

# Reconception of Cooperatives in Indonesia as Business Enterprises in order to Achieve People's Welfare

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**Abstract**— Cooperatives in Indonesia are places of society's struggle in order to increase welfare, therefore Indonesia as an adherent country of welfare so it has been an obligation to support that struggle by making a set of rules on cooperative in order to be aimed more and as a guidance to achieve cooperative as a business enterprise that is aimed to make especially the members prosperous and generally the society.

Understanding cooperatives is varied, it is known empirically that cooperative is a place to get advantages in the form of surplus (*Sisa Hasil Usaha/ SHU*) that will be given to the members in the end of book year, so this understanding leads to the concept as capitalist company in which the member of shareholder waits the result in the form of dividend in the end of the year, without hard effort in managing the company, and responsibility of a company that is very small because the aim is only at getting dividend.

Concept of cooperative as business enterprise that collectivity and individuality have not reflected in regulation of law of cooperative in Indonesia, therefore through this study, the researcher wants to do reconception or rearrange conception or the way of people in seeing cooperative, especially concept that is stipulated in Article 1 Number 1 Law Number 25 Year 1992 regarding Cooperatives; it is mentioned that cooperative is a business enterprise that has members of individual or cooperative legal institution that the activity is based on the principles of cooperative and as society economics move based on kinship.

**Keywords**— Collectivity, Individuality, and Independence.

## I. INTRODUCTION

One of serious problems faced by Indonesian people in economic development is implementing design of law and constitution in development of economic policies. All this time that problem is considered as unimportant, regarding the enforcement of economy since independence has been run following the flow of logic of economic development that is developed based on empirical experience in the field or theories and success stories in countries that are seemed proper to be made as a model. It is difficult to imagine that constitution must be made as substantive reference in every official policy in process of economic development. Furthermore, the reality now forces all nations to be get along with market economic system that is idealized to be free and open. It is not exclusive. Market liberalization and economic globalization have become reality that cannot be avoided. (Jimly Asshiddiqie, 2016)

Economic development, however it needs institutional support and norm system, either rule of law or rule of ethics that regulates and aims effectively and efficiently in order that purpose of welfare that is equitable and fair can be achieved as well as possible. Therefore, economy system and policy of economic development should obey the Constitution, which are Pancasila and Constitution of 1945 as a foundation of design of constitutional law and constitutional ethics that should become a base of economic system and policy of national economic development. Hence, Constitution of 1945 is not like Constitution of most western countries such as Constitution of United States that do not regulate Articles of

Economics, because norm of economics itself is regulated in Chapter XIV regarding National Economics and Social Welfare. Therefore, Constitution of 1945 is not only Political Constitution but also Economic Constitution and Social Constitution. (Jimly Asshiddiqie, 2016)

Article 33 Paragraph (1) of Constitution of 1945 of the State of the Republic of Indonesia states that: "Economy is organized as joint venture based on principle of kinship". There are 4 keywords in this paragraph (1): economics, is arranged, joint venture, and principle of kinship<sup>1</sup>. One of badan usaha that is meant by phrase "economy" existed in Indonesia is the form of cooperative enterprise, in spite of non-cooperative enterprises such as PT, Firm, CV, and etc. It leads thought of Sri Edi Swasono to propose conception of Triple-Co as a form of togetherness. Organized means it is not let to be arranged by mechanism of free market or will and taste of the market. The state imperatively compiles, the state designs (more than just intervention). The composition form is clear, which is structured as a joint venture (as a mutual endeavor), based on mutual or common interest. In a joint venture it applies the principle of kinship (brotherhood that is not kinship or friendship) cooperative mutual cooperation. Thus, Article 33 of Constitution of 1945 rejects the free market (*laissez-faire*) who carry the ideology of liberalism and individualism. (Sri Edi Swasono 2010) Cooperative Enterprise as one of the economic development in Indonesian is clearly and unequivocally stipulated in the explanation of Constitution of 1945 that mentions:

In article 33, it mentions the basis of economic democracy, production is undertaken by all, for all

under the leadership or possession of members of society. It is the prosperity of society that is prominent, not the prosperity of the individual. Therefore, the economy is organized as a joint venture based on kinship venture. A company that is appropriate with it is a cooperative.

