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SHORT COMMUNICATION

Ukhwah Cooperative Malaysia Multipurpose Cooperative - Case Report

Kamal bin Maulut MUSTAPA*
Ukhwah Cooperative Malaysia Limited, Malaysia

Abstract

The purpose of this paper is, first, to bring out the diversity of Cooperative realities in the Asia-Pacific region, and, second, to construct a common conceptual framework which would allow to translate the cooperative realities into a more general concept so that other cooperatives may draw lessons. Using the Ukhwah Multi-Purpose Cooperative as a case study, it is shown that with good governance, professional management and separating the institution of Board of Directors from management the Cooperative has manage to produce good end year net profits and has consistently delivered 10% dividend to the shareholders since 2002. The activities of the multi-purpose Cooperative include: housing development, buying and selling property and property leasing. It also provides taxi services through rental of cars at weekly intervals. Next is quarry manufacturer for premix of bitumen. Other activities are provision of homestay services which are located in Malaysia and in London and Melbourne. Lastly, it provides personal Loans to members. Through its activities, Ukhwah was recognized in 2017 by Co-operative Commission of Malaysia and was ranked 13 of 100 best co-operative in Malaysia. It was also awarded The Best Property Co-operator of Kuala Lumpur Metropolitan in 2017.

Keywords: Case report, social and economic inclusion

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INTRODUCTION

Ukhwah Cooperative Malaysia Limited (Ukhwah) is a legal independent entity (incorporated on 7th July 1998) and registered with Malaysia Co-operative Societies Commission (SKM) with the aim to transform the socio-economic position of the Malay people. Ukhwah started its business activity in Small & Medium Industry by selling local Malay food products. With support of RM 5 (1 MR = about 0.24USD) million from AmBank Ukhwah initiated an entrepreneur program known as Islamic Entrepreneurs Scheme Coop Members which provides working capital aid and business advisory. The cooperative business expanded

to property investment in 2003 through purchase in Kuala Lumpur of its first property worth RM 3.2 million. Ukhwah has also acquired and invested in properties in overseas i.e. Shepherd Bush, London and Melbourne Central, Australia. In 2018, Ukhwah properties asset value stood at RM 500 million. Apart of Entrepreneurs Scheme Coop Members and property investment, Ukhwah also extend its business activities to running homestay, restaurant, taxi operator, quarry mining and Islamic pawn broking known as Ar-Rahnu.

Thus, the multipurpose activity of the cooperative contributes to positive growth in business and continuously benefit its

*Corresponding author: Kamal bin Maulut Mustapa,
Ukhwah Cooperative Malaysia Limited, Malaysia.
Email: datoserimustapa@gmail.com

expanding members by paying-out lucrative annual dividend and bonus from their equity shares place in Ukhwah.

Factors contributing to success of Ukhwah as a multipurpose Cooperative

Ukhwah adopted in 1996 a framework which supports the Board of Directors in their activities. Factors which contribute to the success of Ukhwah are summarized in Figure 1.

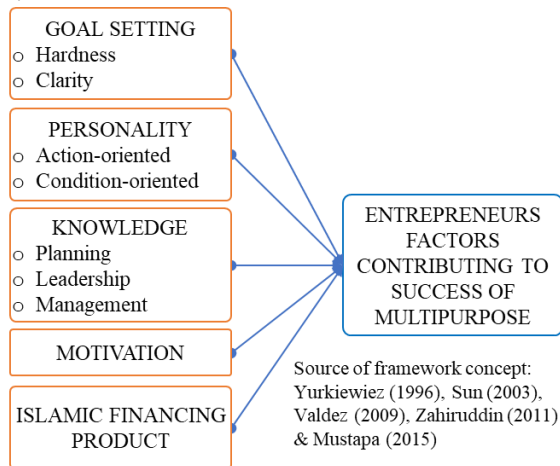


Figure 1: Entrepreneurs factors contributing to successful of multipurpose cooperative

Goal Setting – The Board Members must set easy and clear goals, articulating them and seeking buy-in from members.

Personality – The Board Members are responsible for the current business situation. They should not delay or take for granted in any issues whether they be business or social matters.

