

UNIVERSITY CO-OPERATIVE STORES SOCIETY LIMITED

The University Co-operative Stores Society Limited or the Co-op as is known on the Campus, was formed in August 1960. Generally speaking, during the initial stages, especially the initial year, such a business concern faces various problems and setbacks, for example, the set-up and proper running of it. But in the case of this Co-op it is not so.

During the first year of its operations the store was a success both in the membership and the general running of the store itself. This resulted in the declaration of dividends on capital and rebates on patronage for the year ended 1961. This was possible despite the fact that membership was restricted to the First Residential College. At present the situation is very different and the store has even incurred heavy debts with the wholesalers from whom it purchases its provisions.

The main problem now is for the store to find methods of expanding its volume of sales and thereby increasing its revenue so that the debts could be settled and, at the same time, lead it back on the road to success. Another problem is Management which plays a very important part in the successful operation of the Co-op.

There are different methods by which one can approach the study of the Co-op but it is best to tackle it in the normal systematic way common to marketing problems.

The primary objective of the Co-op is to promote the economic interests of its members and indirectly, the non members who are either students of the University or members of the staff, and in particular:-

- 1) to provide services to its members (in fact, to the non-members as well and to the staff) by making available to them "on the spot" supplies of daily requirements and other necessities which they would otherwise have to purchase in town.
- 2) to carry on the trade of retail general dealers for the benefit of the members of the society upon co-operative principles. This is achieved through the society purchasing goods at wholesale prices and selling them at normal retail prices and in certain cases, a few cents above or below this. The profits or surplus arising are returned to the members (as the shareholders are known) by way of dividends on share capital and rebates on patronage, that is, on the total value of purchases a member makes at the store provided that the aggregate value of the purchases is above \$15/- for the year.

- 3) to encourage thrift, self help and co-operation among the members and the student population in general. In other words, it aims to promote students' unity since the members themselves have to take part in the organisational set-up and the carrying out of its trading activities.
- 4) to do all such other things as are incidental or conducive to the attainment of the above objectives.

At this stage it should be understood that it is not the aim of the Co-op to make maximum profits. Dividends are to be distributed to the members and the following deduction shall be made from the Gross profits in the following order:-

- a) working expenses
- b) interest payable on loans and deposits
- c) loss or depreciation on stock
- d) depreciation on buildings and other wasting assets.

The balance remaining after these deductions shall be treated as net profits.

Of the net profits of the society, such percentage as shall be specified by the Co-operative Societies Law shall be credited to the Reserve Fund. The remaining net profits shall then be divided as follows:

- 1) a dividend not exceeding 6% per annum on share capital
- 2) a rebate on purchases at a rate to be fixed by the general meeting on the recommendation of the Committee of Management shall be divided among the members according to the amount of purchases made by them during the year, provided that no rebates shall be earned by members whose total purchases amount to less than \$15/- a year.
- 3) a sum not exceeding 10 per cent may be distributed as bonus to the officers and employees of the society;
- 4) a sum not exceeding 10% may be devoted to a public, educational or charitable purpose;
- 5) a sum not exceeding 5% may be spent on propaganda or co-operative education;

- 6) the balance if any, shall be carried forward to the following year.

Dividends and rebates or purchases not withdrawn within 3 calendar months, after they have become receivable shall be credited to the member's accounts as payment towards additional shares. No dividends or rebates shall be distributed until the accounts have been audited and passed by the Registrar and without the special permission of the Registrar.

Nothing in the foregoing rules shall preclude the members in general meeting from deciding that the whole or any part of the remaining net profits for any particular year shall be carried forward to the Reserve Fund of the society.

Legal environment

The University Co-operative Stores Society Limited is legally incorporated and has been duly registered when it started business in August 1960. The Management Committee uses the "By-Laws of a Co-operative Store Society Limited" as a guide to their management. In addition the Management Committee is also empowered to make any resolution which in effect are laws of the Co-operative as a whole. For example, if it wants to, it can restrict membership to the hostellites only.

Furthermore, the Co-operative store has a licence to sell stamps and aerograms. This licence however does not permit any commission.

