

# Problems Faced by the Consumer Co-operative Movement of Malaysia

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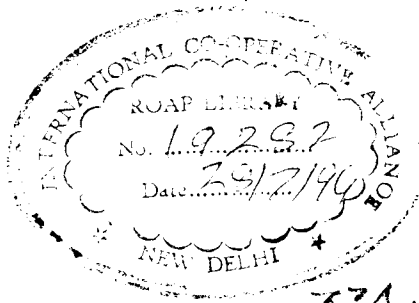


# Problems Faced by the Consumer Co-operative Movement of Malaysia

A FACT FINDING MISSION

By

S. G. Wijesinha



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**Problems Faced by the Consumer  
Cooperative Movement of Malaysia**  
S.G. Wijesinha

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Regional Office for Asia & the Pacific**

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## Foreword

I am happy that the report of the study on "Problems Faced by the Consumer Co-operative Movement of Malaysia" made by Mr. S.G. Wijesinha of Sri Lanka, a short-term consultant of ICA ROAP in February '91 is being published.

The study reveals facts concerning consumer cooperative movement of West Malaysia, its organization, objectives, administration, mode of operations, financial situations, results of operations and recommendations for changes and improvement. It is one of the finest reports on consumer cooperative movement in Asia and the Pacific region.

I hope that this study will be very useful for planners, administrators, researchers, scholars and cooperative leaders and managers and staff of Cooperative Institutions and Cooperative Movement in Malaysia as well as for Asia and the Pacific region. In the future, if need be and if the funds are available, ICA ROAP may extend this kind of study to cover other countries within the region also.

New Delhi

**G.K. Sharma**  
Regional Director





# **Problems faced by the Consumer Co-operative Movement of Malaysia :**

## **A FACT FINDING MISSION**

### **1. INTRODUCTION**

This study was carried out on behalf of the international Co-operative Alliance, Regional Office for Asia and the Pacific. The Terms of Reference for the study were as follows :

- a) To study the financial position and performance of consumer co-operatives in West Malaysia.
- b) To make an overall assessment of their performance and financial management aspects.
- c) To collect information and relevant facts concerning the organizational structure, working systems, and related matters including rules and regulations issued by the Government; results of operations; problems faced and ways and means of improving it.
- d) To compile the information and write up the report and give recommendations.

West Malaysia means, Peninsular Malaysia and therefore excludes the states of Sabah and Sarawak.

The study consisted of two parts : a fact finding visit to Malaysia from 12th to 25th February 1991, and the compilation of the report. This report therefore contains the information collected, their interpretation, identification of problems and certain recommendations.

### **2. METHODOLOGY OF STUDY**

Based on the Terms of Reference and the initial discussions with ANGKASA, a conceptual framework of analysis was developed. After this, the various elements highlighted in the conceptual framework were studied, by perusing relevant records and literature and by discussing with relevant persons. Visits to see the operations were also made where necessary.

The definition of a consumer co-operative came in for some discussion at the time the study programme was being finalized. Therefore, although recognizing the fact that consumer co-operatives cover all co-operatives established by member consumers - whether they are retail, medical, housing etc., as opposed to member producers - it was felt that due to constraints of time and the fact that ANGKASA definition of a consumer co-operative is a retail co-operative the study should be limited to retail co-operatives or co-operatives that have retail activities. The retail operations of school co-operatives were also to be studied.

ANGKASA assigned an officer to assist the study throughout, and to make the necessary appointments, provide transport, and collect the relevant information.

### **3. LIMITATIONS OF THE STUDY**

The retail co-operatives, and the retail activities of multipurpose co-operatives are scattered throughout the country, and therefore basically the study was limited to overall statistics of all relevant co-operatives subject to the availability of such statistics, and also to visits to some co-operatives based on their usefulness, and accessibility, in view of the time constraint.

Detailed analysis of accounting records and management information reports was not possible as all these were kept in Bahasa Malaysia. Therefore it was only possible to translate the most relevant information into English.

It would have been more useful and convenient if overall statistics of performance was readily available so that visits could have been arranged to a representative sample of co-operatives at various levels of performance but this information had to be compiled and therefore was made available long after the visit to Malaysia.

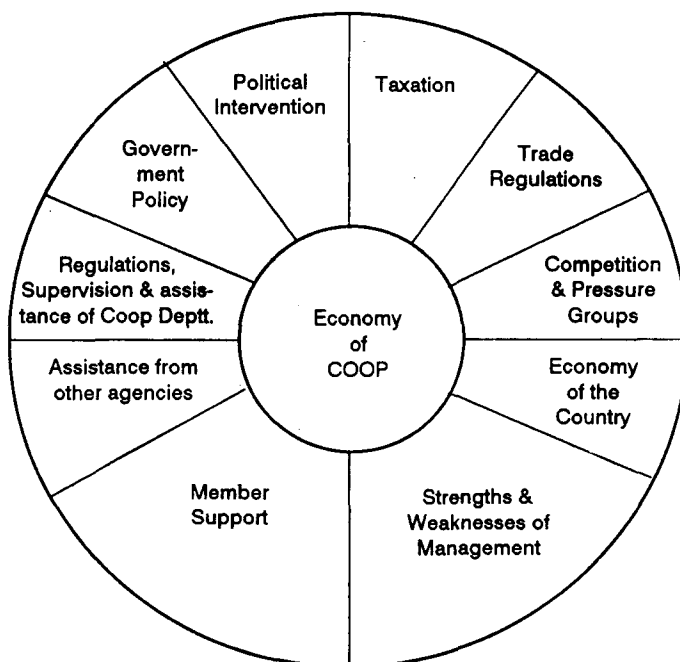
A further constraint was the lack of a retail consumer expert-either at ANGKASA, at Cooperative College, or at the Cooperative Development Department-who would have had at hand a fair idea of the performance of retail co-operatives. This meant that the study had to be done from the basics.

### **4. FRAMEWORK OF ANALYSIS**

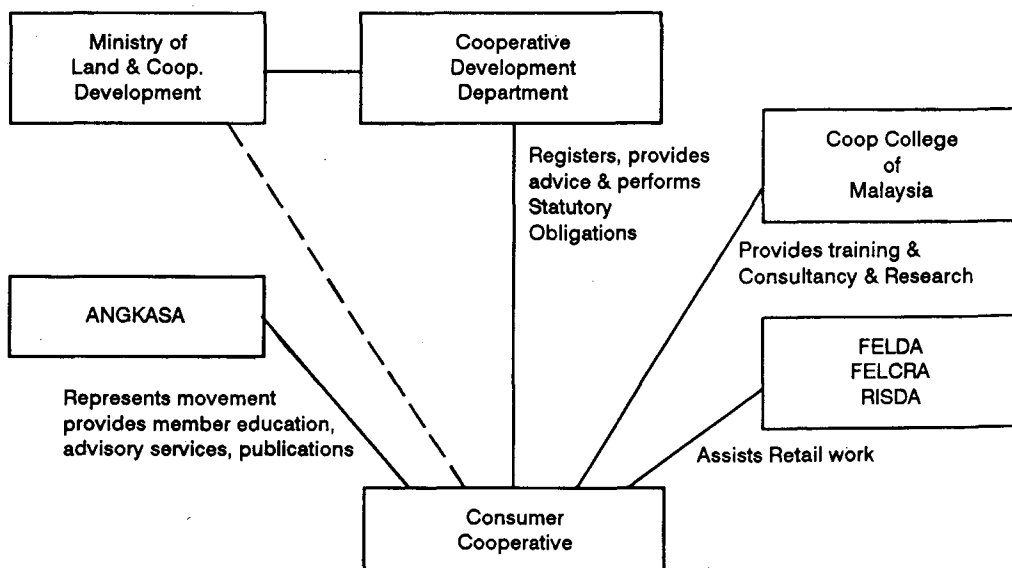
The economic performance of a co-operative is vital for its existence. Although member support is closely linked to it, economic performance can be considered the central focus. Also, by definition, Malaysia's co-operatives are formed for "the promotion of economic interests of its members" rather than a combination of economic, social and cultural interests as in certain other countries.

The framework of analysis given below in figure 1 indicates the possible factors that influence the economic performance of a co-operative:

**Fig 1 : Framework of Analysis**



**Fig. 2 : Shows the Influence on the Co-operatives by Governmental and Non Governmental Agencies.**



**Fig. 2 : Institutional Support to Consumer Co-operatives**

In the succeeding sections descriptions and roles of the supporting institutions are given.

## **5. THE MINISTRY IN CHARGE OF THE SUBJECT OF CONSUMER COOPERATIVES**

At present the Ministry in charge of the subject of consumer co-operatives is the Ministry of Land & Cooperative Development. This is a new ministry formed in 1990. Earlier the subject of consumer co-operatives was under the Ministry of National and Rural Development.

However as the fisheries co-operatives come under the purview of the Fisheries Development Authority, they are under the Ministry of Agriculture, and as the farmers co-operatives are under the Farmers Organisation Authority, they too are under the Ministry of Agriculture.

The subject of co-operatives is a Federal Government function and is completely handled by the Federal Government and its agencies. There is no devolution of any function to the State Governments.

## **6. THE COOPERATIVE DEVELOPMENT DEPARTMENT**

The Department of Cooperative Development operates under the Ministry of Land & Cooperative Development. The head of the Department who is the Director General is the Registrar General of Cooperative Societies as well. The Registrar General obtains his powers from the Cooperative Societies Ordinance of 1948.

All co-operative societies other than farmers co-operatives and fisheries co-operatives are registered by the Registrar General. Through delegation of powers, the registrar in each state registers the societies in the state while national level societies are registered by the Registrar General.

Generally the duties and functions of the Cooperative Development Department are :

- Registration & Dissolution
- Promotion & Development
- Monitoring of Performance
- Regulating
- Audit, Inspections & Inquiry
- Settlement of Disputes

The Department has a computerised facility where all statistical information on all co-operatives is stored on an annual basis and has the ability of retrieval in any form.

The total staff strength of the Department is around 1,000.

## 7. ANGKASA

ANGKASA is Angkatan Koperasi Kebangsaan Malaysia or the National Co-operative Organisation of Malaysia. It is recognized by the Government as the national apex body representing the Cooperative Movement in Malaysia. ANGKASA was formed in 1971 as a result of the emergence of consensus in the movement regarding the need for a national body and also due to encouragement from the government. ANGKASA has therefore been able to perform a very useful role for the first time in the Movement's history in representing the entire movement.

The objects of ANGKASA as specified in their manifesto include the following :

- (a) To unite co-operative societies in Malaysia;
- (b) To represent the co-operative movement in Malaysia;
- (c) To give advice, guidance and assistance to its member organisations in the running, management, accounting, auditing, liquidation and legal matters of their societies;
- (d) To promote education, training, and publicity in the field of cooperation, business management, and industries;
- (e) To assist and cooperate with the Government in promoting the Cooperative Movement in Malaysia; and
- (f) To study problems confronting the Cooperative Movement in all matters affecting it, and to forward its views and findings to all parties concerned.

In order to achieve the above objects ANGKASA may carry out or undertake the following activities:-

- a) Hold congresses, assemblies, seminars, lectures, study-groups, study-tours, courses etc.;
- b) Send representatives/observers to attend local or foreign seminars, courses, study - tours etc.;
- c) Produce books, magazines, newspapers, pamphlets, and all other forms of educational material.

**ANGKASA** is financed by :

- a) Entrance fees and annual subscriptions of members;
- b) Statutory contribution of 1% of the annual net profit of all registered co-operative societies in the country.
- c) Income from other activities.

**ANGKASA** is managed by the National Board which is elected by the General Assembly once every two years. ANGKASA has 12 State Liaison Committees and 11 Functional Groups.

The Functional Groups oversee those co-operative activities pertaining to that function and conduct relevant activities to develop that particular functional activity.

Of the 11 Functional Groups one is Consumer and the general activities of this group are as follows :

- a) Get useful information and channel it to relevant places;
- b) Co-ordinate all consumer activities;
- c) Hold conferences to discuss problems;
- d) Hold workshops to disseminate information;
- e) Co-ordinate travel agency work;
- f) Co-ordinate electric and electronic goods buying in bulk on behalf of all co-operatives;
- g) Train Board Members and employees and coops in operational matters, especially accounting & Finance;
- h) Select trainees for overseas training;
- i) Conduct research into problems faced by consumer co-operatives;
- j) Coordinate relevant activities with FOMCA (Federation of Malaysian Consumer Association)

## **8. COOPERATIVE COLLEGE OF MALAYSIA**

The Co-operative College of Malaysia was established in 1956 and was stabilized in 1968 with the passing of the Cooperative College (Incorporation) Act 1968. The College is presently under the Ministry of Land and Cooperative Development.

The College is administered by a council of 18 members, some members being ex-officio members. The Secretary General of the Ministry of Land & Cooperative Development is the Chairman of the Council while the Director-General of the Department of Co-operative Development is the Deputy Chairman.

The College has around 85 staff members of whom 28 are in the academic division. The academic and administrative head is the Principal of the College.

The main source of finance is from the Cooperative Education Trust Fund which is a statutory fund and all co-operative societies are, by law, required to remit 2% of their net profits to this fund.

The role of the College is to provide training and education, especially in the field of co-operative management. The College conducts several courses, makes publications, conducts research and provides advisory services.

The College complex has good facilities which includes hostel accommoda-

tion for 240 participants at any one time, eight lecture rooms, a well-equipped library with approximately 20,000 volumes a computer centre, an airconditioned auditorium, indoor & outdoor sports facilities for badminton, tennis, volleyball, football etc.

The college has a number of courses and the programme calendar is very busy. A list of current courses is given in Appendix 1.

## 9. FELDA, FELCRA & RISDA

The Federal Land Development Authority (FELDA) came into being in 1956 with the main objective of promoting, assisting the investigation formation, and carrying out, of projects for the development and settlement of land in the Federation. A declared policy of the Government was to uplift the standard of the rural population and make them modern farmers and agriculturalists rather than traditional farmers. The government was very conscious of the need to reduce the earnings gap between the rural masses and urban masses not only as a means of reducing social tensions but also for the purpose of finding a market for the output of the growing domestic industrial sector. FELDA was expected to play a prominent role in fulfilling this goal.

In three decades the results show that FELDA has fulfilled its expected role admirably. Up to 1987, 722,000 ha. of land has been developed and 106,510 families settled. The majority of the settlement schemes is in Pahang state with Johor state coming second. FELDA's ideal settlement scheme is around 1,800 ha with 400 families. This means a settlement population of 2,000 and qualifies for government essential services such as midwife's clinic, primary school police post etc. Pipe borne water supply is also economically justifiable with this population. The total number of schemes by end of 1987 stood at 422.

To carry out all associated activities in supplying inputs, processing of produce and marketing, FELDA has created several commercially oriented corporations; FELDA Stores Corporation, FELDA Marketing Corporations (FELMA), FELDA Latex Handling Corporation, FELDA Transport Corporation, FELDA Mills Corporation, FELDA Security Services Corporation, FELDA Agriculture Services Corporation, FELDA Construction Corporation, FELDA Kernal Corporation, FELDA Refinery Corporation & FELDA Computer Services Corporation. The total paid up capital is M\$ 172,050,000 with 10.7% equity by FELDA 27.6% by FELDA Investment Fund 57.3% by Settlers Fund and 4.4% by others. FELDA also has 5 other joint ventures.

FELDA is very serious about introducing co-operative ideology to the Settlers because finally when the settlements are well developed FELDA will withdraw so that the settlement will be independent.

There are 250 co-operatives today in FELDA schemes. The numbers engaging in different activities are as follows.

- 178 Transport coops
- 53 Retail Coops
- 130 Contract Coops
- 53 School bus coops
- 49 Oil transport coops

The main focus is on transport co-operatives which transport produce from field to factories. The transport coops have 733 lorries, and also hires additional vehicles whenever necessary. The school bus coops have 131 buses. 190 coops ran at a profit in 1989. The total paid up capital of all coops was M\$ 17 million.

FELDA has its own retail shops to supply the provisions to the settlers. However some schemes have formed their own retail co-operatives. FELDA, as well as the Department of Coöperative Development, assists settlers who want to organize themselves into cooperatives. ANGAKASA also carries out a lot of education work to educate settlers on the 'Cooperative Way'.

The Federal Land Consolidation and Rehabilitation Authority (FELCRA) has been formed mainly to rehabilitate land schemes that have been designated as being less successful.

The Rubber Industries Small Holders Development Authority (RISDA) was formed to help rubber small holders and has been engaging in developing off farm income projects for such small holders.

Both these authorities were involved in opening new land, but FELDA has now been recognized as a more suitable organisation for this purpose and therefore the role of FELCRA and RISDA in new land opening has been reduced.

These two authorities too encourage and assist the formation of co-operatives in their own schemes.

## **10. OVERALL PERFORMANCE OF CONSUMER COOPERATIVES**

There is no action oriented performance monitoring system either in the Department of Cooperative Development or at ANGAKASA. However there is a computerised data base of annual performance of all co-operative societies maintained at the Department of Cooperative Development. This is maintained more for statistics purposes, and therefore there is no evidence that it is used for any intervention programmes for performance enhancement. The data is based on returns sent by officers of the Department and there is no system of verification of the data by the societies.

There was no information available regarding the annual trend of profit performance of consumer co-operatives. Therefore it was not possible to determine whether consumer co-operatives were becoming more, or less, profitable with time.



## 10.1 Number of Societies

According to the statistics maintained by the Department, for the year 1989 the number of co-operatives having consumer (retail) activities were as shown in Table 1.

**Table 1 : Cooperatives with consumer (retail) activities by State in Peninsular Malaysia.**

| State/Area         | No. of Cooperative societies |
|--------------------|------------------------------|
| 1. Johor           | 79                           |
| 2. Kedah           | 26                           |
| 3. Kelantan        | 34                           |
| 4. Malacca         | 19                           |
| 5. N. Sembilan     | 29                           |
| 6. Pahang          | 60                           |
| 7. Perak           | 56                           |
| 8. Perlis          | 15                           |
| 9. Pinang          | 19                           |
| 10. Selangor       | 44                           |
| 11. Terengganu     | 42                           |
| 12. W. Persekutuan | 20                           |
| 13. National       | 46                           |
|                    | <hr/>                        |
|                    | 489                          |
|                    | <hr/>                        |

Of these 489 co-operative societies, 69 were in FELDA schemes. These 489 co-operatives were either single purpose consumer co-operatives or multipurpose or other co-operative societies with a retail activities. The number of pure consumer (retail) co-operatives were only 216 but there was a trend for these to become multipurpose to engage in various other activities also. Therefore a study of pure consumer (retail) co-operatives only, would have been misleading.

The data from this data base was analysed to obtain a better idea of the size, magnitude of operations, and performance levels. It must be noted however that some of the data appeared incorrect and some data were missing. In spite of these constraints the analysis in the subsequent paragraphs will provide useful overall information of the consumer co-operatives in West Malaysia.

## 10.2 Share Capital

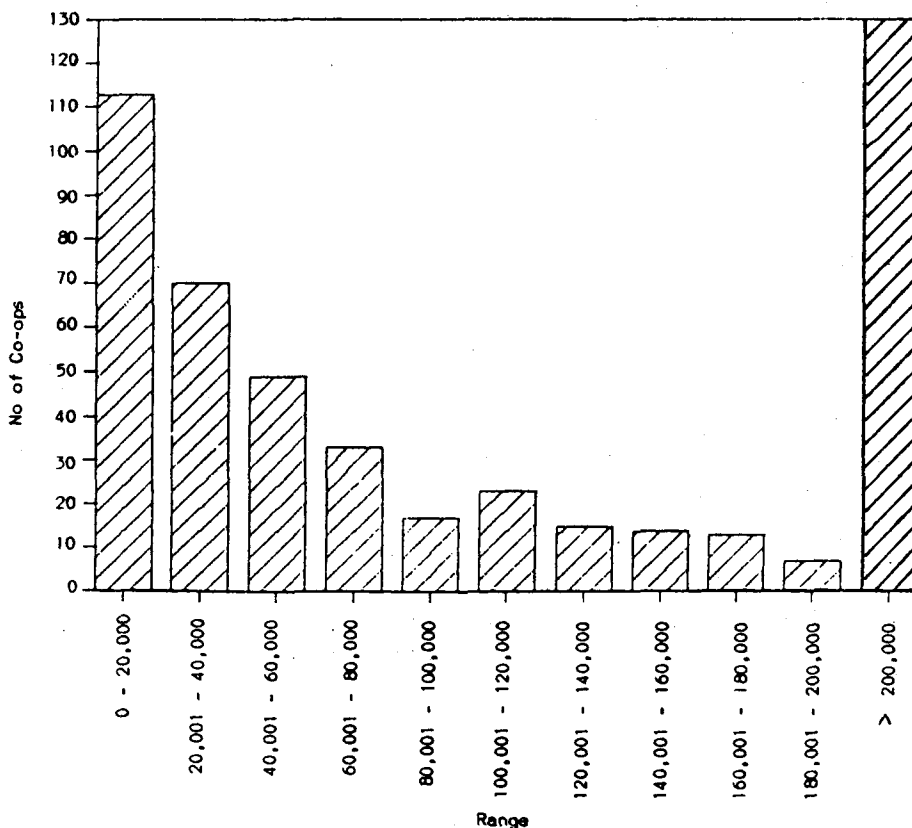
The share capital of these societies are widely dispersed with some having less than M\$ 5,000 while at the other extreme there were some with over M\$ 30

million. The distribution of share capital is given in Table 2, while Figure 3 gives the histogram of this data.

