

Challenges of Vietnamese Agricultural Cooperatives in the 21st Century: The Link Between Efficiency and Legality

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The article shows that the situation of agricultural cooperatives in the world in general and agricultural cooperatives in Vietnam in particular are facing certain challenges in the context of globalization in the 21st century. The article points out limitations on: the nature, principles of democratic member control and principles of surplus distribution of the International Cooperative Alliance, as well as Vietnamese law in cooperative management.

Keywords: agricultural cooperative, democratic principles, principles of surplus distribution, cooperative law

Introduction

Agricultural cooperative is a form of agricultural production organization that has been around for nearly two centuries (USAID, 2006, p. 43-47), is a form of economic organization of a combined nature to realize cultural, social and economic goals. Through the long development process, agricultural cooperatives have brought to the rural community very respectable achievements, especially achievements in hunger eradication, poverty reduction and contribution to stable food security in developing and underdeveloped countries (FAO, 2012). In the current context, when the economy is increasingly internationalized, beyond the national scope, the level of economic competition is increasingly fierce, agricultural cooperatives have shown weakness, poor performance, and small scale, which is an issue that needs attention.

Studies show that 80% of agricultural cooperatives in Thailand are inefficient, and they are maintained thanks to strong government support (Pongpanich, & Peng, 2016). In the world, the situation of agricultural cooperatives is not better, the lack of capital, weak management personnel, and small scale are also common phenomena, such as agricultural cooperatives in Tigray (Ethiopia) (Bekele, 2008). Chinese farmer cooperatives also face many difficulties, especially working capital is also a difficult problem (Zhao, 2011).

The agricultural cooperatives of the Federal Republic of Germany, despite being a developed country, have diversified forms of capital mobilization, but the lack of working capital of cooperatives is also one of the important challenges (Tu, 2022). Finally, the United States is a developed country, with a variety of agricultural cooperative forms with many ways of capital mobilization (Hoang, 2017), but the scale and efficiency of operations are also very limited compared to the form of investment-oriented enterprises, the trend of shifting from agricultural cooperatives to investment-oriented enterprises has taken place strongly (Cook, 1995).

The report of the International Technical Meeting in Rome shows that the current challenge of working

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capital of cooperatives is very serious (COPAC, 1995). Particularly, the Japanese agricultural cooperative model has been relatively successful, but that success mainly comes from the strong support of the government and the cooperative's monopoly position in the domestic market (Asuwa, & Shinzaburo, 1962).

Research Questions and Research Methods

Thereby showing that, in general, agricultural cooperatives in the world operate inefficiently and on a small scale. From there, two questions arise: what is the status of agricultural cooperatives in Vietnam? How does Vietnamese law affect the performance of agricultural cooperatives? Those are the two issues that the article will focus on discussing and clarifying.

To answer the above questions, the article will survey and analyze: research works on the actual operation of agricultural cooperatives in Vietnam; data from the Ministry of Planning and Investment of Vietnam on the status of agricultural cooperatives in Vietnam; current status of Vietnamese law on agricultural cooperatives.

Next, the article compares: the operational status of Vietnamese agricultural cooperatives with the current status of Vietnamese enterprises. In order to see the difference in performance between these two types of organizations.

Finally, the article will analyze and compare between the Vietnamese cooperative law and the Vietnamese enterprise law to find the differences between the two legal frameworks, as well as the limitations of the Vietnamese cooperative law.

Highlights

- The principle of democratic member control of International Cooperatives Alliance causes the following limitations: Firstly, this principle leads to the equal rights of large capital contributors and small capital contributors, causing inequality among members; Second, this principle is not consistent with the theory of property rights, specifically the right to dispose of the owner's property; Third, this principle may push the cooperative into the position of being manipulated by the irresponsibility of small capital contributors.

- The principle of surplus allocation causes the following limitations: Firstly, this regulation causes inequality among members; Second, investors are not encouraged; Thirdly, this principle is not consistent with the theory of ownership, namely the right to use assets of capital contributors.

