

Malaysia

Highlights of consumer co-ops

- ✓ Micro and small retail co-operatives
- ✓ Trinity of MCSC, ANGKASA and CCM

1. Co-operative movement in Malaysia

Contents

1. Co-operative movement in Malaysia.....1
2. Outline of Consumer Co-ops6
3. Problems and future visions.....14
4. Relationship with the Government15
5. Basic information on Malaysia15

Co-operative movement in Malaysia started in the early 20th century. At that time farmers in rural areas were oppressed and exploited by middlemen under the “padi kunca (padi: rice, kunca: volume of rice)” scheme.

Farmers had to sell even their rice fields before their crops were planted, to service their credit payments.

In urban areas, low wage workers, including civil servants, were vulnerable to money lenders.

Under these circumstances, the idea of co-operatives was introduced and the office of the Director of Co-operation was established in Taiping, Perak in 1922.

In the same year, the Co-operative Societies Enactment 1922 was enacted to supervise co-operatives.

The objectives of co-operatives were to encourage thrift, self-help and co-operation among

those who were in need. During the first year of introduction of co-operative movement, 6 rural credit societies, 3 government servants co-operative thrift and loan societies and 2 co-operative stores were established.

Currently, co-operatives in Malaysia are regulated by the Co-operative Societies Act 1993 and the Malaysia Co-operative Societies Commission Act 2007, under the administration of the Ministry of Domestic Trade, Co-operatives and Consumerism (MDTCC).

The Malaysia Co-operative Societies Commission (MCSC) is a statutory body under MDTCC and acts as registrar and regulator of co-operatives in Malaysia.



Co-operative movement in Malaysia

Co-operative movement in Malaysia (contd.)

STATISTICS OF MALAYSIAN CO-OPERATIVE MOVEMENT

NO	SECTOR	TOTAL CO-OPS	INDIVIDUAL MEMBERS	TOTAL SHARES (RM)	TOTAL ASSET (RM)	TURNOVER (RM)	PROFIT / LOSS (RM)
1	BANKING	2	986,273	2,599,264,172	73,389,316,753	5,182,413,967	1,536,724,691
2	CREDIT/FINANCE	589	1,913,384	4,762,759,131	9,914,329,979	1,285,077,544	270,946,903
3	AGRICULTURE	1,798	416,200	426,053,335	2,356,882,566	858,106,734	158,162,303
4	HOUSING	134	147,633	175,076,985	754,841,998	66,736,687	28,941,832
5	INDUSTRIAL	162	13,349	2,463,672	47,077,570	28,876,377	2,492,482
6	CONSUMER – adult	1,920	539,818	239,642,392	959,941,925	696,586,612	41,025,169
	CONSUMER – school	2,216	2,087,254	19,762,144	225,231,892	263,556,644	33,855,904
7	CONSTRUCTION	151	112,088	25,081,547	138,797,085	85,068,091	11,993,358
8	TRANSPORTATION	418	137,899	57,285,563	272,124,274	557,856,033	21,680,928
9	SERVICES	1,684	686,411	2,178,160,174	4,742,497,538	14,063,977,634	513,354,376
	TOTAL	9,074	7,040,309	10,485,549,113	92,801,041,579	23,088,256,324	2,619,177,945

Source : Malaysia Co-operative Societies' Commission (as at Dec 2011)

1 US\$ = 3.05 RM approx.)

According to the data provided by the Malaysia Co-operative Societies' Commission (MCSC), there were 9,074 registered co-operatives in Malaysia with over 7 million members at the end of 2011.

Thus, about 25% of the total population of Malaysia were members of co-operatives.

In terms of membership, consumer co-operatives are the largest in number. The total membership of consumer co-operatives was 2.63 million at the end of 2011, followed by credit co-operatives totalling 1.91 million. However, service co-operatives had the highest turnover that exceeded RM 14 billion.

Compared with other agricultural countries such as China, India, Japan and Thailand, agricultural co-operatives are not so active in this country. The membership of agricultural co-operatives amounted to 416,200 and the turnover amounted to RM 858 million in 2011.

	Co-operatives		Turnover	
Size	No.	%	RM billion	%
Large	158	1.7	21.5	93.5
Medium	425	4.7	0.8	3.5
Small	1,027	11.3	0.4	1.7
Micro	7,464	82.3	0.3	1.3
Total	9,074	100	23	100

The majority of co-operatives are micro and small. The turnover ratio of 158 large co-operatives accounted for 93.5% in

As for Dec. 31 2011 (MCSC)

Co-operative movement in Malaysia (contd.)