**Table 2 : Distribution of Share Capital**

| Share capital range (M\$) | No. of societies |
|---------------------------|------------------|
| 0 - 20,000                | 113              |
| 20,001 - 40,000           | 70               |
| 40,001 - 60,000           | 49               |
| 60,001 - 80,000           | 33               |
| 80,001 - 100,000          | 17               |
| 100,001 - 120,000         | 23               |
| 120,001 - 140,000         | 15               |
| 140,001 - 160,000         | 14               |
| 160,001 - 180,000         | 13               |
| 180,001 - 200,000         | 07               |
| greater than 200,000      | 130              |
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| 484                       |                  |

**Fig. 3 : Distribution of Share Capital**



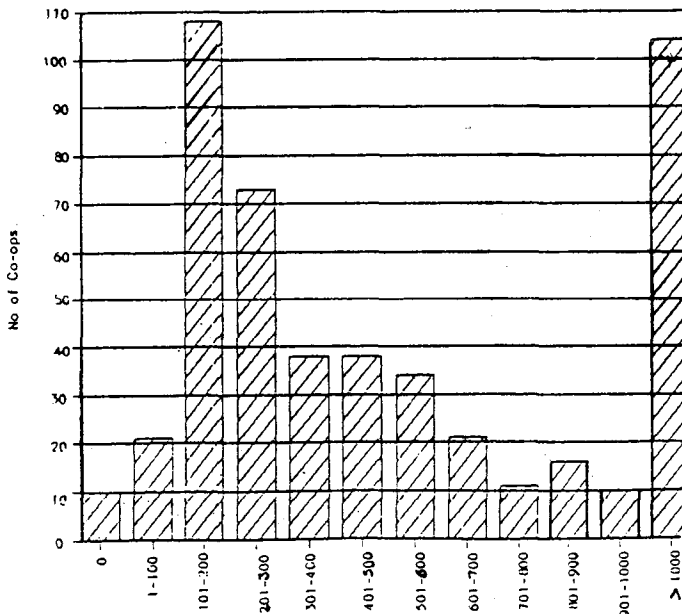
### 10.3 Membership

The membership of these co-operative societies is mainly individuals while some have other co-operative societies as members. A few societies are exclusively for member co-operative societies. While a few societies have less than 100 individual members a large number have greater than 1000 individual members. The distribution of membership in these societies can be seen from Table 3 and the histogram in Figure 4.

**Table 3 : Distribution of Individual Membership**

| Membership range  | No. of societies |
|-------------------|------------------|
| 0                 | 10               |
| 0 - 100           | 21               |
| 101 - 200         | 108              |
| 201 - 300         | 73               |
| 301 - 400         | 38               |
| 401 - 500         | 38               |
| 501 - 600         | 34               |
| 601 - 700         | 21               |
| 701 - 800         | 11               |
| 801 - 900         | 16               |
| 901 - 1000        | 10               |
| greater than 1000 | 104              |
|                   | 484              |

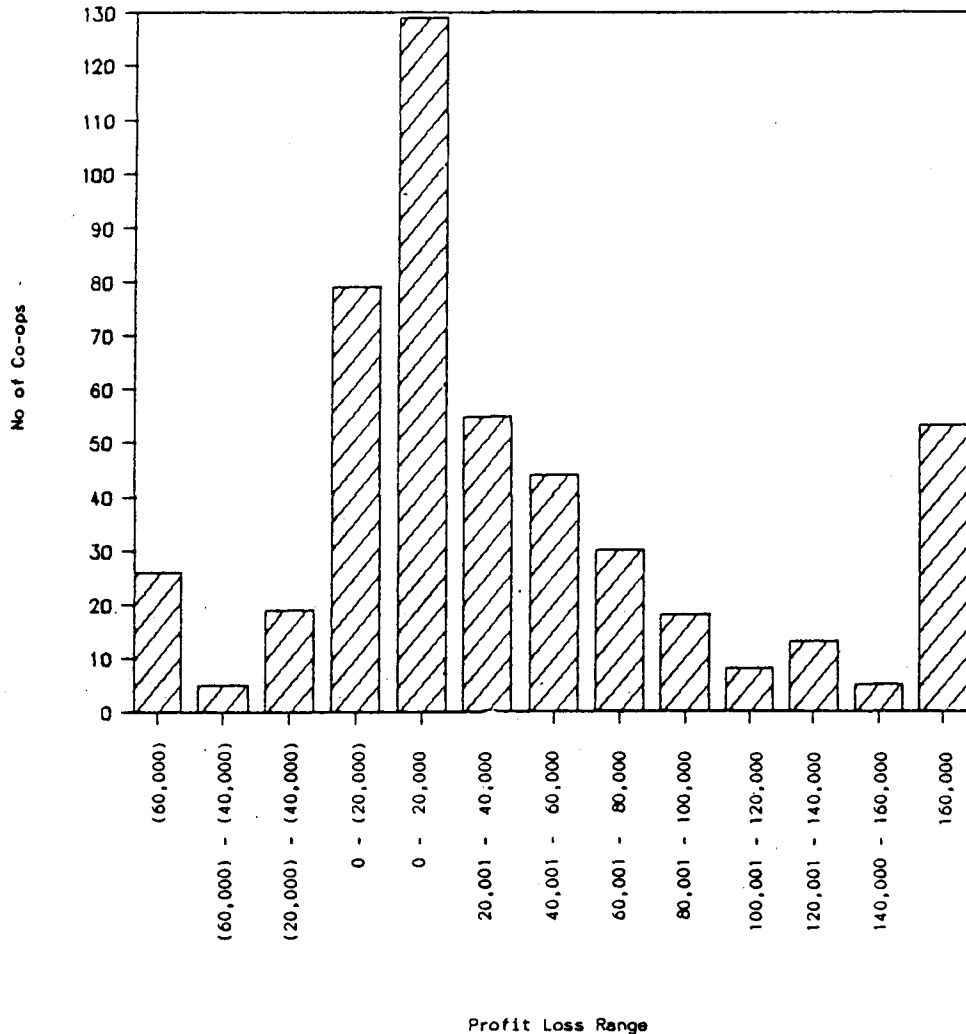
**Fig. 4 : Distribution of Membership (Individual)**



## 10.4 Accumulated Profit

The profit levels of societies was difficult to assess because the 1989 profit was not available. The accumulated profit/loss including 1989 was available. This indicated that the majority of societies had positive accumulated profits while 129 had accumulated losses. The distribution of this data is shown in Table 4 and Figure 5.

Fig. 5 : Distribution of Accumulated Profit (Loss)



**Table 4 : Distribution of accumulated profit/loss**

| Profit/loss Range (M\$) | No. of societies |
|-------------------------|------------------|
| <b>Loss :</b>           |                  |
| Greater than 60,000     | 26               |
| -60,001 to -40,000      | 05               |
| -40,001 to -20,000      | 19               |
| -20,001 to 0            | 79               |
| <b>Profit :</b>         |                  |
| 1 to 20,000             | 129              |
| 20,001 to 40,000        | 55               |
| 40,001 to 60,000        | 44               |
| 60,001 to 80,000        | 30               |
| 80,001 to 100,000       | 18               |
| 100,001 to 120,000      | 08               |
| 120,001 to 140,000      | 13               |
| 140,001 to 160,000      | 05               |
| greater than 160,000    | 53               |
|                         | <hr/>            |
|                         | 484              |
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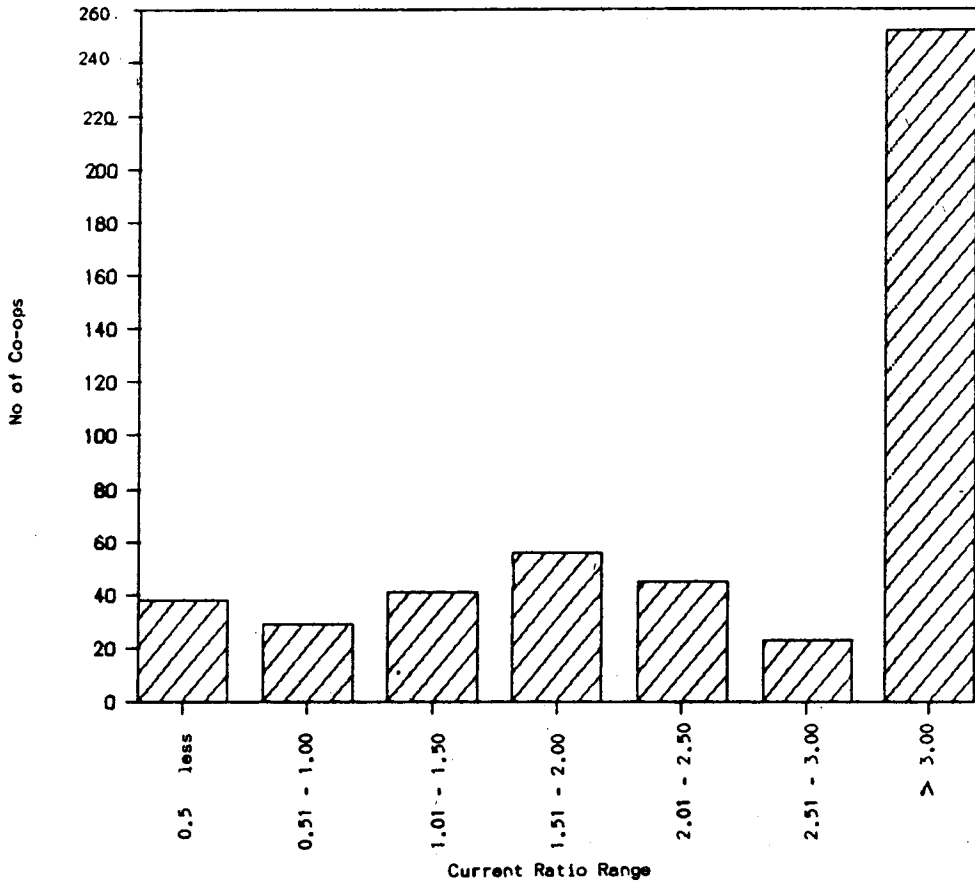
### 10.5 Current Ratio

A good method of measuring the stability of a society is to study its current ratio. The comparison of current assets figure and current liabilities figure indicated that in a large number of societies the current assets were more than current liabilities by many times. This casts doubts about these figures. However if these figures were correct only 38 societies had a current ratio of less than 0.5. The distribution of these figures is shown in Table 5 and Figure 6.

**Table 5 : Distribution of Current Ratio**

| Current Ratio    | No. of societies |
|------------------|------------------|
| 0.5 & less       | 38               |
| 0.51 - 1.00      | 29               |
| 1.01 - 1.50      | 41               |
| 1.51 - 2.00      | 56               |
| 2.01 - 2.50      | 45               |
| 2.51 - 3.00      | 23               |
| greater than 3.0 | 252              |
|                  | <hr/>            |
|                  | 484              |
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**Fig. 6 : Distribution of Current Ratio**



### 10.6 Number of shops

Most co-operatives have one consumer (retail) shop. Only 4 societies have more than 5 shops.

### 10.7 Turnover

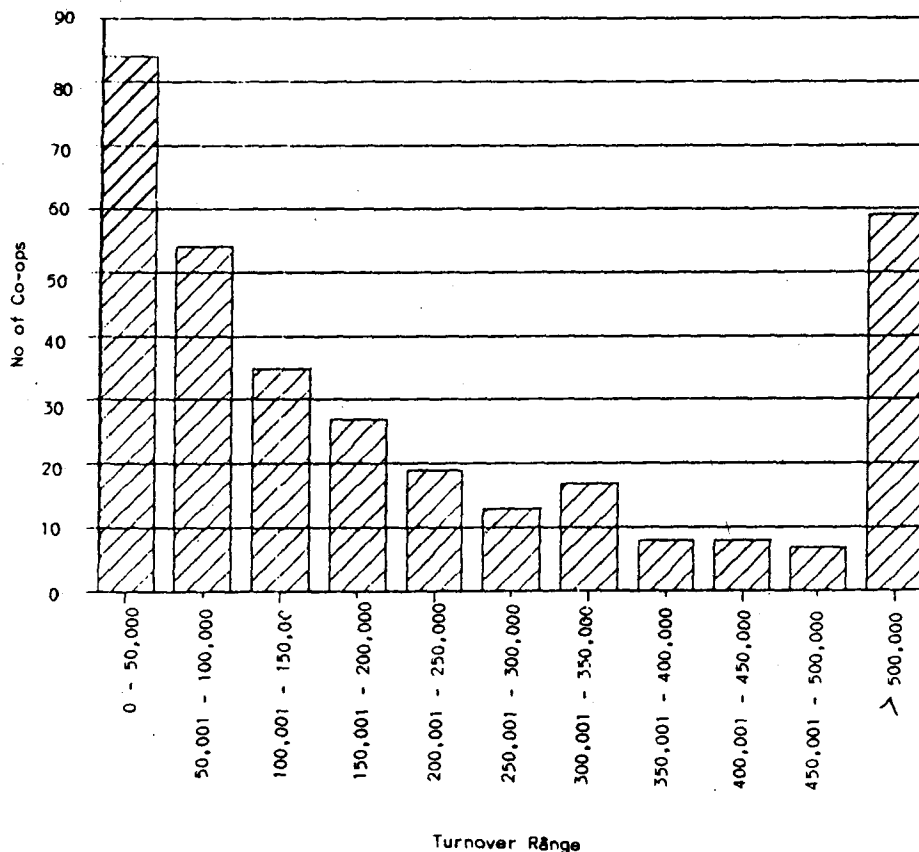
The turnover of the societies was also widely dispersed with a few having less than M\$ 10,000 turnover while some national level societies had over M\$ 50 million turnover. The distribution of turnover is given in Table 6 and Figure 7.

**Table 6 : Distribution of Consumer Turnover**

| Turnover Range       | No. of societies |
|----------------------|------------------|
| 0 to 50,000          | 84               |
| 50,001 to 100,000    | 54               |
| 100,001 to 150,000   | 35               |
| 150,001 to 200,000   | 27               |
| 200,001 to 250,000   | 19               |
| 250,001 to 300,000   | 13               |
| 300,001 to 350,000   | 17               |
| 350,001 to 400,000   | 8                |
| 400,001 to 450,000   | 8                |
| 450,001 to 500,000   | 7                |
| greater than 500,000 | 59               |

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**Fig. 7 : Distribution of Consumer Turnover**



This table excludes the societies where turnover has been indicated as 0 because it is not certain whether the figure is not available or whether turnover is in fact 0.

### 10.8 Stock Turnover Rate

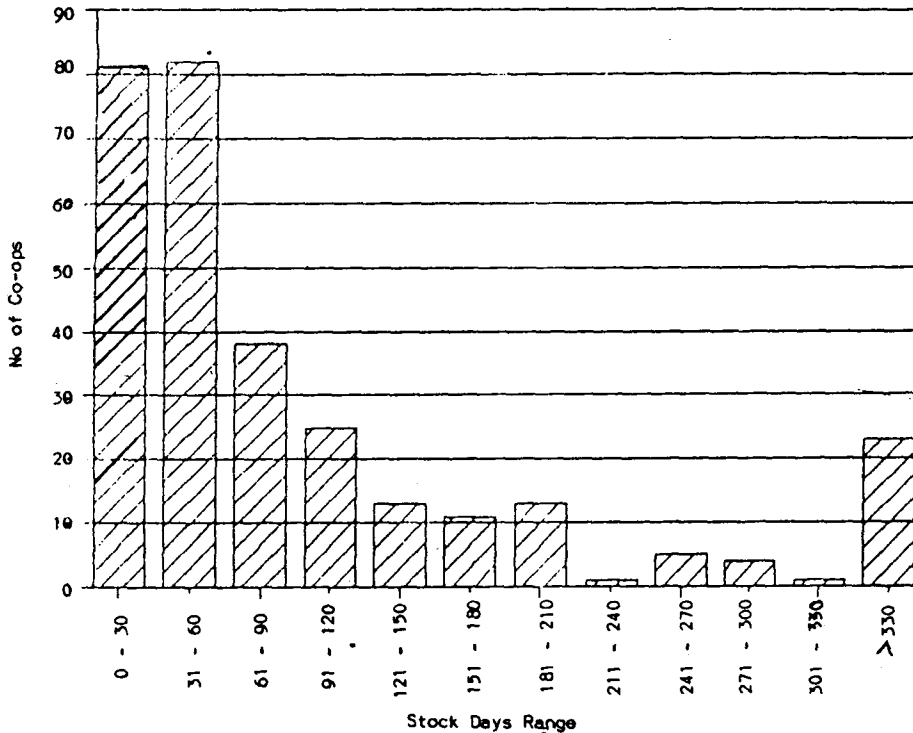
Stock days is a good indicator of stock turnover rate but it cannot be used as a general indicator because the turnover depends on the type of goods stocked. While perishables should have a very high turnover rate, durable household electrical appliances will have a very low turnover rate. Whatever the product stocked it is unlikely that a stock should last one year. Table 7 and Figure 8 give the distribution of stock holding in stock days and there are 23 societies where the stock holding is more than 330 days. These figures need to be verified. In this table too the number of societies analysed was only 297 because the stock figure in the other societies was given as 0.

**Table 7 : Stock Holding in Stock Days**

| Stock Days Range | No. of societies |
|------------------|------------------|
| 0 - 30           | 81               |
| 31 - 60          | 82               |
| 61 - 90          | 38               |
| 91 - 120         | 25               |
| 121 - 150        | 13               |
| 151 - 180        | 11               |
| 181 - 210        | 13               |
| 211 - 240        | 1                |
| 241 - 270        | 5                |
| 271 - 300        | 4                |
| 301 - 330        | 1                |
|                  | 23               |
|                  | <hr/>            |
|                  | 297              |
|                  | <hr/>            |



**Fig. 8 : Stock Holding in Stock Days**



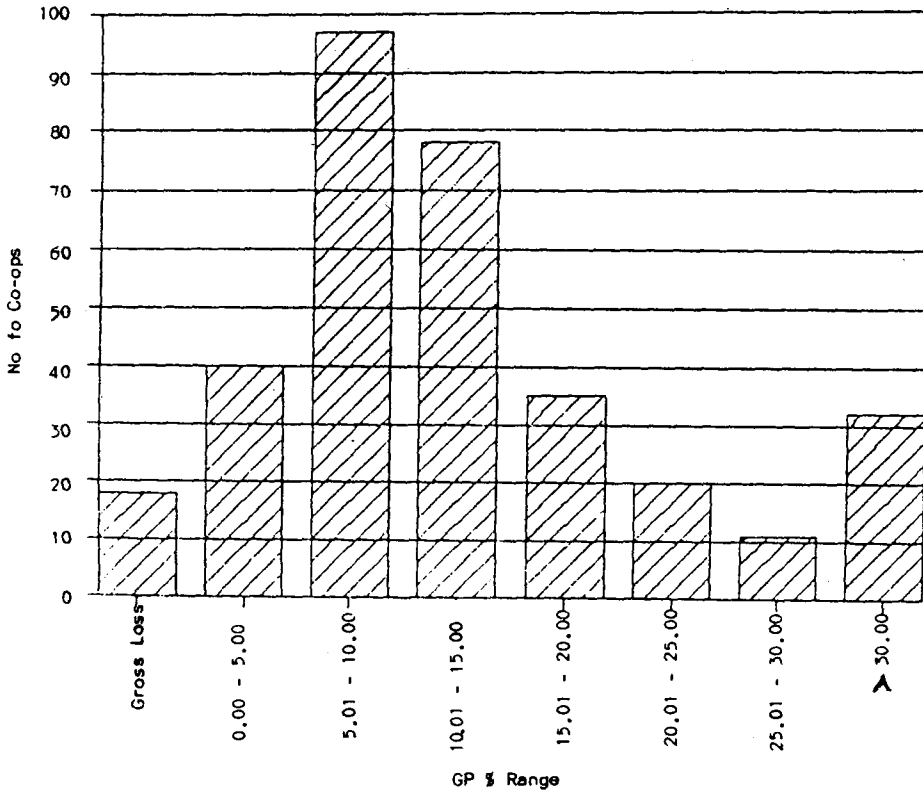
### 10.9 Gross Profit %

Gross profit % earned in consumer co-operatives give an indication of overheads to be covered. With a higher level of sophistication of the consumer the margins go up. Without comparative statistics of other countries it is not possible to make a comparative assessment of these margins but the distribution of gross profit % give an indication of the usual margins of Malaysian consumer co-operatives. The distribution of gross profit % is given in Table 8 and Figure 9. The figures indicate that 18 societies had a gross loss.