The explanation of the Constitution of 1945 is in accordance with what Mohammad Hatta explained that the cooperative as the embodiment of the principle of kinship which is explained as follows:

“The principle of kinship is cooperative. The principle of kinship is a term from Taman Siswa to show how the teacher and students living in it live as one family. That is also the pattern of Indonesian cooperative. The relationship between members of the cooperative with each other must reflect the brothers, one family. The sense of solidarity is nurtured and strengthened. Members are educated to be individuals with individuality. Realized that his self esteem is a member of the cooperative, his determination will be strong to defend his cooperative interest. Individuality is very different from individualism. Individualism is an attitude that prioritize himself by sacrificing the interests of others. Individuality make a member of the cooperative as a vigorous defender and fighter for the cooperative.” (Mohamad Hatta, 2015)

From Mohammad Hatta’s thought above, the success of cooperative can be built with two principles that are the principle of solidarity and the principle of individuality. Those are different from the principles of capitalist/ liberalist who prioritizes the interests of individuals with a way to gain maximum profit. Consequently, the cooperative is not just a concept of business enterprise, but more than that it is a socio-economic by keep maintaining inividuality.

This concept of business collectivity underlies that the cooperative is a collection of people not a collection of capital. Therefore, the main capital of the cooperative is the human resources or its members. However, the principle of kinship which implies collectivity, solidarity, and individuality has not been completely explained in Law Number 25 of 1992; thus, that causes indistinctness of concept of cooperative in Indonesia as a business entity.

Such condition causes a philosophical problem that the essence of Article 33 paragraph (1) of the Constitution of the Republic of Indonesia of 1945 that the economy is structured as a joint venture based on kinship principle is to promote the welfare of the people, however it has not been able to be achieved because the cooperative as a business entity that is mentioned that it is suitable to be applied in Indonesia, the regulation is unclear and it causes various problems in its implementation from time to time.

Juridically, provision of Article 1 paragraph 1 of general provision of Law No. 25 of 1992 concerning Cooperatives, which states that “the cooperative is a business entity consisting of the person or cooperative legal entity that lies its activity based on the principle of cooperation and also as a people’s economic movement based on the principle of kinship has not meet the principles of forming the good legislation, this is because the concept of a cooperative as a business

entity based on independent kinship principle has not meet the principle of the clarity of the formulation.

Empirically, cooperative as a business entity has not shown the existence as a business entity, as expected by Law No. 25 of 1992 concerning Cooperatives, as already mentioned above, moreover the cooperative has not been able to establish itself and built to be strong and independent because the establishment of cooperatives is only to get any government funding facilities both grants and social assistance that requires assembly of the legal entity and the form of the entity is a cooperative so that it has not been able to act as a pillar of the national economy and is less competitive with other business entities. (Revrison Baswir, 2010) Assets of whole cooperatives are not more than 1% away compared with state-owned enterprise (BUMN) that controll 53.8% and conglomerate controls 45.4%. Similarly, when reviewed from the value of the business, the first conglomerate is 61.7%, the second is state-owned enterprise (BUMN) that is 34.3%, and the cooperative in the last with a very far range compared with the other two business entities that is 4%. (Mochamad Adib Zain, 2014)

The inability of cooperative enterprises to compete other business entities causes cooperatives undeveloped and many are not active. From the data of December 31, 2015 from the Ministry of Cooperatives and Small and Medium Enterprises of Republic of Indonesia, it is known that from the number of cooperatives in Indonesia are 212,135 units, active cooperatives are 150,223 units (70,81%) and the inactive are 61,912 units (29.19%). Of the number of active cooperatives that can carry out Annual Members Meeting are 58,107 units (38.68%), and those who do not hold Annual Meeting are 92.116 (61.32%). (Data of Ministry of Cooperatives and SMEs kementerian Koperasi dan UKM of the Republic of Indonesia in 2015) Obviously, this issue raises legal issues that must be solved immediately.

As the efforts to recast the concept of cooperatives in Indonesia, it needs a new idea to support these efforts, therefore, the philosophical activities, which examines the conceptions of intellectual that exist in a primary legal institution of one or more foreign legal system needs to be done. By reviewing law of coperatives from several countries by seeing the source of law, concepts, business activities, membership, and institutions, then those concepts are selected to be adjusted to the philosophy of life of nation, which are Pancasila and the constitution of the economy of nation of Indonesia as stipulated in Article 33 of the Constitution of Republic of Indonesia of 1945.

