

# THE CO-OPERATIVE RATING SYSTEM AND THE INTERNAL MANAGEMENT FACTORS INFLUENCING THE PERFORMANCE OF CO-OPERATIVES IN SABAH, MALAYSIA: AN EXPLORATORY STUDY

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## ABSTRACT

*This paper describes an exploratory study into the co-operative rating system of Suruhanjaya Koperasi Malaysia (SKM), and the internal management factors influencing the performance of co-operatives in Sabah, Malaysia, as identified by the SKM. Secondary documents review and interviews with SKM officials were employed to discover the formal rating process executed by SKM. A survey was also conducted on 101 finance officials of Sabah co-operatives on their awareness level of the financially-relevant circulars/guidelines issued by SKM and their own assessment of their co-operatives, based on the identified internal management factors. The SKM rating process is then described. Survey results indicated that officials were largely not familiar with the financially-relevant SKM circulars/guidelines, and had a neutral/positive assessment of their co-operatives' capital and financial position, liquidity, general asset position, investments, management, income quality and IT system. A significant number were neutral/agreed that the collectibility of members' accumulated loans could be doubtful.*

**Keywords:** *Co-operatives, Sabah, Malaysia, rating process, internal management factors*

**Paper type:** *Research paper*

## Co-operatives in Malaysia

The co-operative movement in Malaysia commenced in 1922 with the registration of Koperasi Kredit Syarikat Bekerjasama-sama Jimat Cermat dan Pinjaman Wang Pekerja-Pekerja Jabatan Pos dan Telekom Berhad. They are governed under the Co-operatives Act 1993 and administered by the Suruhanjaya Koperasi Malaysia (SKM), or the Malaysia Co-operative Societies Commission, which is under the purview of the Malaysian Ministry of Domestic Trade, Co-operatives and Consumerism.

As of 31 December 2009, a total of 7,215 co-operatives were listed with the JPK, total assets amounting to RM65 billion [1]. Out of that, 634 co-operatives with a total asset value of RM 271.6 million, are registered in Sabah. Among common areas ventured into by co-operatives are consumer goods, housing, transportation, plantation, industries (mostly small industries), construction and services. The economic contribution of co-operatives cannot be neglected, not only because of their membership size but due to their potential as one of the main engines of economic growth in the small and medium-size business sector.

The Suruhanjaya Koperasi Malaysia (SKM), formerly known as the Jabatan Pembangunan Koperasi Malaysia (JPK), is the regulatory body of Malaysian co-operatives responsible for ensuring appropriate governance and accountability in protecting the interest of the cooperative members. Assigning ratings to cooperatives based on their performances represent one of its challenging tasks. These ratings should reflect fair and objective information for members and potential investors. Accordingly, the content of information embedded in the ratings must signal the relative fair values of cooperatives for comparative purposes. These ratings should thus, assist members and creditors in decision making relating to the cooperatives.

Malaysian co-operatives are generally perceived by the public as lacking transparency, poorly governed and under-performing (Kong, 2011) possibly due to the fact that a large proportion of them are managed by boards on a voluntary basis and not the full time professional managers (Othman and Kari, 2008). However, these widespread beliefs have not been examined as extensively as studies involving listed companies (Charkham, 1994; Qu, 2003; Mohd Nasir & Abdullah, 2004). Most statements and opinions are

issued in the press or mentioned in speeches at various avenues. The fact that co-operatives' shares are not publicly traded and memberships are not open-ended make them less followed by investment analysts in comparison to listed companies.

## **Objectives of the study**

The objectives of this study are:

1. to understand the history and implementation process of the JPK/SKM rating system;
2. to investigate the level of awareness of the financially-relevant circulars/guidelines issued by SKM; and
3. to investigate the performance of co-operatives based on the internal management factors prescribed by the FLAME-T system (as recommended by SKM). FLAME-T is an acronym which stands for: financial structure (F), liquidity (L), asset (A), management (M), earnings (E) and information technology (T). Table 1 provides further details of these FLAME-T factors.

