicate that cooperatives are managed on the basis of the initiative and decision of members. It is the members who hold and implement the supreme authority in cooperatives.

Letter c

The distribution of profit to members is conducted not only on the basis of the capital that each member possesses in the cooperatives but also the proportion to the service that each member has rendered to the cooperatives. This provision constitutes the realisation of the value of collective effort and justice.

RD.

4041

CAFI 151 / 17-12-1992.

Letter d

The capital of cooperatives is basically used for the benefit of members and is not merely used as a means of gaining profit. Therefore, the repayment of services to members for their capital is also limited, and is not merely based on the amount of their capital. Herein -- after referred to as being limited is reasonable in the sense that it does not exceed interest rates prevailing on the market.

Letter e

Self-reliance means that cooperatives should be able to be self-reliant without depending on other parties and should be confident of their own consideration, decisions, capabilities and businesses. Included in the definition of self-reliance is also freedom which contains the sense of responsibility, autonomy and self-supporting and which takes responsibility for their own action and desire to manage themselves.

Paragraph (2)

In addition to the five principles as referred to in paragraph (1), cooperatives also implement two other principles cooperatives education and cooperation among cooperatives --to develop themselves. The organisation of cooperatives education and the establishment of cooperation among cooperatives constitute the important principles of cooperatives to enhance their capability, widen the insight of their members, and strengthen solidarity among members in order to create the aim of cooperatives. The said cooperatives can be established by cooperatives at local, regional, national and international levels.

Article 6

Paragraph (1)

This requirement is intended to maintain the feasibility of business and the life of cooperatives. Individual/individuals who establish cooperatives are those fulfilling the requirements of membership and having the same economic interests.

Paragraph (2)

Self - Explanatory

Article 7

Paragraph (1)

Self - Explanatory

Paragraph (2)

Hereinafter referred to as domicile is the permanent address of cooperatives.

RD.

4042

Article 8

Letter a  
Self - Explanatory

Letter b  
Self - Explanatory

Letter c  
Self - Explanatory

Letter d  
Self - Explanatory

Letter e  
Self - Explanatory

Letter f  
Self - Explanatory

Letter g  
Self - Explanatory

Letter h  
The period of the establishment of cooperatives can be limited to a certain period or is not limited pursuant to the objective of establishing cooperatives.

Letter i  
Self - Explanatory

Letter j  
The sanctions in this provision are the internal sanctions regulated by cooperatives and imposed on executive board members, supervisory board members, and members for violating provisions in the statute.

Article 9

Self - Explanatory

Article 10

Paragraph (1)  
Self - Explanatory

Paragraph (2)  
Self - Explanatory

Paragraph (3)  
Self - Explanatory

Article 11

Paragraph (1)  
Self - Explanatory

Paragraph (2)  
Self - Explanatory

Paragraph (3)  
Self - Explanatory

RD.

4043

CAFI 151 / 17-12-1992.



Article 12

Paragraph (1)

Self - Explanatory

Paragraph (2)

This provision affirms that only fundamental changes, including merger, distribution, and changes in business fields, need to be ratified by the government. The ratification of merger and changes in business fields constitutes the ratification of changes in the statute, and the ratification of distribution constitutes the ratification of changes in the statute and or the ratification of a new legal entity. The ratification of changes in cooperatives' business fields as meant in this provision does not reduce cooperatives' opportunities to carry on business in all economic fields.

Article 13

Self - Explanatory

Article 14

Paragraph (1)

Merger also known as amalgamation, and consolidation can be done only on the basis of consideration to develop business activities and / or manage them efficiently pursuant to the interests of members. Merger and consolidation which need the ratification of the statute or a new legal entity are conducted pursuant to provisions in this law.

Paragraph (2)

Self - Explanatory

Article 15

The definition of secondary cooperatives includes all cooperatives which are established by and whose members are primary cooperatives and/or secondary cooperatives. Based on the equality of interest and the purpose of efficiency, cooperatives of the same type or cooperatives of various types or levels can establish secondary cooperatives. In the case of cooperatives establishing secondary cooperatives such as those currently known as central, combined and parent cooperatives, the related cooperatives should regulate the number of levels and the amount of investments.