Status of Agricultural Cooperatives in Vietnam

Regarding the status of agricultural cooperatives in Vietnam, the article will focus on analyzing three issues: surveying research works on Vietnamese agricultural cooperatives; performance data of Vietnamese agricultural cooperatives 2016-2020 based on comparison with performance data of enterprises in the same period.

Research Works on Agricultural Cooperatives in Vietnam

Practice shows that the performance of agricultural cooperatives in Vietnam is even more serious. For example, research shows that more than 80% of agricultural cooperatives in Bac Lieu province have no office and operate inefficiently (Tuan, 2017). The majority of agricultural cooperatives in the Mekong Delta operate inefficiently, lack capital, lack assets and weak personnel (Ha, 2017; Hai, 2014). In general, only about 10% of Vietnamese cooperatives operate effectively and about 90% operate inefficiently (Dung, 2016).

Data on the Performance of Vietnamese Agricultural Cooperatives

The data in this article is compiled from three sources: Cooperative White Book 2022 and Business White Book 2019, 2020, 2022 released by the Ministry of Planning and Investment of Vietnam, and; Annual report 2018 of the Vietnam Cooperative Alliance. The results show that:

As of December 31, 2020, Vietnam has a total of 25,777 cooperatives. Operating cooperatives have production and business results of 15,306, accounting for 59.4%. Of which, agricultural, forestry and fishery cooperatives (collectively called agricultural cooperatives) are 7,775 cooperatives, accounting for 50.8%; Industrial and construction cooperatives are 2,828 cooperatives, accounting for 18.5%; Service cooperatives are 4,703 cooperatives, accounting for 30.7%.

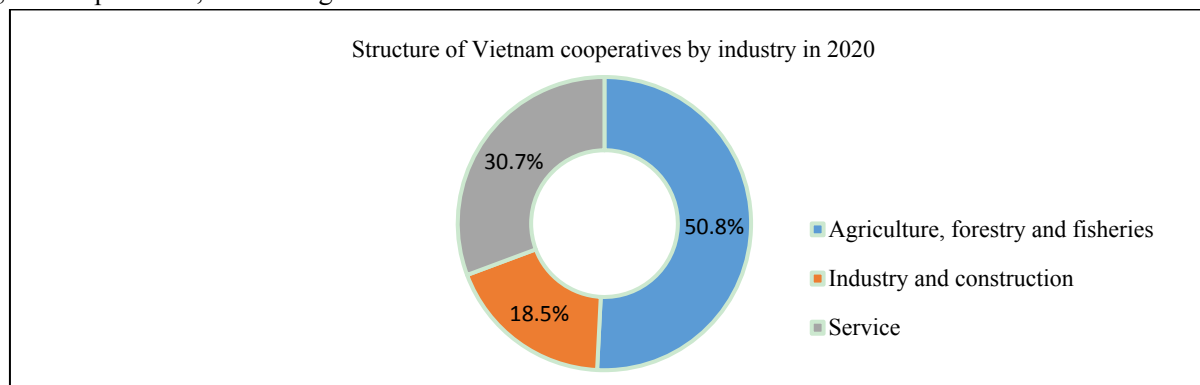


Figure 1. Structure of Vietnam cooperatives by industry in 2020.

Source: Page 24 of the Vietnam Cooperative White Book published in 2022 by the Ministry of Planning and Investment of Vietnam.

The Figure 1 shows that agricultural cooperatives account for more than 50% of the total number of cooperatives operating and having production and business results of Vietnamese cooperatives. It has a great impact on the agricultural economy and the lives of Vietnamese farmers. Therefore, analyzing and considering its performance is necessary to enhance the performance of the agricultural economy and improve the lives of Vietnamese farmers.

