



COOPERATIVE IN CURRENT VIETNAMESE COMMERCIAL ENVIRONMENT

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Abstract - Cooperative is a model of cooperation, production and business that emerged quite early and very popular in Vietnam. However, from current business practices, the development of cooperatives is showing signs of decline. It hence raises a concern as to if the cooperative model is still suitable for the commercial environment in Vietnam in the current development stage? Therefore, article research the compatibility between cooperative and the current commercial environment in Vietnam to propose for the laws to be improved and to promote the strong development of cooperative.

Keywords: Cooperative, company, enterprise, business environment, international integration;

INTRODUCTION

Cooperative is a collective economic model with a long history and is very popular in many countries around the world. Research shows that, “the first cooperative emerged in 1844 in the United Kingdom” (Hanoi Law University, 2018). Soon, “cooperative has become a popular form of enterprise in many countries and attracted the response and participation of a large number of workers” (School of law - Vietnam National University, 2001).

In Vietnam, “along with the Soviet economic model, the model of cooperative was introduced into Vietnam in the 1950s” (Pham Duy Nghia, 2004). This is the second collective economic model that appeared in Vietnam (1958) only later than the cooperative-group model (1950), but the time of its emergence was when the North of Vietnam began to build a planned economy (command economy) and therefore, the cooperative model was quickly identified as one of the two main economic components (along with the state-owned economy) of the Vietnamese economy at that time. At present, although the economic management mechanism has changed in the direction of developing a socialist-oriented market economy and constantly strengthening international integration, the model of cooperative is still being widely developed and is always favored by the Vietnamese. In other words, in spite of being operated in a market-economy, cooperative is still a model of cooperation, production and business that has great attraction and influence to Vietnamese. Business practice show that cooperative-model is still being continuously widely developed in many locales and regions across the country.

However, the actual operation of cooperatives in recent years shows that, under competitive pressure, cooperative-model are facing many difficulties and challenges when it has to compete with other types of enterprises that have many advantages. If the other types of commercial companies are being strongly developed, cooperative-model will gradually become obsolete and will tend to be less selected. This comes from many reasons, but among those, many people in Vietnam are still quite vague and have incomplete and inaccurate awareness about the cooperative-model. In addition, the legal system governing cooperative also has many limitations and inadequacies, which causes great difficulties for cooperatives in organizing and operating. Therefore, the study of the suitability of the cooperative-model in the current Vietnamese commercial environment and the regulations governing cooperative becomes very necessary and important.

1. LITERATURE REVIEW

Cooperative contribute significantly to the development of the Vietnamese economy. Cooperative is a collective economic model favored in Vietnam. Therefore, there are quite research in Vietnam about cooperative: School of Law - Hanoi National University in 2001 with “*Vietnamese Economic Law Textbook*”; Pham Duy Nghia in 2004 with “*Economic Law Monograph*”; Le Minh Toan in 2006 with “*Vietnamese Economic Law*”; Nguyen Thi Khe in 2007 with “*Law on organization of business forms*”; Pham Duy Nghia in 2009 with “*Business Law Case - Analysis - Comment*”; Bui Ngoc Cuong in 2010 with “*Commercial Law Textbook*”; Le Hoc Lam and Le Ngoc Duc in 2010 with “*Business law*”;

Hanoi Open University in 2011 with “*Vietnamese Economic Law Textbook*”; Pham Duy Nghia in 2015 with “*Economic Law Textbook*”; Online newspaper Financial magazine in 2017 with “*Promoting the development of the cooperative group model: What legal status?*”; Hanoi Law University in 2018 with “*Vietnamese Commercial Law Textbook, Volume I*”; Online newspaper Vneconomy in 2021 with “*Vietnam will have 140,000 collaborative groups and 45,000 cooperatives by 2030*”; Nguyen Vinh Hung and Nguyen Phuc Thien in 2021 with “*Principles of organization and operation of cooperatives*”.