Article 16

The similarities between the activities, interests and needs of members serve as the basis for determining the types of cooperatives, such as credit savings cooperatives, consumer cooperatives, producer cooperatives, marketing cooperatives, and service cooperatives. Cooperatives established by functional groups, such as civil servants, armed forces members, employees and so forth, do not constitute the type of separate cooperatives.

RD.

4044

#### Article 17

##### Paragraph (1)

As owners and service users, members of cooperatives should actively participate in the activities of the cooperatives. The cooperatives can give services to non members pursuant to the nature of business activities of cooperatives with the aim of inviting them to become members as long as their membership does not harm the interests of the existing members.

##### Paragraph (2)

Self - Explanatory

#### Article 18

##### Paragraph (1)

Those who can become members of primary cooperatives are individual / individuals already capable of taking legal actions and fulfilling requirements that the related cooperatives have already determined. This is intended as the consequence of the establishment of cooperatives as legal entities. However, especially students and/or those who have the same rank as students and are incapable of taking legal actions can establish cooperatives which are not approved as legal entities but have the status of registered cooperatives.

##### Paragraph (2)

In the case other individuals who want to get services and become members of cooperatives but fail to fulfil all requirements as laid down in the statute, they can be accepted as extraordinary members. This provision gives opportunities to non citizens residents to become extraordinary members of cooperatives as long as they fulfil provisions in the law in force.

#### Article 19

##### Paragraph (1)

Self - Explanatory

##### Paragraph (2)

Self - Explanatory

##### Paragraph (3)

The membership of cooperatives cannot basically be transferred to somebody else because the requirements for becoming members of the cooperatives are economic interests inherent in the members concerned. If the members of cooperatives die, their membership can be transferred to their heirs fulfilling requirements as laid down in the statute. This is intended to protect the interests of heirs and facilitate the process of their membership in the cooperatives.

##### Paragraph (4)

Self - Explanatory

RD.

4045

CAFI 151 / 17-12-1992.

Article 20

Paragraph (1)

As the consequences of the membership of cooperatives, members of the cooperatives must fulfil obligations, such as complying with provisions in the Statute and the By Laws as well as decisions already reached at meetings of members. Considering that as owners and service users, members of the cooperatives have many interests in the business the cooperatives carry on, the members' participation in the cooperatives means developing the business of the cooperatives. This is also in line with the rights of the members to utilize and receive services from the cooperatives. Members play a decisive role in the life cooperatives, therefore, it is important for them to develop and maintain the spirit of collective effort.

Paragraph (2)

Self - Explanatory

Article 21

Self - Explanatory

Article 22

Paragraph (1)

Self - Explanatory

Paragraph (2)

Self - Explanatory

Article 23

Self - Explanatory

Article 24

Paragraph (1)

Self - Explanatory

Paragraph (2)

Self - Explanatory

Paragraph (3)

Voting as referred to in this paragraph should be done by members who are present.

Paragraph (4)

Hereinafter referred to as taking into account the number of members and the services of member cooperatives equally is determining voting rights in proportion to the number of members of each member cooperatives and the services that member cooperatives have rendered to their secondary cooperatives.

RD.

Article 25

Self - Explanatory

Article 26

Paragraph (1)

Self - Explanatory

Paragraph (2)

A meeting of members in this provision should be held not later than 6 (six) months after the book year is over, however, in practice it can be held as soon as possible.

Article 27

Paragraph (1)

An extraordinary meeting of members should be held if it is badly need ed and cannot await until a meeting of members is held.

Paragraph (2)

Members can make a request for an extraordinary meeting of members for a number of reasons, particularly if they have found executive board members carrying out activities which are against the interests of co-operatives and inflict losses on the cooperatives. If the request has been made, the executive board members should fulfill it. An extraor - dinary meeting of members on the basis of the decisions of executive board members should be held to develop cooperatives.

Paragraph (3)

Self - Explanatory

Article 28

Self - Explanatory

Article 29

Paragraph (1)

Self - Explanatory

Paragraph (2)

Self - Explanatory

Paragraph (3)

Self - Explanatory

Paragraph (4)

Executive board members whose tenure of office expires can be re-elected.

Paragraph (5)

Self - Explanatory

RD.

#047

CAFI 151 / 17-12-1992.

## Article 30

### Paragraph (1)

In managing cooperatives, as proxies of a meeting of members, executive board members should carry out activities solely for the interests and benefit of cooperatives and their members pursuant to the decisions reached at a meeting of members.