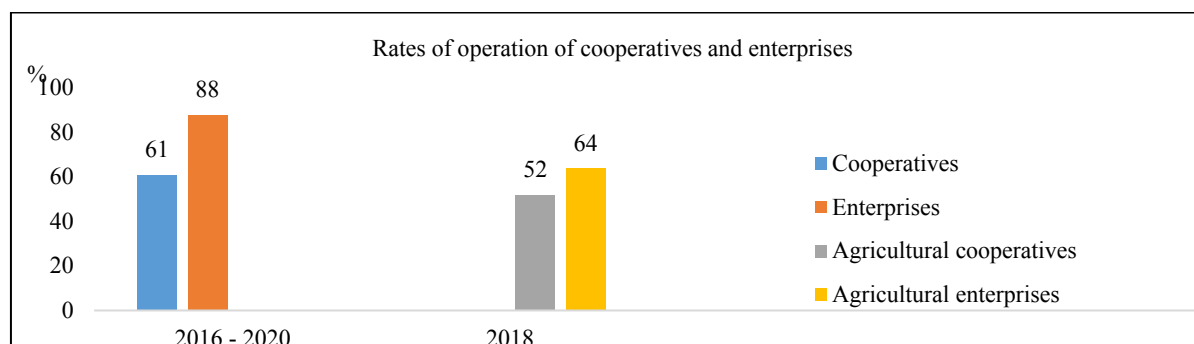


Figure 2. Comparison of operation rates of cooperatives and enterprises after establishment.

Source: The Vietnam Business White Book 2019, 2020, 2022 and The Vietnam Cooperative White Book 2022 released by the Ministry of Planning and Investment of Vietnam, and; The 2018 Annual Report of the Vietnam Cooperative Alliance¹.

¹ Because there is not enough data on the operating rate of agricultural cooperatives in the period 2016-2020, the article only compares this index in 2018.

The Figure 2 on the rate of operation shows that the rate of operation of cooperatives after establishment is much lower than that of enterprises. On average, from 2016 to 2020, the operating rate of enterprises was 88% after establishment, while the operating rate of cooperatives was only 61%. About the average rate of agricultural cooperatives operating after their establishment from 2016 to 2020 is 52%, and agricultural enterprises are 64%. This shows the fact that enterprises are established to meet the real needs and desires of investors, while cooperatives are established in response to the calling movement of the authorities at all levels.

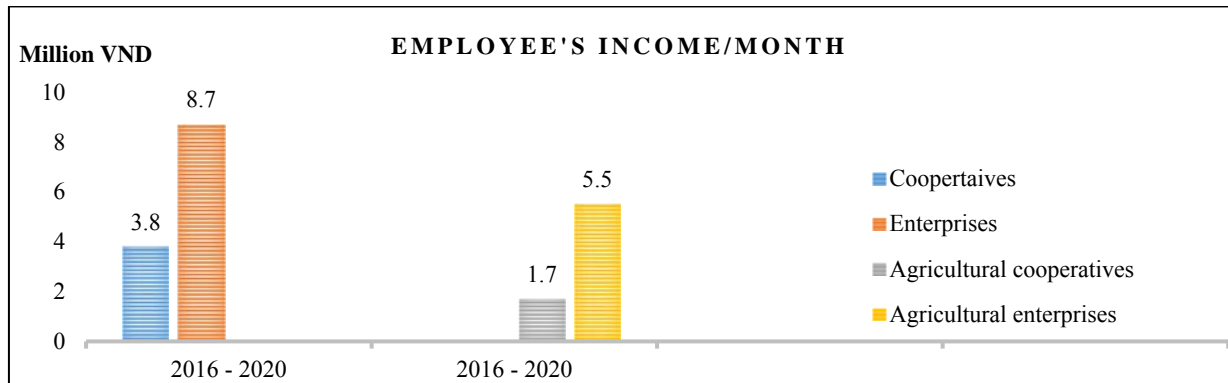


Figure 3. Comparison of employee's income in cooperatives and enterprises.

Source: Business White Book 2022 and Cooperative White Book 2022 released by the Ministry of Planning and Investment of Vietnam.

On average from 2016 to 2020, the income of employees in the cooperative sector is only 3.8 million VND/month, while the income of employees in the enterprise sector is 8.7 million VND/month, 2.3 times higher than the cooperative sector. If considering the agricultural sector alone, this gap is quite large, the income of employees in the agricultural cooperative sector is 1.7 million/month, while the income of employees in the agricultural enterprise sector is 5.5 million/month, 3.24 times higher than that of agricultural cooperatives, this difference is worth considering.