## **Methodology**

To understand the history and implementation process of the JPK/SKM rating system, this study employed secondary documents review and in-depth interviews with SKM officials.

To investigate the level of awareness of the financially-relevant circulars/guidelines issued by SKM and the performance of co-operatives based on the internal management factors per the FLAME-T system, the exploratory research method was chosen as there was no earlier research model on the subject in hand (Bryman, 2004) [2] [3]. In this method, financial executives of cooperatives were surveyed via a structured questionnaire, developed in this study, on the different aspects of the internal management factors (FLAME-T) of their respective co-operatives. Financial executives were

selected as they, arguably, had a better understanding of the financial and management aspects of the co-operatives as compared to other members.

In this study, a sample of 101 co-operative, located in Sabah, was selected. The aid of Maktab Kerjasama Malaysia Cawangan Sabah (MKM Sabah), which runs training courses for the benefit of co-operatives, was availed of. MKM Sabah had a fixed schedule of courses offered for 2009. To ensure that the sampled respondents were familiar and involved with the management aspects of their co-operatives, we purposely selected courses with topics related to management, auditing/accounting procedures or administration. Arrangements were made with MKM and the relevant course facilitators to allot about 30-45 minutes, during the duration of the courses, for questionnaire administration. Each questionnaire administration was preceded by an introduction about the objectives of the research project, and the researchers were on hand to give clarifications on questions which the respondents were unsure of.

The research instrument is a structured questionnaire, administered in English, divided into seven sections. Section A reviewed the respondents' understanding of circulars issued by SKM, dealing with financial and management matters, in the form of "yes/no" questions. Section B tested the respondents' assessment of their co-operatives' capital/financial structure; they had to respond to 7 statements via a 5-point Likert scale, anchored by "strongly disagree" to "strongly agree". Section C tested the respondents' assessment of their co-operatives' liquidity, Section D on asset quality, Section E on management quality and Section F on income generating ability. The last section G elicited information on the use of information technology (IT) by the co-operative, and tested the respondents' assessment of IT management.

Prior to full scale testing, pilot testing was performed to test the reliability and validity of the semi-structured questionnaire. Questions and instructions were tested for clarity; questions which did not yield usable data were either removed or rephrased accordingly.

## Results and Analysis

### Formal Rating for Co-operatives

Before 2004, co-operatives were graded and classified into 5 categories: Successful (*Berjaya*), Successful But Experiencing Problems (*Berjaya Tetapi Bermasalah*), Loss-making (*Mengalami Kerugian*), Dormant (*Dorman*) and Newly Registered (*Baru Didaftar*). Characteristics of each grade category are summarized in Table 2.

However, this grading/classification exercise involved the issuance of questionnaires to the co-operatives directly; JPK officials did not perform independent formal assessments on the said co-operatives. In other words, co-operatives were asked to answer a series of questions set by JPK, and they were graded/classified accordingly based on their given answers. Such a grading process was performed for the purposes of audit fee determination (where the audit was performed by JPK auditors themselves and not contracted out to external audit firms) and for deciding the seniority of the JPK auditor who would audit the assignment in question. It should be noted that audit outcome and corporate governance aspects were not considered. This process, which was standardized on a national basis, was halted after 2004.

JPK Sabah, however, took their own initiative to identify co-operatives which were facing difficulties, which comprised of, inter alia, failure to commence activities, failure to conduct meetings, uncommitted or too few members, insolvency, lack of capital, lack of facilities to carry on a business, unsuitable business location and failure to maintain proper and up-to-date accounting records. These problem co-operatives were put on a watchlist, their difficulties highlighted and suggested actions proposed by JPK accordingly.

From 2005 onwards, JPK used a more comprehensive rating system which covered different aspects (qualitative and quantitative) of a co-operative (using the acronym FLAME-T), as detailed in Table 1.