### Paragraph (2)

Self - Explanatory

## Article 31

Self - Explanatory

## Article 32

### Paragraph (1)

This provision is intended to create professionalism in managing the business of cooperatives. Therefore, executive board members can appoint professional managers to manage the business of the related cooperatives. The use of the term manager is intended to cover the widest definition of manager and to give options to cooperatives. Therefore, in line with their interests, cooperatives can appoint managers, who can also serve as directors. Hereinafter referred to as being authorized is the delegation of authority from executive board members. In this way, executive board members no longer exercise the authority they have delegated to managers but supervise the managers in exercising the authority. The extent of authority to be delegated is stipulated pursuant to the interests of cooperatives.

### Paragraph (2)

The plan to appoint business managers needs an approval. Business managers should be selected and appointed by executive board members.

### Paragraph (3)

Self - Explanatory

### Paragraph (4)

Self - Explanatory

## Article 33

The working relations between managers and executive board members of cooperatives should comply with provisions in the law on agreements in general. In this way, the managers should fully be responsible to the executive board members. The working relations which have been agreed upon should be then realised on a contract basis.

## Article 34

### Paragraph (1)

Self - Explanatory

### Paragraph (2)

Self - Explanatory

RD.

Article 35

Self - Explanatory

Article 36

Paragraph (1)

Self - Explanatory

Paragraph (2)

Self - Explanatory

Article 37

The acceptance by meetings of members of responsibilities from executive board members means exempting executive board members from their responsibilities in the relevant book year.

Article 38

In the case of cooperatives appointing managers, supervisory board members can be appointed permanently or whenever needed pursuant to decisions reached at a meeting of members. This does not abridge the role of supervisory board members as the instrument of organisation and gives opportunities to cooperatives to appoint supervisory board members permanently or whenever needed. The supervisory board members who are appointed whenever needed should conduct supervision pursuant to the assignment given by the meeting of members.

Article 39

Paragraph (1)

Self - Explanatory

Paragraph (2)

Self - Explanatory

Paragraph (3)

Self - Explanatory

Article 40

Within the framework of increasing efficiency, ensuring open management, and protecting their parties concerned, cooperatives can request audit services from public accountants. Under this provision, executive board members can request audit services from public accountants. It is also possible for supervisory board members to make such a request. To carry out audit as desired, a meeting of members can stipulate provisions to that effect. Hereinafter referred to as audit services are the audit of financial statements and the audit of other matters pursuant to the need of cooperatives. Apart from that, the cooperatives can also ask the public accountants for other services, such as consultation and training.

RD.

4049

CAFI 151 / 17-12-1992.

Article 41

Paragraph (1)  
Self - Explanatory

Paragraph (2)  
Hereinafter referred to as equity capital is the capital taking the risk.

Letter a  
The principal deposit is the deposit of which amount members must pay to cooperatives at the time when they joint it is the same. The principal deposit cannot be withdrawn as long as the parties concerned still become members.

Letter b  
The compulsory deposit is certain deposit, of which amount members must pay to cooperatives at the time when they joint it is not necessarily the same. The compulsory deposit cannot be withdrawn as long as the parties concerned still become members.

Letter c  
The reserve fund is a sum of money derived from profit and the aside to increase equity capital and, if necessary, to cover the loss suffered by cooperatives.

Letter d  
Self - Explanatory

Paragraph (3)  
To develop their business, cooperatives can use loan capital by taking into account the feasibility and continuity of their business.

Letter a  
Loans can be obtained from members as well as prospective members fulfilling requirements.

Letter b  
Loans derived from other cooperatives and/or their members should be based on a cooperation agreement between cooperatives.

Letter c  
Loans derived from banks and other financial institutions should be based on provisions in the law in force.

Letter d  
The issue of bonds and other debentures should be based on provisions in the law in force.

Letter e  
Other legal sources are loans derived from non members not through public offers.

## Article 42

### Paragraph (1)

The accumulation of capital from capital participation, derived both from the government and the public should be conducted to strengthen the business activities of cooperatives, especially those in the form of investment. Capital participation also takes the risk. Owners of capital participation have no right to give votes at a meeting of members and to make the policies of cooperatives as a whole. However, they can participate in managing and supervising investment businesses supported by their capital participation pursuant to the agreement.