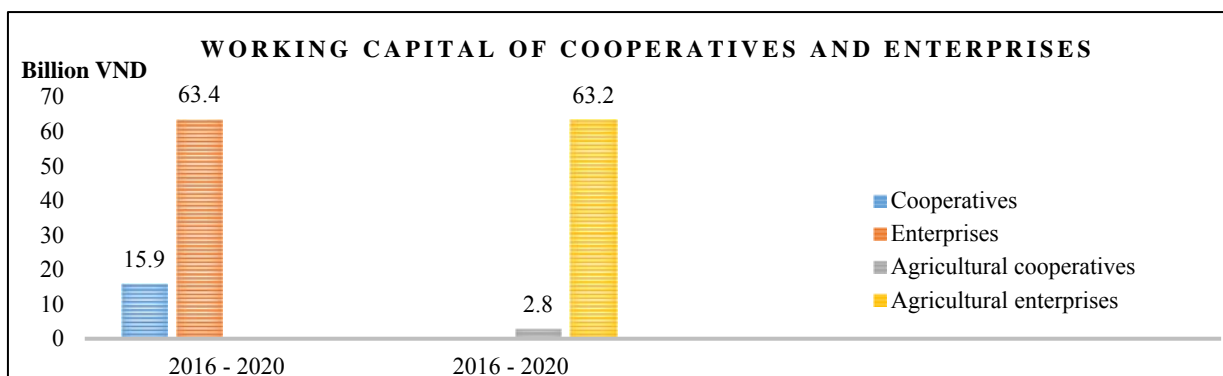


Figure 4. Comparison of working capital between cooperatives and enterprises.

Source: The Vietnam Business White Book 2022 and The Vietnam Cooperative White Book 2022 released by the Ministry of Planning and Investment of Vietnam.

There is a big difference in the income of employees between the cooperative sector and the enterprise sector, which shows that the efficiency of using labor, as well as the efficiency of business activities of the cooperative, is very low compared to the enterprise sector. Especially in the agricultural sector, this difference is very clear,

this may be in addition to the inherent limitations of cooperatives, the difference in production and business management levels between professional managers of enterprises and amateur farmer managers of agricultural cooperatives is also a matter worthy of further analysis and study.

In terms of working capital to carry out production and business, there is a big difference between the two areas of enterprises and cooperatives. Considering the average period of 2016 - 2020, the working capital of the cooperative is 15.9 billion VND/ per cooperative, while the working capital of enterprises is 63.4 billion VND/ per enterprise, 3.99 times higher than that of the cooperative. Especially in the agricultural sector, there is a big difference, the working capital of agricultural cooperatives is 2.8 billion VND/per agricultural cooperative, but the working capital of agricultural enterprises is 63.2 billion VND/per agricultural enterprise, 22.6 times higher than agricultural cooperatives, a difference worth considering.

Through the Figure 4, it can be seen that agricultural cooperatives in Vietnam do not attract investors. In my view, it could be due to the following reasons: Vietnamese cooperatives are now seen as an extension arm of the Communist Party in the process of socialist construction, which is a state-dominated organization; voting rights in agricultural cooperatives (one member, one vote), and; the profit distribution method (distributing according to the usage level of members) does not guarantee the property rights of investors. As a result, the working capital of agricultural cooperatives is limited.

Table 1

Summary of Research Results on Data of Cooperatives and Enterprises

Type of organization	Ratio of operation	Employee's income/month	Working capital
Cooperatives	61%	3.8 million	15.9 billion
Enterprises	88%	8.7 million	63.4 billion
Agricultural cooperatives	52%	1.7 million	2.8 billion
Agricultural enterprises	64%	5.5 million	63.2 billion

Source: Compiled from Figure 2, Figure 3 and Figure 4 presented above.