Knowledge – The Board Members should improve, master and implement the knowledge in three major areas: *Planning*, through clear guidelines and regular Board meetings; *Leadership*, which has adopted Islamic leadership traits and guidelines to spread the positive culture in the organization; and *Management*, by ensuring efficiency in management through adequate job distribution and prioritize skills.

Motivation – The Board Members always maintain high spirit of entrepreneurship through profit driven business activities resulting in Return on Investment (ROI), which benefit all parties, stake holders, staff,

coop members as well as CSR.

Products & Services comply to syariah – Cooperative market products & services comply to Syariah as the majority customers and population are Muslim.

Work and employees: Employees receive benefits from Ukhwah which is in addition to being cooperative members. Apart from monthly salary other benefits include: yearly salary increment base on performance, fixed allowance, bonus, parents’ care allowance; attractive dividend payout for staff with shares in the cooperative; annual leave and paid leave for important occasions to the staff e.g. pilgrimage and wedding; medical insurance, including leave; award of unit trust saving that only can be withdraw upon retirement age; education loan for staff or children for further study; paid for overseas trip to motivate staff; and housing and millage allowance. The goal is to build-in self belonging between the staff and cooperative members in order to motivate mutual growth.

Capital and distribution: In line with Malaysian Cooperative Societies Act (1993), at least 50 people are required to form a Cooperative with minimum share of RM100 each. Three types of membership available are ordinary, staff and Board of Directors with equal compulsory share capital of RM100, a registration fee of RM10.60, and a savings fee of RM120 per year renewed yearly.

Ukhwah continuously deliver 10% dividend to the shareholder since 2002 which is distributed as per Cooperative Act — the cooperative is permitted to pay a sum of money not exceeding 10% of the audited net profit. Dividends paid above that rate must be with the approval of the Registrar General.

Ownership and governance structure: There are two main governance bodies, namely, annual general meeting and the Board of Directors. The AGM is an important platform through which members elect Board of Directors, decide/make resolutions regarding the cooperative. All major

decisions require approval from Malaysia Co-operative Societies Commission. The Board of Directors on the other hand consists of not less than six and not more than fifteen members elected in three-year terms by members during the annual general meeting.

Eligibility for appointment to the BOD is stipulated in Clause 43 of the Cooperatives Societies Act 1993.

Autonomy and monitoring: In term of autonomy and monitoring, Ukhwah obtains authorization or permission from the Malaysia Co-operative Societies Commission (SKM) to, for instance, purchase major assets, obtain financing, in making investments and developing legal frameworks.

Execution of AGM under supervision of SKM: Annual Audited Reports are submitted to SKM who are supposed to ensure minimal risk in any major business decision making.

Legal Aspects: A strong legal backing has helped Ukhwah to stay firm and focused. The legal tools that are used include: (i) Cooperatives Act 1993 (Act 502), (ii) Rules set by SKM (*Garis Panduan*), and (iii) Ukhwah Internal Cooperative Law

Co-operative movement: As part of an initiative to get involved in cooperative movement activities both regionally and nationally, Ukhwah takes part in research and academic presentation in international cooperative conference conduct by ICA-AP (International Cooperative Alliance – Asia Pacific).

Social protection and right at work: Ukhwah ensures social protection and rights at work. It abides by the Employment Act, 1955 which is the main legislation on labour matters in Malaysia. The social protection and benefits extended to Ukhwah employees are: takaful & health protection i.e. insurance; Employee Provident Fund contribution; and Sick and Maternity Leaves.

Public perception: Being a dynamic cooperative with a vision to serve its members and community, Ukhwah conducts programs that portray a positive public perception. For example, Ukhwah has in the past promoted halal meals at affordable cost through its restaurants as well as in its corporate social responsibility activities. This has been received positively by the public who see Ukhwah as strengthening the socio-economy of the lower and middle income groups. Ukhwah is reaching out to young people to join its cooperatives by providing *i-financing* (*i = Islamic Entrepreneur Scheme Coop Members*) schemes by this cooperative.

ECO system: Ukhwah is offering placement for higher learning institution students to undergo industrial training. The aim is to encourage students to pursue their career and benefit from cooperative activities and become successful entrepreneurs.

Innovation: Ukhwah's strategy is to provide affordable services and ride on volume to make profit.