**Table 8 : Distribution of Gross Profit %**

| Gross Profit % Range | No. of societies       |
|----------------------|------------------------|
| Gross Loss           | 18                     |
| 0.0 - 5              | 40                     |
| 5.01 - 10            | 97                     |
| 10.01 - 15           | 78                     |
| 15.01 - 20           | 35                     |
| 20.01 - 25           | 20                     |
| 25.01 - 30           | 11                     |
| greater than - 30    | 32                     |
|                      | <hr/> <b>331</b> <hr/> |

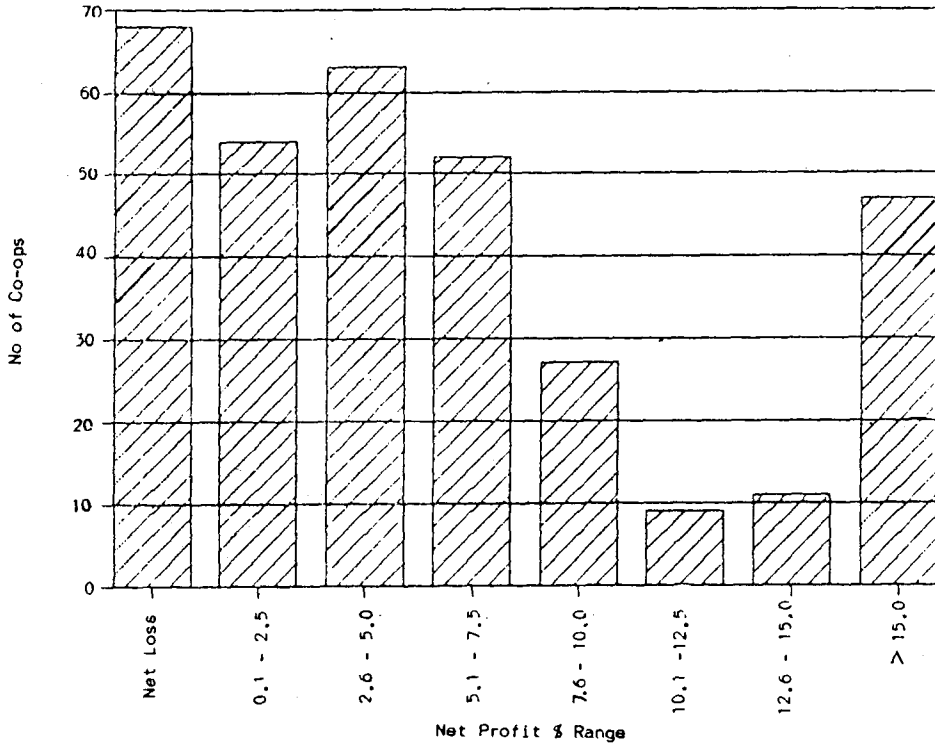
**Fig. 9 : Distribution Gross Profit %**



**10.10 Net Profit %**

The net profit figures show that 68 societies, out of the 331 where data is available, ran its consumer activity at a net loss, while 47 societies had a net profit % (net profit as a % of sales) of more than 15. The distribution of Net Profit % is given in Table 9 and Figure 10.

**Fig. 10 : Distribution of Net Profit %**



**Table 9 : Distribution of Net Profit %**

| Net Profit % Range | No. of societies |
|--------------------|------------------|
| Net Loss           | 68               |
| 0.1 - 2.5          | 54               |
| 2.6 - 5.0          | 63               |
| 5.1 - 7.5          | 52               |
| 7.6 - 10.0         | 27               |
| 10.1 - 12.5        | 9                |
| 12.6 - 15.0        | 11               |
| greater than - 15  | 47               |
|                    | 331              |

**10.11 Petrol Kiosk Net Profit**

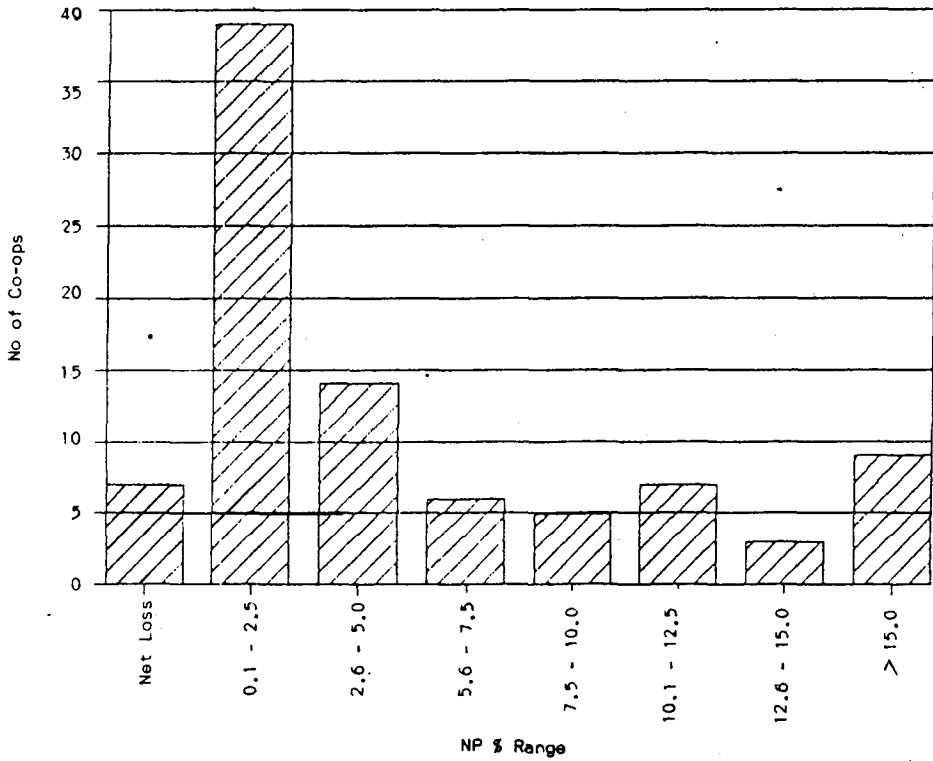
According to information available 90 societies had petrol kiosks. This activity appears to be very profitable although with low margins. Only 7 societies had reported a loss while 9 societies had reported a net profit % higher than 15.

This is a very high figure for a petrol kiosk operation and needs to be verified. The distribution of NP% in Table 10 and Figure 11 indicate that the usual figure is just below 2.5%.

**Table 10 : Distribution of Net Profit % of Petrol Kiosks:**

| Net Profit % Range  | No. of societies |
|---------------------|------------------|
| Net Loss            | 7                |
| 0.1 - 2.5           | 39               |
| 2.6 - 5.0           | 14               |
| 5.1 - 7.5           | 6                |
| 7.6 - 10.0          | 5                |
| 10.1 - 12.5         | 7                |
| 12.6 - 15.0         | 3                |
| greater than - 15.0 | 9                |
|                     | 90               |

**Fig. 11 : Distribution of Net Profit % of Petrol Kiosks**



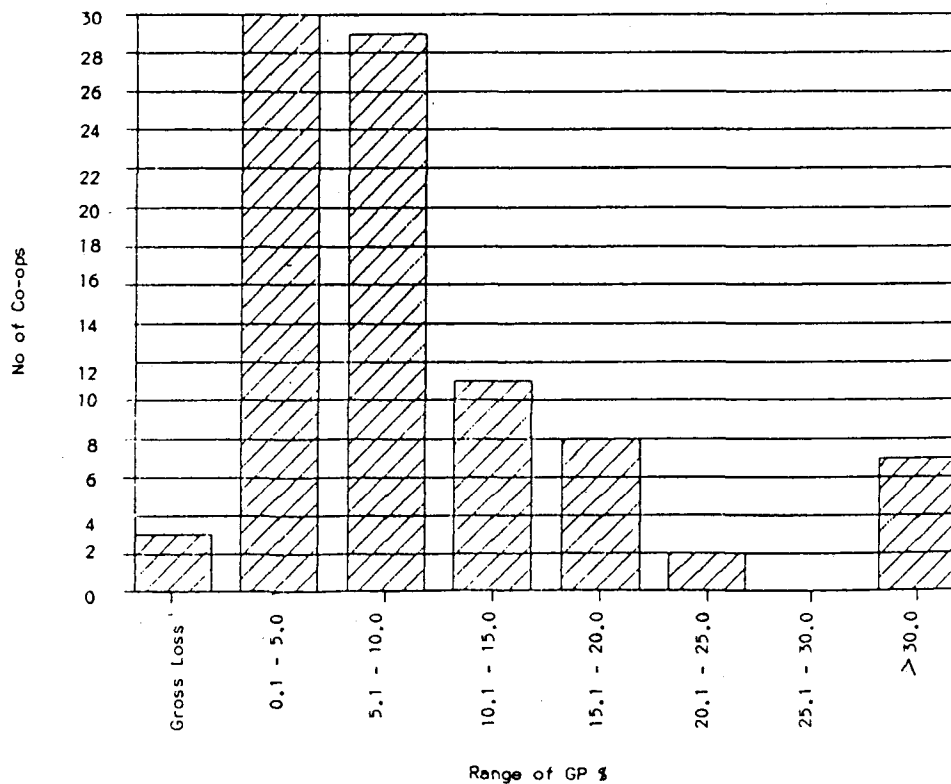
## 10.12 Petrol Kiosk Gross Profit %

The gross profit % of petrol kiosks show that only 3 out of 90 societies ran their petrol kiosks at a gross loss. The distribution of gross loss % in Table 11 and Figure 12 show that usual GP% is below 10.

**Table 11 : Distribution of Petrol Kiosk Gross Profit %:**

| GP % Ratio        | No. of societies |
|-------------------|------------------|
| Gross Loss        | 3                |
| 0.1 - 5           | 30               |
| 5.1 - 10          | 29               |
| 10.1 - 15         | 11               |
| 15.1 - 20         | 8                |
| 20.1 - 25         | 2                |
| 25.1 - 30         | 0                |
| greater than - 30 | 7                |
|                   | 90               |

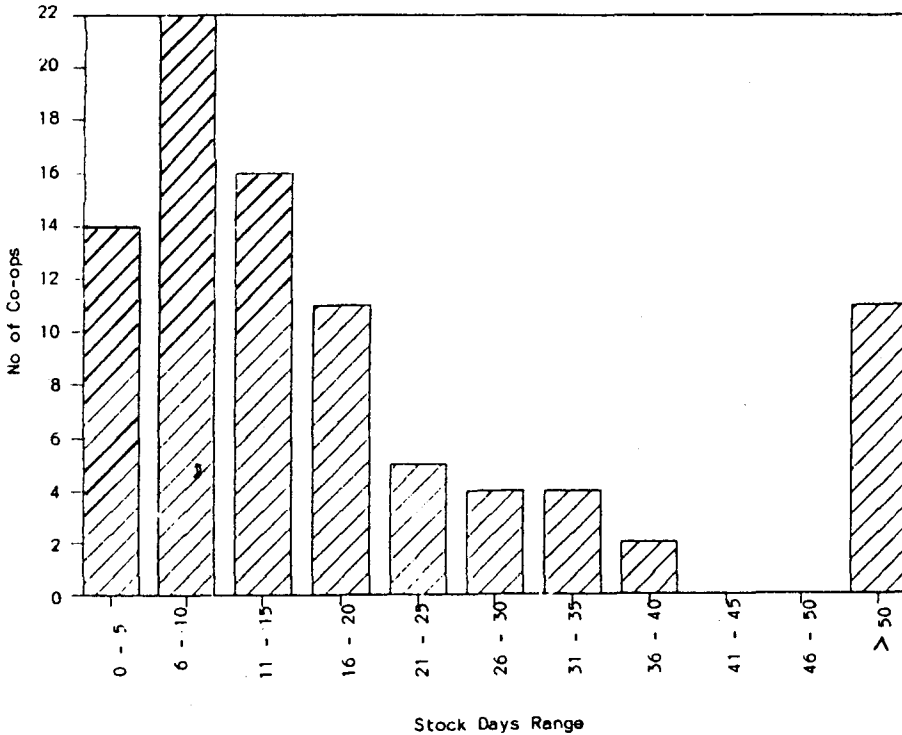
**Fig. 12 : Distribution of Gross Profit %, Petrol Kiosks**



### 10.13 Petrol Kiosk Stock Turnover

The stock turnover rate in a petrol kiosk should be very high. Table 12 and Figure 13 give an indication of the stock holding in stock days. Obviously some figures are incorrect because it is inconceivable to have a stock days figure exceeding 30.

**Fig. 13 : Distribution of stock days of petrol kiosks**



**Table 12 :Distribution of Petrol Kiosk Stock Holding in Stock Days :**

| Stock days Range | No. of societies |
|------------------|------------------|
| 0 - 5            | 14               |
| 6 - 10           | 23               |
| 11 - 15          | 16               |
| 16 - 20          | 11               |
| 21 - 25          | 5                |
| 26 - 30          | 4                |
| 31 - 35          | 4                |
| 36 - 40          | 2                |
| 41 - 45          | 0                |
| 46 - 50          | 0                |
| greater than -50 | 11               |
|                  | 90               |

### 10.14 School Co-operatives

All school co-operatives have consumers activities. With the promotion of co-operatives in school as government policy, close to 70% of schools have co-operatives today. The summary details of school co-operatives is given in Table 13.

### 10.15 Membership in School Co-operative

The membership distribution in school co-operatives is indicated in Table 14 and Figure 14. There are 18 schools with more than 2,400 members.

Fig. 14 : Distribution of Membership, School Co-ops

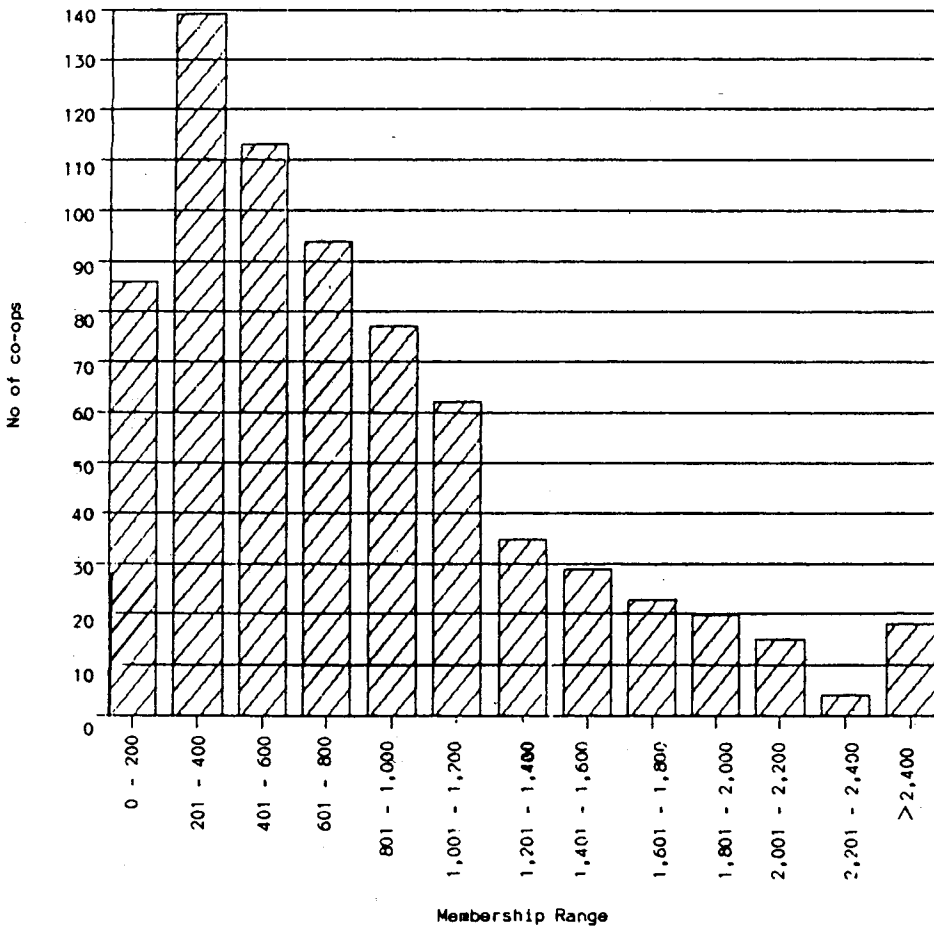


Table 13 : Summary details of School Co-operatives

| State             | No. of Schools | No. of Coops | % Covered | No. of Members | Share Capital M\$ | Sales M\$  | Net Profit M\$ | Accum Profit M\$ | % of Coops on Profit |
|-------------------|----------------|--------------|-----------|----------------|-------------------|------------|----------------|------------------|----------------------|
| 1. Johor          | 141            | 98           | 69.5      | 101,637        | 483,242           | 4,950,766  | 574,201        | 1,483,890        | 96.9                 |
| 2. Kedah          | 117            | 73           | 62.4      | 52,993         | 206,256           | 2,461,993  | 388,996        | 650,078          | 91.8                 |
| 3. Kelantan       | 91             | 82           | 90.1      | 113,606        | 299,212           | 2,906,943  | 331,990        | 656,987          | 100.0                |
| 4. Melaka         | 55             | 44           | 80.0      | 24,860         | 166,384           | 1,601,745  | 137,038        | 587,944          | 93.2                 |
| 5. N. Sembilan    | 70             | 52           | 74.3      | 38,604         | 251,281           | 1,413,061  | 161,456        | 379,166          | 84.6                 |
| 6. Pahang         | 96             | 38           | 39.6      | 30,444         | 188,302           | 1,795,979  | 110,530        | 407,076          | 76.3                 |
| 7. Perak          | 155            | 72           | 46.5      | 47,238         | 241,989           | 2,603,838  | 233,786        | 561,749          | 93.1                 |
| 8. Perlis         | 17             | 16           | 94.1      | 11,698         | 80,286            | 822,161    | 95,096         | 138,801          | 100.0                |
| 9. Pirang         | 68             | 37           | 54.4      | 18,259         | 190,854           | 1,447,819  | 183,508        | 475,843          | 100.0                |
| 10. Selangor      | 107            | 101          | 94.4      | 97,061         | 434,574           | 2,903,524  | 309,253        | 1,102,849        | 85.0                 |
| 11. Terengganu    | 54             | 52           | 96.3      | 33,076         | 134,011           | 4,121,361  | 262,090        | 591,018          | 96.0                 |
| 12. W.Persekutuan | 60             | 50           | 83.3      | 40,012         | 146,726           | 1,283,136  | 172,417        | 344,665          | 90.0                 |
|                   | 1,031          | 715          | 69.4      | 609,488        | 2,823,117         | 28,312,326 | 2,960,361      | 7,380,066        |                      |



**Table 14 : Distribution of Members in School Co-operatives:**

| Members Range       | No. of Coops |
|---------------------|--------------|
| 0 - 200             | 86           |
| 201 - 400           | 139          |
| 401 - 600           | 113          |
| 601 - 800           | 94           |
| 801 - 1000          | 77           |
| 1001 - 1200         | 62           |
| 1201 - 1400         | 35           |
| 1401 - 1600         | 29           |
| 1601 - 1800         | 23           |
| 1801 - 2000         | 20           |
| 2001 - 2200         | 15           |
| 2201 - 2400         | 4            |
| greater than - 2400 | 18           |
|                     | <hr/>        |
|                     | 715          |
|                     | <hr/>        |

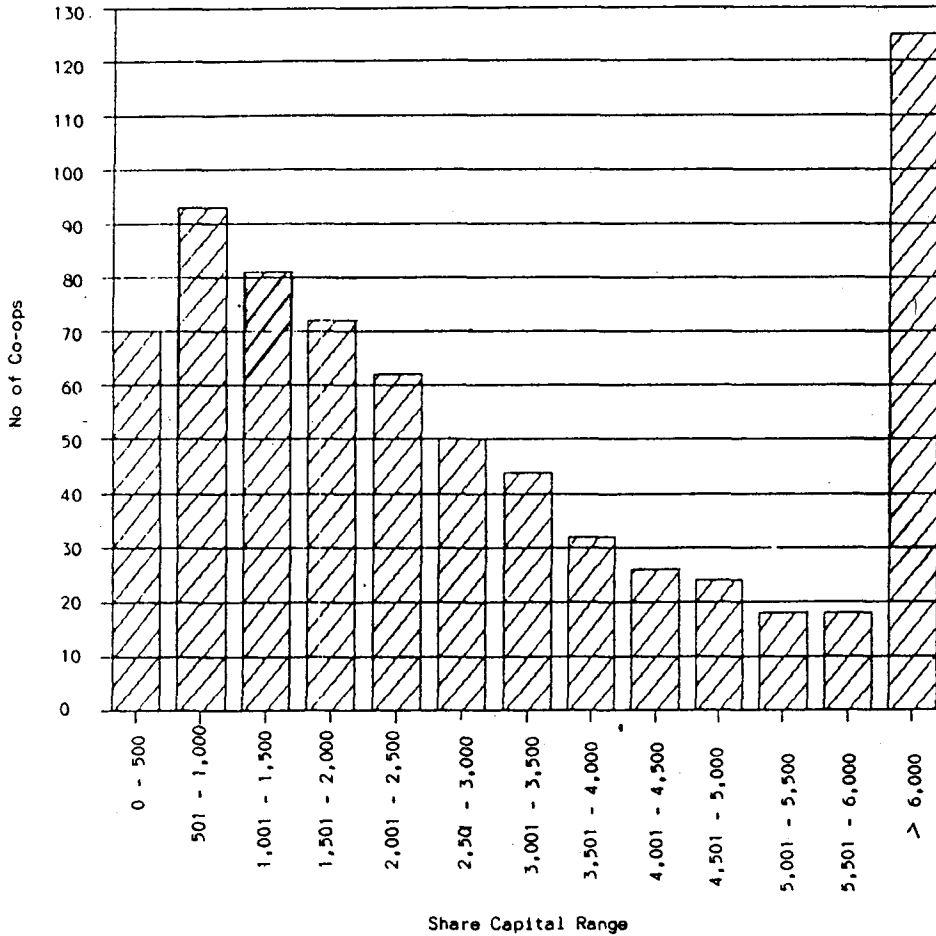
#### **10.16 Share Capital of School Co-operatives**

The share capital distribution in Table 15 and Figure 15 shows a wide dispersion. 125 co-ops have a share capital of more than M\$ 6,000.