2. RESEARCH METHODS

To conduct a research about the cooperative in the current Vietnamese commercial environment, the author has used a combination of traditional research methods of the social sciences and legal sciences such as legal analysis method, the legal efficiency evaluation method, and legal comparison method to achieve the objectives of the research.

In general, these above research methods are used in close and harmonious combination by the author to achieve the research objectives of the article.

3. DISCUSSION

3.1. The advantages of cooperatives

At present, cooperatives are defined by law in Vietnam as follows: “Cooperative is a collective economic organization, co-owner, has legal status, is voluntarily established by at least 07 members and cooperates and supports each other in production, business and job creation in order to meet the common needs of members, on the basis of autonomy, self-responsibility, equality and democracy in management of cooperatives”.¹ With such a definition, it can be seen that a cooperative has both signs of a business enterprise and specific signs of a purely cooperative economic organization for the purpose of mutual assistance among members. Perhaps because of this, “the current law of Vietnam does not classify cooperatives as an enterprise, but only regulates cooperatives to operate as a kind of business” (Bui Ngoc Cuong, 2010). Or a cooperative is just “a simple business model that is spontaneous, seasonal or long-term” (Pham Duy Nghia, 2009). Based on the current regulations on cooperatives², this model of cooperation, production and business has legal characteristics to distinguish it from other types of enterprises such as: Cooperatives always have the participation of many members (must have at least 07 members); cooperative members can be individuals or organizations (legal entities) and only have limited liability to the extent of the contributed capital; Cooperatives have legal status but are not entitled to issue securities. From these characteristics, the main advantages of cooperatives can be drawn as follows:

First, cooperative is a model of cooperation, production and business that promotes collective strength and there is always support and mutual assistance among members:

“Although being an economic institution, cooperatives have always had a profound social and community character” (Hanoi Open University, 2011). Right from the principles of organization and operation of cooperatives, it is very clear that: “The incomes of cooperatives and unions of cooperatives are distributed mainly according to the level of use of products and services of members and affiliated cooperatives or according to the labor contributions of members to the contract. job creation cooperatives; Cooperatives and unions of cooperatives are interested in education, training and retraining for members, affiliated cooperatives, managers, employees in cooperatives, unions of cooperatives and information. on the nature and interests of cooperatives and unions of cooperatives; ... Cooperatives and unions of cooperatives take care of the sustainable development of member communities”³. Therefore, in Vietnam, the motto of the cooperative clearly shows that this is not only an organization that operates for the sake of mere profit-seeking, but also clearly shows its social characteristics, which are coordination and mutual assistance among cooperative members. Therefore, different from the participants in commercial companies, which are mainly experienced investors. The participants in the cooperative are quite diverse, they can be individuals, organizations or farmers, from the working class to those with money... When joining a cooperative, members not only earn profits from production and business results, but also

¹ Clause 1, Article 3 of the Law on Cooperative 2012.

² Article 3 of the Law on Cooperative 2012.

³ Clause 5, 6, 7, Article 7 of the Law on Cooperative 2012.

receive support and help from other members, the cooperative and the State. On the other hand, the contributions of cooperative members may not be the same because for those who do not have assets, they can still contribute with their own daily labor or their ability to work and produce. This is especially suitable and favorable for those who do not have capital but are able to work, produce and willing to contribute to the cooperative. As a result, the cooperative has called for and promoted the synergy and ability of each member to work together for common goals. Therefore, it can be affirmed that the great advantage of cooperatives is “the ability to attract a large number of workers to participate” (Le Hoc Lam et al., 2010). In comparison with the types of commercial companies that are common in Vietnam today, the more cooperatives show their social influence, because in addition to the profit goal, the cooperative also clearly shows spirit of humanity, mutual friendship, cooperation, coordination, support and mutual assistance among the members. The cooperative always have solidarity and consensus throughout the process of organization and operation.