Each component is given a rating of either “Very Satisfactory”, “Satisfactory”, “Average”, “Unsatisfactory” or “Very Unsatisfactory”. An overall composite rating is obtained by weighting the individual ratings of the six components accordingly.

Under this rating system, Due Diligence Audits are performed under Section 64 of the Co-operatives Act 1993. The Due Diligence teams are led by Bank Negara Malaysia (BNM) officials, aided by JPK officials. We were informed that this initiative is in line with the conversion of JPK into Suruhanjaya Koperasi Malaysia. For every audit, three copies of the Due Diligence reports were produced; one copy is sent to BNM and two copies are sent to JPK Headquarters.

At the time of the study, three co-operatives in Sabah had undergone Due Diligence Audits: one had the result of “Average” and two had the result of “Unsatisfactory”. We were informed that the audits would be an ongoing exercise in the future and would eventually cover all co-operatives.

### **Level of Awareness of the Financially-Relevant Circulars/ Guidelines Issued by SKM**

As previously mentioned, Section A of the questionnaire reviewed the respondents’ understanding of circulars issued by SKM. These circulars include guidelines on: (a) capital adequacy ratio; (b) minimum cash requirements; (c) investment in shares listed on the Bursa Malaysia; (d) investment in fixed properties; (e) classification of uncollectible loans and provision for bad and doubtful debts; (f) duties and responsibilities of board members; (g) application for payment of honorarium to board members; and (h) information system management. The detailed results are presented below in Table 3. From the study’s findings, it was noted that respondents showed a below average (under 50%) level of awareness of accounting-related circulars/guidelines. The lowest level of awareness pertained to the circulars/guidelines on investments in shares listed on the Bursa Malaysia and in fixed properties. This could be attributed to the fact that many of the co-operatives surveyed in this study were small and did not venture into such investments. The two circulars which were more familiar to the respondents were more of a general nature and pertained to the board members.

## **Co-operative Performance Based on the Internal Management Factors Per the FLAME-T System**

Section B of the questionnaire reviewed the respondents' assessment of their respective co-operatives from the perspective of capital and financial structure. The findings are summarised in Table 4.

In general, the respondents sampled were of the opinion that the capital and financial position of their co-operatives were fair; they were either neutral on or generally agreed that the capital base was stable, minimum capital was in line with current needs, assets were paid for using members' funds and operational costs were able to be defrayed fully. They also generally disagreed that their co-operatives were too dependent on outside funding and mortgaged assets to other institutions. Respondents also agreed generally that the co-operatives practise careful spending.

Section C of the questionnaire reviewed the respondents' assessment of their respective co-operatives from the liquidity perspective. The findings are summarised in Table 5.

In general, the respondents sampled rated the liquidity of their co-operatives as fair; they were either neutral on or generally agreed that the minimum cash level was maintained, current assets were able to repay current liabilities, future short-term cash flow forecast was positive, and co-operatives were able to repay current and contingent debts, pay out loans to members and repay members' funds upon membership termination/retirement. They also were generally neutral or disagreed that their co-operatives did not have the financial capability to issue members' loans or were expected to face liquidity problems.

Section D of the questionnaire reviewed the respondents' assessment of the general asset position of their respective co-operatives. The findings are summarised in Table 6a.

In general, the respondents rated the general asset position of their co-operatives as fair; they were either neutral on or generally agreed that the current assets were of high quality, revenue showed a positive increasing trend and the credit control systems were efficient and effective.

Loans issued to members (receivables) form part of a co-operative's assets. Of the 101 co-operatives sampled, 35% issued loans to their members, 62% did not issue any members' loans and 3% did not give a response. The results of the respondents' assessment of members' loans are summarised in Table 6b.