## II. RESEARCH METHOD

This research uses legal research method for it does not need to use the term normative legal research, because the term legal research or in Dutch *renhtsonderzoek* always normative. Such the juridical-normative term that is actually also unknown in legal research. If the type of research must be stated in writing, it is enough to be stated that this research is legal. With such a statement, it is clear that the study is normative. However, the approach and materials used should be stated. (Marzuki, Peter, 2014) The approaches used in this legal study are statuta approach, historical approach,

comparative approach and conceptual approach. Legal materials in this study consist of primary legal materials and secondary legal materials. Primary Legal Material consists of Law and Regulation, official records or treatises in Law and Regulation arrangement. The secondary materials are in the form of all publications in law which are not official documents that include: textbooks, dictionaries of law and legal journals. (Marzuki, Peter, 2014)

### III. RESULT AND DISCUSSION

For Indonesia cooperative is a form of business entity coming from abroad. Nevertheless, this non-native Indonesian business entity has run and actually it can be assimilated into the original because it has many similarities in how it works. The original thing from Indonesia for example mutual cooperation because the way of working is kinship of the eastern people, while the way of working of cooperative is traditional from western people. Therefore, the comparison of law of cooperative in some countries is done to review and compose the concept of cooperatives aimed at achieving welfare together not the individual.

#### *a Cooperative in United Kingdom*

People who want to form a cooperative in United Kingdom are free to use whatever legal form they choose, whether they use the Federation or Partnership, which is based on Partnership Act (PA) 1890 Section 1, or use company rules as stipulated by Companies Act (CA) 2006 or as regulated in the Business Corporations Act together with Limited Liability Partnerships Act 2000 (LLPA 2000). Therefore, the citizens of UK in conducting business activities in the form of a joint business entity may choose one of those Law. However, because the business entity established in the form of "cooperative" in registering its business entity, so what is applied is the rule as stipulated in Article 55 paragraph (1) and Article 1194 paragraph (1) of the Companies Act 2006, in which in its establishment it requires permit of the Secretary of State in making changes to the activities of business by using the name of a registered company or a partnership joint venture joint with limited responsibility by using name of the Cooperative.

Financial Conduct regulates that (1) cooperative is a community association that works cooperatively by prioritizing loyalty and honesty or (2) Cooperative runs business in order to provide profits to members and public. When part 1 of the Cooperative and Society community that give benefit to the community is Cooperative, the Act of Credit Unions (CCBSCUA 2010) is applied, in particular as regulated in chapter 1 (3) stating that: "a community that runs, or intend to conduct business for the purpose of making profits primarily for interest payments, gains or bonuses of money invested or deposited or lent to the public or others".

Definition of cooperatives contained in the FCA, in paragraph 9 Note FSA explains that the society association that is in the form of a cooperative is:

"Community of Interest There should be a common economic, social or cultural need and/or interest amongst all members of the cooperative"

In conducting Cooperative Business activities, "Business will be run for the benefit of its members, so that members who get benefit will grow primarily from their participation in this business. Participation may vary according to the nature of the business and may consist of: buy from or sell to the public; Using the services or facilities provided by the cooperative, or providing services to run its business".

Cooperative supervision "The supervision of cooperative is carried out or situated on all members, it is done by them equally and should not be based on the amount of money or capital that each member gives to the Cooperative. In general, the principle of 'one member, one vote' should prevail. Cooperatives committee should generally be selected by members who may also determine in terms of Institutional matter".

Capital Shares earned from members shall become part of the business capital which cannot be returned to those members and will become the capital of the cooperative, the member may only accept the return of such savings in a restrictively (if any) of such share or capital. Stock interest and loan capital should not be more than the level required to obtain and maintain sufficient capital to run the business". The profit or surplus if the cooperative's rule allows, the profits will be given, surplus should be distributed to the members in accordance with the article of association of the cooperative. Each member must receive an amount reflecting the extent to which they have involved or participated in the business".

Membership "membership is open. This principle should not be restricted by artificial rules to increase the value of the rights and interests of current members, but there may be reasons to restrict membership in certain circumstances, which do not violate the principle of cooperatives, for example membership may be limited by region of membership. The cooperative principle that emphasizes open membership is the togetherness characteristics of cooperatives, so democratic cooperative supervision is important. Similarly, in the case of giving limited capital expenditure indicating that the principle of cooperative that apply profit sharing must be based on transactions between members and cooperatives.