Second, cooperatives have legal status, so they can easily participate in commercial relations:

In the fierce competition of the market economy, whether or not an enterprise has legal status becomes very important. Because, without legal status, enterprises often “encounter certain difficulties and are more or less limited in commercial activities” (Bui Ngoc Cuong, 2010). In fact, “Vietnamese law also often requires business entities to have legal status to be allowed to conduct business in some fields and industries. For example, point a, section 3.1.1 stipulates the legal status of design organizations in Circular No. 01/BXD-CSXD dated April 15, 1997 of the Ministry of Construction as follows: Organizations consulting, designing and executing plan of the investment project must have the legal status; Clause 1, Article 15 of Decree No. 52/1999/ND-CP dated July 8, 1999 on investment and construction management regulations: Investment and construction consulting organizations are professional organizations belonging to the economic sectors, have legal status” (Nguyen Vinh Hung, 2018). In the past, the law used to stipulate that participating as a member of a securities investment fund requires “all capital-contributing members must be legal entities. The capital of this type of fund is not contributed by the public investment, but by its members, including legal entities” (Pham Thi Giang Thu, 2012). Thus, it can be seen that, if “enterprises do not have legal status, they are often restricted from operating because some business areas require participating organizations to have legal status” (Nguyen Vinh Hung, 2017). Therefore, even though the cooperative is not defined as a type of commercial company, it still has the legal status to be allowed to fairly and equally compete with all types of public companies with legal status such as joint-stock companies, limited liability companies, partnerships,... Therefore, this is a great advantage for the cooperative to build its image and to be proactive and flexible when participating in business and commercial relationships.

Third, the ability to raise capital and expand the size of the cooperative is easy:

Although having social characteristics, as mentioned, a cooperative is also “a form of production and business organization that is voluntarily established by employees on the basis of capital contribution and labor contribution in order to engage together in production and business activities” (Nguyen Thi Khe, 2007). This leads to the cooperative will still have to conduct production and business activities in order to survive. However, thanks to the diversity of the participating members, cooperatives can always easily mobilize material contributions as well as labor when it is necessary to expand the scale of operation or production and business scope. On the other hand, because the activities of cooperatives also play a great role and contribute to society, the State often has policies to prioritize, support and assist cooperatives⁴. In comparison with other types of enterprises, cooperatives often receive greater incentives from the State. If compared with other types of one-owner enterprises such as single-member limited liability companies or private enterprises, in theory, a large number of members will help cooperatives to be able to easily attract many different sources of funding.

Fourth, members of cooperatives are entitled to limited liability within the amount of capital they have contributed to the cooperative:

According to the provisions of Clause 3, Article 15 of the Law on Cooperatives 2012, members of cooperatives have the obligation “to take responsibility for debts and financial obligations of

⁴ Article 6 of the Law on Cooperative 2012.



cooperatives and unions of cooperatives within the capital they have contributed to cooperatives and unions of cooperativesss”. Thus, in principle, “members of cooperatives are only responsible for the cooperative’s activities within the capital contributed to the cooperative” (Le Hoc Lam et al., 2010). This is the limited liability regime that is very common in the types of capital companies such as joint stock companies or limited liability companies. In essence, “limited liability is usually understood as the obligation of shareholders or members to pay the company’s debts, which is limited to the capital committed to contribute to the company”. (Nguyen Vinh Hung, 2016) or it is considered as “limited in debt repayment capacity of enterprises” (Hanoi Open University, 2011). From business practice, “business people are quite fond of the limited liability regime, because it ensures the safety of financial risks for them” (Nguyen Vinh Hung, 2016). The advantage of the limited liability regime is that it allows investors to have more confidence and peace of mind so that they can boldly invest in areas with high risk coefficients. Investors were able to limit their liability and losses only to the scope of the investment capital. Therefore, this is a great advantage of cooperatives in inviting and attracting members as well as making investment and business decisions.