The co-operative movement has been growing steadily. During 2005 to 2009, the number of co-operatives increased at an average rate of 9.4% a year, membership 4.7%, share capital 8.2%, assets 20.8%, and turnover 17.0%.

The Malaysia Co-operative Societies' Commission (MCSC) categorises the co-operatives in Malaysia into four clusters as follows:

1. Large co-operatives: Annual turnover of RM 5 million and above
2. Medium co-operatives: Annual turnover of RM 1million to less than RM 5 million
3. Small co-operatives: Annual turnover of RM 200,000 to less than RM 1 million
4. Micro co-operatives: Annual turnover of less than RM 200,000

According to MCSC, the strength of co-operative movement in Malaysia lies in the service sector, in particular with the financial services, i.e. banking and credit/finance, which contributed 89% to the total turnover of the co-operatives in 2011.

In consumer sector, there are still many small and micro co-operatives running retail shops in rural areas.

Until 2001, government policies relating to co-operatives were focused on legal compliance. To strengthen the role of co-operatives in the national economic development, the government issued specific policies for the co-operatives in 2002, with the introduction of the National Co-operative Policy (NCP) 2002-2010, and with its expiry, the next ten-year NCP 2011-2020 launched in 2010.

Under the NCP 2002-2010, the structure of co-operative administration was reviewed and re-structured. All co-operatives were placed under one Ministry, with the MCSC as the sole authority.

Before this, agricultural co-operatives were supervised by the Farmers' Organization Authority of Malaysia (LPP), and the fishery co-operatives were supervised by the Malaysia Fisheries Development Board (LKIM).

The NCP 2002-2010 included strategies to en-

hance the development of co-operatives. The strategies include plans and criteria for the business development, access to financial resources, promotion of entrepreneurial ideas, and enhancement of legislation.



Co-operative movement in Malaysia (contd.)

ANGKASA is the sole apex organization of co-operatives in Malaysia. It was founded based on the decision of the First Congress of the co-operative movement in Malaysia in 1966.

The objectives of ANGKASA are to unify Malaysian co-operatives, to represent the co-operative movement at national and international level, to be the custodian of co-operative ideology, to facilitate / assist in the development of Malaysian co-operatives.

Both primary co-operatives and secondary co-operatives of all sectors are invited to become ANGKASA members.

The membership of ANGKASA is voluntary and open to all co-operatives in Malaysia under the Co-operative Societies Act 1993.

Every co-operative applying for ANGKASA mem-

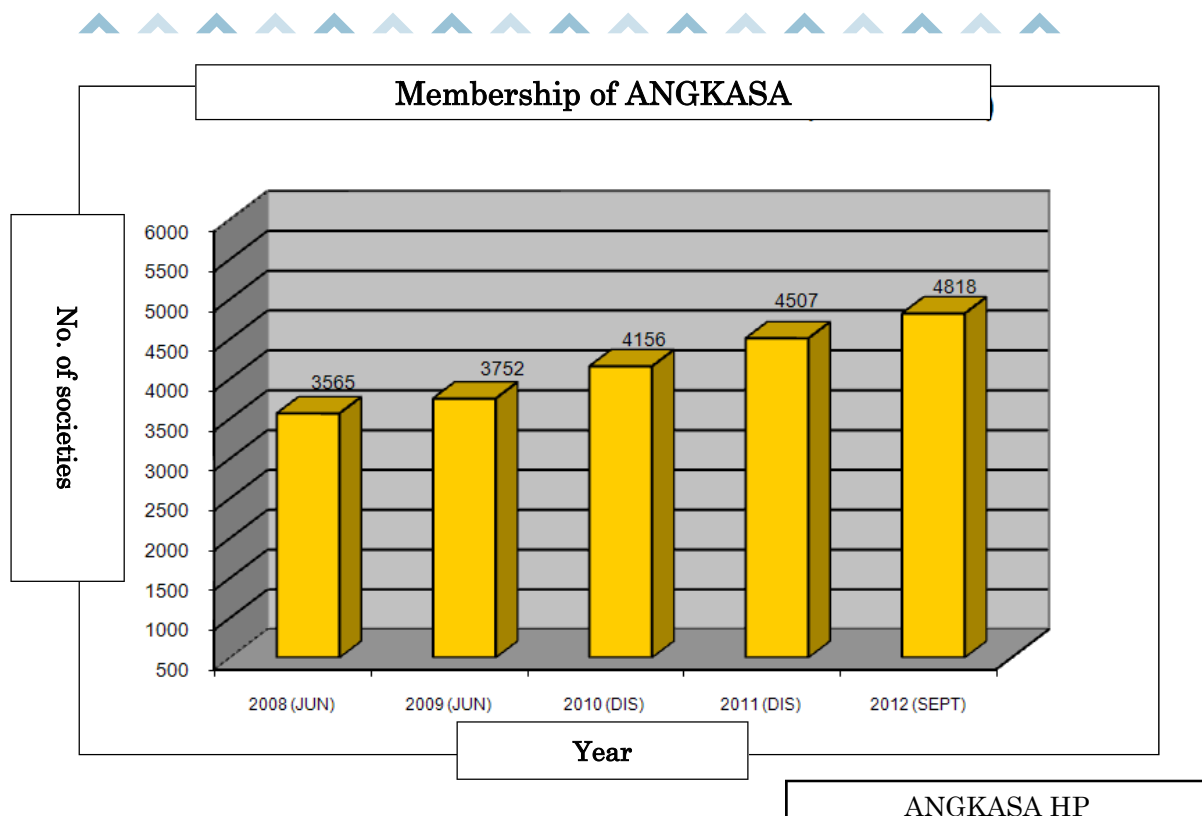
bership has to pay one-time registration fee of:

- a. RM 30 for school co-operatives
- b. RM 100 for primary co-operatives
- c. RM 200 for secondary co-operatives
- d. RM 300 for tertiary societies

Share capital and subscription fee are not required to become ANGKASA members.

ANGKASA members' business fields are diversified, i.e. banking, credit, health, agriculture, consumers, land, fisheries, transportation, insurance, housing, enterprise, education, women and worker. Credit sector is the largest in terms of revenue.

In September 2012, ANGKASA had a membership of 4,818. Among them, 3,013 are consumer co-operatives (2,036 school co-operatives and 977 adult co-operatives).



Co-operative movement in Malaysia (contd.)

National Co-operative Policy (NCP) 2011-2020

In macro perspective, NCP 2011-2020 defines co-operative sector as an effective contributor to national development.

In micro perspective, NCP defines co-operatives as generators of economic growth, competitive business entities, an effective self-help organizations, and sensitive and proactive towards the environment.

In the foundation of NCP lies the national mission to move the economy up the value chain and address persistent socio-economic inequalities constructively and productively.

The final goal of NCP is to increase the contribution of the co-operative movement to the GDP (5% by 2013 & 10% by 2020) through public confidence, supervision and good governance, and development of co-operative economic activities.

In implementing the above policy, focus is given on the economic activity result areas namely financial services, wholesale and retail, health care, agriculture and plantation.

To realize its goal, NCP sets 5 strategic thrusts as detailed in the chapter on Future Visions.



Outline of consumer co-ops

2. Outline of consumer co-ops

There is no clear definition of consumer co-operatives in the Co-operative Societies Act 1993 and Malaysia Co-operative Societies Commission Act 2007.

According to MCSC, 9,074 registered co-operatives in Malaysia at the end of 2011, with 7 million members. As for consumer co-operatives, there were 4,136. Consumer co-operatives comprised of two categories, adult and school.

Adult consumer co-operatives are co-operatives that operate stores in cities and companies. Their members are local citizens and company employees. School co-operatives run stores in secondary schools. Their members are students and employees of the school.

Consumer co-operatives operate business in all states and the federal territories. Except for some big institutional multipurpose co-operatives such as Co-Proton and Co-Petro, most of them are small in size and belong to micro and small clusters.

No. of ANGKASA members (consumer co-operatives as on September 2012- ANGKASA HP)

States	Adult	School
Johor	67	230
Kedah	41	147
Kelantan	63	148
Melaka	42	80
N. Sembilan	51	111
Pahang	76	173
Perak	115	222
Perlis	17	29
Pinang	60	122
Sabah	74	129
Sarawak	79	166
Selangor	103	243
Terengganu	65	140
Federal T.	124	96
Total	977	2,036



Outline of consumer co-ops

<Consumer Co-op Project conducted by MCSC>

1. *Wholesale*

Ministry of Domestic Trade ,Co-operatives and Consumerism started to give licenses to sell controlled items (sugar, rice, cooking oil, flour, LPG gas) to wholesale co-operatives from 2011. The main objective was to uniform the price of products in the country. Prior to this, the prices of controlled essential items differed, especially in rural areas. In 2011, licenses were issued to 71 wholesale co-operatives .