In general, the respondents rated the members' loans of their co-operatives as neutral or fair. Respondents were largely neutral on the adequacy of provision for bad/doubtful debts. They were generally neutral or in agreement that the loan policies and procedures were clear, and that uncollectible loans and interest in suspense were administered in accordance with current regulations. They were largely neutral on or agreed that the loans repayment collection process in their co-operatives was efficient. However, when asked about the collectibility of accumulated members' loans, a large percentage (67%) of the respondents were neutral or agreed that the said loans were likely to become uncollectible.

Investments also form part of a co-operative's assets. Of the 101 co-operatives sampled, 34% ventured into investments, 61% did not and 5% did not give a response. The results of the respondents' assessment of the state of their co-operatives' investments are summarised in Table 6c.

The respondents' assessment of their co-operatives' investments was generally fair. They were mostly neutral on or agree that the investments are of high quality, with secure income. Regulation-wise, the investments were made in accordance with clear policies, procedures and current regulations. Respondents were also mostly neutral on or in agreement with the fact that the provisions for impairment in the value of investments were adequate; In other words, the value of the said investments was not overstated.

Section E of the questionnaire reviewed the respondents' assessment of the management (which refers to board of directors and the administration team) of their respective co-operatives. The findings are summarised in Table 7. The assessment of the respondents on their co-operatives' management was generally positive; they generally were neutral, agreed or strongly agreed that their co-operatives comply with the rules and regulations, practise effective supervision, and are in compliance with the suggestions raised



by auditors and the Commission. Payments of honorarium, allowances, salaries and bonuses were made in line with the co-operatives' capability, and information channels were effective. The co-operatives achieved the set objectives, and members' interests were prioritised. From the corporate governance perspective, respondents generally agreed or strongly agreed that the board members were appointed in a transparent and responsible way and that the internal audit committee functioned effectively; they were largely neutral, agreed or strongly agreed that the respective internal control systems were effective, whereby actions were taken to rectify weaknesses in a timely manner, and that management and staff were experienced and qualified.

Section F of the questionnaire reviewed the respondents' assessment of the income quality of their respective co-operatives. The findings are summarised in Table 8a.

In terms of income, the respondents generally were neutral or agreed that their co-operatives experienced a yearly increase in profit, were able to contribute to various funds and pay the statutory distribution and annual dividend. The sources of income were considered stable and sustainable. However, the respondents were largely neutral or disagreed that increasing dividends were paid year on year.

Of the 101 co-operatives sampled, 17% had bad/doubtful debts, 77% did not and 6% did not give a response. The results of the respondents' assessment of the bad/doubtful debts of their co-operatives are summarised in Table 8b.

Bad and doubtful debts should be adequately provided against all receivables (long or short-term) to ensure that the said receivables are neither over- nor undervalued. The respondents' assessment were largely neutral or in agreement that all provisions were adequately made and that the co-operatives were able to fully absorb all such provisions.

Finally, Section G surveys the use of IT within co-operatives. 45% of the co-operatives sampled employed the use of IT, whereas 5% of the co-operatives gave no response. The type of software used by the IT-savvy co-operatives are summarised in Table 9a.

Based on the results, Microsoft Word is the software most used by the co-operatives which employ IT, followed by Microsoft Excel and general accounting software.

It is a notable fact that a large percentage (50%) of the co-operatives did not make use of IT in their operations, considering the prevalence of IT in today's commercial world. It is also notable that for the co-operatives which did employ IT, not all use Microsoft Word/Excel, the default word processing/spreadsheet programmes.

For those co-operatives which employ IT, the respondents mostly had a neutral or positive view of the IT system in place. In particular, 94% of them agreed or strongly agreed that IT was able to increase their co-operatives' performance. The respondents also generally were neutral or agreed that their co-operatives did not face problems with the integrity and reliability of data and information, the IT risk management was effective, the IT strategy and plan was clear and the possibility of system failure was low. The respondents were very positive that in future, the IT applications used in their co-operatives could be further developed.