**Table 15 : Distribution of Share Capital in School Co-ops:**

| Members Range       | No. of Coops |
|---------------------|--------------|
| 0 - 500             | 70           |
| 501 - 1000          | 93           |
| 1001 - 1500         | 81           |
| 1501 - 2000         | 72           |
| 2001 - 2500         | 62           |
| 2501 - 3000         | 50           |
| 3001 - 3500         | 44           |
| 3501 - 4000         | 32           |
| 4001 - 4500         | 26           |
| 4501 - 5000         | 24           |
| 5001 - 5500         | 18           |
| 5501 - 6000         | 18           |
| greater than - 6000 | 125          |
|                     | <hr/>        |
|                     | 715          |
|                     | <hr/>        |

**Fig. 15 : Distribution of share capital, School co-ops**



### 10.17 Turnover of School Co-ops

The sales turnover figures of school co-operatives indicate that turnover ranges of M\$ 10,000, 20,000, 30,000, 40,000, 50,000 have almost an equal number of co-operatives and the frequency drops at levels of turnover higher than this. These indications are clear from Table 16 and Figure 16.

**Table 16 : Distribution of Turnover of School Co-ops:**

| Turnover Range  | No. of Co-ops |
|-----------------|---------------|
| 0 - 10,000      | 83            |
| 10,000 - 20,000 | 99            |
| 20,001 - 30,000 | 122           |
| 30,001 - 40,000 | 81            |

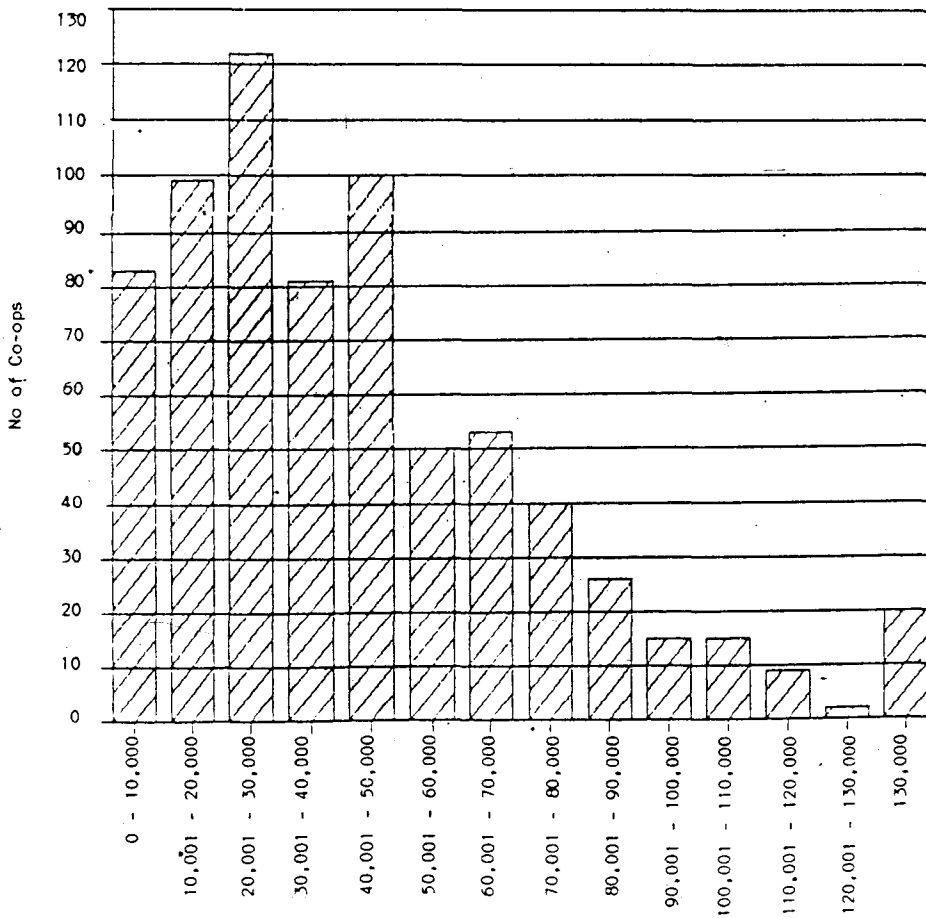
|                        |     |
|------------------------|-----|
| 40,001 - 50,000        | 100 |
| 50,000 - 60,000        | 50  |
| 60,001 - 70,000        | 53  |
| 70,001 - 80,000        | 40  |
| 80,001 - 90,000        | 26  |
| 90,001 - 100,000       | 15  |
| 100,001 - 110,000      | 15  |
| 110,001 - 120,000      | 9   |
| 120,001 - 130,000      | 2   |
| greater than - 130,000 | 20  |

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715

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Fig. 16 : Distribution of Consumer Turnover, School Co-ops



### 10.18 Net Profit of School Co-ops

The net profit figures of school co-ops indicate that only 93 out of 715 ran at a loss in 1989, 35 co-ops had profits higher than M\$ 14,000. These details can be seen in Table 17 and Figure 17.

Fig. 17 : Distribution of Net Profit of School Co-ops

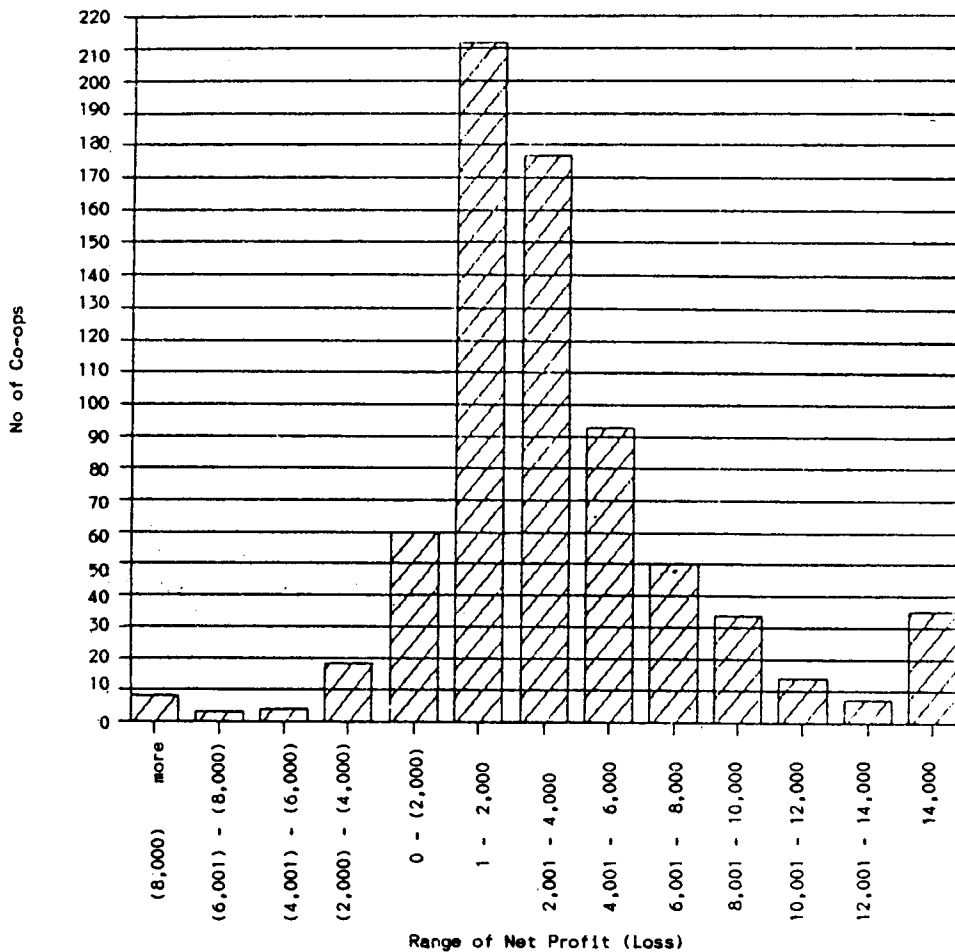


Table 17 : Net Profit and loss of School Co-operatives :

| Net Profit Range | No. of Coops |
|------------------|--------------|
| - 8,000 & more   | 8            |
| - 7,999 to 6,000 | 3            |
| - 5,999 to 4,000 | 4            |
| - 3,999 to 2,000 | 18           |
| - 1,999 to 0     | 60           |

|                     |       |
|---------------------|-------|
| + 1 to 2,000        | 212   |
| 2,001 to 4,000      | 177   |
| 4,001 to 6,000      | 93    |
| 6,001 to 8,000      | 50    |
| 8,001 to 10,000     | 34    |
| 10,001 to 12,000    | 14    |
| 12,001 to 14,000    | 7     |
| greater than 14,000 | 35    |
|                     | <hr/> |
|                     | 715   |
|                     | <hr/> |

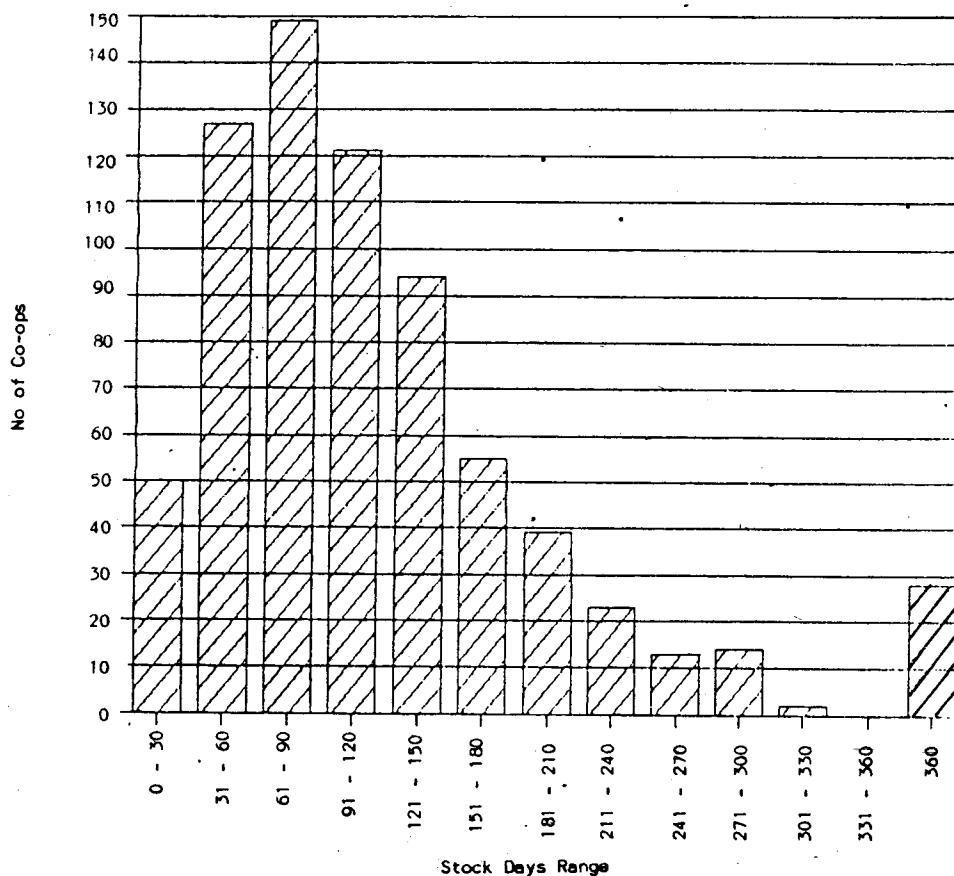
### 10.19 Stock turnover rate of school co-operatives:

The stock holding figures in stock days is very disturbing Table 18 and Figure 18 shows this distribution. 28 co-operatives had a stock holding of more than a year stock while 91 co-operatives had more than 6 months stock. These figures need further investigation because it may be possible that school co-operatives are not paying sufficient attention to stock turnover management.

**Table 18 : Stock days in school co-operatives**

| Stock days range   | No. of societies |
|--------------------|------------------|
| 0 - 30             | 50               |
| 31 - 60            | 127              |
| 61 - 90            | 149              |
| 91 - 120           | 121              |
| 121 - 150          | 94               |
| 151 - 180          | 55               |
| 181 - 210          | 39               |
| 211 - 240          | 23               |
| 241 - 270          | 13               |
| 271 - 300          | 14               |
| 301 - 330          | 2                |
| 331 - 360          | 0                |
| greater than - 360 | 28               |
|                    | <hr/>            |
|                    | 715              |
|                    | <hr/>            |

**Fig. 18 : Stock days in school co-ops**



## 11. PERFORMANCE OF SELECTED CO-OPERATIVES

Certain selected co-operatives were visited and their performance was evaluated by means of analysing data and discussing with key employees and Board Members. The co-operatives were selected in a manner that as far as possible the full spectrum of consumer (retail) co-operatives would be covered. In some cases a very detailed analysis was possible while in some little or no financial data was available for inspection.

The co-operatives covered were as follows:

- Malaysian Co-operative Supermarket Society (MCSS)
- Malaysian Consumer Co-operative Society (MCCS)
- Co-op of Co-operative College Staff
- Shamelin Co-operative
- Johore Co-op Supermarket Society
- University of Malaya Co-operative Society
- Koperasi Jimat Cermat Pelantar-Pelajar Sek Meñ Teknik Johor Bahru Bhd (School Co-operative)

- Syt Serbaguna RKT Bukit Batu (FELDA Co-op)
- Koperasi Sekolah Menengah Haji Hassan Yunus Renggam (School Co-op)
- Koperasi Serbaguna OPM Bhd (Estate Co-op)
- New Straits Times Co-op Society
- Koperasi Kijangmas Bhd (Co-op of aborigines)
- Sungai Ramal Dalam (semi urban co-op)
- National Electricity Board Co-op (Thrift & Loan Co-op)

### 11.1 Malaysian Cooperative Supermarket Society (MCSS) (Koperasi Pasaraya Malaysia Sdn Bhd)

The MCSS was formed in 1973 by a group of cooperative societies led by the Cooperative Central Bank. As at December 1990 the number of individual members stood at 5,000 while the number of institutional members stood at 56.

According to its Bye laws the principal object of the society is to carry on the business of supermarkets for the benefit of its members. Although it had a vision of expanding its branch network throughout the Malaysian Peninsular it has so far not been able to implement this and its activities have been confined to only one supermarket on the ground floor of the building where their Head Office is located on Jalan Haji Hussein in Kuala Lumpur. According to its present General Manager the society adopts a cautious policy with regard to expansion but has plans to open some branches in the near future.

#### 11.1.1 Membership

The membership share for an institutional member is M\$ 1,000 while for an individual member is M\$ 100. The entrance fee for an institutional members is M\$ 25 while for an individual member it is M\$ 2. A charge of M\$ 1 is levied for the membership card.

The distribution of investment by institutional investors (Co-operative Societies) is given in Table 19.

**Table 19 : Distribution of investment by members Co-operatives:**

| Investment Range (M\$) | No. of member Co-ops |
|------------------------|----------------------|
| 1,000                  | 02                   |
| 1,001 - 5,000          | 21                   |
| 5,001 - 10,000         | 12                   |
| 10,001 - 30,000        | 10                   |
| 30,001 - 50,000        | 04                   |

|                   |    |
|-------------------|----|
| 50,001 - 100,000  | 02 |
| 100,001 - 200,000 | 01 |
| 200,001 - 300,000 | 01 |
| 300,001 or more   | 03 |
|                   | 56 |

The distribution of investment by individuals is given below in Table 20.

**Table 20 : Distribution of Investment by member coops**

| Investment Range (M\$) | No. of Members |        |         |       |
|------------------------|----------------|--------|---------|-------|
|                        | Malay          | Indian | Chinese | Total |
| 100                    | 1,015          | 150    | 49      | 1,214 |
| 200                    | 80             | 8      | 6       | 94    |
| 300                    | 20             | 10     | 2       | 32    |
| 400                    | 3              | 0      | 1       | 4     |
| 500                    | 30             | 2      | 1       | 33    |
| 600                    | 1              | 2      | 0       | 3     |
| 700                    | 0              | 1      | 1       | 2     |
| 800                    | 1              | 0      | 0       | 1     |
| 900                    | 0              | 0      | 0       | 0     |
| 1000                   | 48             | 44     | 19      | 111   |
| 1,001 - 5,000          | 16             | 14     | 4       | 34    |
| 5,001 - 6,000          | 0              | 0      | 1       | 1     |
| 6,001 - 7,000          | 1              | 0      | 0       | 1     |
| 7,001 - 8,000          | 0              | 0      | 0       | 0     |
| 8,001 - 9,000          | 1              | 0      | 0       | 1     |
| 9,001 - 10,000         | 0              | 0      | 1       | 1     |
|                        | 1216           | 231    | 85      | 1532  |

### 11.1.2 Voting Rights

Individual members who have at least one fully paid share of M\$ 100 has one Vote. Members societies have votes as given below;

1 vote for every \$ 1,000 shares up to \$ 30,000



1 Additional Vote for every \$ 5,000 shares in excess of \$ 30,000 up to \$ 180,000

1 Additional vote for every \$ 10,000 share in excess of \$ 180,000

### 11.1.3 Composition of the Board

The Board of Directors consist of 15 members elected at the Annual General Meeting. 9 will be elected from among delegates of member societies while 6 will be from individual members.

### 11.1.4 Management

The Board of Directors meet once a month and consider the monthly performance report among other matters on the agenda. The General Manager informs that about 50% of the Board meeting time is spent on studying performance. The overall management of the commercial activity of the society is by the General Manager. Four Internal Auditors are elected at the Annual General Meeting.

The organization chart of the society is given in Fig. 19:

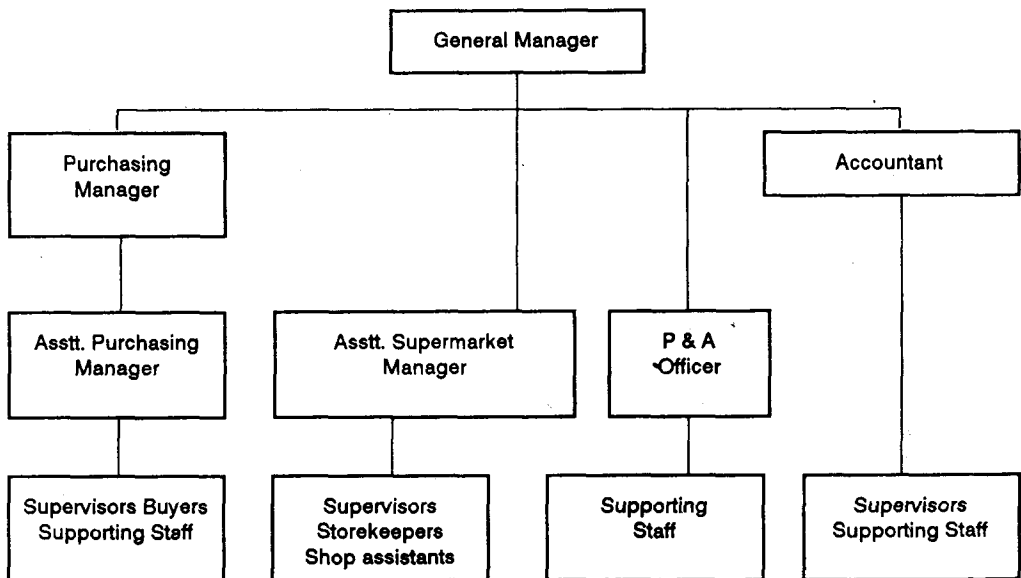


Fig. 19 : Organisation Chart of MCSS

### 11.1.5 Financial Performance

The turnover of the society has been steadily increasing since 1974 except for the period 1984 - 1986 which according to the General Manager was a result of the recession of the Malaysian economy during that period.