Reserves

In accordance with the existing requirements of the Federation of Malaya Company Ordinance, under which exists the Co-operatives, the students co-operative store is compelled to keep 25% reserves. Sections 40 to 42 of the "By-Laws" has this to say of the Reserve Fund:-

The Reserve Fund shall consist of;

- a) such annual percentage of the net profits as shall be specified by the Co-operative Societies Law;
- b) any sum allotted to it out of the balance of profits or otherwise;
- c) entrance fees after deduction of the preliminary expenses incurred in stationery etc.;
- d) value of all shares forfeited to the society and all shares of members who have withdrawn which have remained unclaimed for a period of two years;

e) donations.

The Reserve Fund shall be indivisible and no member can claim a specified share of it. It may be employed to cover unforeseen losses and to meet unforeseen changes. It shall only be used with the permission of the Registrar and under such conditions as the Registrar may prescribe.

On the dissolution of the society, the Reserve Fund shall be disposed off in accordance with the provisions of the Co-operative Societies Laws.

Budgets

In accordance with normal practice, the Management Committee does not deem it a necessity to draw up any budget for the coming term and for the full year. This is one area where the Management has to pay special attention to because a budget is very important both for controlling and improving the Co-operative store.

A budget will give the Management the ability to see what amount of capital will be spent by the individual committee members responsible for the various set-up of the store, where it will be spent, what the expenses are and what revenue are to be expected. This will point out areas of inefficiency and where expected revenue falls short of cost, then steps have to be taken to remedy it, or otherwise, the question of winding up would arise before the store becomes insolvent.

MEMBERSHIP

At the beginning, membership was restricted to residents of the first residential college but since this was against the principle of "voluntary and open membership," Management abolished it. At present, membership is extended to the entire student population of the University of Malaya, the staff and outsiders as well, as provided for by the "By-Laws" sections 3 to 13 quoted below:-

Membership

The members shall consist of:

- 1) Persons who join in the application for registration.
- 2) Persons admitted in accordance with these by-laws.

Every member of the society must ordinarily be a student or a member of the staff in the University of Malaya, resident in Kuala Lumpur, be of good character and not less than 18 years old.

Application for membership

Every individual desirous of becoming a member shall apply on the form approved by the Committee of Management. The Committee of Management may elect him as a member or refuse his application without any reasons for their decisions.

Appeal

Any individual whose application for membership has been rejected by the Committee of Management shall have a right of appeal to a general meeting of the society. The decision of the Committee shall stand unless more than 50% of the members of the society vote for the individuals admission.

Admission

Every member shall on admission pay an entrance fee of 50 cents and the value of at least one share as laid down in these by-laws. He shall thereupon be deemed to have acquired all the rights, responsibilities and obligations of a member of the Society.

Nominee

Every member after election shall nominate in writing and in the presence of two witnesses a person or persons to whom on his death any money payable to him by the Society shall be paid and shall state the proportional share if more than one person is nominated.

Obligations

Every member shall undertake to purchase from the Society's store during the period of his membership all such goods as shall be on sale by the society.

CESSATION

Cessation of membership

Membership shall be terminated by:

- 1) death;
- 2) insanity;
- 3) permanent removal of residence beyond the prescribed limits;
- 4) bankruptcy or W. E. A. O.
- 5) transfer of shares as provided for in By-Laws 16;

- 6) withdrawal as provided for in by-law II;
- 7) expulsion as provided for in by-law 13;

Withdrawal and refund of shares

Any member who is not indebted to the society may withdraw from the society by giving one month's notice of withdrawing in writing. Under exceptional circumstances, the Committee of Management may accept a shorter notice of withdrawal at their discretion.

Suspension of withdrawal

The Committee of Management may at any time by resolution suspend the right of withdrawal but such resolution shall be subject to confirmation at the next general meeting.

Expulsion and forfeiture of shares

A member may be expelled;

- 1) if he is convicted of any criminal offence involving moral turpitude;
- 2) if he is declared a bankrupt or applies for bankruptcy on W. E. A. O.;
- 3) for any action which is held by the Management Committee and confirmed by a majority at a general meeting, to be dishonest or contrary to these by-laws, the stated objects of the society or the interest of co-operation.

If a member is expelled, all his shares together with any unpaid dividend or bonus or rebate may be forfeited to the society at the discretion of the Management.