2. *Retail shops (TUKAR Project)*

MCSC is subsidizing RM 50,000 per shop to renovate and rebrand co-op shops. TUKAR means transformation in the Ma-

lay language. MCSC is trying to standardize the logo and image of shops. In 2011, 106 co-op shops were transformed using the Co-op Mart logo.

3. *Rebranding of co-operative petrol Kiosks*

In rural areas, there are 1 to 2 petrol kiosks in every town. MCSC collaborated with Smart Stream Resources Pte. Ltd. to rebrand petrol kiosks owned by co-operatives in rural areas. This Project is called SMART stream. In 2011, 5 co-operative kiosks were upgraded bringing the total to 25.

4. *Supermarkets*

In 2011, 3 co-operative supermarkets with more than 3,000 sq. ft. were upgraded.



Outline of consumer co-ops (contd.)

5. *Distribution centers*

In 2011, 2 distribution centers owned by the co-operatives were established. These wholesale co-operatives have the licenses to sell controlled items.

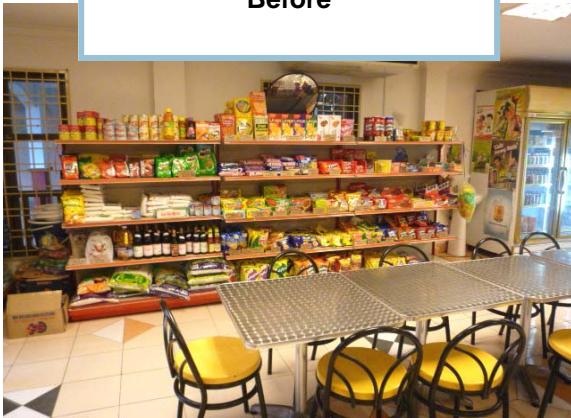
All the above programs are giving good business results to consumer co-operatives.

The subsidies from the government are allocated from MCSC development budget.

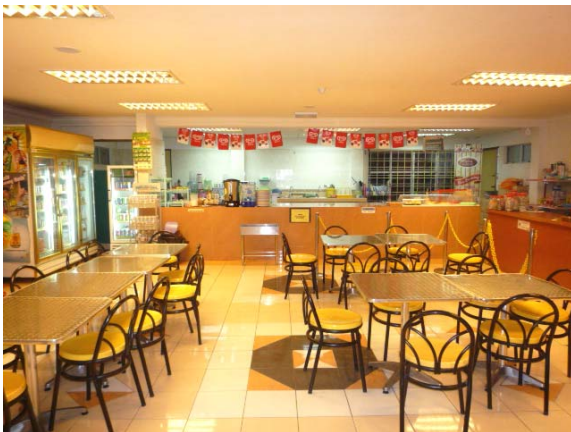
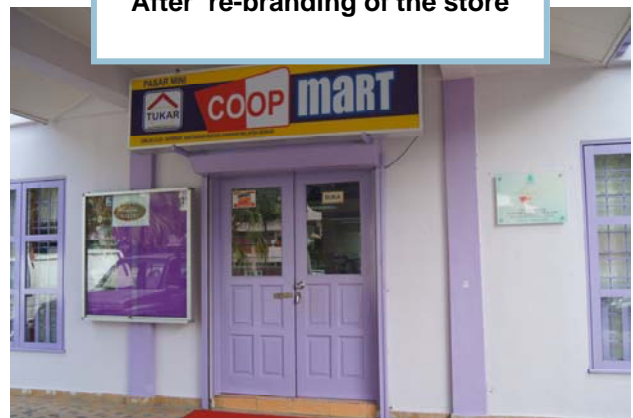
In addition to the subsidies, co-operatives are able to obtain soft loans from the government at a much lower rate than private banks.