### Paragraph (2)

Self - Explanatory

## Article 43

### Paragraph (1)

The business of cooperatives should particularly be directed towards business fields directly related to the interest of members to support their business and to improve their welfare. In this connection, cooperatives should be managed as productively, efficiently and effectively as possible in the sense that the cooperatives are capable of realizing businesses which can increase value added and give the greatest benefit to members by taking into account efforts to gain reasonable profit. To achieve the business capability referred to above, cooperatives can carry on upstream and downstream business activities as well as other relevant business activities in a flexible manner. The businesses of cooperatives can be carried on everywhere in the country or foreign countries by taking into account the feasibility of businesses.

### Paragraph (2)

Hereinafter referred to as in excess of cooperatives' business capacity is the over capacity of fund and energy that cooperatives possess to give services to their members. The cooperatives can make use of the over capacity of fund and energy to carry on businesses with non members with the aim of maximizing the economic scale to increase business volume and reduce unit cost to give the greatest benefit to members and to popularise cooperatives.

### Paragraph (3)

To enable cooperatives to carry out their function and play a role as referred to in Article 4, the cooperatives should carry on businesses in all fields of economic life and play a main role in the economic life of the people. Hereinafter referred to as the economic life of the people is all economic activities related to the interests of the people at large.



Article 44

Paragraph (1)

Pursuant to provisions in the law on the banking system, the credit savings businesses are specially regulated in this law. The definition of cooperatives members as referred to in letter a of this paragraph includes prospective members fulfilling requirements. The provision in letter b is valid as long as it is based on a cooperation agreement between the related cooperatives.

Paragraph (2)

Self - Explanatory

Paragraph (3)

Self - Explanatory

Article 45

-----  
( TO BE CONTINUED )

RD.

4052

CAFI 151 / 17-12-1992.

=====  
\* 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

( Continued from Warta CAFI Number : 151 Dated : December 17, 1992 )

Article 45

Paragraph (1)  
Self - Explanatory

Paragraph (2)  
The amount of profit to be distributed to members and the type and extent of other purposes should be determined by a meeting of members. Hereinafter referred to as business services are business transactions and capital participation.

Paragraph (3)  
Self - Explanatory

Article 46

Self - Explanatory

Article 47

Paragraph (1)  
Decisions on the dissolution of cooperatives of which business activities are contrary to public order and/or ethics as referred to in this provision is done only if they have been proven with a court verdict. The decisions on the dissolution of cooperatives of which survival cannot be guaranteed are among others based on the fact that the cooperatives are declared bankrupt.

Paragraph (2)  
Self - Explanatory

RD.

CAFI 152 / 19-12-1992.

4074

Paragraph (3)  
Self - Explanatory

Paragraph (4)  
Self - Explanatory

Article 48

Self - Explanatory

Article 49

Paragraph (1)  
Hereinafter referred to as proxies of a meeting of members are those appointed and given authority and responsibility by the meeting of members to carry out task related to the dissolution of cooperatives.

Paragraph (2)  
Self - Explanatory

Paragraph (3)  
This provision is intended to protect creditors who do not yet know the dissolution of the cooperatives.

Article 50

Self - Explanatory

Article 51

Self - Explanatory

Article 52

Paragraph (1)  
Self - Explanatory

Paragraph (2)  
Self - Explanatory

Paragraph (3)  
Self - Explanatory

Paragraph (4)  
This provision affirms that "Cooperatives in liquidation" still have their rights and obligations to settle all of their affairs.

Article 53

Paragraph (1)  
Hereinafter referred to as decisions on the dissolution of cooperatives are both decisions reached at a meeting of members and government decisions on that effect.

Paragraph (2)  
Self - Explanatory

RD.

4075

CAFI 152 / 19-12-1992.

Article 54

Letter a  
Self - Explanatory

Letter b  
Self - Explanatory

Letter c  
Hereinafter referred to as certain former members are, for instance , those who give up the membership of cooperatives but still have obligations to take responsibility pursuant to provisions in the statute.

Letter d  
Self - Explanatory

Letter e  
Self - Explanatory

Letter f  
Self - Explanatory

Letter g  
Self - Explanatory

Letter h  
Self - Explanatory

Article 55

This provision affirms that members should only be responsible for losses to the maximum of their principal deposits, compulsory deposits, and capital participation. This provision does not affect loan capital of co-operatives derived from members.