## **Conclusions, Contributions, Limitations and Avenues for Future Research**

This paper examined the detailed rating process of co-operatives in general as practised by SKM. To informally apply the rating process to Sabah co-operatives, finance officials of co-operatives in Sabah were surveyed on their assessment of their respective co-operatives, based on the identified internal management factors as per FLAME-T. Officials were generally not familiar with many circulars/guidelines which are financially relevant to co-operatives, which is a concern as these represent prescribed financial practices; compliance with the same would therefore be an issue. Therefore, the study recommends that training be implemented to educate

the finance officials on the specific aspects of the said circulars/guidelines. Alternatively, co-operatives should focus on employing or appointing finance officials who are professionally qualified. In the current study, financial officials were surveyed on whether they were familiar with the circulars/guidelines via “Yes/No” responses. An avenue for further research could be a detailed investigation into the respondents’ level of specific items within the said circulars/guidelines.

In general, the officials had a neutral to positive assessment of their co-operatives’ capital and financial position, liquidity, general asset position, investments, management, income quality and IT system. As an avenue for future research, these findings can be further validated via in-depth interviews with selected respondents, and counter-checked to Internal Audit reports or financial statements. Interviews can also be utilised to discover the “why” behind the responses.

Although the respondents were neutral or had a positive assessment on their co-operatives from the asset perspective, a significant number of the officials were neutral or agreed that the collectibility of members’ accumulated loans could be in doubt. This divergence should be investigated accordingly in future research; the proportion of members’ loans to total assets and the reason for doubtful collectability of the same should be looked into.

The paper contributes to the literature on the financial, managerial and IT-related performance of co-operatives in general, and contributes data/findings on co-operatives in Sabah.

Despite efforts by the researcher to ensure sound research, the findings of the present research, like those of any empirical investigation, are subject to limitations. As the study involves only co-operatives in Sabah, the sample size is considered small and regionally limited; hence, the generalisability of the research may be affected. A comparative research work of different locations and countries would prove beneficial for the possible validation of the findings. The generalisation of the research findings can be extended through the use of the mixed method.

Finally, the relationship between the six internal management factors (FLAME-T) as proposed by SKM and the overall performance of the co-operative, either as assessed by a co-operative official or by SKM itself, can be investigated. To this end, quantitative research in the form of regression analysis can be employed.

Table 1: Grade Category of Co-operative and the Relevant Characteristics

Grade Category	Characteristics
Successful (Berjaya)	Executes economic or social activities. Holds an Annual General Meeting every year. Financial records are up-to-date and audited. Shows a profit at the end of the financial year. Complies with all co-operative laws and regulations. Creates and maintains a Statutory Reserve. Satisfactory financial management and administration of co-operative. Gives a return or interest back members in the form of dividends or rebates. Contributes towards society in the area of operation.
Successful But Experiencing Problems (Berjaya Tetapi Bermasalah)	Same as that of Successful co-operatives, but: Experiences problems in the carrying out of co-operative activities, e.g. cash flow difficulties, suspect validity of members, legal problems; and Experiences complaints and disputes amongst members. Is non-compliant with the Co-operatives Act and regulations. Has been investigated and examined (especially under S64).
Loss-making (Mengalami Kerugian)	Still executes economic or social activities. Still holds meetings. Less compliant with the co-operative laws and regulations. Weak financial management and administration. Is frequently in a loss-making position. Shows a high level of accumulated losses in the audited financial statements.
Dormant (Dorman)	No economic or social activities. Has failed to hold a meeting for more than 5 years. Non-compliant with co-operative laws and regulations. No financial management and administration procedures in place. Few or no visible member – due to moving away or death. Members are disinterested. Board members cannot be identified.
Newly Registered (Baru Didaftar)	Has not operated for more than 1 year from the date of registration.