Fifth, the organization structure and the governance of the cooperative show democracy, equality, openness and transparency:

“Democracy and equality deeply govern the organization structure and the operation of cooperatives, whereby the members have the role to decide all important issues related to the operation and development of cooperatives; management and control agencies of cooperatives are directly elected by the General meeting of cooperative members” (Hanoi Open University, 2011). In addition, unlike a joint stock company, where “the power of the company is concentrated mainly on the major shareholders and the managers who run the company” (Friedrich Fubler et al., 1992). In other words, for a joint stock company, the more shares a shareholder owns, the more important power the company holds. Therefore, joint stock companies do not have equal rights between large shareholders and small shareholders. For cooperatives, “members and affiliated cooperatives have equal rights to vote in deciding the organization, management and operation of cooperatives and unions of cooperatives, regardless of the capital contribution”⁵. Or it can be said that “the management of the cooperative is carried out on the principle of democracy and equality, so that all members are equal in deciding issues related to the cooperative’s activities, regardless of more capital or less capital” (Le Hoc Lam et al., 2010). It creates favorable conditions for the management of the cooperative to always be democratic and transparent in order to ensure the legitimate rights and interests of all members. In addition, it is also consistent with the spirit of “cooperatives are economic and social organizations” (Hanoi Open University, 2011) and always aim to cooperate, support, help among members.

Thus, it can be seen that, “cooperative is a model of cooperation, production and business that is compatible with the characteristics and conditions in Vietnam. Cooperatives not only aim for profit but also contain great values and social contributions such as mutual support, assistance and coordination among members” (Nguyen Vinh Hung et al. 2021). Therefore, since the implementation of the cooperative model, this collective economic model has promoted many advantages and is quite suitable for the conditions in Vietnam.

3.2. The disadvantages of cooperatives


In addition to the advantages, the cooperative-model also has the following basic disadvantages:

First, the ability to be proactive and decisive in business:

Research shows that, when a single-owner business model such as a one-member limited liability company or a private enterprise comes to deciding business issues, it’s always proactive, quick, and timely, because the owner does not have to share the authority with anyone. For cooperatives, the participation of many members is based on the principle of equality, equal voting and regardless of the capital contribution in deciding the organization, management and operation of the cooperative,⁶ so the decision on important issues of the cooperative depends on the collective decision of the cooperative members. This causes trouble, difficulties and especially delays for cooperatives when it is necessary to make decisions to quickly handle business situations. Not only that, it can also lead to the situation that just because of the fragmentation and petty private

⁵ Clause 3, Article 7 of the Law on Cooperative 2012.

⁶ Clause 3, Article 7 of the Law on Cooperative 2012.



property of the cooperative members, it limits and affects important decisions of the cooperative. Not only that, it can also lead to the fragmentation and petty private property of the cooperative members, which limits and affects important decisions of the cooperative. In other words, the disadvantage of collective decision-making in cooperatives is that it reduces the flexibility, initiative and creativity in business of individuals with good business skills. This is very necessary, because in the context of the market economy and international integration, the expeditious, quick and timely decision making has a great influence on the existence and development of the cooperative.

Second, the management of cooperatives is relatively complicated:

There is an opinion that “the management of cooperatives is complicated due to the large number of cooperative members” (Le Hoc Lam et al., 2010). Because cooperatives often have a large number of members and in principle, all members have equal rights to vote, so the management and operation of cooperatives can become difficult and complicated. Pursuant to Article 29 of the Law on Cooperatives 2012, the organizational structure of cooperatives and unions of cooperatives consists of the following institutions: General meeting of members, Board of Directors, Director (General Director) and Supervisory Board or Supervisor. In comparison with joint stock companies, the organizational structure of cooperatives has many similarities. The participation of many powerful institutions in an organization has the advantage that there is always control, inspection and supervision of each other, but its disadvantage is that the administration will be more difficult, troublesome and complicated. For example, when it is necessary to convene a meeting of the General Meeting of Members, the law stipulates: “The number of delegates attending the General Meeting of Members shall be regulated by the charter but must ensure: Not less than 30% of the total number of members and affiliated cooperatives for cooperatives and unions of cooperatives with over 100 to 300 members and affiliated cooperatives; Not less than 20% of the total number of members and affiliated cooperatives for cooperatives and unions of cooperatives with over 300 to 1000 members and affiliated cooperatives; Not less than 200 delegates for cooperatives and unions of cooperatives with more than 1000 members and member cooperatives”.⁷ Along with that, the large participation of members with different backgrounds, qualifications and knowledges can also makes the cooperative easily divided into interest groups and very prone to conflicts and contradictions, which more or less cause difficulties, troubles and complications for the management and administration of the cooperative.