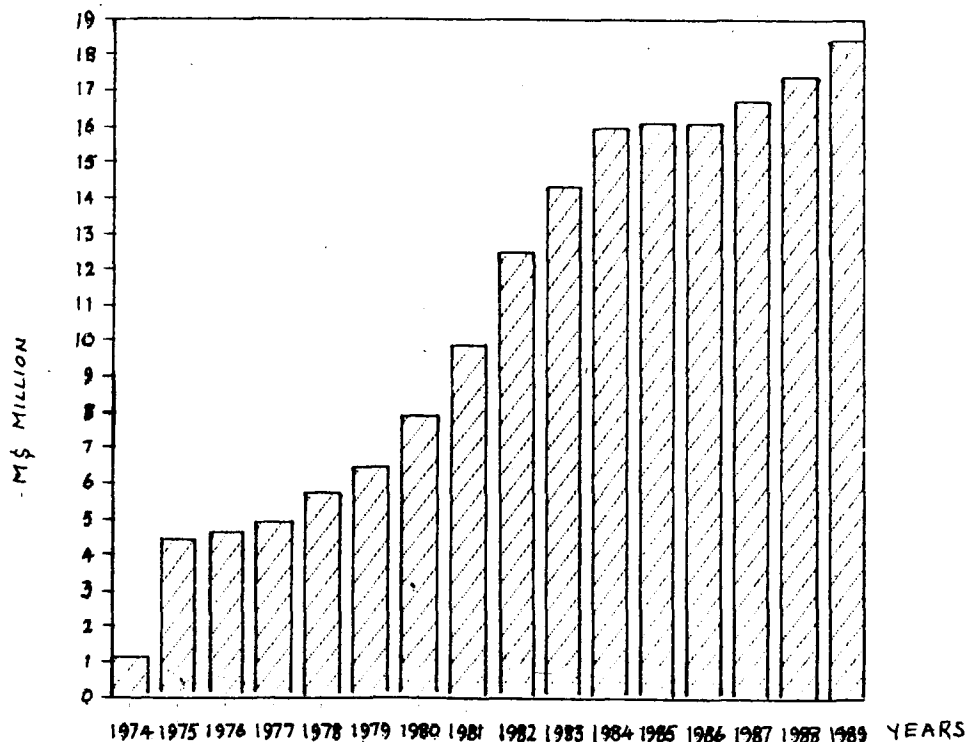
The turnover for the last four years is shown in Table 21.

Table 21 : Turnover 1986 - 1989 :

|                         | 1986 | 1987  | 1988  | 1989  |
|-------------------------|------|-------|-------|-------|
| Turnover (M\$ millions) | 16.1 | 16.75 | 17.43 | 18.43 |

The trend of turnover since 1974 can be seen from the bar chart in Figure 20.

Fig. 20 : Trend of Turnover of MCSS, 1974-1989



The net profit has also been steadily increasing although there have been some unusual increase in certain years. The highest ever profit has been in the last year (1989). The trend of net profit during the last four years can be seen from Table 22 below:

Table 22 : Net Profit of MCSS 1986 - 1989:

|                  | 1986    | 1987    | 1988    | 1989    |
|------------------|---------|---------|---------|---------|
| Net Profit (M\$) | 429,349 | 466,188 | 623,221 | 628,605 |

#### 11.1.6 Economic benefits to members

For the year ended 30 September 1989 the society declared a 10% dividend to its members. This is a very attractive dividend considering that the fixed deposit rates of commercial banks are only around 7% per annum. In addition to this

benefit the prices in the store are less than those at competitive stores. However, this benefit of low prices is derived by nonmember customers also.

Members are also entitled to a rebate based on purchases made. In 1989 this was made up of a 10% discount and a 2% rebate so that member customers received a total rebate of 12% in 1989. The General Manager informed that in 1990 25% of sales were to members. However, according to 1989 accounts only about 6.5% of purchases have been by members. When dividends and rebates are attractive there will be a big demand for membership but as the membership increases and purchases by members become proportionately higher the rebates, discounts and dividends will invariably decrease. This situation will cause problems to the management of the society.

The recording of member purchases are done by computer because all cash registers are linked to a computer. Therefore even with an increase in membership there will not be a problem with an increase in workload.

#### 11.1.7 Financial stability

Some indication of financial stability can be obtained by perusing the trend of the capital and reserves figure and the current ratio. Table 23 indicates the capital and reserve figure for the period 1987 - 1989.

**Table 23 : Capital & Reserves of MCSS 1987 - 1989**

|                          | 1987      | 1988      | 1989      |
|--------------------------|-----------|-----------|-----------|
| Capital & Reserves (M\$) | 3,120,981 | 3,617,625 | 4,020,570 |

The figures show an increasing trend and therefore indicates a stable and improving position, as there are no substantial loans.

The current ratio for the period 1987 - 1989 can be seen from Table 24.

**Table 24 : Current Ratio of MCSS 1987 - 1989**

|                     | 1987      | 1988      | 1989      |
|---------------------|-----------|-----------|-----------|
| Current Assets      | 2,177,140 | 2,346,976 | 2,630,464 |
| Current Liabilities | 3,841,013 | 3,330,117 | 3,052,304 |
| Current Ratio       | 0.57      | 0.70      | 0.86      |

The figures show that the current ratio although less than 1 is steadily improving. The society gets very favorable credit terms from suppliers and this is the reason for the high current liabilities.

#### 11.1.8 Profitability

While measures of stability are important to determine whether the society is

financially stable, measures of profitability and their trend is also important. The figures of net profit % on sales and gross profit % on sales are calculated below;

**Table 25 : Net Profit and Gross Profit %**

|                       | 1987      | 1988      | 1989      |
|-----------------------|-----------|-----------|-----------|
| Net Profit before tax | 466,188   | 623,221   | 628,605   |
| Net Profit % on sales | 2.78      | 3.57      | 3.41      |
| Gross Profit          | 2,060,515 | 2,261,344 | 2,405,723 |
| Gross Profit %        | 12.3%     | 12.9%     | 13.1%     |

Both indicators show an improving trend.

#### *11.1.9 Financial Management*

Accounting and financial management appears to be satisfactory with up to date Trading and Profit and Loss Accounts. Performance reports are prepared and submitted to the Board every month. Performance is discussed by the General Manager with all relevant employees on a regular basis.

#### *11.1.10 Inventory Management*

The stock position and the calculated stock turnover per annum and stock productivity are shown in Table 26 below;

**Table 26 : Stocks and inventory management indicators**

|                               | 1987       | 1988       | 1989       |
|-------------------------------|------------|------------|------------|
| Cost of Sales (M\$)           | 14,709,775 | 15,169,058 | 16,026,930 |
| Opening inventory (M\$)       | 1,135,763  | 1,047,141  | 1,384,194  |
| Closing inventory (M\$)       | 1,047,141  | 1,384,194  | 1,413,279  |
| Avg inventory                 | 1,091,452  | 1,215,668  | 1,398,737  |
| Stock turnover rate per annum | 13.5       | 12.5       | 11.5       |
| Stock productivity per annum  | 166.05     | 161.25     | 150.65     |

The stock turnover is gradually decreasing. Either there is some non moving or slow moving stock and/or there is more of low turnover stocks such as durables. If it is low turnover durables it must be compensated for by a higher gross profit %. Although the gross profit % has increased it is not sufficient as indicated by the stock productivity which has a decreasing trend. This problem was not highlighted by the General manager. probably it has not yet been noticed.

Leakage also can effect inventory management. 1.5% is provided for leakage

but experience is that it is always less than this.

There are only very few instances of shop lifting and is not considered a problem.

#### *11.1.11 Personnel Management*

The society has a total staff of 96. All vacancies are filled by advertising on the notice board and conducting selection interviews. The staff turnover is low indicating high satisfaction levels in their jobs.

All employees are given a one month bonus, and upto another month is on merit decided by the General Manager.

#### *11.1.12 Shop Display and Assortment*

The display of products was very attractive and arrangement convenient to the customer. The assortment is also considered to be good. All sales are on cash basis.

#### *11.1.13 Overall Assessment*

The management of the society is conservative but sound. Since they have been in business for over 15 years they have gathered considerable experience in supermarket management. Financially too the society is profitable and stable. They indicate that they have no problems; external or internal. The rules and regulations of the Department are not hindrances to their performance. However, they would like more support from Government in such areas as locations for new shops. They state that the Singapore Government assists in the location of NTUC Fair Price Shops.

As their working capital situation is tight they are negotiating for a loan from the Malaysian Co-operative Insurance Society (MCIS) at an interest rate of 7%.

### **11.2 The Malaysian Co-operative Consumer Society Ltd. (MCCS). Koperasi Pengguna Malaysia Bhd.**

#### *11.2.1 Formation*

The MCCS was established in July, 1969 under the name of Malaysian Co-operative Agencies Society Ltd. (MCAS). The present name was taken in 1984 in order to reflect its emphasis on consumerism and to expand its activities.

#### *11.2.2 Share holding*

The share holding until 1988 was by a few secondary cooperative societies composed as follows.

|     |           |
|-----|-----------|
| CCB | M\$ 6.2 m |
|-----|-----------|

|                          |           |
|--------------------------|-----------|
| MCIS                     | M\$ 3.3 m |
| MCSS                     | M\$ 0.3 m |
| JCIDS                    | 0.013 m   |
| National & Finance Co-op | 0.2 m     |

Bye laws were amended in 1988 to allow individual members and by early 1991 there were over 14,000 individual members.

The membership position as at 31 December 1990 was as follows;

|                          |        |
|--------------------------|--------|
| Secondary Co-op. members | 5      |
| Primary Co-op. members   | none   |
| Individual members       | 13,981 |

After the recent crisis caused by the collapse of deposit taking co-operatives and the CCB, there is a lot of procedure for co-operative societies to invest in other co-operative societies.

### 11.2.3 Board of Directors

The Board consists of 12 members elected at the Annual General Meeting. Of these, 6 members are society members elected by the member societies and 6 members are individual members elected by individual members.

### 11.2.4 Voting Rights

Every individual member who has at least one fully paid up share of M\$ 100 shall have one vote.

Every member society shall have voting rights in accordance with share holding as indicated below;

- a) One vote for the first \$5,000 or part thereof
- b) One vote for every additional \$5,000 up to \$125,000
- c) One vote for every additional \$25,000 thereafter up to \$750,000
- d) One vote for every additional \$50,000 thereafter, provided that no member society shall have more than 100 votes.

### 11.2.5 Activities

According to the Bye Laws passed in 1988 the principal objects of the society are to engage in supermarket and departmental store activity, to engage in industrial activity, import and export, carry on business of travel agents, tour operators, insurance agents, advertising agents, hire purchase agents and other agency business.

### *11.2.6 Recent Trends in Business Development*

MCCS claims to be the leading and largest consumer co-operative in the country with a paid up share capital of M\$ 9.7m as at 31 December 1989. MCCS considers itself a national level consumer co-operative society affiliated directly to ICA and believes it has a responsibility in promoting co-operative consumer activities in the country.

Realizing that the supermarket industry is growing rapidly with the increasing sophistication and affluence of the urban population, and in order to take advantage of this, MCCS promoted the idea of a new supermarket chain called KOMART. Some KOMARTS were set up only as small supermarkets while others were set up as a complex of, a supermarket, a department store, a bakery, and a fast food outlet. This model was apparently based on a Japanese model. Technical advice for the establishment of such supermarkets was provided by the Japanese Consumer Co-operative Union. At the same time (1984) a very modern Japanese style supermarket by the name of "Kimisawa" was established by the private sector. This is probably another factor which inspired the MCCS to establish a modern, "state-of-the-art" KOMART complex.

Soon after its establishment the KOMART model was much talked about and hailed as an innovative and dynamic approach of the contemporary consumer co-operative movement.

The Co-operative Central Bank which was the main shareholder of the project and financier of the leased out equipment had persuaded MCCS to sign a management contract through which the KOMARTS were managed.

The under mentioned KOMARTS were opened.

- i) **KOMART at Brickfields (Kuala Lumpur)** : This was opened for business on 17th August 1984 and occupied the ground and first floor. This never ran at a profit and was closed down. At time of closure the accumulated loss was M\$350,000.
- ii) **KOMART at Jalan Masjid India (Kuala Lumpur)** : This was opened in September 1984 and is considered as a mini market. It has no department store operation. This store continues to be open.
- iii) **KOMART at Alor Setar (Kedah)** : This commenced operations in March 1985. Here the supermarket was on the ground floor while the department store was on the first floor due to loans this was closed in late 1987.
- iv) **KOMART at Sentul (Kuala Lumpur)** : This was opened in 1985 as a minimarket and had only supermarket operations. This is still in operation.
- v) **KOMART at Seramban** : This was opened in 1985 as a supermarket cum Department store
- vi) **KOMART at Taiping (Perak)** : This was also a supermarket cum Department store opened in 1986.

### 11.2.7 Management

The organisation chart of the society is given below in figure 21 :

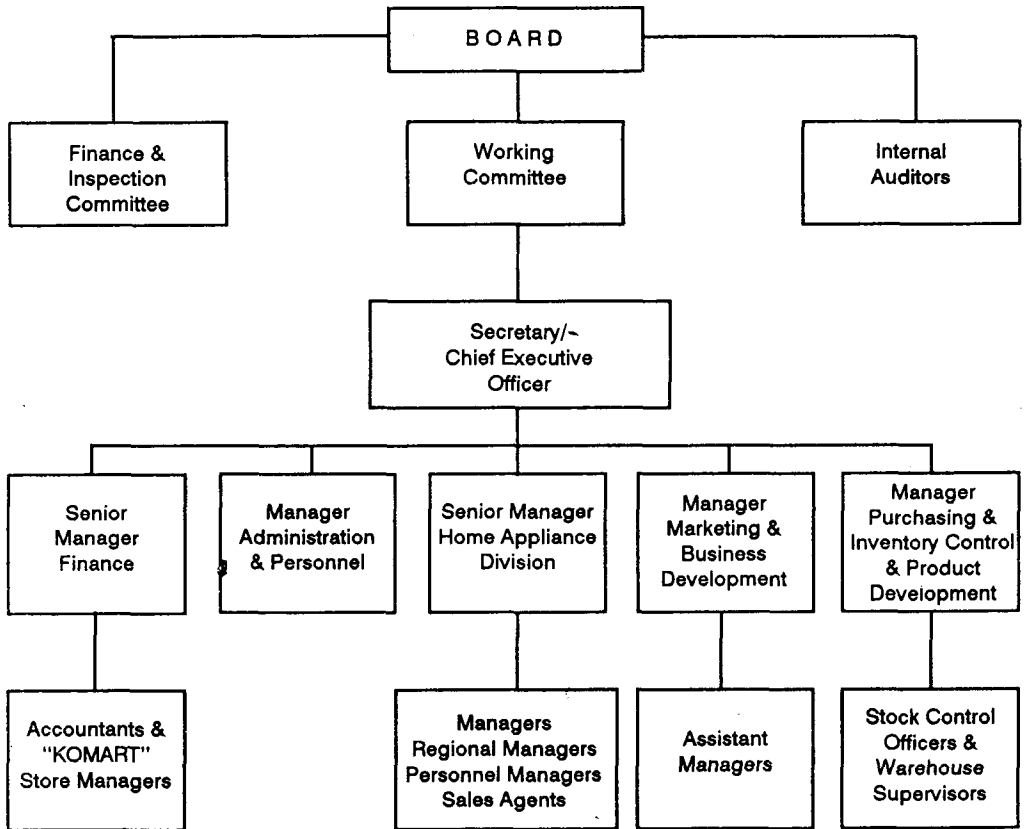


Figure 21

### 11.2.8 Financial Performance

The turnover and profits for the last 3 years is shown below in Table 27.

Table 27 : Turnover and Profits of MCCS (M\$)

|                           | 1987         | 1988         | 1989         |
|---------------------------|--------------|--------------|--------------|
| Sales                     | 30,382,180   | 31,490,091   | 25,502,380   |
| Insurance Commission      | 560,905      | 651,014      | -            |
| Tours & Travel Commission | 95,234       | 40,255       | -            |
| Gross Profit              | 7,315,731    | 8,401,437    | 6,488,564    |
| Expenses                  | 11,515,511   | 7,590,774    | 5,965,335    |
| Net Profit/Loss           | (7,174,475)  | 992,876      | 1,473,428    |
| Carried forward loss      | (13,477,603) | (12,484,727) | (11,011,299) |



The above shows the huge losses in 1987. Losses commenced soon after the opening of KOMARTS, many of which were failures. The management agreement with the Co-operative Central Bank was abrogated in 1987. Until then M CCS paid 2.5% of gross KOMART turnover to CCB. KOMARTS were to be capitalised with 51% shares by M CCS and 49% by local co-operatives. This 49% never materialized and Komarts continued to be wholly owned subsidiaries of M CCS. All equipment was leased from CCB and M CCS had to pay lease rent.

According to the present M CCS management the KOMART concept was doomed to failure; the initial expenditure based on the Japanese concept was very high, had disregarded the usual practice in co-ops. to “start small & grow big”, the locations were bad, the department stores were not feasible, the fast food concept is still not popular enough in Malaysia to create high turnover, no members of KOMART.

After the closure of loss making KOMARTS the financial situation has improved with the society earning profits around M\$ 1m per annum. The un audited 1990 figures show a net profit around M\$ 2m. At this rate it will take a very long time for the society to wipe out all accumulated losses.

### 11.2.9 Inventory Management

The sales and stock position of the last 3 years was as shown in Table 28.

**Table 28 : Sales and stock position 1987 - 1989 (M\$);**

|                         | 1987       | 1988       | 1989       |
|-------------------------|------------|------------|------------|
| Sales                   | 30,382,180 | 31,490,091 | 25,502,308 |
| Opening Stock           | 5,095,661  | 4,272,885  | 3,287,300  |
| Purchases               | 22,492,076 | 22,340,777 | 18,537,811 |
| Closing Stock           | 4,272,885  | 3,287,300  | 2,798,099  |
| Avg. Stock              | 4,684,273  | 3,780,093  | 3,042,699  |
| Stock Turnover)         |            |            |            |
| Per Annum)              | 4.98       | 6.17       | 6.25       |
| Gross Profit            | 7,315,731  | 8,401,437  | 6,488,564  |
| Gross Profit % on sales | 24.08      | 26.68      | 25.44      |
| Stock Productivity      | 119.92     | 164.62     | 159.00     |

The figures show that the stock level has come down drastically since 1987, although the sales too have reduced. The stock turnover per annum has increased but it is still at a low level. Stocks last for about 2 months. The gross profit % has increased in 1988 but declined again in 1989. As a result the stock productivity in 1989 although still higher than in 1987, is less than in 1988.

Leakage is believed to be less than 2% and the management of the society believes that shoplifting is not significant to cause concern.

#### 11.2.10 Personnel management

All recruitment is done through advertisements. For KOMART operations 15 persons were trained in Japan, and therefore the new recruits can be given in house training in supermarket operations. There is no shortage of applicants and therefore filling of vacancies is not difficult. The staff turnover is low and with some prospects of career development and with a 1 1/2 month bonus the employees seem content.

#### 11.2.11 Financial Stability

An indication of financial stability can be obtained from studying the trend of share capital and reserves. Table 29 shows the figures for the period 1987 - 1989.

**Table 29 : Trend of share capital and reserves;**

|                          | 1987        | 1988        | 1989    |
|--------------------------|-------------|-------------|---------|
| Share Capital & Reserves | (2,601,769) | (1,317,550) | 735,154 |
| Less Accumulated Losses  |             |             |         |

The trend shows an improvement although the share holders capital is almost totally eroded.

The current ratio also gives an indication of stability of operations. Table 30 shows the trend of the current ratio.

**Table 30 : Trend of current Ratio 1987 1989**

|                     | 1987       | 1988       | 1989       |
|---------------------|------------|------------|------------|
| Current Assets      | 11,546,691 | 12,338,485 | 11,849,159 |
| Current Liabilities | 15,572,987 | 14,992,117 | 10,482,036 |
| Current Ratio       | 0.74       | 0.82       | 1.13       |

The current ratio shows an improving trend and a substantially better position than 1987. However, the trade debtors have increased substantially since 1987 and now stands at M\$ 4,728,882. This should be investigated further and closely monitored.

#### 11.2.12 Evaluation of PROKOP operations

The hire purchase operation through 45 PROKOP branches all over Malaysia appear to be running profitably. The PROKOP brands are actually appliances made by reputed Japanese companies but sold under the PROKOP

brand name. However, when other co-operatives and consumers were questioned they responded with statements such as "PROKOP is not of a quality standard such as National or SONY etc.", "PROKOP after sales service is very poor", "PROKOP products are more expensive than other branded Japanese goods", etc. Simultaneously the society complains that co-operation among co-operatives is very poor, and that other co-operatives do not buy PROKOP products.