Legal Status of Agricultural Cooperatives in Vietnam

Currently, Vietnamese cooperatives are governed by the Law on Vietnam Cooperatives promulgated on November 20, 2012 including 9 chapters with 64 articles. In Vietnam at present, there is no separate law for each type of cooperative, but the 2012 Cooperative Law applies to all types of cooperatives. Basically, the Law on Cooperatives of Vietnam fully complies with the views of the International Cooperative Alliance on the nature and 07 principles of cooperative management.

The nature of cooperatives is affirmed by the Law on Cooperatives of Vietnam 2012 in Article 3, in this article the cooperative is considered a collective economic organization, co-ownership, has legal status, due to at least 07 members voluntarily establish and cooperate with each other in production, business, and job creation to meet the common needs of members, on the basis of autonomy, self-responsibility, equality and democracy in cooperative management.

Although Vietnam's cooperative law does not directly recognize cooperatives as an "autonomous association" like the International Cooperative Alliance, which is called a collective economic organization, co-ownership, etc. and democratic control. From that, it can be seen that the calling is different, but in essence, the law on Vietnamese cooperatives still ensures the spirit of the International Cooperative Alliance about the nature of cooperatives as being human-centered with the motto: self-reliance, self-responsibility, democracy, equality,

justice and solidarity.

The first principle, voluntary and open membership: This principle has been affirmed by the law on Vietnamese cooperatives from the very beginning in Article 3 to determine the nature of the cooperative. At the same time, the openness and voluntariness of cooperatives is also clarified and affirmed throughout and consistently in the law on Vietnamese cooperatives.

The second principle, democratic member control: This principle has been affirmed by the law on Vietnamese cooperatives in Article 3, and this principle is also fully and thoroughly grasped by the law on Vietnamese cooperatives with the motto “one member, one vote”, specifically in article 34 on voting in the general meeting of members and other relevant articles.

The third principle, member economic participation: This principle has also been thoroughly followed by the law on Vietnamese cooperatives such as: forming undivided assets (common property); benefiting members in proportion to their transactions with the cooperative, specifically in chapter 5 on assets and finance of cooperatives and unions of cooperatives, from articles 42 to 51 and other articles related.

The fourth principle, autonomy and independence: This principle has also been affirmed from the very beginning in Article 3 and throughout the Vietnamese cooperative law. Although the law on cooperatives in Vietnam stipulates that cooperatives are independent and autonomous, in fact, through supporting policies, incentives and state management, the Vietnamese State intervenes quite deeply in the process of establishment, organization and operation of cooperatives in general and agricultural cooperatives in particular.

Three remaining principles: education, training and information; cooperation between cooperatives, and; concern for community, the law on Vietnamese cooperatives fully and thoroughly follows the spirit of the International Cooperatives Alliance.

Discussion

Similar to cooperatives in the world, Vietnamese agricultural cooperatives operate inefficiently, on a small scale, and have not met the expectations of society. From here, the question arises: Why do cooperatives and enterprises operate in the same economic, social and political environment, but there are huge differences in the development process? However, we must see that, although cooperatives and enterprises operate in the same economic, social and political environment, but the regulatory framework is different. So, is the different regulatory framework the key to making that difference?

From that reality, it is necessary to analyze and compare the two legal frameworks regulating cooperatives and enterprises. In general, the process of adjusting from: establishment, organization and management between the two legal frameworks has the following fundamental differences:

Table 2

Comparison of the Basic Differences Between the Law on Cooperatives and the Law on Enterprises in Vietnam

Provisions of law	Cooperative Law	Enterprise Law
Voting Principles	One member, one vote	Voting according to capital contribution ratio
Principle of profit distribution	Distributing according to transaction ratio with the cooperative	Distributing according to capital contribution ratio

These are two almost opposing differences between the two legal frameworks. Therefore, it is necessary to consider the advantages and limitations of these two principles of cooperative Law.

Principles of Democratic Member Control

The Law on Vietnamese cooperatives 2012, in clause 03, article 07 stipulates that “Members and member cooperatives have equal rights and equal voting rights regardless of contributed capital in deciding the organization, management and operation of the cooperatives, unions of cooperatives”, and clause 3, article 34 stipulates that “Each member, member cooperative or member delegate attending the general meeting of members has one vote. Voting votes have the same value, regardless of the amount of capital contributed or the position of the member, member cooperative or member delegate”.