Table 2: Components in the FLAME-T Rating System

Component	Details
Financial structure	To assess whether the co-operative has an effective financial structure. An effective structure is when assets (which are supported by members' fees, shares, savings and members' deposits) are sufficient to do the following: pay dividends, pay returns on deposits, repay funds to members who have terminated membership, pay general expenses of the co-operative and to serve as funds to expand the business.
Liquidity	Liquidity is assessed based on a co-operative's ability to repay its current financial obligations (repayable within 12 months), issue loans to members, to allow the withdrawal of funds by members and to pay any contingent expenses.
Assets	Assets are assessed on their quality and as to whether the values are fairly stated.
Management	This component assesses the competency and corporate governance of a co-operative.
Earnings	This component is used to assess the current financial performance as compared with previous financial years. Projected future performance is also taken into account.
Information Technology (IT)	The IT function is assessed for quality, which includes aspects such as effectiveness of function, management performance, system development, system acquisition, support and delivery.

(Source: Jabatan Pembangunan Koperasi Malaysia, 2006).

Table 3: Awareness of Circulars/Guidelines Issued by Suruhanjaya Koperasi Malaysia

Response given (%):	"Yes"	"No"	None given	Total
Circulars/ Guidelines on:				
Capital adequacy ratio	37	54	9	100
Minimum cash requirements	36	55	9	100
Investment in shares listed on the Bursa Malaysia	27	65	8	100
Investment in fixed properties	25	65	10	100
Classification of uncollectible loans and provision for bad and doubtful debts	39	51	10	100
Duties and responsibilities of board members	62	29	9	100
Application for payment of honorarium to board members	53	41	6	100
Information system management	47	45	9	100

Table 4: Respondents' Assessment of the Capital and Financial Structure of Their Respective Co-operatives

<b>Response given (%):</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>No response</b>	<b>Total</b>
Statements: My co-operative:							
Has a stable capital base.	2	11	49	29	8	2	100
Always ensures that the minimum capital is in line with current needs.	1	4	33	50	9	3	100
Too dependent on outside funding to run activities.	16	39	22	19	2	3	100
Pays for assets using members' funds.	11	22	30	30	5	3	100
Mortgages assets to financial/ government institutions	21	31	26	17	1	5	100
Can afford to defray all operational costs fully	3	8	36	39	13	2	100
Practises careful spending	3	3	27	41	25	2	100

Table 5: Respondents' Assessment of the Liquidity of Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
Statements: My co-operative:							
Maintains a cash level which exceeds the set minimum level.	2	11	54	23	4	6	100
Has a total current asset value which far exceeds current liabilities.	4	16	50	23	2	5	100
Has a positive cash flow forecast for the next 6-12 months.	2	11	45	31	8	4	100
Is able to pay out approved loans to members in the predetermined period.	6	8	42	31	10	4	100
Does not have the financial capability to issue loans to members.	8	29	47	13	1	3	100
Is able to repay funds to members when they terminate membership, in the predetermined period.	2	10	41	33	12	3	100

Cont...

Is expected to face liquidity problems.	8	28	42	14	5	4	100
Is able to repay all current debts and pay any contingent debts.	0	11	44	34	9	3	100
Is able to repay funds to members when they retire, in the predetermined period.	2	2	49	37	9	2	100

Table 6a: Respondents' Assessment of the General Asset Position of Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
Statements:							
All the current assets of my co-operative are of high quality.	3	13	33	45	3	4	100
Revenue shows a positive increasing trend.	2	6	26	52	11	3	100
My co-operative's credit control system is efficient and effective.	5	14	34	37	4	7	100



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Table 6b: Respondents' Assessment of the Members' Loans (Receivables) of Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
<b>Statements:</b>							
The loans repayment collection process is not efficient.	14	37	23	17	6	3	100
Provision for doubtful or non-payment of members' loans is adequate.	0	17	63	9	3	9	100
Provision for bad/doubtful debts (other than members' loans) is adequate.	6	14	60	11	3	6	100
Accumulated members' loans are likely to become uncollectible.	14	14	34	23	3	11	100
Loan policies and procedures are clear.	3	0	31	40	20	6	100
Uncollectible loans and interest in suspense are administered in accordance with current regulations.	11	6	31	40	6	6	100