Arrangement of cooperative principles in the UK has adopted and implemented the main elements of the International Cooperative Alliance (ICA), both about the identity of cooperatives and value and principle of cooperative likewise in terms of business that is done. The main service of the cooperative are the members, and by paying attention to the availability and capability of the capital then the business is carried out to non-member society. In this case, the cooperative is profit oriented to promote cooperative business. Profits obtained from business of non-members, then there is no profit sharing to members.

For cooperatives business activities with the community (not members), showing the benefits of cooperatives both for the cooperative itself and the community. The arrangement of cooperatives that do business with non-members is a cooperative activity as a Company for Public Interest (CIC). By adding company management requirement that is like cooperative in the basic rule of CIC while meeting all other requirements for that legal form, it is possible to form a CIC cooperative. In contrast, the cooperative, after CCBSCUA

2010 is applied, it will be asked to choose whether the Community Association that carries out joint venture or a Community Association that get the advantages. So, the cooperative, in carrying out its activities must choose one rule that exists whether using rule of CIC or using rule of CCBCSCUA 2010.

The concept of cooperative in UK is a business entity that provides profits to members by adhering to the value of loyalty and honesty, so the members who get profits from cooperatives will grow and participate actively in raising cooperatives.

#### *b Cooperative in United States*

Cooperatives in United States are established based on the laws of each states where United States have 50 states that records cooperative arrangement that have about 85 cooperative laws. (Baarda, 2007). Concept of cooperative in the United States is

“cooperatives are associations of multiple people organized to conduct business on a cooperative basis for the mutual benefit of their members.” (Anderson et al., 2005).

USDA’s explains that: Cooperatives are user-owned, user-controlled businesses that distribute benefits on the basis of use while Anderson states that:

“Generally, cooperatives are organized for the mutual benefit of the cooperative’s members and not for profit. Cooperative stakeholders are called members”(Anderson et al., 2005)

There are three important principles that differentiate cooperative from business company in most laws of state: Cooperative supervision is carried out by members, Distribution of surplus (profit) of cooperative is proportional to member’s participation to cooperative rather than capital ownership, and provision of capital services to stock that is limited. The first principle of cooperative supervision is carried out by members, where each member of the cooperative has one vote without paying attention to the number of shares/ deposits owned by members. Alternatively, the voices of members in the cooperative may be equal to the number of businesses carried out by the cooperative. The two methods of voting in a cooperative in the United States are very different from the voting rights based on business enterprise. Second, the distribution of the cooperative’s surplus (profit) is equal to the participation of members to the cooperative and not the ownership of capital, business activities with cooperative, or generally based on the Ratio of Individual business to total business. And the third principle is the provision of capital service of limited stock, many cooperative rules in the United States that establish the maximum limit of recompensation giving that is paid on cooperative share capital. (Anderson et al., 2005)

Cooperatives are owned by members of the cooperative as shareholders. Cooperative membership requirements vary from state to state, but basically there are general principles that are same in the law of that state as discussed above, all members usually have one vote or their votes is equal to the number of attempts made with cooperatives.

The United States in cooperative law keep continuing to search for new ways of doing business, as discussed above about the phenomenon of “New Generation Cooperative” (different from ‘traditional’). The full impact of these new and sustainable developments on the principles of traditional cooperatives are still to be adapted to the conditions of global business demands.

#### *c Cooperative in China*

In 1934, KMT government (Kuomintang-China National Party) established a first cooperative law and regulation in Chinese history. In the same year, the Chinese Constitution is also proclaimed and included a special article which emphasizes the government’s support and appreciation for the development of cooperatives, which is internationally quite rare at that time.

Cooperative in China is stipulated in the Law on Farmer-Specialized Cooperatives (FSC) consists of 9 chapters and 56 Articles. The Chapter Title consists of General Provisions; Establishment and Registration; Membership; Organization; Financial management; Merger, Separation and Dissolution; Support Policy; Legal Responsibility; And Additional Provision. To ensure the FSC’s corporate status as a legal entity and to organize its management, the RRC’s State Council established Administrative Regulations on registration of Farmer-Specialized Cooperatives (FSC) on 28<sup>th</sup> of May 2007, which starts to be applied on 1<sup>st</sup> of July 2007.