The regulation “one member, one vote” in my opinion is inconsistent with the principles of organization and management of an economic organization, specifically:

Firstly, this regulation leads to the fact that large capital contributors and small capital contributors have equal rights in deciding issues in the operation of the cooperative. Meanwhile, clause 3, article 15 stipulates that “members and member cooperatives are responsible for the debts and financial obligations of the cooperatives and unions of cooperatives within the scope of capital contributed to the cooperatives, union of cooperatives”, which means that the member who contributes a lot of capital will bear high responsibility. Meanwhile, the rights between members are equal. This is contrary to the principle of “power must be proportional to responsibility”. It is this that makes the small capital contributors arbitrary when making decisions regarding the fate of the cooperative.

In management science, there are two important factors that decision makers must consider, namely the risks to be incurred and the potential benefits that can be achieved (Tien, nd, p. 85). An optimal decision is the least consequence with maximum effect (Dung, nd, p. 101). It is the principle of democratic member control that makes the small capital contributing members when making decisions related to cooperatives, they only care about the potential benefits that they can enjoy, but they do not care about the risks that the large capital contributing members must bear.

For example, the cooperative has two investment projects to choose from: project 1 has a probability of success of 10%, potential profit 200%; project 2 has a 90% probability of success, 20% potential profit. Because of the desire for profit, small capital contributing members are inclined to choose to invest in projects 1. It is this lack of caution that can push the cooperative into high-risk projects. At the same time, it is this imprudence that may cause business strategies and plans that have not been carefully evaluated to be adopted and executed arbitrarily. All that makes the capital efficiency of the cooperative low and reduces the competitiveness in the market economy.

Second, this provision is not consistent with the theory of property rights, specifically the right to dispose of property of the owner. This regulation has inadvertently created conditions for the small capital contributors to dispose of the assets of the large capital contributors. Because the small capital contributors are not responsible or disproportionately responsible, they become arbitrary and reckless when making their decisions regarding the fate of the cooperative.

According to the theory of property rights, the owner has the full right to decide whether to transfer the ownership of the property or give up that ownership, as long as it does not harm the interests of other individuals and society. This shows that the democratic member control principle in cooperative management does not guarantee the full right to decide on the assets of the large capital contributing members. Legally, a cooperative is a legal entity with its own property, but after all, the real owners of the cooperative's assets are the members.

By its very nature, co-operative property is a share property, but when it comes to decisions regarding the actual fate of the property, it is equally raked. That is not consistent with the theory of property rights.

Third, this regulation may push the cooperative into a position of manipulation, because the small capital contributing members are almost not responsible for their decisions, so these small capital contributing members are easily outside manipulation for private gain.

In the process of production and business, the conflict of interests between the cooperative and its competitors, partners, even with the members of the cooperative is inevitable, but due to the disproportion between responsibilities and rights of members in the decision-making process related to the cooperative's interests, making opportunistic people taking advantage of these small capital contributing members to make decisions in their favor. More seriously, this regulation also creates loopholes for opportunistic people enter the cooperative as a member to manipulate to benefit.

Fourth, for the above reasons, this regulation makes current and potential members not want to contribute capital to the cooperative, if any, they only contribute at a minimum to benefit from the large capital contributing members. It is this that makes the charter capital of cooperatives in general and agricultural cooperatives in particular always low, leading to no collateral to access credit sources. As a result, agricultural cooperatives lack capital to conduct production and business activities, and cannot take advantage of economies of scale, leading to low competitiveness of cooperatives. This has been proven through studies, as well as data from the figures presented above.

Principle of Allocation of Surpluses

According to the third principle: member economic participation of the International Cooperatives Alliance, "Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership" (ICA, 2022).

