Barriers to Cooperatives Growth as Social Entrepreneur

Nor Hamimah Mastor1*, Asan Ali2, Siti Zaleha Omain3, Dewi Fariha Earnest4

1,3, 4 Azman Hashim International Business School, Johor Bahru, Malaysia.
2 Azman Hashim International Business School, Kuala Lumpur, Malaysia.

* Corresponding author: m-animah@iutm.my

INTRODUCTION
Cooperative is conventionally known an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise (International Cooperative Alliance,2014). Hence, cooperative aims should be twofold, to increase socioeconomic welfare of their members and to boost the economy and development of local communities (Roy et al., 2015). In Malaysia, Cooperatives need to register with the Malaysia Cooperative Societies Commission (SKM). Unlike other businesses which register with Companies Commission of Malaysia, cooperatives are treated differently in terms of government assistance, financing, capacity building and market access. As a result, despite of having a long tradition of cooperatives movement evidenced by the vast numbers of cooperatives (14,094 in June 2018) in Malaysia, cooperatives are still left far behind to become more competitive in order to not only satisfy their co-operators but also to the societies.

Contributions of the cooperative sector to the national Gross Domestic Product (GDP) was also claimed as too small between only 3% to to 4% by the Malaysian National Cooperative Movement (Angkasa) President, Datuk Abdul Fattah Abdullah (2018). It was relatively low compared to Singapore (more than 5%), Vietnam (26%) and Thailand (19%) to name few neighbour countries. Thus, to increase the role of cooperatives in Malaysia, government’s intention to transform cooperatives as the third economic contributor after public and private sectors as well as its role as social entrepreneur is emphasized in the National Entrepreneurship Framework 2018 by the Ministry of Entrepreneurship Development (MED). The situation of cooperatives movement in Malaysia has led this study to identify barriers to the growth cooperatives as social entrepreneur encountered in Malaysia.

LITERATURE REVIEW
Cooperatives which should be so-called social entrepreneurship (Figueiredo & Franco, 2018) should combine voluntary and commercial orientation to stand as a successful social economy entities. However, research which associate cooperatives as social entrepreneur were very scant. Based on Cooperative growth ecosystem framework, cooperatives should be surrounded by three major essential elements as a building blocks for scale, important elements to accelerate growth and environmental elements to legitimize and popularize its existence. Three essential elements are namely skills and capacity which include management skills and expertise as well as democratic governance, availability of financing from various loan or capital or grant provider, technical assistance from business advise providers and cooperation from cooperative network or associations. These four elements are essential for robust growth. In a next stage, elements such as business supports, connection or penetration to market opportunity, policy which support the growth including tax incentives and partnerships with important business supporters should subsist to ensure continuous growth of cooperatives. The third major element which comprise of value-driven business, attitude and culture as well as co-operators education in entrepreneurship and community matters; should be instilled to ensure that cooperatives presence and success are recognized. The cooperative growth ecosystem framework (Hoover & Abell, 2016) is illustrated in Figure 1 below.
Essential Elements: Building Blocks for Scale

- Skills & Capacity
- Financing
- Technical assistance
- Cooperative network / associations
- Important elements: Accelerate growth
- Business supports
- Connection to market
- Policy
- Advocacy partnerships
- Environmental Elements: Legitimize and Popularize
- Values-driven Businesses
- Attitude and Culture
- Cooperative Education

Fig. 1: Cooperatives growth ecosystem framework

Cooperative governance which did not consist of social dimension to emphasize on the benefits to the members (owner, principals) and economic dimension or competition in the market. They also claimed that the Internal audit committee as well as the Board of Directors failed to carry out their duties according to the best governance practice. Board of Directors were lack of knowledge in basic finance and strategic actions. Managers, on the other hand were selected based on voluntarily basis and not based on their professionalism (Maslinawati, Intan Waheedah Othman & Arun Mohamed, 2013; Intan Waheedah Othman, Maslinawa ti Mohamad and Azizah Abdullah, 2013).

METHODOLOGY

All registered cooperatives who participated in Konvensyen Pemerkasaan Koperasi 2019 at Hotel Tenera Bangi were selected as respondents of this study. Population of the participation was 700. Based on Kerjcie and Morgan (1970) table, a number of 248 samples should be accumulated. In this study, however, only 85 responses were returned back which translated to 34% response rate. The study used a set of questionnaire as an instrument of data collection. All responses were subject to mean analysis particularly to identify barriers to cooperatives growth.

RESULTS

From the descriptive analysis, lack of funding turned to be the most factor which hinder the growth of cooperatives, followed by lack of management expertise and lack of good governance. Other factors were also perceived as very likely to impede cooperatives movement in Malaysia.

Table 1: Barriers to cooperatives growth

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of funding</td>
<td>3.78</td>
</tr>
<tr>
<td>Cooperatives involve in conventional activities only</td>
<td>3.04</td>
</tr>
<tr>
<td>Lack of good governance</td>
<td>3.26</td>
</tr>
<tr>
<td>Lack of management expertise among Board of Directors</td>
<td>3.49</td>
</tr>
<tr>
<td>Weak structure</td>
<td>3.11</td>
</tr>
<tr>
<td>Lack of integrity between management and members of cooperatives</td>
<td>3.00</td>
</tr>
<tr>
<td>Laws and regulations which hinder cooperatives from growth</td>
<td>2.96</td>
</tr>
</tbody>
</table>

DISCUSSION

In this study, barriers from literatures as well as from Cooperatives growth ecosystem framework were selected as barriers to cooperatives growth. Findings indicated that cooperatives in Malaysia are not equipped with all the necessary elements even for basic growth. The long movement did not successfully transform cooperatives as one of important economic booster to increase its members financial condition and subsequently contribute to the communities.

CONCLUSION

Much efforts should be placed to create the essential ecosystem for cooperatives movement in Malaysia. Steps to overcome shortcomings and barriers to operate efficiently should be in the government’s agenda. For example, cooperatives should also gain benefit from various assistance and access such as brand development, financing, capacity building and market access to domestic and international. Ultimately, co-operatives not only bring returns to its members but also act as economic booster to B40s.

REFERENCES

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