Location and physical facilities

The Co-operative Store is located in two separate areas. The main store, located at the Students' Union Canteen, occupies only a very small area -- a segment of a circle -- enclosed by a circular glass-cased counter and two decked shelves, placed at right angles to one another. This space is rented from the Students' Union at a nominal fee of \$30/- per month. The branch store is located in the 3rd Residential College and it occupies half of the glass-cased counter belonging to the owner of the private store. This, however, does not require the payment of rent.

As far as physical facilities is concerned, the store is a complete desert. Other than the counter and two rows of shelves, the store does not possess any fixed assets. However, it is advisable that

some chairs should be supplied to the main store so as to give customers some comfort when they do their purchasing.

Sources of supply

The task of finding the best sources of supply at the lowest possible cost comes under the attention of the Business Manager. For the present, nearly all the provisions and stationery are purchased direct from the wholesalers.

The major and frequent ones are:-

Keine Mohamed and Sons	---	Provisions
Barkath Stores	---	Provisions
Sin Seng Book Company	---	Stationery
Selangor(United) Press	---	Society writing pads and envelopes.
Diethelms and Co. Ltd.	---	Miscellaneous items for sanitary purposes, etc.

On certain occasions, minor Chinese Wholesalers around Foch Avenue also supply goods to the Store. However, not much emphasis is paid towards experimenting with other Wholesalers.

Management Committee

At the Annual General Meeting, the members can elect a maximum of 9 members to serve on the Management Committee. However, the outgoing Committee can nominate active members to serve on the Committee provided that there is no objection by the majority of the members present at the meeting. By this process of nomination the society can acquire the services of really keen and dedicated members who are willing to serve but are somehow or other shy to stand for the elections. Moreover, it reduces the chances of members who seek election for personal glories.

The present Management Committee comprises only 7 elected members, consisting the Chairman, Secretary, Treasurer, and four others who are provided with specific responsibilities, namely, the Business Manager, Publicity Manager, Stationery and 3rd College representatives. In addition, there is a salesman employed to run the main store.

Management is an important factor in the success of the Co-op, but the present management is unsatisfactory and thus contributes greatly to the failure of the Co-op to bring in enough revenue to cover expenses. The following observations confirm this:-

- a) Sales should be made in cash but the salesman gave sales on credit to many customers without the Management's knowledge or permission concerning the sales.

- b) Purchases are not satisfactory in the sense that they are not purchased from the cheapest source possible. As a result, prices are above normal retail prices.
- c) Products are not always stocked in time to avoid the embarrassment of having to turn away customers.
- d) The salesman is unsatisfactory. Students have been disappointed because they cannot purchase goods when the salesman is not around. This is bad for the Store because in future, customers may feel that they cannot get their requirements from the store and they will turn to shops outside the Campus. This reflects on Management because it does not check into the salesman's performance regularly. Management should see that the salesman adheres to the stipulated time for sales.

Although every fault reflects on the Management Committee, it is not to be held fully responsible because it is not a full time one. As a result, they are unable to devote everything to the Store. For example, during the 3 weeks preceding the new term, Management knows that there are a lot of requirements which should be ordered but they were unable to do so because they have other important and compulsory academic commitments.

Another problem crops up when these committee members leave the University. Everything will then be handed over to the incoming Committee who are generally at sea concerning the activities and policies of the Co-op. As a result, they have to start all over again on their own basis of management. This means that Management is practically always in the experimenting stage.

It is therefore obvious that such a Management set-up can hardly lead to a successful Co-operative Store. If it is considered necessary to carry on with the same pattern, then it is imperative that one or more members of the Staff should hold responsible and key positions. They are more permanent than the students and can advise the new Management Committee about policies adopted and followed by the previous management.

However, it should be recognised that Management by representatives responsible for the various policies is rarely the best way of running any business. There should instead be a paid manager on whom should be placed full responsibility for carrying out the policies of the various representatives. His salary should be a small basic one plus a commission on turnover. What the Store needs is one central policy Committee rather than a series of representatives. The problem of Management is one of the basic problems faced by the Co-operative Store and the success or failure of it rests on the hands of the Management Committee.