Third, cooperatives do not have the right to issue securities:

The Law on Cooperatives 2012 does not allow cooperatives to issue securities. Therefore, when it is necessary to mobilize capital, the cooperative's capital can only be mobilized mainly from the contribution of cooperative members or aided by the State, organizations and individuals or having to borrow from credit institutions. This is also the limitation of cooperatives. On the other hand, in comparison with companies entitled to list securities such as joint stock companies or other types of limited liability companies, the lack of permission to issue securities makes it impossible for cooperatives to widely promote the brand and image to investors and customers through the stock market. Because, in addition to the function of raising capital for issuers, the stock market is also a very good place to promote the image to investors, partners, and customers everywhere. Being listed on the Stock Exchange contributes to showing the size, strength and prestige of the listed organization. Therefore, not being able to issue securities more or less limits the cooperative's relationships with large investors. In addition, this disadvantage also makes cooperatives limited to operate only within the area of region with a small and medium scale.

Fourth, difficulty in attracting and inviting the participation of people with a lot of capital or people with experience in business administration:

Being identified as a type of economic organization that cooperates, shares, and helps each other, it is very difficult for cooperatives to invite large investors or experts with a lot of experience in business management and executive. This is partly due to “the principle of profit-sharing that combines the benefits of cooperative members with the development of the cooperative” (Le Hoc Lam et al., 2010). Large business people and professional entrepreneurs are often not interested in joining a collective economic model like a cooperative. On the other hand, the participants are

⁷ Clause 4, Article 30 of the Law on Cooperative 2012.



quite diverse but complicated, they may be farmers or small business people, for those with large capital resources or those with management experience, it is not suitable for them to join the cooperative.

The above disadvantages are inherent characteristics of cooperatives. These limitations more or less cause difficulties and hinder investors in Vietnam when wishing to join or establish cooperatives.

4.3. The compatibility between the model of cooperative and the current commercial environment in Vietnam

It is said that “in Vietnam, cooperatives play an important role in the national economy as well as in the economic development of the country” (Le Minh Toan, 2006). In addition, “the cooperative model has been widely responded to and developed by the workers because it is a deeply humane and social-economic organization” (Hanoi Law University, 2018). This is reasonable, because, in Vietnam, familiarity, mutual assistance, coordination, and assistance in labor, production, and business are quite common and suitable for the psychology of many people. During the period of the planned economy, the model of cooperative attracted a large number of people to respond and participate. According to the study, “at the peak of development (1988) the whole country had up to 100,000 cooperatives established and operating in many different industries and professions... During this period, the cooperatives have gathered tens of millions of workers, creating a great volume of products, goods, and services to society, accounting for 60% of GNI” (School of Law - Vietnam National University, 2001). However, at present, Vietnam is developing a market economy and integrating deeply with the world, the model of cooperative is gradually becoming stagnant, outdated, and difficult to compete with other types of enterprises. Research shows that cooperatives “reveal many limitations and obstacles to the development of productive power and other aspects” (School of Law - Vietnam National University, 2001). Accordingly, research on the incompatibility between the model of cooperative and the commercial environment in Vietnam shows results from the following basic reasons:

“Practice in Vietnam shows that most of the cooperatives currently operate in the agricultural sector. In fact, the economic activities of cooperatives are often aimed at meeting the living needs of members” (Hanoi Open University, 2011). Therefore, the scale and the operating range of cooperatives are almost confined to the areas or localities where the cooperative is registered. These cooperatives were established mainly to address local essential needs such as electricity and water supply or environmental sanitation services, etc. Business practice also shows that very few cooperatives can extend themselves to operate in other areas or areas. Only a few cooperatives with innovative, breakthrough, and creative thinking and appropriate development strategies can promote their images and products to different regions. Typical of these are cooperatives that produce clean agricultural products such as oranges, tangerines, grapefruits, ginger, turmeric or grow vegetables and tubers, etc. This is explained by the fact that most cooperatives are established and operate in rural areas with available production materials or in accordance with their inherent strengths (where there are craft villages with long-standing traditions such as bamboo and rattan production, woodworking, handicrafts, etc.). Moreover, the main participants of cooperatives are still local farmers or craftsmen. Therefore, that is the reason for those who have large capital or high qualifications and business skills, the cooperative model cannot attract them to participate. These people with business plans often prefer to establish and operate under commercial company models. On the other hand, when joining a cooperative, these people do not have many opportunities to show their business skills, because the cooperative model always emphasizes cooperation, mutual assistance and mutual assistance. After all, “although cooperatives are an economic institution, they always have a profound social and community characteristics” (Hanoi Open University, 2011). “In fact, with small and fragmented production, it will be difficult for cooperatives to create a large volume of high-quality goods to meet the requirements of society and serve exports in the process of socialization” (Nguyen Thi Khe, 2007). It is not suitable for people with modern capitalist business ideas and philosophies. Therefore, there has been a recent comment that “due to the characteristics of democracy, equality of all members and mutual support, the cooperative model will not become a popular economic model in our country” (Pham Duy Nghia, 2015).



In addition, researches show that the weakness of cooperatives is also “because the ability of the competent state agencies to organize and manage is still poor, the production and business activities of the cooperatives are still inefficient, especially the unreasonable and unfair income distribution mechanism, the cooperatives do not have the necessary conditions to fully perform the function of a social community”. (School of Law - Vietnam National University, 2001).

Legally, in comparison with establishing commercial companies, establishing a cooperative has more difficulties, troubles, and complications. “The most important task of the founders is to campaign and propagate for the establishment of the cooperative. After that, the founders will develop a production and business plan, draft a charter of the cooperative as well as perform necessary work to organize a conference to establish the cooperative...” (Hanoi Law University, 2018). In addition, the subsequent legal procedures for establishing a cooperative are also very complicated and take a lot of time and effort. Not only that, the problem that causes many difficulties and complications for the establishment of cooperatives is that the law in Vietnam requires the cooperative to have at least 07 members.⁸ However, the minimum requirement of up to 07 members is quite a large number and in many cases, members are not easily fulfilled. The larger the mandatory minimum number of members, the more difficult it is to invite members to join. With other types of commercial companies in Vietnam, the law only stipulates a minimum of 02 to 03 members to be established. Especially with business models such as a private enterprise or a one-member limited liability company, each individual can already set up a business to do business alone. Obviously, with a rather large minimum number of members, cooperatives face more difficulties when registering for establishment.

On the other hand, in the modern market economy, there is always fierce competition and elimination for all types of business. Therefore, promoting the image, brand or the ability to raise capital widely and easily are the competitive advantages of each business. Perhaps any business owner before setting up a business wishes to be able to easily scale up with the ability to attract large capital when needed and the image of the business is always known by many people. As a result, businesses can attract many customers as well as receive cooperation and opportunities from big investors. Therefore, not being allowed to issue securities is a huge drawback for cooperatives and this is also less attractive to investors. This also limits the interest of large investors to cooperatives. In addition, this makes the cooperative can only be small-scale businesses in each locality because they are rarely known to the public.