### *11.2.13 Conclusion*

The society is now making a profit and has cut down expenditure drastically. It has closed down its Insurance business and the Travel & Tours business. The present management appears to have analysed the past mistakes and appears to be in control of operations now.

## **11.3 CCM Staff Co-operative**

### *11.3.1 Establishment & Activities*

Earlier a consumer shop in the Co-operative College of Malaysia, CCM, premises was run by Kosamah with members from Co-operative Department, Angka and CCM, later the shop came under the CCM staff Co-operative (Koperasi Kaki Janagan Maktab Kerjasama Malaysia) on 3 January 1990.

The Society has a consumer shop, a day care centre, a thrift and loan operation, and an electrical goods hire purchase operation.

The society has (as at February 1991) 139 members who are employees of CCM and their spouses. Ex employees could retain the membership in the society. The share price is M\$ 1 per member.

The shop stocks mostly consumer goods; food and stationery items that employees and students need. The shop also stocks souvenir items which are demanded by students who wish to purchase a memento of their stay at CCM. A vending machine for drinks also operates under the society. Purchases are made through wholesalers who come and deliver. Members also bring certain 'tid-bits' made at home for sale at the shop. Purchases on credit are allowed. The shop is managed by a paid employee.

The Day Care Centre (in a building provided by CCM) is for children of members. Babies, toddlers and play group children are admitted. Two full time nursery teachers are in attendance. At present there are about 15 children.

Loans are given to members at 10% interest. Loans are of 2 types; emergency loans of \$ 500 which can be obtained in a day, and normal loans. Interest payment is optional but members pay the expected 10%.

Electrical goods are given on hire purchase basis with a 10% mark up. Pay back period is 30 months and the maximum given is M\$ 3,000.

### 11.3.2 Performance

The books of accounts were not available for inspection. However, the members were very satisfied with the performance. In 1990 a 10% dividend had been declared. The shop with M\$ 72,169 sales since 1st April '90 to 31st Dec. '90 had a surplus of M\$ 4,000.

## 11.4 University of Malaya Co-operative Society (Koperasi Kedaibuku University Malaya Bhd)

### 11.4.1 Activities

This society runs a mini market, a book shop and a travel and insurance agency. The total staff of the society is 113. The insurance agency is as an agent for the Malaysian Co-operative Insurance Society (MCIS). This business is small and is undertaken more as a service to members although non members are also serviced. The travel agency serves as an agent for local & foreign travel including package tours. The Malaysian Airline System (MAS) is the main airline through which foreign travel is booked.

### 11.4.2 Membership and Share Capital

The membership of the society is only 1,300 although the full staff strength of the university is approximately 10,000. Members, if they so wish, can continue the membership in the society even if they leave the University.

The membership details for 1988 and 1989 are given in the table below;

**Table 31 : Membership and Share Capital 1988 - 1989:**

|                     | 1988    | 1989    |
|---------------------|---------|---------|
| No. of Members      | 1,357   | 1,301   |
| Share Capital (M\$) | 548,140 | 532,210 |

### 11.4.3 Mini market

The mini market is well stocked and has annual sales of around M\$ 1.5m. The staff strength is 15. The shop runs at a profit. There appears to be adequate control measures installed in the shop. Members can purchase on credit. The average mark up on goods is 15%.

### 11.4.4 Book Shop

The book shop is also well stocked and well patronised. The shop handles retail as well as bulk sales to other institutions. Most purchases of imported books are directly imported by the society. The usual mark up for retail sales is 20% while for bulk sales is 18%. The society is the main contractor to supply imported

books to government libraries and school libraries. In such supplies 2-4 months credit is given.

#### 11.4.5 Benefits to Members

From the profits earned the benefits derived by members can be seen in Table 32. This is of course in addition to the benefits of having access to mini market goods and books at price lower than market prices.

**Table 32 : Benefits to Members from Profits of the Year 1988, 1989**

|  | 1988 |        | 1989 |        |
|--|------|--------|------|--------|
|  | %    | M\$    | %    | M\$    |
| Dividend                                   | 7%   | 34,561 | 10%  | 48,118 |
| Thrift & Loan Dividend                     | -    |        | 7%   | 25     |
| Rebate to members on books and mini market | 6%   | 5,871  | 15%  | 10,900 |
| Rebate on travel                           | -    |        | 1%   | 626    |

The figures show an improvement in benefits to members in 1989. In addition the rebates to staff which was 6% in 1988 had increased to 15% in 1989.

#### 11.4.6 Financial Performance

The performance of the society can be seen from the Total Sales, Net income, Total expenses and Net Profit.

**Table 33 : Sales Net income, Total Expenses & Net Profit 1988/1989**

|                                   | 1988      | 1989      |
|-----------------------------------|-----------|-----------|
| Total Sales (books & mini market) | 8,423,560 | 8,926,942 |
| Net income                        | 1,598,520 | 1,532,138 |
| Total expenses                    | 1,537,740 | 1,317,542 |
| Net Profit                        | 60,780    | 214,595   |

The expenses have reduced significantly mainly in salaries and office expenses, inspite of a bonus of M\$ 162,810 in 1989 which was not given in 1988. The net profit is significantly higher in 1989 and should have been higher if not for a lower than expected Gross Profit from the mini market. Also the commission on travel has doubled in 1989 compared to 1988.

The Stock Turnover and gross profit performance of the book shop & mini market together can be seen from the Table below.

**Table 34 : Stock turnover and Gross Profit**

|                          | 1988      | 1989      |
|--------------------------|-----------|-----------|
| Sales                    | 8,423,560 | 8,926,942 |
| Cost of sales            | 6,953,459 | 7,591,983 |
| Opening stock            | 2,703,982 | 2,547,667 |
| Purchases                | 6,782,689 | 6,854,973 |
| Closing stock            | 2,547,667 | 1,831,657 |
| Gross profit             | 1,470,101 | 1,334,959 |
| Gross profit %           | 17.45     | 14.95     |
| Stock turnover per annum | 2.65      | 2.47      |

The society management believes that three lower Gross Profit % in 1989 which was due to the lower % in the mini market was probably a result of a stock shortage. The stock turnover rate in 1989 is higher and the stock productivity is also higher than 1988 because the higher stock turnover has compensated for the lower gross profit %.

However the Gross Profit % is insufficient for such a Low turnover rate. Obviously the stock turnover rate in the bookshop may be significantly lower than in the mini market but because the figures are not available separately it is not possible to say where the problem is.

#### 11.4.7 *Financial stability*

An indication of the financial stability can be obtained by studying the trend of share capital and reserves and the current ratio. Table 35 & 36 gives this information.

**Table 35 : Share capital & reserves 1988, 1989.**

|                          | 1988      | 1989      |
|--------------------------|-----------|-----------|
| Share capital & reserves | 1,714,881 | 1,869,385 |

This shows an improvement in 1989 inspite of higher appropriations as dividends and rebates, and indicates a stable position.

**Table 36 : Current ratio 1988, 1989.**

|                     | 1988      | 1989      |
|---------------------|-----------|-----------|
| Current Assets      | 5,310,653 | 4,643,168 |
| Current Liabilities | 3,977,079 | 3,193,227 |
| Current Ratio       | 1.34      | 1.45      |

The current Ratio can be considered to be good although the real value of the stock is not known. Also a slight improvement in the ratio is noticed in 1989. A detailed study of the Balance sheet reveals that stock position has reduced considerably and the trade debtors amount is matched by the trade creditors amount.

#### *11.4.8 Conclusion*

The Society can be considered to be performing well and benefiting its members while being financially stable. However the stock position need a closer examination. The loan and overdraft position is acceptable. The losses incurred previously have all been wiped off.

It is however surprising that even with the high dividends and rebates being paid more staff members of the University do not join the Society because even as an investment the return from the Society is higher than the fixed deposit interest rates of around 7% in commercial banks.

It is understood that now tighter controls exist in the mini market to prevent any possible stock shortages.

### **11.5 Shamelin (Koperasi Shamelin Bhd)**

#### *11.5.1 Establishment*

Shamelin was perhaps the most ambitious project in the cooperative sector with a vision of up-lifting the rural populace and directly and indirectly helping the fisherman, farmer, small holder, petty trader and such others. Shamelin had good moral and financial support from the Government and had as one of its objectives to assist the Government in the New Economic Policy. The idea of such a society was mooted by a group of students in the late sixties and the Society was incorporated in April 1971.

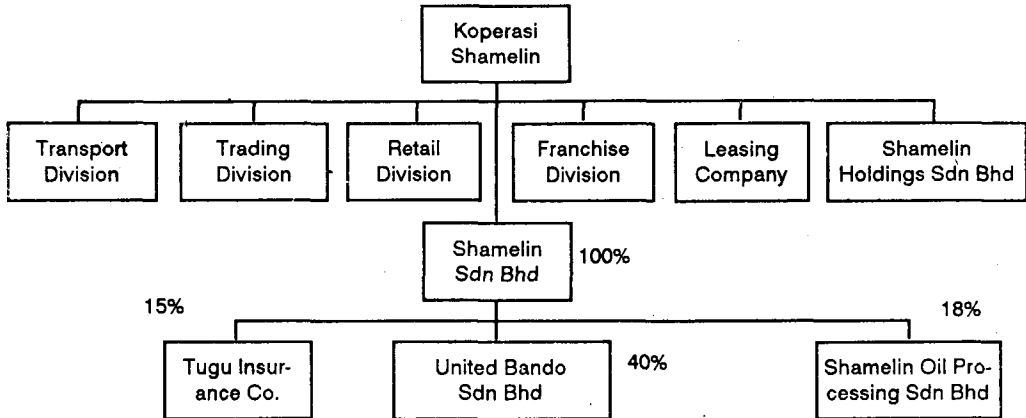
Within a decade Shamelin developed into a huge structure with several subsidiaries and divisions as seen in Fig. 22.

The transport division had several tankers among other vehicles to service all operations of the Shamelin group.

The Trading Division handled homewares, and industrial goods such as tractors, sprayers, marine engines, power sprayers, rice milling machines etc.

The Retail Division had about 70 shops all over the country selling a wide range of consumer goods, the assortment done according to the demand of the locality. Some products were sold under Shamelin label consequent to agreement with manufactures.

**Figure 22 : The structure of Koperasi Shamelin**



Under the Franchise System, Shamelin had plans to set up 3,990 franchisees and 29 supply depots. The number actually set up was not available.

Details about the leasing operations are not available.

Shamelin Holdings Sdn Bhd was set up for real estate development and several projects were commenced.

Shamelin Sdn Bhd was set up as a holding company to invest in United Bando Sdn Bhd, an import export company, Tugu Insurance, and Shamelin Oil Processing Sdn Bhd. The ownership of shares is indicated in Fig 22.

### 11.5.2 Present Position

The vision had not become a reality. Shamelin is today all but closed up. All subsidiaries are dormant. All shops are closed. Only Shamelin Holdings exists although in deep financial difficulty. Of the 23 staff members now in employment 20 are new. The General Manager is also very new and there was no one who could give information about what went wrong. The latest Annual Report available was 1985.

For some time in 1988 - 1989, even the work on property development had been suspended and restarted in late 1989. At that time the Board and management had been revamped.

### 11.5.3 Financial Performance

Since it will not be useful to analyse financial results of 1985 which is over 5 years ago only the more important figures will be mentioned.

In 1985 the share capital and reserves was M\$ 13,122,654 while the loan capital was M\$ 21,526,112. This shows a dangerously high gearing.

In 1985 the current assets were M\$ 41,060,647 while current liabilities were M\$ 18,888,696. However of the current assets M\$ 23,743,959 were advances to subsidiaries.



However, the society has made an after tax profit of M\$ 2,202,516 in 1985 and after adjusting for losses brought forward had a carried forward profit of M\$ 1,404,084.

This shows that although stability is in doubt the society is making a profit. However, it was not possible to find out the current financial position of the society.

The 1985 retail operations accounts show a gross loss of M\$ 448,009. A retail operation cannot have a gross loss unless there is a stock shortage. The stock turnover rate is seen to be 13.07 and can be considered good.

Examination of accounts of one of the shops pertaining to the years 1986 and 1987 indicate a low Gross Profit % and very high fixed costs of almost four times the Gross Profit.

#### *11.5.4 Conclusion*

While it is difficult to assess the exact nature of the problems encountered by Shamelin it is possible that the problems were probably due to the following;

- Incorrect Capitalization
- Poor Management
- Poor control systems
- Insufficient Planning
- Poor Financial Management
- Concept of Retail Shop network without Local Membership, may have been misconceived.
- Too rapid one expansion

### **11.6 Johor Co-operative Supermarket Society (Koperasi Pasaraya Johor Bhd)**

#### *11.6.1 Establishment*

This society was registered on 30th December 1976, as a consumer co-operative society with the main objective of providing cheaper and better consumer services to members and the public. The society was to operate in the State of Johor. The initial idea was mooted by several Co-operative societies in this State.

The society's first supermarket was in Johor Bahru since this area had about 15,000 members of the member societies. The supermarket has a floor area of approximately 9,000 sq. ft. It was established with the assistance of a foreign expert, and came into operation in November 1977.

A new branch has been opened as a mini market in Batu Pahat in April 1990.

### 11.6.2 Membership

The society has a membership of 14 member societies with a collective membership of around 35,000 members and around 400 individual members. Individual membership is small and a slight reduction takes place annually. Although the society states there is no restriction in admitting new members, many others believe that the society does not encourage new individual members fearing that if the membership increases the dividends and rebates to members will reduce.

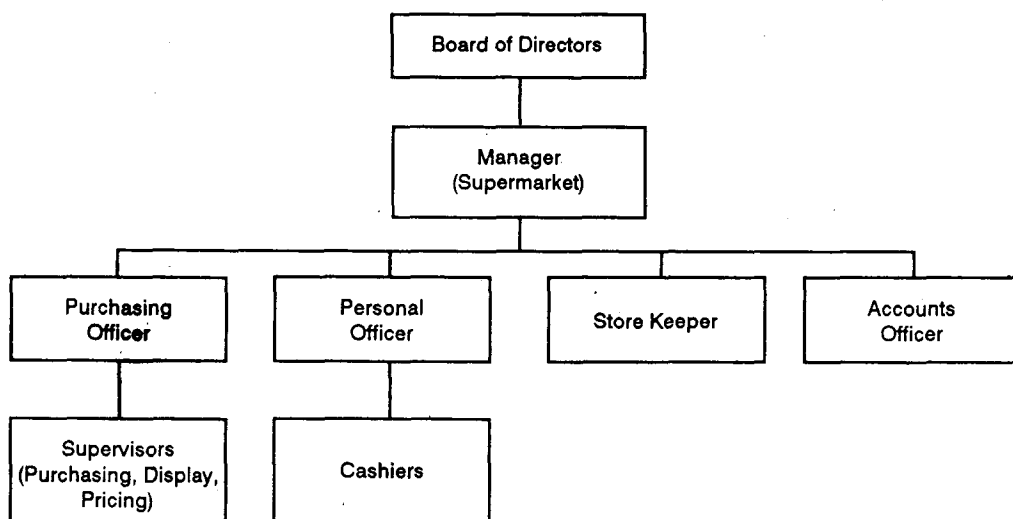
The value of a share is M\$ 10. An individual member is expected to subscribe to at least 10 shares with an entrance fee of M\$2. An institutional member has to subscribe for at least 100 shares with an entrance fee of M\$ 25. The capital contributed by member societies amounted to M\$ 378,260.

Each individual member has one vote while each member society has 1 vote for every M\$ 5,000 worth shares up to a maximum of 5 votes. At least 100 shares is required by a member to stand for election as a Director.

### 11.6.3 Management

The Board of directors consists of 15 members elected at the Annual General Meeting; 9 members elected from among member societies and 6 members from among individual members. The Board meets once in two months and reviews performance and progress of activities and considers short term and long term plans. The Board is very particular in mentioning that it does not interfere in the day to day management of the operations.

The management structure of the society is shown in figure 23.



**Fig. 23 : Organisation Structure of Johore Co-operative Supermarket Society.**

The total staff of the society is 56.

#### 11.6.4 Benefits to Members

The society had started paying dividend in 1983 and paid good dividends in the past years; 1986 - 10%, 1987 - 10%, 1988 - 20%, 1990 (18 months) - 15%

All members receive rebates for purchases of all non essentials. Receipts for purchases can be produced, for rebate coupons without time limit. However, coupons are valid only for one month. All sales to member are on cash basis only. All members, including members of members societies receive a membership card which is filled in at the check out counter at every purchase.

In addition to the dividends and rebates the society also claims that prices are very competitive.

#### 11.6.5 Performance

The society is making good net profits and has been able to consistently improve on the previous years sales. Table 37 shows the sales and net profits since 1977.

Table 37 : Sales and Net Profits 1977 - 1990

| Year   | Sales (M\$) | Net Profit (M\$)<br>(before appreciation) |
|--|-------------|---|
| 1977 (1 1/2 months only)                             | 521,208     | (3,504)                                   |
| 1978   | 3,613,836   | (42,499)                                  |
| 1979   | 3,807,841   | (35,083)                                  |
| 1980   | 3,972,721   | (27,392)                                  |
| 1981   | 4,571,329   | 6,238                                     |
| 1982   | 5,218,940   | 187,942                                   |
| 1983   | 5,352,169   | 175,942                                   |
| 1984   | 5,400,662   | 62,831                                    |
| 1985   | 6,255,644   | 208,939                                   |
| 1986   | 8,334,853   | 477,198                                   |
| 1987   | 10,353,500  | 503,014                                   |
| 1988   | 11,456,800  | 538,500                                   |
| 1990 (18 months - change<br>in fin. year to 30 June) | 21,380,000  | 900,000 (est)                             |

The supermarket also benefits from the large number of Singaporeans citizen who visit Johor Bahru for shopping. It is estimated that about 15% of the customers are Singaporeans.

The financial stability is not in doubt. It's share capital is intact and has substantial reserves. It has no loans and no overdrafts. The current ratio is also around 1.3.

The society's Gross Profit % is also over 13% and the stock turnover rate is also over 20 per annum. Therefore, if this trend continues the society will continue to be a very profitable and financially stable society.

The new mini market has still not reached break-even point. The management expects it to break-even by end of next year.

#### *11.6.6 Management systems and Procedures*

All purchase decisions and inventory management is handled entirely by the store staff. There is no purchase committee. Commodities like rice and sugar are ordered and received on a daily basis because of price fluctuations and high turnover. Leakage is estimated to be about 1% but is under control because of the deployment of a security guard in civils as a store detective.

The pricing policy is based on competitive prices and market forces. The margins range from 5% in the case of rice and sugar to 45% in some toys.

The store staff is all trained in house. At higher levels they are sent to the Co-operative College, and even abroad for training.

The book keeping is up to date and financial management and information systems are adequate.

#### *11.6.7 Conclusion*

The society is a good example of a successful one the Chairman appears to have full information and control of the performance of the society. The management very proud of its achievements and present status. The society feels that the existence of a wholesale organization will greatly benefit them.

It is hoped that the society continuously develops co-operative leaders to take over responsible official positions if and when they occur. Otherwise the good trend of performance may be adversely affected, in the event of a sudden vacuum.

### **11.7 School Co-op. Koperasi Jimat Cermat Pelantar - Pelajar Sek Men Teknik Johor Bahru Bhd.**

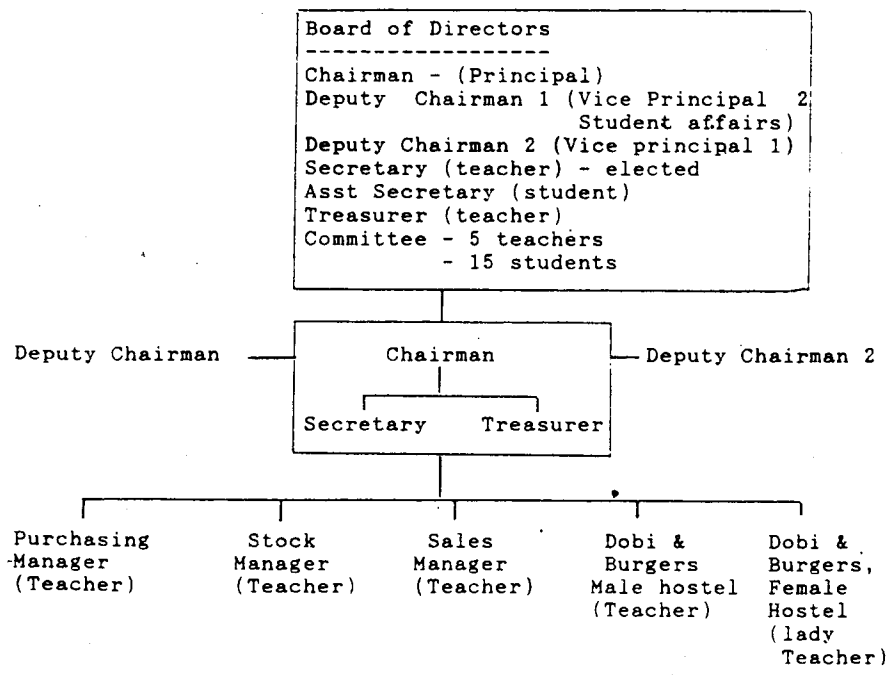
#### *11.7.1 Establishment and Membership*

The society was set up in 1983 and it is compulsory for every student to become a member. The price of a share is M\$ 20 and holding of 1 share is sufficient for membership. The entrance fee is 50 sen. When a member leaves school the share capital can be taken back or donated to the Co-operative.