Renovation of Co-op Mart in Co-operative College (TUKAR Project)

Before



After re-branding of the store



Outline of consumer co-ops

<Development of CO-OP brand products>

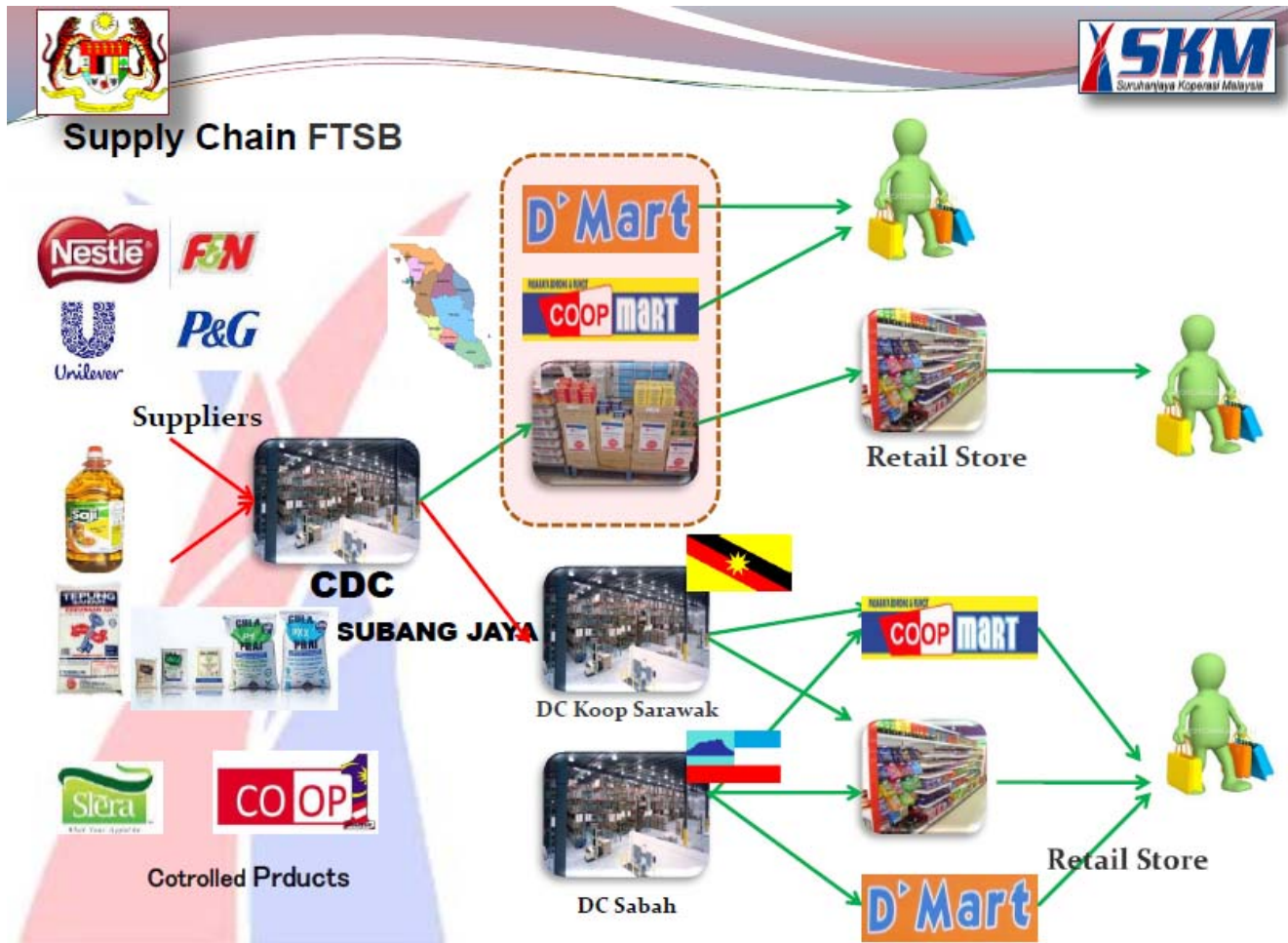
MCSC has collaborated with FELDA Trading co. ltd. in developing CO-OP brand products (CO-OP1 Malaysia). FELDA Trading co. ltd. is a subsidiary of FELDA Co-operative (Koperasi Permodalan Felda Malaysia Berhad).

By 2012, 71 CO-OP brand products have been developed in essential categories such as food, beverage and detergents. The products are sold at co-operative stores.



Outline of consumer co-ops

Supply Chain of Products to Retail Shops



CDC Subang Jaya: Distribution center in Subang Jaya

Controlled Products: Controlled products listed by the Ministry of Domestic Trade Co-operative & Consumerism such as sugar, flour, etc.

DC Koop Sarawak/Sabah: Co-op distribution center in Sarawak/Sabah states in Borneo

Outline of consumer co-ops

Outline of consumer co-ops (contd.)



SMART store



**Co-op Mart store
with Distribution Center**



Outline of consumer co-ops

<Consumer Projects conducted by ANGKASA>

In addition to the projects conducted by MCSC, ANGKASA is carrying out projects to revitalize school and mosque co-operative retail stores.

