

# Module Four

## Cooperatives and Other Forms of Business Enterprises



### Handout

#### COOPERATIVES vs. OTHER TYPES OF BUSINESS ENTERPRISES

Basic Difference	Single Proprietorship	Partnership	Corporation	Cooperative
1. Number of persons required	Only one person	At least two or more people	At least five persons; both ordinary civilians and officials persons can be stockholders at the same time	At least 20 persons; ordinary civilians make up primary cooperatives, whereas official people can be members of federations or unions
2. Unique owner-sole proprietor	Sole proprietor	A simple agreement between two people can be a partnership	Must be registered with Department of Commerce	Must be registered with Dinas Koperasi Kabupaten/Kota or Propinsi.
3. Registration requirement	Application Form	Contract of partnership	Articles of Incorporation, By- Laws, and Bank Statement	Formal report of the meeting (Akta pendirian) First financial statements and receipts of capital contribution The goal of the cooperative in the short terms

Basic Difference	Single Proprietorship	Partnership	Corporation	Cooperative
				Founders signature Copy of founders identity card
4. Capital Contribution	Only owner contributes capital	Partners contribute cash or services	Each stockholder pays for amount of shares he wants to buy	Member contributes
5. Management Structure	One person makes decisions	Partners make a collective decision	Board of Directors makes a final decision	General Assembly has the final decision
6. Voting rights	No voting rights, as only one person is involved	Vote proportional to interest	Vote proportional to interest; allowed proxy voting	One member, one vote
7. Liability	Unlimited as to owner	Unlimited as to partner except limited partnership	Limited until authorized capital	Limited until subscribed share capital
8. Taxability	Income tax for owner	Partners pay tax on shares	Taxable profits; stockholders pay tax on dividends received	Net surplus nontaxable; shareholders pay tax on the interest from share capital received
9. Effect of Death of Owner, Partner, Stockholder, or Member	End of business operations	Partnership automatically dissolves	Corporation continues, heirs inherit shares	Cooperative continues; heirs become members if qualified
10. Motive of existence	Profit	Profit or service	Profit	Profit and service

## THE NATURE AND CHARACTER OF COOPERATIVES

**A cooperative is both an association of people and business enterprise. It is distinguished from other organizations by its philosophy, nature, and character.**

**Cooperatives are service oriented:**

Cooperatives are organized to serve their members by providing goods and services at reasonable cost. Members contribute to the capital of the cooperative so that goods and services can be provided through its business activities, rather than to maximize profit. However, in serving their members, cooperatives do not act as charitable organizations. "Cooperatives are not for profit and not for charity, but for service."

**Cooperatives are community-oriented:**

Cooperatives work for the welfare of their members by integrating themselves into the life of the community. They enhance welfare through increased productivity of both the individuals and the communities where they are located.

**Cooperatives are people-oriented:**

Cooperatives are not merely economic instruments concerned with dividends and related economic and financial returns. They are instruments of change for total human development.

**Cooperatives are owned, managed and patronized by members:**

Cooperatives are member-owned, member-controlled and member-used. Ownership is an important factor in the success of any cooperative. Members must have full authority to manage and control their cooperative. Cooperatives must depend on the patronage of their members and not that of non-members.

**Cooperatives are business enterprises:**

Cooperatives engage in businesses with social responsibility. They play a meaningful economic role in the community life by serving and performing as efficiently and responsively as the other financial and business enterprises.

**Cooperatives develop best through self-help and mutual help:**

The principle of subsidiarity applies. Hence, before asking or soliciting aid from the outside, self-determination and capability should be considered. Outside assistance is acceptable but the cooperatives should grow stronger from their own resources rather than become dependent on assistance.

**Cooperatives serve best when they answer the needs of the members:**

It is important that proper approaches and techniques are employed to ensure that the real needs of the members are identified and recognized before any cooperative is organized.

**Cooperatives develop best from bottom to top:**

Primary cooperatives are the foundation of the whole cooperative structure. Organizing the apex before the base is like building the roof of the house before the foundation. Hence, secondary or tertiary cooperatives (refer to Mod 4 Session 5) should not come first before the primary cooperatives.

**The development of cooperatives is enhanced through a multi-sectoral approach:**

A multi-sectoral approach facilitates the smooth and continuous development of the cooperatives and empowers the community.