The co-op runs a shop for refreshments and stationery and a dobi (laundry) service.

### 11.7.2 Management

The co-op has a very comprehensive and well defined management structure as shown in Figure 24.



Although it is a society of students it is the teachers that play the primary roles. Students merely assist.

### 11.7.3 Operations

The school hours are 7.30 a.m. - 2.00 p.m. on Sunday, Monday, Tuesday and Thursday. On Wednesdays it is 7.30 a.m.- 2.40 p.m. school is closed on Friday and Saturday. This school has a predominant Malay student population. The school is open during the morning interval from 10.10 a.m. - 10.40 a.m. and again from 3 p.m. - 3.30 p.m. on weekdays and also from 5.00 p.m. - 6.00 p.m. on Fridays and Saturdays. The teachers are always on duty during shop hours and collect the cash while students who help in the shop write receipts. Receipts are always counter signed by teacher.

The students who help with sales as sales assistants are paid M\$ 20 per month and are selected from among the poor students. Teachers don't get any allowances but receive an honorarium at the end of the year.

The premises, electricity etc. are provided free of charge by the school but the society pays 10% of profits to the school for use in student welfare activities.

The main income is from the shop but income is also derived from,

photocopy work where the machine is manned by students, dobi (laundry) operation with the washing machines operated by students, and hamburger sales.

#### 11.7.4 Performance

The shop is a great convenience to students. Even the dobi operations and photocopy are at less than market rates thereby being a financial benefit. The sales and profit figures during the last 3 years are shown in Table 38.

**Table 38 : Sales & Profits 1987 - 1989**

|              | 1987     | 1988    | 1989    |
|--------------|----------|---------|---------|
| Sales        | 108,143  | 100,759 | 106,239 |
| Gross Profit | (12,850) | 2,756   | 18,334  |
| Net Profit   | (12,519) | (1,827) | 22,237  |

The figures show a huge net loss in 1987. This has been due to some students taking money from the cash box. It is after that, that teachers have been put in control. 1989 shows a large net profit, and a 10% dividend has been declared.

It was not possible to evaluate the stock turnover ratio because of lack of information. However, there appear to be good controls now with the present Principal taking a very keen interest in the activities of the Co-op. Supplies are made very professionally with quotations being called. Suppliers give one months credit and are willing to give good terms because the Co-op is now financially strong.

The gross profit % in 1989 was 17.26% and can be considered very satisfactory.

#### 11.7.6 Conclusion

This is a school co-op which had learned from a bitter experience and now doing well. This should be a model for other school co-ops too because entrusting everything to students can be risky. At the same time teachers should not dominate, relegating the role of students to mere bystanders.

### 11.8 Felda Co-op - Syt Serbagna RKT Bukit Bathic Kulai Bhd.

#### 11.8.1 Establishment Membership

The Co-op was established in September 1969, and has at present 292 members (almost all are settlers) and has a share capital of M\$ 69,519. This is an old Felda settlement scheme started in the late sixties. Since settlers came at the age of 45 - 50 yrs, in most families the aged husband is no longer living. The Co-op has a retail shop, a transport service and a taxi service.

The shop does not pay any rebates because of the difficulty of keeping records. However, a dividend of 10% is usually paid.

It is usually only the head of the family that gains membership in the Co-op. The average family size in the settlement is 7 and a total population of 2,000 exists today.

The shops sells mostly consumer durable, agricultural inputs, school uniforms, lubricants, agricultural implements, paints etc. It does not stock food items because it cannot compete with the private shop and PNF (government) shops which sell groceries and other consumables.

### 11.8.2 Performance

The retail shop performance is given in Table 39.

Table 39 : Sales, Profits etc. 1987 - 1989

|                               | 1987   | 1988    | 1989<br>(unaudited) |
|-------------------------------|--------|---------|---------------------|
| Sales                         | 95,220 | 140,523 | 132,677             |
| Average Stocks                | 5,356  | 7,103   | 10,415              |
| Cost of Sales                 | 87,035 | 116,229 | 145,745             |
| Gross Profit                  | 7,078  | 22,715  | (12,968)            |
| Gross Profit %                | 7.43   | 16.16   | -                   |
| Stock turnover rate per annum | 16.25  | 16.36   | -                   |
| Stock Productivity            | 120.74 | 264.38  | -                   |

The figure are somewhat strange. The Gross Profit % should be a little higher for consumer durable and implements. Also the stock turnover rate appears high for this type of assortment. In 1989, there is a gross loss because sales has been significantly less than purchases. However, there is a recorded net profit of M\$ 16,982 due to other operations. The accuracy of these figures appear to be doubtful, although net profit includes profits from transport and taxi operations.

The debt position appears to be very serious with total debtors of M\$ 81,304 at end of 1989. Almost all sales are on credit and debt collection is not satisfactory.

### 11.8.3 Conclusion

This Co-op is facing problems because of competition and high debt. It may not be viable to run a shop with durables and other products only without groceries. Also members expect credit facilities because that is the most significant benefit of membership. However, the membership may not be faithful

to the Co-op. The future of this Co-op appears to be bleak, unless the shop can be sufficiently subsidised by other operations. The management practices and control systems appear to be weak.

## **11.9 School Co-op - Koperasi Sekolah Menengah Hi Hassan Yunos. Rengam Bhd**

### *11.9.1 Establishment and Membership*

This school has 1,254 students and is in a plantation area. The membership is 1,896 including teachers and ex-students. The share value is M\$ 1 and each member has to have a minimum of 10 shares. Present share capital is M\$ 45,835.

The Co-op has the following activities;

- shop selling books, stationery, jerseys and photostat copies
- a computer education unit for members and government officers
- a tuition centre
- a poultry farm
- an aquarium for exporting ornamental fish
- a tuckshop (canteen)

The Co-op also has its own building in the school premises constructed with Co-op funds. Some of the computer equipments are bought by the Co-op while others are donations.

Many social and other useful activities are organised by the Co-op, such as;

- Work camps for leadership and organisational training
- Talent competitions
- Study visits to other Co-ops and places of interest

The Co-op also provides financial aid to needy students.

The school has 2 sessions; one group from 7.25 a.m. - 1.00 p.m. and the other group from 1.00 p.m. - 6.40 p.m. The Co-op shop is open throughout school hours.

### *11.9.2 Operations*

The shop is run by teachers and students. The students who help in the shop are not paid any allowance but are entitled to a discount on purchases. This is on the basis of a motto that "you help to learn and not to get paid". The shop has a wide assortment of stationery items and books.

The computer centre has a paid teacher with a degree in computer science. It charges M\$ 8 and M\$ 20 for a course from members and outsiders respectively. These courses are very popular and the demand from outsiders cannot be met fully.



The tuckshop (canteen) is run by hired employees in addition to students who help. Here again helpers do not get any allowance but only a free drink.

All shop and canteen sales are on cash basis. Only under special circumstances that credit is allowed.

### 11.9.3 Financial Performance

The financial results extracted from the 1990 draft accounts are given in Table 40 below. The prior year accounts were not available for comparison.

**Table 40 : 1990 Accounts;**

| Description                      | 1990 (M\$) |
|----------------------------------|------------|
| Sales                            | 41,972     |
| Gross Profit from Bookshop       | 6,556      |
| Net Profit (from all operations) | 25,112     |
| Opening Stock                    | 47,212     |
| Purchases                        | 31,739     |
| Closing Stock                    | 43,534     |
| Capital & Reserves               | 128,623    |
| Current Assets                   | 79,853     |
| Current Liabilities              | 21,269     |

From these figures it appears that the society is making very good profits, the major portion coming from the computer centre. The 1989 net profits had been M\$ 22,773.

The financial stability is also good with share capital and reserves more than double the share capital and without any loan capital. The current ratio of 3.75 is extremely good but is due to the huge stock of goods.

On analyzing the gross profit ratio it is found to be 15.62%. However the stock turnover rate per annum is only 0.78. The stock turns over only once in 15 months. This is serious and needs examination.

### 11.9.4 Conclusion

The society appears to be running very profitably mainly because of the dynamism of the principal who is really the initiator of most of the activities. However, attention to management ratios for controlling and early warning do not appear to be used. If the stock figures are correct it is disturbing. This type of Co-op with so much enthusiasm and energy will need good financial guidance to prevent a disaster.

## 11.10 Estate Co-op - Koperasi Serbaguna OPM Bhd

### 11.10.1 Establishment & membership

This Co-op Society is a plantation co-op, and has been in existence for a long time. It had been set up with a lot of encouragement of the owners of the plantation at that time. The membership is 600 and all members were resident workers on the plantation. However now only 20 members are resident as the others have shifted elsewhere after receiving an allotment of FELDA land. Therefore the member patronage is very low now. The Co-op runs a grocery shop with one manager and one sales assistant. The turnover of staff is high and for this reason and because both staff members are ladies it is not possible to send them for training.

The shop has competition too from 3 other private shops within the estate. Although the Co-op shop prices are low and sells on credit the competitors also have good patronage because of credit sales there too.

The Co-op faces many problems in recovering credit sale dues because many members reach the legal salary deduction limit, and therefore all dues cannot be recovered.

All accounts of the Co-op society are kept by the clerk who is also the manager of the shop. A stock verification is carried out every six months.

### 11.10.2 Financial Performance

Table 41 :gives the financial performance for the three years 1986 - 1988;

**Table 41 : Financial Results 1986 - 1988**

|                          | 1986    | 1987    | 1988     |
|--------------------------|---------|---------|----------|
| Sales                    | 293,830 | 206,469 | 181,879  |
| Opening Stock            | 46,225  | 44,417  | 51,860   |
| Purchasing               | 255,446 | 170,411 | 160,941  |
| Closing Stock            | 44,417  | 52,184  | 22,081   |
| Gross Profit             | 36,909  | 45,233  | (8,029)  |
| Total Expenses           | 37,143  | 27,411  | 80,517   |
| Net Profit               | 5,109   | 18,787  | (87,856) |
| Cost of Sales            | 257,254 | 162,644 | 190,720  |
| Gross Profit %           | 12.56   | 21.91   | -        |
| Stock Turnover Rate p.a. | 5.68    | 3.37    | 5.16     |
| Stock Productivity       | 71.34   | 73.84   | -        |

The results show a gradual decline of sales. The net loss in 1988 is partly due

to the writing off of \$36,000 bad debts and writing off \$20,519 on account of depreciation of CCB shares investment.

The ratios also indicate a very poor stock turnover rate and an unusually high gross profit % in 1987 which cast doubts on the accounts. The Board of Directors of the society did not know what caused a gross loss in 1988 and did not realise that a gross loss can take place only due to a stock shortage. The shop was shifted to the present location in 1988 and stocks may have been pilfered during the shifting;

A dividend of 6% had been declared for the last time in 1984.

Some indication of the stability of the society can be obtained from the balance sheet extracts given in Table 42.

**Table 42 : Balance Sheet Extracts**

|                            | 1986    | 1987    | 1988   |
|----------------------------|---------|---------|--------|
| Share capital and reserves | 121,404 | 138,384 | 50,010 |
| Current Assets             | 154,654 | 156,408 | 90,677 |
| Current Liabilities        | 71,092  | 54,212  | 55,272 |
| Trade Creditors            | 41,986  | 23,883  | 24,571 |
| Trade Debtors              | 62,707  | 59,592  | 31,110 |
| Current Ratio              | 2.18    | 2.89    | 1.64   |

The share capital and reserves position has come down drastically in 1988 because of the huge loss that year. The share capital is M\$ 51,333 and the erosion of this has begun. The current ratio appears to be good but the trade debt position is unclear.

### *11.10.3 Conclusion*

The Co-operative Department believes this society has no future and should be liquidated. The break-even sales is around M\$ 300,000 per annum and if this level cannot be reached the society cannot survive. With more competition now it is not possible to absorb losses due to stock shortages and mismanagement. Here again performance monitoring by using management ratios could have acted as an early warning device.

## **11.11 New Straits Times Coop Society**

### *11.11.1 Establishment and Membership*

The society was established in December 1967 and presently has a membership of 2041. Amongst its usual thrift and loan activities it also runs a grocery store and a cafeteria. The grocery store has all basic necessities and sales are on

credit to members upto a limit of M\$ 200. The society has its own credit card.

The overall management is by the Board of Directors which meets twice a month. There are several Board sub committees for different activities such as membership development, store, cafeteria etc. The routine operations are handled by the Executive Secretary who is the Chief Executive. All operations are computerised. The total staff strength is 25.

### 11.11.2 Performance of Shop

The Financial Performance of the Shop is given in Table 43.

**Table 43 : Financial data 1988, 1989**

|                    | 1988    | 1989    |
|--------------------|---------|---------|
| Sales              | 105,757 | 108,749 |
| Opening Stock      | 13,430  | 14,188  |
| Purchase           | 95,809  | 107,076 |
| Closing Stock      | 14,188  | 18,671  |
| Gross Profit       | 10,706  | 6,158   |
| Net Profit         | 2,287   | (2,707) |
| Cost of Sales      | 95,051  | 102,593 |
| Gross Profit %     | 10.12   | 5.66    |
| Stock Turnover     | 6.88    | 6.24    |
| Stock Productivity | 69.63   | 35.32   |

The gross profit % is low because it is a policy of the society to keep a very low margin. The lower figure in 1989 is because of a pricing problem due to an information gap where new stocks arrive at higher prices and known only to the Accounts unit, the shop manager is unaware and sells at old prices. No management ratios were seen in the accounts. The stock turnover is low.

### 11.11.3 Conclusion

The society's accounts reveal a very strong and stable situation with record profits of M\$ 232,596 in 1989. However, because of the depreciation of CCB shares an amount of M\$ 1 million had to be written off. The society is doing this every year and so far after writing off in 1988 and 1989 a balance to be written off of M\$ 336,824 is carried forward.

After the CCB problem the membership is more alert. This is to be expected because the membership has a huge stake of M\$ 4,582,448 in the society.

## 11.12 Kijang Mas Co-operative Society

### 11.12.1 Establishment and Membership

This society has been established for upliftment of the Orang Asli (aborigines) and has been promoted by the Orang Asli Department of the Government. It has the following activities; Logging operation, Tourism (jungle tracking), Grocery Shops, Hire Purchase Scheme for electrical goods, Handicrafts, and a Rattan Furniture Factory.

The membership stand at 2615 and is mainly (80%) Orang Asli and some Department Staff. Of the 15 Board members at present 4 are Orang Asli. Last year the General manager of the society was an Orang Asli.

The running of the Co-op is more by Department officials because they believe that Orang Asli are still not able to handle the Co-op on their own.

### 11.12.2 Performance of the Shops

The shops unit is under a Project Manager reporting to the General Manager. There are three shops in Gombak (KL), Betan (Pahang) and Betis (Kelantan). These shops do not face any competition.

Table 44 : Sales, Stock and Gross Profit 1990

|                      | Gombak Shop | Betan Shop | Betis Shop |
|----------------------|-------------|------------|------------|
| Sales                | 439,000     | 135,000    | 170,000    |
| Opening Stock        | 19,000      | 10,000     | 14,000     |
| Purchases            | 421,000     | 119,000    | 155,000    |
| Closing Stock        | 20,000      | 11,000     | 13,000     |
| Gross Profit         | 19,000      | 17,000     | 14,000     |
| Gross Profit %       | 4.33        | 12.59      | 8.24       |
| Cost of Sales        | 420,000     | 118,000    | 156,000    |
| Stock Turnover/Annum | 21.54       | 11.24      | 11.14      |
| Stock Productivity   | 93.27       | 141.51     | 91.79      |

The figures in Table 44 show a wide variation in GP% however the low GP% is compensated for by the high stock turnover rate so that ultimately the stock productivity is at a more acceptable level.

The net profits of individual shops were not available, but the society as a whole is running at a profit and in 1989 made M\$ 2,967,922. A dividend of 20% was declared for 1989 and this is one of the highest dividends in the co-operative sector.

### *11.12.3 Conclusion*

Although the society is still mainly run by government officials it will be a learning experience for Orang Asli. In addition to other benefits the grocery shop is a very convenient advantage especially in view of the credit facilities. However, more management ratios are advised to continuously evaluate performance and avoid a sudden loss situation. Since all accounts are computerised this should not be difficult. The book keeping and finance management functions appear to be well organised and monthly accounts are upto date.

## **11.13 Sungai Ramal Dalam Coop Society**

### *11.13.1 Establishment and Membership*

This society was formed in 1953 and now has a membership of 218. The village in which the society operates has over 500 households but not all can become members because of a Bye Law restriction that only those who have resided for 5 years in the village can be admitted. This shuts out about half the village. The residents are mostly employees of the two universities close by.

The 9 member Board of Directors meet once in 3 months and consists of 4 pensioners and 5 who are employed. There is no evidence of a dynamic role by the Board.

The society runs one grocery retail shop and is managed by the Chairman of the society and two others all of who are paid.

### *11.13.2 Shop Operations*

The shop is situated in a fairly convenient location and is open from 7.30 a.m. - 5 p.m. on all days including public holidays. It is closed only on special religious holidays. The shop stocks a wide variety of groceries, toiletries, beverages and other household requirements. There is no competition to this shop.

Purchases are through a wholesale agent who supplies everything except textiles. All purchases are made by the Chairman on a cash basis.

Pricing decisions are by the Chairman on the advice of the agent who knows the market prices. Some items are priced less than in a supermarket.

Members can purchase on credit up to M\$ 250. These has so far not been any problem about recoveries. Since the Coop has been declaring a good dividend every year any unsettled amounts are deducted from the dividend.

### *11.13.3 Financial Performance*

The most recent accounts were not available for inspection. However, it was possible to obtain some figures for the years, 1986 - 1988. Table 45 shows some of these figures and calculated ratios.

**Table 45 : Financial Performance 1986 - 1988**

|                    | 1986    | 1987    | 1988    |
|--------------------|---------|---------|---------|
| Sales              | 375,624 | 373,518 | 377,598 |
| Purchases          | 353,457 | 316,447 | 321,727 |
| Opening Stock      | 18,671  | 17,682  | 13,818  |
| Closing Stock      | 17,682  | 13,818  | 14,070  |
| Cost of Sales      | 354,446 | 320,311 | 321,475 |
| Gross Profit       | 21,178  | 53,207  | 56,123  |
| Gross Profit %     | 5.6     | 14.2    | 14.9    |
| Net Profit         | 7,097   | 37,140  | 40,211  |
| Stock Turnover     | 19.5    | 20.34   | 23.05   |
| Stock Productivity | 109.20  | 288.83  | 343.45  |

The figures show that 1986 has not been a good year, but the performance in 1987 and 1988 have been stable. The Coop has a good GP% as well as a good stock turnover resulting in a good stock productivity.

The net profit however includes non-operating income which is significant, most of it from fixed deposit interest. There are also some investment in equity in an unlisted company.

The 1988 figure for share capital and reserves was M\$ 137,855 which is substantially higher than the share capital of M\$ 1,940. Without any loans nor trade creditors the Coop's finances are very sound.

The Coop has never run at a loss. The 1990 net profit is understood to be only M\$ 25,000 due to a problem of some old stocks which had to be disposed of at below cost price. In 1990 the Coop had paid a rebate of 8% and a dividend of 8%

#### *11.13.4 Conclusion*

This Coop society is a very successful semi-urban Coop and demonstrates the potential of a retailing operation in such semi-urban surroundings. Although the management of its operations are not very sophisticated it has produced good profits. However, in this situation there is potential for any dishonest employee to ruin this happy situation because frauds will be detected too late.

Two shop assistants had gone for training in Accounts and Administration to the Co-operative College but both these employees have since left this Co-op.

It was also interesting to note that the Co-op was not a member of ANGKASA but was under the mistaken belief that when the statutory dues to ANGKASA are paid they are automatically a member.

## 11.14 National Electricity Board Thrift & Co-op Society

### 11.14.1 Establishment & Membership

The NEB which was formerly a government Corporation is now a privatised venture but not yet a public quoted company. It now operates under the new name "Tenaga Nasional". Of the 23,000 employees of this institution 17,800 are members of the Co-op.

The main activities of the Co-op are as follow;

- Credit (short term & long term)
- Mini Market
- Electrical Goods Shop
- Travel Bureau
- Housing Scheme

The member subscription is 3% of monthly salary paid in every month, and on leaving the Co-op the balance in a members account can be taken out. There are many benefits to members such as loans and outright grants for children education.