According to Article 2 of the Act, Farmer-Specialized Cooperatives (FSC) is defined as (Dapeng Ren and Peng Yuan, in D. Cracogna et al. (2013):

a mutual-benefit economic organization for those who produce similar agricultural products or provide similar services or are users of similar agricultural business operations; it is based on the rural household contract system, and is a voluntary association, democratically controlled by its members.

Farmer-Specialized Cooperatives serve their members through joint purchases of agricultural products, marketing, processing, transportation, storage of agricultural product and the provision of information and related technologies. Some important points are emphasized in the definition. First, the FSC is based on the household contract system. The household contract system is the basis of the rural economic system in China, and the farmers form cooperatives, it is done not to replace the family system and return to the original. System lives with the people, but to act together, in the household contract system, to overcome their unfavorable position in the market competition. Accordingly, the provisions on cooperatives made in this Act cannot be applied to rural collective economic organization.

Secondly, the Agricultural Cooperative (FSC) is a voluntary association formed by those engaged in the production and business of similar agricultural products or by agricultural production service providers and similar business operations. On the other hand, the establishment of the FSC is based on the general interests of members, involved in ‘similar’ job, with common interests. Therefore, the economic organization of cooperatives that is based on regional is not within the range of this Act. In contrast, the FSC is formed on



the basis of voluntary associations of members and democratic management, and it is also emphasized in Article 3 of the Agricultural Cooperative Act that the FSC must follow the principle “Membership is voluntary and open” and that “All members have equal positions and FSC is obedient to democratic management”.

Thirdly, regarding its nature, the FSC is an economic organization of mutual assistance. First of all, the Act emphasizes that its members use FSC services to maintain their relatively independent position in the market. However, the FSC is an economic organization; Organization with political or cultural activities as the main activities is not object of this Law. The purpose of FSC is to meet the needs of its members. To achieve this objective, Article 3 of the Act decides that the FSC must adhere to the following principles: (1) farmers play a dominant role among their members; (2) the purpose is to serve members and act for the common interest of all members; (3) members should get in and out voluntarily; (4) all members have equal standing and cooperatives are democratically controlled; and (5) the surplus of business results should be distributed primarily based on the amount of participation of member. The distribution based on capital does not exceed 40% of the total surplus that can be transferred.

The law clearly outlines the services that the FSC may provide for the benefit of its members: the purchase of agricultural product; marketing, processing, transportation and storage of agricultural products; and the provision of information and technologies related to agricultural production and management.

The law also recognizes established cooperative between service provider and farmers who receive services. However, in such cooperatives, farmers have little power, while firms dominate, which has led to smallholder dependence on companies. In this context, some cooperatives have increased the emphasis on participation of member’s capital to cooperative, so that the role and status of capital is a priority for cooperatives that do not know the term of members’ shares. This causes an imbalance between the priority given to shares of member’s capital and other capital stocks, and often results in most of the capital stock held by the board of directors. The tendency is that the cooperative that arranges this structure tends to switch to a limited company (limited liability company).

#### d Cooperative in Rusia

Article 37 section 1, the Constitution of the Russian Federation on 12<sup>th</sup> of December 1993, regulates that:

“everyone shall have the right to a free use of his abilities and property for entrepreneurial and economic activities not prohibited by law”.

In accordance with this provision, citizens also have the right to form and become members of the cooperative. Provisions concerning the cooperation further stipulated in the form of Law that is: *Graz danskij Kodeks Rossijskoj Federacii* (Law of RF Civil Code) in 1994. However, in addition to that Law, in Russia there is another policy regarding regulation on cooperatives, which is aimed to develop certain business activities, which are:

- 1) *Zakon o potrebitel'skoj kooperacii (potrebitel'skikh obscestvakh, ikh sojuzakh) v Rossijskoj Federacii* on 19<sup>th</sup> of June 1992 N 3085-1, regulating consumer cooperatives (consumer society and consumer cooperative union) in the Russian Federation;
- 2) *Zakon o proizvodstvennykh kooperativakh* on 8<sup>th</sup> of May 1996, N 41-FZ, regulating the cooperative of producers in detail (proizvodstvennij kooperativ atau artel’), which is the association of people who is volunteer, was formed to do economic collaborative activities or other activities, based on job of each members and for the contribution of their money;
- 3) *Zakon o z iliscnykh nakopitel'nykh kooperativakh* on 30<sup>th</sup> of December 2004, N 215-FZ, and *Z iliscnij kodeks* on 12<sup>th</sup> of January 2005, N 1-RG, both on “cooperative of housing credit”;
- 4) *Zakon o kreditnoj kooperacii* on 18<sup>th</sup> of July 2009 N 190-FZ, regulating cooperation in the banking sector.