On that basis, clause 1, clause 2 and clause 3, article 46 of the Law on Cooperatives of Vietnam 2012 stipulates: "After fulfilling financial obligations as prescribed by law, the income of cooperatives and unions of cooperatives are distributed as follows: (1) appropriation for development investment fund at the rate not lower than 20% of income; setting up a financial reserve fund at the rate not lower than 5% of income; (2) setting aside other funds decided by the general meeting of members; (3) The remaining income after setting aside the funds as prescribed in clauses 1 and 2 of this article shall be distributed to members and member cooperatives according to the following principles: mainly according to the proportion of use of products and services by members and member cooperatives; according to the labor contributed by members to job-creating cooperatives; b) the remainder is divided according to the contributed capital; c) the specific distribution rate and method shall be prescribed by the charter of the cooperatives and unions of cooperatives".

Meanwhile, a member's liability for the cooperative's debts and financial obligations is based on the member's capital contribution, which is specified in clause 3, article 15 "members, member cooperatives be responsible for the debts and financial obligations of cooperatives and unions of cooperatives within the scope of capital contributed to cooperatives and unions of cooperatives", that is, a member who contributes a lot of

capital will be responsible for high duty. Meanwhile, when the cooperative generates income and distributes it mainly to members who use products and services, it is unreasonable and does not guarantee the ownership rights of capital contributors.

In my opinion, the provisions on income distribution in clause 3 of this article 46 have the following limitations:

Firstly, this regulation is not consistent with the principles of organization and management of economic organizations, causing inequality among members. This provision is completely disregarding the interests of capital contributors, distributing income mainly according to the proportion of use of products and services of members and member cooperatives, which means that capital contributors are not given due consideration in the income distribution process. Meanwhile, cooperatives cannot conduct production and business without member' contributed capital, without production and business, the cooperative cannot have income/profit. However, in the process of income distribution, it is the people who make the income/profit that are not given adequate attention.

Meanwhile, when joining a cooperative, members have the right to be supplied products and services by the cooperative or union of cooperatives under the contract (clause 01, article 14); To enjoy the benefits of cooperatives and unions of cooperatives (clause 03, article 14). That is, users of products and services benefit too much when participating in cooperatives, and receive more income. Thus, users of products and services can use products and services at cost price, which means they are appropriating free capital of other capital contributors. This inadvertently pushes the capital contributors into a risky situation, they have to take full responsibility for the existence of the cooperative, but when the income is distributed, they are not entitled to anything, besides, the currency is increasingly depreciating due to inflation. And users of products and services benefit from the cooperative without taking any risks. This is uneconomical, as no one would be foolish enough to invest money in such a regulated economic organization, with the exception of charities and other non-profit funding sources.

Secondly, the reality shows that most of the members of the cooperative are disadvantaged groups with low income, so their material needs are very high, material benefits are an important determinant of their behavior (Maslow, 1954, chapter 2). While the income distribution provisions of the Law on Cooperatives 2012 are detrimental to capital contributors, it certainly does not encourage the disadvantaged classes to invest their meager capital for cooperatives to use free.

This will make it very difficult to raise capital from members in general and from investors in particular of the cooperative, leading to the cooperative having no collateral to access credit. All that pushes the cooperative to a state of small scale, high production costs, weak competitiveness, and finally low business efficiency. The fact that the research on cooperatives around the world has been surveyed in the introduction has shown that, cooperatives currently exist mainly from state funding, creating a burden on the budget.

Third, it is inconsistent with theory of property rights, specifically the right to use assets of capital contributors. According to the theory of property rights, the owner has the right to possess, use and dispose of the property he owns². In which, the right to use means the right to exploit the utility, enjoy the yields and profits from the property under their ownership. Meanwhile, the income/profit of a cooperative is the income derived from the use of assets of the capital contributing members, but it is mainly distributed to members using the cooperative. It shows that property rights in cooperatives are not fully guaranteed, and members are not encouraged to contribute capital to cooperatives.

² According to the theory of property rights.