The 12 member Board is elected by a delegate system. There are several Board subcommittees for such matters as Finance, Education, Staff affairs and Consumer.

The organisation chart of the Co-op is as shown in Figure 25.

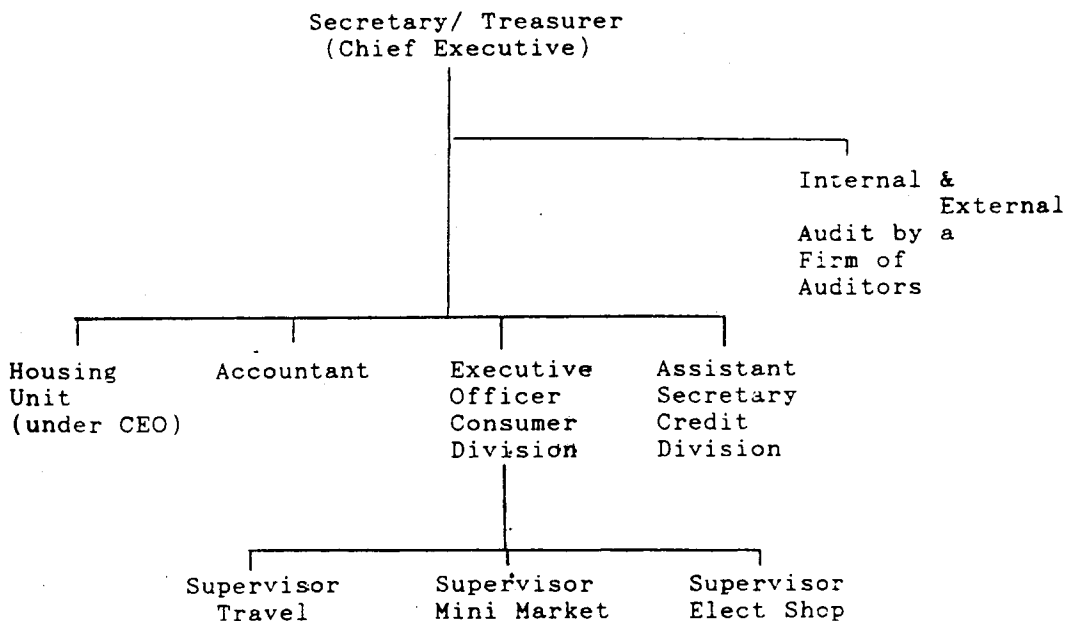


Fig. 25 : Organisation chart of Co-op.



### 11.14.2 Mini Market Operations

The mini market is located in the housing scheme, and stocks a wide variety of grocery and household items. The shop is very popular with the residents of the housing scheme. Members are allowed credit payable within 60 days.

Purchases for the shop are made from various suppliers. CEO interviews all suppliers once in 6 months and negotiates further discounts. Prices are also reviewed by the CEO regularly. The regular purchases are decided by the supervisor but all purchase requisitions are signed by the CEO. These tight controls were instituted after the shop ran at a loss in the initial stages.

### 11.14.3 Financial Performance of the Mini Market

The financial performance of the shop can be identified separately and can be seen from the figures in Table 46.

**Table 46 : Financial Results of the Mini Market 1988 - 1989**

|                    | 1988      | 1989      |
|--------------------|-----------|-----------|
| Sales              | 1,415,320 | 1,451,790 |
| Opening Stock      | 117,846   | 143,274   |
| Purchases          | 1,312,309 | 1,354,261 |
| Closing Stock      | 143,274   | 198,933   |
| Cost of Sales      | 1,286,880 | 1,298,603 |
| Gross Profit       | 128,440   | 135,187   |
| Expenses           | 101,771   | 103,972   |
| Net Profit         | 26,668    | 49,214    |
| Stock Turnover     | 9.86      | 7.59      |
| Gross Profit %     | 9.07      | 9.31      |
| Stock Productivity | 89.43     | 70.66     |

The financial results are good. Many institutional Co-operatives have a very low GP% because the pricing policy is such that only a small margin is kept. Since in such shops only members patronise the benefit is derived by members only. The stock turnover should be higher than what it is.

It is understood that the 1990 net profit of the mini market has been a record M\$ 175,000. However, these accounts are still under audit.

A study of the balance sheet indicates that the society is financially stable although it appears that short term financing is being used for the long term housing project. Without studying this in more detail it is not possible to comment more definitely about the effect of this.

The society has had to write off M\$ 3.5 million due to the depreciation of CCB shares. 1988 dividend had been only 2% because of this. However dividends in the past have been around 8% and was 7% in 1989.

#### 11.14.4 Conclusion

Although the mini market is one aspect of this Co-ops operations it is operating profitably and of service to members. In this case very close supervision appears to be exercised by the CEO. Here again use of management ratios was absent and can be risky if a less knowledgeable CEO takes over.

The society has to be careful in making equity investments. It is understood that the society has learned from the CCB experience and also the members are more alert now.

## 12. DISCUSSIONS WITH DIRECTOR GENERAL & STAFF OF CO-OPERATIVE DEPARTMENT & SENIOR ACADEMIC STAFF OF THE CO-OPERATIVE COLLEGE

Discussions were held with the Director - General and Deputies of the Co-operative Department and the Director in charge of the State of Johor and his field staff. Discussions were also held with senior academic staff of the Co-operative College. Some of the observations made are given in the succeeding paragraphs.

Many Co-operatives face difficulty in completing their financial statements for purposes of audit. All audits are not carried out by the Department. There are 160 approved auditors and a Co-op society can select one from among them. In about 90% of cases the financial year ends on 31 December and this poses problems to the Department, because of the bunching of work at once. Last year about 73% of the audits were by the Department. The audit position as at 31st December 1990 was as follows;

|               |   |                       |
|---------------|---|-----------------------|
| 1987 accounts | - | 6% still not audited  |
| 1988 accounts | - | 15% still not audited |
| 1989 accounts | - | 37% still not audited |

Delays are due to various reasons; accounts not kept, Co-op is dormant, purposely delayed etc.

Most officers feel that members join to get a return on the investment because dividends are generally higher than the 7% - 8% on fixed deposits in commercial banks. Therefore, the member interest is as an investment like in any other company and not with "Co-operative Spirit".

Regarding some Co-operatives with good business performance the officers of the Department were critical about the operations from an ideological point of view.

The officers feel that the great majority of failures is due to management weaknesses. Credit sales is a benefit members expect but several Co-ops are in difficulty because of non repayment of credit.

The very small Co-ops were in difficulty because their purchases were not at good prices and consequently their margins were small requiring a higher break-even point.

In the case of Shamelin shops the Department Officers believe that they may have done better with closer supervision and monitoring but unfortunately these shops did not come under the purview of the Departments field officers.

In account keeping the cash books and other primary books are generally in good order but ledgers are not properly maintained. The general requirement for audit by law is that final accounts should be ready but as this rarely happens they insist on a trial balance at least but small Co-ops cannot even prepare a trial balance and in such cases at least the cash book must be updated and presented.

Several failures are due to low GP% arising from leakages, bad purchase decisions, purchases not being received (but only the invoice). Obsolete and slow moving stock is not a significant problem.

Supplies is also a problem and Department Officers feel that a wholesale Co-operative will alleviate this problem.

In FELDA Co-ops too the problem is unrecovered debts. Members have been found to have purchased on credit and sold the goods on cash to others. Competition from other shops in FELDA schemes is severe because FELDA constructs shop lot and gives to the private sector. Also FELDA's own shop competes with the Co-op shop.

In school Co-op where the principal and teachers are committed to the concept they do well. Several instances of losses have been reported due to mishandling of cash by students. The Department staff recommends better teacher supervision, better choosing of student helpers and sudden changes of student duty rosters to prevent such dishonest acts. There have also been instances where prices of books in school Co-ops have been higher than outside. The National Federation of School Co-operatives had been a failure but many Department Officers believe that if it had been structured with State Federations in between, it would have been a success.

There is also some thinking amongst Department Officials that with the increase of private shops and the ready availability of consumer goods Co-op shops have lost meaning and it would be a waste of time trying to encourage them and prop them up. The Department is very happy about the success of institutional Co-ops which run loan schemes and consumer activities. A promotional campaign is also being planned to promote this concept. Employees have also accepted this idea as a supplementary benefit scheme which adds to the quality of life of employees and increases the satisfaction at work.

### 13. COMPETITION, PRESSURE GROUPS & TRADE REGULATIONS

Depending on the location, the extent of competition varies. Some Co-operative shops have no competition while others have very high competition. Also the effect of competition varies because urban co-ops can survive with high competition if they are efficient, while semi-urban and rural co-ops cannot. because of various advantages co-ops have many can overcome competition. In areas where there is competition the absence of a co-operative shop will not be felt to the extent it will in other locations. In fact some are of the opinion that a co-op shop losses relevance in an environment where private shops are well stocked.

There is no evidence of anti-co-operative pressure groups as in some countries. Co-operatives are well accepted in Malaysia and private retailers have learnt to live with them.

These are no trade regulations which inhibit operations of consumer co-operatives.

### 14. TAXATION

The taxation system is very kind to Co-operative Societies. In fact the rate of tax is lower than that for private sector companies. Also there is a 5 years tax exemption period since the day the society is first registered. Even after that co-operatives having members funds of M\$ 500,000 or less will continue to be tax exempt. The statutory reserve fund required under the Ordinance is also allowable as a deduction from net income upto a limit of 25% of net income. Also profits distributed to members are also tax free in the hands of the members. There for the taxation system can be considered as being of great assistance to the economic performance of co-ops.

### 15. POLITICAL INTERVENTION

There is no evidence of political intervention in Co-operatives. There **may** be many however who have leadership qualities, who may aspire to **become office** bearers of the Co-operative with longer term leadership roles in mind. There have been a few incidents of racial thinking creeping into the Board of Co-operatives but these are negligible.

### 16. GOVERNMENT POLICY

The government policy towards co-operatives is very positive. A lot of encouragement and concessions are awarded to co-operatives in the belief that they will contribute to the national economy and help promote economic democracy. **The** government does not class co-operatives as a part of the private sector **but** identifies a separate co-operative sector. Not only the ministry in charge of **the**

subject of co-operatives but other ministries too give due recognition to co-operatives. Although there have been recent scandals and failures of large co-operative organisations the government has not become disillusioned with the concept of co-operatives.

Most co-operators and executives of co-operative societies were quite satisfied with the attitude and policy of the government regarding Co-operatives but wished that in a manner similar to Singapore, the government would give Co-ops special locations for shops in the housing schemes etc.

## **17. REGULATIONS, SUPERVISIONS AND ASSISTANCE OF THE CO-OPERATIVE DEPARTMENT.**

There are no complaints about the regulations of the Co-operative Department. Business operations nor the scope of operations have been inhibited by the Department.

By law every Co-operative has to pay 1% of its net profit to ANGKASA, 2% of net profit to the Education Trust Fund and 22% of net profit to a Reserve Fund. However, the percentage payable to the Reserve Fund decreases as the Fund increases as a percentage of total subscriptions. It is only after these provisions that dividends can be declared and honoraria paid.

The maximum dividend that can be paid is 10%. The approval of the Co-operative Department has to be obtained for any higher dividend. However, many co-operatives pass on benefits through rebates when finalisation of draft accounts show that a dividend of over 10% can be paid, so that they adhere to the 10% dividend only.

All new projects such as new branches need the approval of the Co-operative Department, but this is a good control measure to weed out any ill conceived plans.

The Department staff are unable to have more control over the affairs of the Co-operative and provide more guidance because of lack of time. One Co-operative officer handles many Co-operatives spread out over considerable distances and it is not possible to provide a higher level of guidance.

## **18. CONCLUSION**

The environment in which consumer Co-operatives (including other Co-operatives with consumer activities) operate is very conducive. There are no major environmental factors which inhibit the growth and successful operation of Co-operatives. In fact government support to Co-operatives is very encouraging and the concessions and other support measures are very positive.

The problem lies with member support and internal weaknesses of some Co-operatives. It has been found that members invest in Co-operatives as an alterna-

tive investment mechanism because of the high return and not because of the fundamental concept of Co-operation. Due to this members involvement is poor and can be risky if members are not alert about who gets elected to the Board of Directors. In Thrift and Loan Co-operatives however the position is different. Because of the booming Malaysian economy most Co-operatives are having good sales and making good profits. However in many cases the management systems and inadequate but are unseen because of the profits made. Management deficiencies will surface as soon as the sales turnover decreases.

There is no performance monitoring system on an organised scale by the Department nor have the Co-operatives been advised on the use of performance measures so that there can be self analysis. As a result the problem are realised too late.

Therefore the major problem of Malaysia's consumer Co-operatives is the lack of proper management controls and information systems.

## 19. RECOMMENDATION

If the Department (or ANGKASA) is to more effectively supervise the cooperation of Co-operatives a country - wide computerised management information system is essential. This has to be on a monthly basis. The data collection can be centralised at state level where every consumer Co-operative will send in monthly data. The state level information system could then generate the following information;

- a) absolute figures of performance (ratios, percentages etc.)
- b) time series figures of performance (to measure trends)
- c) cross sectional figures of performance (to compare one Co-op with another)

As it will be a computerised system which will automatically generate the information the staff of the department can be more effectively used. The time series data will be an early warning device to warn of impending difficulties in Co-ops.

The Department staff and Co-op staff should be trained in using the generated information with some pre-prepared problem isolation charts. This will enable the information system to be developed into an Action Oriented Feed Back Performance Evaluation System.

As the only significant problem is internal management weaknesses an MIS system of this nature will greatly help in enhancing the current levels of operational efficiency.

ANGKASA perhaps should increase member education to existing members to encourage more member involvement. understanding statements of accounts may also be taught to members so that they could participate at AGMs more

meaningfully. At present the disclosures in the Accounts are adequate but whether they are understood by members is doubtful.

The Co-operative college should consider courses and seminars at district level because there are many Co-op staff members who are unable to attend courses in KL. Even one day programmes will have some benefit.

The absence of a standard accounting systems was felt whenever performance comparison was necessary. Also if a standard accounting system can be implemented including performance ratios and trend analysis, even without a centralized management information system a self analysis could be possible.

Even the very common ratios such as stock turnover rate Gross Profit %, sales per employee, sales per square foot, sales per customer, current ratio, and add test ratio were not being used. Some of the school Co-operatives which are seemingly doing well will probably face problems in the absence of such early warning devices.

As it is not possible to determine appropriate performance standards a method of inter Co-operative comparison will be useful and if such comparative figures are discussed at monthly meetings of Co-operative Department staff it may be possible to systematically isolate the problems in particular Co-ops rather than relying on opinions and hunches.

Even for school Co-operatives a monthly or quarterly seminar to review and compare performance at state level will be very useful.

The feasibility of setting up wholesale Co-operatives and state level federations of school Co-operatives should also be studied.

The Malaysian consumer co-operatives have no problems created by the government or other agencies. Where there is poor performance the problem has been internal weaknesses. If this can be corrected the consumer co-operative movement of Malaysia will become very strong and very beneficial to members.





## Courses Offered by the Co-operative College of Malaysia

### Annex-1

| Courses Offered  | Duration | Main Subjects   | Target Groups  |
|--|----------|---|--|
| 1. Coop. Accounting I (Multi-purpose Coop.)                        | 2 weeks  | Accig. System, journals<br>Ledger trial balance.<br>Related Coop. Law         | Treasurers, Internal auditors and employees involved with the accounting function. |
| 2. Coop. Accounting I (Credit Coop.)                               | 1 week   | - do -  | - do -   |
| 3. Coop. Accounting I (School Coops)                               | 1 week   | - do -  | - do -   |
| 4. Understanding Cooperative Annual Financial Statements           | 5 days   | Understanding format & terms. Ratio Analysis                                  | Board members, treasurers, Internal auditors, employees.                           |
| 5. Coop. Accounting 2 (Preparation of Financial Statements)        | 2 weeks  | Preparation of financial Statements   | Treasurers, internal auditors, Employees involved with the accounting function.    |
| 6. Financial Management  | 1 week   | - Working cap. mgmt.<br>- Budgeting<br>- Ratio Analysis<br>- Sources of Funds | - do -   |
| 7. Internal Audit  | 2 weeks  | Accounting System<br>Audit Procedures   | Internal auditors  |
| 8. Accounting for Contracts, Hire Purchase, Consignments & Leasing | 5 days   | Contracts, Hire Purchase, Leasing, Consignments                               | Treasurers, internal auditors, employees involved with the Accounting Function.    |

| Courses Offered   | Duration | Main Subjects   | Target Groups  |
|---|----------|---|--|
| 9. Accounting for Cooperative Petrol Kiosk                | 5 days   | Accounting system, journal & recordings specifically for petrol kiosks                          | - do -<br>(of Coop. operating petrol kiosks)                                     |
| 10. Cost Accounting                                       | 6 days   | Cost concepts, Cost behaviour, Cost-volume-profit analysis                                      | Board members Treasurer & employees involved with coop. finances.                |
| 11. Stock Management                                      | 3 days   | Stock range, Ordering & receiving goods, stock control, stock taking, leakage                   | Board members, Ints Audits Managers & Employees in charge stock                  |
| 12. Staff Management                                      | 10 days  | Planning recruitment staffing motivation, appraisal, discipline, career development labour law. | Board members & senior staff and staff of government agencies supervising coops. |
| 13. Work Planning   | 5 days   | Techniques of planning, planning your own time.   | - do -   |
| 14. Project Preparation & Appraisal                       | 2 weeks  | Data collection, forecasting project evaluation techniques, project paper.                      | - do -   |
| 15. Time Management & Productivity Improvement Techniques | 3 days   | Characteristics of time, planning your time, delegation and controlling time                    | - do -   |
| 16. Basic Techniques of Effective Communication           | 3 days   | Techniques of communication within and outside coop.  | - do -   |

| Courses Offered                          | Duration | Main Subjects   | Target Groups                                     |
|--|----------|---|---|
| 17. Challenges in cooperative management | 1 week   | Basic principles of management leadership development thro' simulation exercises                          | - do -  |
| 18. Work Simplification                  | 5 days   | Concept of work, values, using time productively simplifying work.  | Clerical staff                                    |
| 19. Communication in Management          | 3 days   | Importance of communication, channels of communication, improving communication.                          | Board members and employees                       |
| 20. Retail Management                    | 1 week   | Planning and controlling the business, , breakeven analysis, shop layout, display, pricing, cash control. | Board members and senior staff of consumer coops. |
| 21. Management of School Coops.          | 1 week   | - do -  | Board members and employees of school coops.      |
| 22. Problem Solving Techniques           | 1 week   | Functions of management, QCC strategic planning, SWOT analysis.   | Board members and senior management staff.        |
| 23. Maintaining Coop. Records & Files    | 1 week   | Office layout, types of records filling system  | Secretaries, clerical and filling staff.          |
| 24. Counter Services in Coops.           | 3 days   | Image of an individual, voice, listening skills, non-verbal communication,                                | Clerical staff                                    |

| Courses Offered                 | Duration | Main Subjects  | Target Groups   |
|---------------------------------|----------|--|---|
| 25. Coop. Principles & Practice | 3 days   | History, philosophy & practice of cooperation, coop. law, coop principles                    | Board members and employees   |
| 26. Coop. Administration        | 10 days  | Introduction to cooperation, coop structure, coop law, decision making.                      | - do -  |
| 27. Managing Cooperative        | 4 days   | Types of meeting, planning meetings, roles people play, related law, preparation of minutes. | Secretaries, chairman and senior management staff.                              |
| 28. Cooperative Law 1           | 1 week   | Intro. to coop law, coop Act and Rules, By-laws.   | Board members, senior staff and staff of government agencies supervising coops. |
| 29. Cooperative Law 11          | 1 week   | Contract law, negotiable bills, Tax Act, Stamp Act, Labour law.                              | - do -  |
| 30. Leadership Development      | 1 week   | Qualities of good leader, understanding yourself, positive thinking, managing authority.     | - do -  |
| 31. Public Speaking             | 4 days   | Principles of communications, preparation and presentation of speech.                        | - do -  |
| 32. Training Methodology        | 2 weeks  | Adult learning, communication, training techniques, AVA, course content, voice training.     | Staff of government agencies supervising coops.                                 |

| Courses Offered  | Duration | Main Subjects  | Target Groups   |
|--|----------|--|---|
| 33. Administration of School Cooperatives                  | 1 week   | Coop Principles, structure of school coops, management of school coops coop law. | Board members of coops.   |
| 34. Spreadsheet  | 5 days   | -  | Treasurers, financial officers and staff of government agencies |
| 35. Komputwe Data Base                                     | 5 days   | -  | Board members and senior staff in charge of computers.          |
| 36. Word Processing  | 5 days   | -  | Secretaries, clerks, typists.                                   |
| 37. Analisis & forecasting of Coop. Business with computer | 5 days   | -  | Board members and senior staff of coops.                        |