In addition, there are still many other rules concerning cooperatives and increasing cooperation.

Menurut Pasal 107 Undang-Undang Perdata RF, koperasi produsen (proizvodstvennyj kooperativ) atau artel:

According to Article 107 of the Civil Code of RF, the producer cooperative (Proizvodstvennyj kooperativ) or artel: is a voluntary association of citizens, based on their membership and established for the purpose of joint production or of other kind of economic activity such as manufacturing, processing and marketing of industrial, agricultural and other products, works, trade, consumer services or other services.”

Cooperative producers engaged in any business in accordance with the technical rules is a profit-oriented cooperative for the interests of its members and done by members themselves so that with the contribution of the work, members get a share of business profits, producer cooperatives can be established by at least 5 members of the founders, whereas consumer cooperative are established in order not to seek profit but to facilitate the needs of its members and responsibilities are imposed on all members including if there is a loss.

Next, cooperative consumers are voluntary associations of citizens and legal entities, based on membership and it is intended to satisfy the needs of participants and other needs. As a non-profit organization, members of consumer cooperatives are obliged, within three months after the approval of annual accounting documents, to cover the losses that continue to make new contributions. All members of consumer cooperative are together but they are responsible for the contribution of its members that are unpaid. However, in spite of the fact that the consumer cooperative is an organization that is not profitable, the profits obtained are as a result of business activities, which are carried out by the cooperative in accordance with the law and with its charter, to be distributed among its members.

Some areas of specific laws such as banking or insurance generally require forms of business organization such as liability company.

#### e Cooperative in India

India is a Federal Democratic Republic, and every State has Cooperative Society Acts (CSA) itself. For example, developed countries like Kerala, Tamilnadu, Maharashtra, and Gujarat, each has a CSA Kerala, CSA 1969 CSA 1960 and 1961 in Kerala CSA 1969. This rule of cooperative in Section 3 (g) talks about cooperative principles specified in the first list of that law, which consists of seven cooperative principles in the ICA Statement on the Cooperative Identity 1995. Furthermore, Section 3 (h) defines “Cooperative Society” as a registered association or deemed registered based on the laws related to cooperative association for this time that prevail in any State.

Then Section 5 (1) specifically states that the main object of cooperative societies is to serve the interests of members and the community with the aim of providing social and economic improvement of its members through self-help and mutual assistance in accordance with the principle of cooperatives. For companies that are run based on the Indian Companies Act of 1956 to carry out business in order to increase the profit on investor’s capital where the Council is selected by using the principle of “one share, one vote” and run business with Members and not with members and India Cooperative Act allows the cooperative to do any economic activities. Cooperative societies can be involved in any business such as production, processing, marketing, consumer, housing, banking, industry, health, education, and so on.

Cooperative societies in India act as agents for the implementation of government programs. They get food grains and other agricultural products to ensure better prices for farmers and to intervene in keeping the stability of market prices, especially for the prices of consumption goods.

Cooperative societies can also provide services to non-members, but with some restrictions on certain conditions and not on the volume of business for example, a non-member is eligible to buy consumer’s goods from the consumer cooperative societies, but he cannot claim the rights and privileges of members.

Request for getting into cooperative societies by individuals must pass training within four months since the date of receipt and the decision must be communicated within 15 days since the date of the decision. If not, it is considered as a refusal of entry.

f Reconceptation of Cooperative in Indonesia as the enterprise that is based on the Independent Kinship reviewed from the theory of Economic System of Pancasila.

The concept of cooperative in countries that have a business entity in the form of cooperatives, treating enterprises as an economic organization that do business and earn profits. As a cooperative of the United Kingdom, that the cooperative is a community association in cooperation by prioritizing on loyalty and honesty and conduct its business in order to provide profits for cooperative members and the community. Such cooperative in the United States that a cooperative is a business owned by the user (cooperative members) and business or company controlled by the user (member), which distributes profits based on usage / participation of members of the cooperative, characteristics of the cooperative in the United States that needs to be underlined is that the cooperative was established not for the purpose of obtaining a

financial gain for a legal entity or investor but for the benefit of all members as users of goods and services of the cooperative. In China, Cooperative is an economic organization that is favorable for all members of the cooperative.