These projects are consistent with the National Co-operative Policy (NCP) 2011-2020 and are aimed at increasing the contribution of co-operatives to GDP.

School co-operatives in Malaysia are basically involved in 3 important business :

a. BUSANA - supplying and selling of school uniforms. Its objective is to supply school uniforms along with other school supplies (shoes, school bag, etc.) at below market price. This also helps school co-operatives to expand its business and increase economic activities of the co-operatives.

b. Retail stores in school - the typical co-op stores are involved in selling stationery products. ANGKASA is assisting school co-ops to revitalize their shops into small retail stores selling consumer products.

c. Tourism Package - school co-operatives are also involved in the tourism industry whereby the school co-operatives involved will design/develop a tourism package involving visits to historical places of interests



School Co-op shop

and also special session on sharing of information on specific prominent figure. These packages are to be sold to other co-operatives in other states to generate income for the co-op. the package is also offered to international co-operatives inter-

ested to learn about school co-operatives in Malaysia.

The development and revitalization of mosque retail shops are aimed also to strengthen the bond between citizens and community.



Mosque Co-op shop



School Co-op shop

Outlook of Malaysia retail market

According to the information from the Department of Statistics Malaysia, the growth rate of Service sector rose by 6.3% in the second quarter of 2012. The growth of wholesale and retail trade accounted for 5.9%. The main contributor was the retail segment, followed by finance and insurance.

Census of Distributive Trade for reference year 2008 has given a new benchmark to the estimation of wholesale and retail trade activ-

ity. This data has been taken into account in the rebased GDP.

In 2011, hypermarkets, convenience stores, department stores and mini-markets enjoyed the biggest increase in sales.

While, conventional retailers including Pop & Mom stores faced harsher competition from big retailers and their sales continued to decrease.



3. Problems and Future Visions

Problems:

Problems of consumer co-operatives in Malaysia may be described as follows;

1. *Lack of organizational scale*
As mentioned, most of the adult consumer co-operatives in Malaysia are micro-small co-operatives.
2. *Difficulties in increasing share capital*
Many consumer co-operatives find it difficult to increase member share capitals. Thus, it is also difficult to increase the ownership awareness of their members.
3. *Lack of professional management skills*
Most of consumer co-operatives in Malaysia do not have strong retail management skills to face the harsh competition with the private retailers.

Future Visions:

NCP 2011-2020 sets the performance indicators as follows;

1. *Strategic Thrust 1*
Stimulate participation of co-operatives in high value economic sector
2. *Strategic Thrust 2*
Strengthen the capacity and capability of co-operatives
3. *Strategic Thrust 3*
Create and develop the capability of human capital in co-operatives
4. *Strategic Thrust 4*
Improve public confidence in the co-operative movement
5. *Strategic Thrust 5*
Strengthen co-operatives through effective supervision and enforcement



4. Relationship with the Government

Co-operatives in Malaysia have a good relationship with the government.

Since almost half of co-operatives in Malaysia are not affiliated to ANGKASA, the government plays a big role especially in the activities of micro and small co-operatives.

Co-operatives with less than MYR750,000 members' fund are exempted from tax.

In August 2012, Co-operative Commission of Malaysia (MCSC), ANGKASA and Co-operative College of Malaysia (CCM) signed an agreement to clarify their roles in the co-operative movement as follows:

- 1) MCSC as a body entrusted with the co-operative movement is responsible for the development and supervision of co-operatives and the co-operative sector.
- 2) Co-operative College of Malaysia (CCM) is responsible for building and enhancing

human capital competency co-operatives through skills training and higher education.

- 3) ANGKASA as the apex co-operative body given the responsibility to stimulate and develop co-operative business and to network nationally and internationally.



5. Basic Information on Malaysia

Name	: Malaysia
Capital	: Kuala Lumpur
Largest city	: Kuala Lumpur
Government	: Federal Constitutional Elective Monarchy and Federal Parliamentary Democracy
Area	: 329,847 km ²
Population	: 28,334,135 [2010 census]
GDP (PPP)	: US\$472.942 billion 2012 estimate
Currency	: Ringgit (MYR or RM)



<States> Johor, Kedah, Kelantan, Pahang, Perak, Selangor, Terengganu, Negeri Sembilan, Perlis, Melaka, Pulau Pinang, Sabah and Sarawak

<Federal Territories> Kuala Lumpur, Putrajaya, and Labuan.



From: Wikipedia