Table 6c: Respondents' Assessment of Investments of Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
<b>Statements:</b>							
The income arising from the investment in real property/ shares is secure.	9	3	29	50	3	6	100
Investment policies and procedures are clear.	3	0	35	44	9	9	100
Investment in listed shares is made in accordance with current regulations.	9	6	41	29	3	12	100
Investment in non-current assets is made in accordance with current regulations.	9	0	29	53	3	6	100
Provisions for value impairment of investments are adequate.	3	0	38	47	6	6	100

Table 7: Respondents' Assessment of the Management at Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
<b>Statements: My co-operative:</b>							
Complies fully with the internal regulations and policies.	1	8	18	51	20	2	100
Supervises all branches, departments and units effectively.	1	6	36	44	10	4	100
Always complies with the suggestions of the External Auditor, Internal Auditor and the Commission.	3	8	21	42	26	1	100
Pays allowances and honorariums in line with its financial capability.	2	3	27	49	15	5	100
Pays salaries and bonuses in line with its financial capability.	1	3	24	52	16	4	100
Ensures that the information channels operate effectively.	1	3	26	50	17	3	100

Cont...

Ensures that co-operative objectives are achieved based on the co-operative's plans.	2	3	19	49	21	7	100
Always gives priority to members' interests.	2	4	16	50	26	2	100
Appoints board members in a transparent and responsible way.	1	1	18	49	30	2	100
Ensures that the internal audit committee functions effectively.	1	4	19	45	30	2	100
Has an effective internal control system.	3	4	23	49	19	3	100
Identifies weaknesses and takes the necessary rectification actions in a timely manner.	1	6	19	56	16	2	100
Has experienced and qualified management and staff.	1	5	30	37	25	3	100

Table 8a: Respondents' Assessment of the Income of Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
<b>Statements: My co-operative:</b>							
Experiences a yearly increase in profit.	2	10	49	30	8	2	100
Can afford to pay the statutory distribution.	0	6	56	28	5	5	100
Can afford to pay annual dividends.	4	19	41	27	7	3	100
Pays increasing dividends every year.	3	22	50	17	5	4	100
Can afford to contribute to various funds.	1	10	51	30	3	5	100
Receives income that is derived from stable and sustainable sources.	0	14	34	40	11	2	100

Table 8b: Respondents' Assessment of the Bad/Doubtful Debts of Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
<b>Statements:</b>							
All provisions for bad/doubtful loans/debts have been adequately made.	0	12	35	53	0	0	100
Can afford to fully absorb all provisions for bad/doubtful loans/debts.	0	12	35	47	6	0	100

Table 9a: Type of Software Used by Co-operatives

Response given (%):	% of co-operatives using software
Microsoft Word	87
Microsoft Excel	84
Microsoft Access	47
Sales software	20
Human resource management software	24
Accounting software	67
Administration software	42
Manufacturing & processing software	16
Others	9

Table 9b: Respondents' Assessment of the IT System in Their Respective Co-operatives

Response given (%):	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	No response	Total
<b>Statements:</b>							
IT is able to increase the performance of my co-operative.	0	0	4	53	41	2	100
My co-operative does not have a problem with data integrity and information reliability.	0	12	20	47	14	8	100
IT risk management is effective.	0	4	29	47	14	6	100
The IT strategy and plan is clear.	0	4	33	43	10	10	100
The IT strategy and plan is in line with current needs.	0	4	22	55	16	4	100
The IT applications used in my co-operative can be further developed.	0	2	14	59	24	2	100
The possibility of an IT system failure is very low.	2	8	31	43	8	8	100

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## Endnotes

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