The very important idea is taken from the concept of cooperative in some countries that is, the cooperative is a business entity or established to provide benefits to its members. Cooperatives are not aimed at profit but cooperatives should not be getting loss, and that benefit is aimed to prosper the welfare of its members.

Another important thing that can be seen from the cooperative arrangements that exist in some countries is that the cooperative is an entity that is not the same with other business entities such as limited liability companies. Cooperatives are business entities that are jointly owned and democratically controlled by the members where each member has one vote in order to realize common prosperity.

Cooperative is a business entity based on kinship to the person, this is what fundamentally distinguishes cooperative with other business entities that are based on capital. Life of cooperatives whose terms with the concept of kinship has the same pattern with the life of a family. Based on this perspective, Cooperative is regarded as a family where each individual has each function and role. The family, according to some experts is as socioeconomic smallest unit in society that is the basic foundation of all institutions, which is the primary group that consists of two or more people who have a network of interpersonal interaction. Family is also interpreted as an abstraction of ideology that has a romantic image, a process, as a treatment of intervention, as a network and goal/ final asylum. Furthermore, Frederick Engels in his book “The Origin of the Family, Private Property, and the State”, which represents the radical view describes the relationship between socioeconomic structure of society with the form and content of the family based on patriarchal system (Ihromi 1999). As the smallest unit of society, the family has an obligation to meet the needs of children that include religion, psychology, eat and drink, and so on.

Cooperative is an organization formed by the people who run the company together, which was given the task to increase the welfare through economic activities of individual members. Cooperatives as an independent organization that is in the socio-economic environment and economic system that allows every individual and every group of people formulate their goals independently, and realize these goals through economic activities, which are carried out together.

Related to this, the cooperative reconceptions as a form of social-economic organization that are based on kinship principles are:

- 1) The existence of a group of community members who similarly have the “common interests”;
- 2) That member group often meets routinely (voluntary and open);
- 3) That member group agree to jointly cooperate “help themselves collectively” to meet the common interests in the spirit of togetherness and kinship.
- 4) Cooperative as a place of business “owned together” by all members based on common dignity as human beings;

- 5) Guidelines for cooperative enterprise is that the cooperative members are customers and also the owners. In contrast to PT, the owners are shareholders who are not as customers. Thus, cooperative is not PT which can be named Cooperative.
- 6) Cooperative does not aim to get profit because cooperative is owned by its own from all the members, it is not relevant that a cooperative obtains profit from its own members. But cooperatives should not be getting loss and that profit is in order to prosper the people so that the cooperative is a form of socio-economic organization;
- 7) Mental grounding of cooperative is kinship principle that is "having independence"/ individuality and "solidarity"/ collectivity.
- 8) Cooperative brings together the socio-economic forces into one great force to form a strong synergy in order to achieve common prosperity.

Thus, in the formula it must be clarified that an independent family principle is derived from the value of the Cooperative which is a collection of people who have the energy to carry out joint enterprise in meeting the needs and aspirations. This indicates that the individual members of a cooperative are a real source of power that is the value of self-help. In addition, value that generates principle of the family and self-reliance are also derived from the individual's role in the organization. The Cooperative members will determine the quality and development of the cooperative itself. The more active and productive the members, the getting stronger the synergy of the members that will achieve a cooperative life that is healthier and more qualified to meet the needs and aspirations of its members (the value of individuality that is responsible to itself). Other values in order that the concept of a cooperative as a business entity based on kinship is feeling in the same boat to jointly meet the economic, social, and cultural needs.

#### IV. CONCLUSION

Based on the results of research and discussion, we conclude that the cooperative as a business entity is an association of independent composed of persons that are united voluntarily and open to meet the economic, social, and cultural needs and aspirations together through collective economic activity that is jointly owned and controlled based on democratic kinship.

The formulation that should be included as a chapter in cooperative law is a special arrangement of the Education and Training cooperatives which are the basis for the development of cooperatives both in quantity and good quality that is intended to provide an understanding of cooperatives to the communities that are integrated through national education, promotion and socialization through mass media. As well as those who are intended to improve the performance of human

resources through cooperative members, committee, supervisors and business managers.

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