Conclusions and Recommendations

From the results of analysis of research works, as well as the actual operation and legal status of Vietnamese cooperatives, it shows that the principle of democratic member control is proposed by the International Cooperatives Alliance, and is specified in detail in clause 3, article 7 of the Law on Cooperatives of Vietnam 2012 is inconsistent with the theory of property rights, conflicts with the members' right to dispose of property, it is important to discourage members and other classes participating in capital contribution to cooperatives, leading to limited cooperative size, unable to take advantage of economies of scale, resulting in poor performance of cooperatives.

To ensure that members' ownership rights are fully enforced, members and classes of society are encouraged to contribute capital to the cooperative, mobilize resources in society, and take advantage of scale. In order to enhance the operational efficiency and competitiveness of cooperatives, we recommend:

Recommendations to the National Assembly of Vietnam

Firstly, clause 03, article 07 of the Law on Cooperatives of Vietnam 2012 is revised as follows: "Members and member cooperatives have equal rights and the right to vote according to the proportion of contributed capital in deciding the organization, management and operation of the cooperatives, unions of cooperatives".

Second, clause 3, article 34 of the Law on Cooperatives of Vietnam 2012 is revised as follows: "Each member, member cooperative or member delegate attending the general meeting of members has one vote. Voting votes have a value corresponding to the proportion of capital contribution or other privileges prescribed by the charter."

These two recommendations are aimed at ensuring the ownership rights of capital contributors, improving the responsibility of members who contribute little capital in the process of managing and operating the cooperative, and encouraging members to contribute capital to the cooperative, taking advantage of economies of scale to improve the efficiency of capital use and competitiveness of cooperatives in the market economy.

Third, clause 3, article 46 of the Law on Cooperatives 2012 needs to be revised as "The remaining income after setting aside funds as prescribed in clauses 1 and 2 of this article is distributed to members, member cooperatives according to the proportion of capital contribution of members and member cooperatives."

This recommendation is to ensure that the ownership rights, specifically the right to use the assets of the members are fully guaranteed, and to encourage members and farmers to join and contribute capital to the cooperative to take advantage of economies of scale, increase the efficiency of capital use, increase the competitiveness of cooperatives towards providing goods and services to members with suitable prices and quality.

Recommendations to the International Cooperative Alliance

First, the second principle of democratic membership control should be revised as "Cooperatives are economic organizations controlled by their members who are actively involved in the establishment of their policy and decision-making. The men and women who serve as elected delegates are accountable to the members. In grassroots cooperatives, members have the right to vote according to the proportion of capital contribution, and cooperatives at other levels are also organized according to this principle."

This recommendation is intended to create a basis for the member states of the International Cooperative Alliance to perfect the cooperative legal framework, aiming to ensure that the ownership rights of cooperative members are fully enforced, increase responsibility for members who contribute little capital in the process of

managing and operating the cooperative, encouraging members to contribute capital to the cooperative, taking advantage of economies of scale to improve the efficiency of capital use and competitiveness of cooperatives in the market economy.

Second, the definition of cooperative revised as “cooperative is an independent and autonomous organization of persons who voluntarily unite to meet their common economic needs through a jointly owned enterprises”.

This recommendation is to clearly define the legal status of a cooperative as a real economic organization, to limit confusion in the perception of the cooperative’s legal status as a “hybrid” organization between political, social and economic. At the same time, this recommendation clearly identifies the regulated object of the Law on Cooperatives as economic relations, not political social-non-economic relations. From there as a premise for determining the adjustment method and basic legal principles of the law on cooperatives.

Third, the third principle on members economic participation is revised as “The members contribute equally and control the capital of the cooperative according to the proportion of contribution. Profits are distributed according to the member’s capital contribution.”

This recommendation is intended to create a legal basis for member states to work towards perfecting the cooperative legal framework, in order to ensure members’ right to use property, and to encourage members, farmers and other classes to in society contribute capital to cooperatives, increase the competitiveness of cooperatives in the trend of internationalization and fierce competition taking place on a global scale.

Declaration of Interest Statement

The author there are no competing interests to declare.

The Declaration of Funding

No funding was received.

The Data Availability Statement

The data that support the findings of this study are available from the author, [Trach, M. T], upon reasonable request.

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