However, in recent times, there is a study that clearly states: “The basis for a type of business to develop well in Vietnam must satisfy the following conditions: (i) The scale of the business is not too large, but it can be easily expanded in the long term; (ii) There must always be mutual trust between members of the enterprise; (iii) Enterprises must ensure the legal safety, create a trust for customers, and the organizational structure, governance is not too complicated” (Nguyen Vinh Hung, 2015). With the cooperative model, it can be affirmed that cooperatives still have many advantages to develop strongly in Vietnam. Because cooperatives in Vietnam today often exist in the scope of small and medium businesses. Moreover, the unlimited number of participants and the diversity of the participants make it easier for the cooperative to expand its business scale and scope or easily attract members. Along with that, the cooperative model also shows a deep social spirit when there is always support and assistance in many aspects for the members, so this more or less creates trust, confidence, union, and consensus among members. This is also an important basis for the convenient and easy organization of activities as well as the production and business of cooperatives. On the other hand, although it is not considered a type of enterprise, in reality, a cooperative “has legal status, autonomy, and self-responsibility for financial obligations within the charter capital, accumulated capital, and other capital sources of the cooperative in accordance with the law” (Nguyen Thi Khe, 2007). This helps the cooperative to gain the confidence and trust of customers and to be proactive, flexible, and creative in business and commercial relationships.

Currently, a multi-component commodity economy operating in accordance with the market mechanism under the management of the State and following a socialism orientation is being built and developed in Vietnam. In which, “collective economy (including two main components, cooperatives, and collaborative groups) is identified as one of the two factors that create a solid

⁸ Clause 1, Article 3 of the Law on Cooperative 2012.



foundation of the national economy” (Online Finance Magazine, 2017). Therefore, “the state economy has continued to be narrowed, the collective economy, the form of production and business organization of the workers will be encouraged to develop, and cooperatives will assert their roles and advantages” (Nguyen Thi Khe, 2007). In addition, it is said that “cooperative as an economic component has certain advantages and plays an important role in the process of socio-economic development in our country” (School of Law - Vietnam National University, 2001). “By 2030, the whole country will have about 45,000 cooperatives with 8,000,000 members, 340 unions of cooperatives with 1700 affiliated cooperatives. This is the goal set out in the Strategy for the collective economy and cooperatives development in the 2021-2030 period, which has just been approved by the Prime Minister” (Online newspaper Vneconomy, 2021). This shows the importance and great contribution of cooperatives to the socio-economic development of Vietnam. Along with that, cooperatives are also creating a lot of jobs for workers. Therefore, it can be seen that the existence and development of cooperatives also have a great role and influence on Vietnamese society. In fact, there was an opinion that: “In the near future in our country, a collective economic model such as a cooperative will certainly have many prospects, because it meets the requirements of the employees. activities, business individuals have the need to cooperate closely with each other in the spirit of mutual assistance” (Le Minh Toan, 2006).

In summary, it can be affirmed that in the current socio-economic development stage and in the long-term future, cooperatives will still be a model of cooperation, production, and business that is very suitable for the commercial environment in Viet Nam. It can also be an important reference base for foreign investors when there is a need and desire to connect and share business opportunities with Vietnamese cooperatives.

4. RESULTS AND RECOMMENDATIONS

Currently, to meet the requirements of developing a multi-sector commodity economy operating under the market mechanism in the period of international integration, the 13th Congress of the Communist Party of Vietnam has affirmed consistent policy: “The State economy and the collective economy are becoming more and more solid foundations of the national economy” (Journal of the Central Propaganda Department, 2021). As stated before, “collective economy, the form of production and business organization of the laborers will be encouraged to develop, cooperative will affirm its role and advantages” (Nguyen Thi Khe, 2007). Therefore, for the cooperative model to develop strongly and be more compatible with the commercial environment in Vietnam in the period of international integration, it is necessary to consider the following solutions:

As analyzed, a huge disadvantage of the Law on Cooperatives 2012 is that cooperatives are always required to have 07 members to be allowed to establish. This regulation has caused a lot of difficulties, troubles, complications, and limitations for members when there is a need and desire to establish a cooperative. For cooperative members, mobilizing and persuading 07 members to join is not a quick, simple and easy task. The reason is that in Vietnam, most farmers or local laborers, small businesses only participate in cooperatives when the cooperative has been established and developed to a certain extent. Perhaps the psychology of most people with limited qualifications and understanding is afraid of not daring to set up a business model that is complicated, and tightly organized as a cooperative. Therefore, those who establish the cooperative must be those who have had the business experience to be appropriate. However, as analyzed, such people often like to set up and operate a business as a model of commercial companies. As a result, the remaining number of people wishing to establish and do business under the cooperative model is usually very small. The mandatory requirement to have at least 07 members has become a huge barrier for those wishing to establish a cooperative. It can be said that the current mandatory regulation on the minimum number of members of the cooperative is quite rigid and not suitable for the actual operation of the cooperative.

In addition, when looking at the regulations on the minimum number of members in all types of companies and enterprises in Vietnam today, it is found that most types of companies only need a minimum of 1 member and a maximum of only 3 members to be established. In Vietnam, since opening to build a socialist-oriented market economy until now, only the Companies Law in 1990

mandates that a joint stock company must have at least 07 shareholders.⁹ From the Enterprise Law 1999 to the Enterprise Law of 2005, 2014, and 2020, in order to match the requirements of business practice as well as facilitate the type of joint stock company to be easier to establish and operate, the law has reduced the minimum number of members of a joint stock company to only 3 shareholders to be established.¹⁰ Even more, there is a tendency to think that the type of joint stock company with one shareholder should be regulated to better meet the business demands in the current market economy in Vietnam (Hoang Anh Tuan, 2009). Therefore, it can be seen that the more the minimum number of members, the more difficult and complicated it is to establish business models in general and cooperatives in particular.

According to the author, it is necessary to review the provisions in Clause 1, Article 3 of the Law on Cooperatives 2012 and the minimum number of members of the cooperative should be reduced down to the current equivalent of a joint stock company that must be a minimum of 3 members to be established. Because, with a company that has the right to issue securities and is complicatedly organized, or even with a very large number of members, and in many cases, “there are tens of thousands of shareholders in most countries in the world” (Le Minh Toan, 2015), it requires at least 03 shareholders to be established, the cooperative does not need to have at least 07 members. In addition, as analyzed, the organizational structure of a joint stock company has many similarities with a cooperative, so if a joint stock company can operate with only one or three shareholders, the minimum number of members of the cooperative should also be reduced to facilitate the establishment and operation. Therefore, the regulation that a cooperative requires only a minimum of 3 members would be more appropriate to initially facilitate the members to mobilize and persuade others to establish the cooperative. In other words, the author believe that, stemming from the needs and requirements of the commercial environment in Vietnam today, it is very appropriate for a cooperative to have at least 3 members that make the establishment simpler, faster, easier, and more convenient. Regulations in this orientation will promote the strong establishment of cooperatives in Vietnam. Moreover, as analyzed above, the cooperative model are well compatible with the conditions of the commercial environment in Vietnam. Thanks to the easy establishment, it will help the cooperatives then operate stably and develop quickly. As a result, cooperatives will attract more and more members to participate to have more capital contribution and create more employments to help members in difficulty. Thus, the cooperative model can promote its advantages and make greater contributions to the socio-economic development of Vietnam.

5. CONCLUSION


Cooperative is a collective economic model that appeared during the period when the North of Vietnam built a planned economy and has lasted until now. In particular, cooperatives have many advantages but also exist some disadvantages. However, when studying the suitability of the cooperative model with the natural, economic and social conditions in Vietnam, it shows that cooperatives are very suitable and have many favorable opportunities to strongly develop in Vietnam. In order to create favorable conditions and promote the further development of cooperatives, the regulation on the minimum number of members should be considered and the number of members should be reduced to only 3 members. In this way, the development of cooperatives in Vietnam can be strongly promoted to meet investment and business demands in the international integration market economy.

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