Article 56

Paragraph (1)  
Self - Explanatory

Paragraph (2)  
Self - Explanatory

Article 57

Paragraph (1)  
The organisation does not constitute a business unit and that it does not directly carry on economic business activities. At the moment of the promulgation of this law, this organisation called the Indonesian Cooperatives Council (DEKOPIN) should further adjust itself to this law. The objectives and activities of the organisation should be in line with the spirit of this law.

Paragraph (2)  
Self - Explanatory

RD.

4076

CAFI 152 / 19-12-1992.

Paragraph (3)

The statute of the related organisation should at least contain :

- a. name of organisation;
- b. objective of organisation;
- c. organisational structure;
- d. provision on executive board members and their term of office;
- e. provision on the working system of organisation;
- f. provision on meetings of members and other meetings;
- g. provision on the right and obligation of members;
- h. provision of financial source and management;
- i. provision on changes in the statute and dissolution;
- j. provision on organisational sanctions.

Article 58

Paragraph (1)

Letter a

Self - Explanatory

Letter b

Efforts to increase the people's awareness of the importance of co-operatives should be made, among others, through the provision of information, the publication of books, and the development of business groups in the community into cooperatives.

Letter c

Self - Explanatory

Letter d

To develop cooperation among cooperatives, and between cooperatives and other business units, this organisation should encourage the growth and development of institutional network and business of co-operatives both at regional, national and international levels.

Paragraph (2)

Self - Explanatory

Article 59

Self - Explanatory

Article 60

With this provision, the government has clear and firm basis to play its role in making development policies to encourage the growth, development and popularisation of cooperatives. In line with the principle of self-reliance, the government should develop the cooperatives without interfering in their internal affairs.

The promotion, development and popularisation of cooperatives are the government's efforts to make the people at large understand the concept of cooperatives, so that they will establish and utilize cooperatives with a high degree of awareness to meet their economic and social interests. The provision of guidance, facility, and protection by the government constitutes efforts to develop the cooperatives through the

RD.

4077

CAFI 152 / 19-12-1992.

drawing up of policies, and the granting of facilities and consultancy to enable the cooperatives to carry out their function and role in an effort to achieve their goals. Therefore, the efforts to promote, develop and popularise the cooperatives become the obligations of all state employees from the central and regional governments.

#### Article 61

Letter a

Self - Explanatory

Letter b

Self - Explanatory

Letter c

Harmonious and mutually beneficial relations between cooperatives and other business units are significant factors to create national economic system which is based on economic democracy. The relations should thus be mutually complementary and beneficial in nature.

Letter d

Popularising cooperatives means popularising the spirit of cooperatives.

#### Article 62

Letter a

Self - Explanatory

Letter b

Self - Explanatory

Letter c

This provision affirms the government's commitment to strengthening the capital of cooperatives and developing the financial institutions of cooperatives, considering that capital is one of financial sources to develop the business of cooperatives. This is, among others, done by increasing capital participation both from the government and the public and easing requirements and procedures for obtaining credits. The government also gives guidance and facility to develop financial institutions in the form of cooperatives.

Letter d

The development of strong business networks of cooperatives and the establishment of close and mutually beneficial cooperation among cooperatives are significant factors to develop the potential of each cooperative and cooperatives as a whole.

Letter e

Self - Explanatory

RD.

Article 63

Paragraph (1)

Letter a

This provision firmly reflects the government's commitment to strengthening the growth and development of cooperatives as the type of company stated in the 1945 Constitution. To realise this commitment, the government can determine certain economic fields, particularly those relating to the economic activities of the people which can be carried out by cooperatives only. The implementation of this provision is dynamic in nature by taking into account the aspect of balance between the national economic interests and the equitable distribution of business opportunities.

Letter b

This provision is intended to protect the continuity of cooperatives.

Paragraph (2)

Self - Explanatory

Article 64

Self - Explanatory

Article 65

Self - Explanatory

Article 66

Paragraph (1)

Self - Explanatory

Paragraph (2)

Self - Explanatory

Article 67

Self - Explanatory

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 3502

RD.

4079

CAFI 152 / 19-12-1991.