

## CHAPTER 1: INTRODUCTION

This chapter will discuss the framework of the study which includes the statement of study, the objective of study, the significance of the study, the research methodology and the organization of chapters.

Looking at the historical formation of the cooperative movement in Malaysia, it originated from the poor distressed lot, realizing the need for self-improvement and the necessity for the group action in an organization, financed and managed by them, with set objectives and targets. It is therefore basically a social organization providing the services needed by the members; socially and economically. The essence of the movement is self-help, working together as a group, doing and undertaking to do something, which they otherwise cannot achieve on their own individually.

The Cooperative Movement in Malaysia, which was then Malaya, started in 1922, even though the idea itself took root in 1912. The formation of the first society was the direct result of the efforts of two colonial officers of the British Colonial

Administration.<sup>1</sup> It was introduced as one of the Government policy to improve the economic status of the rural farmers and the salaried urban workers and government servants who were in the firm grips of the middlemen and the ruthless money-lenders.

Unlike the Cooperative movement in the West, where the formation of cooperatives was the result of the felt needs by the members, the cooperatives in Developing Countries including Malaysia was introduced by the Government. Thus we can see that, the kind of Cooperatives in the Develop Countries are 'self-contained form' of cooperation as compared to the cooperatives in the Developing Countries where there is a strong indication of the government involvement in it. In fact, not so long ago (even till today, for some cooperatives), the survival of the cooperative movement depended upon the materials and the moral support of the Government.

Until today, for more than 75 years after it was introduced, the cooperative movement in Malaysia have developed to such an extent that it has encompassed almost all aspects of the socio-economic life of the masses. As with other organization, cooperatives to have their ups and down and there are still some

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<sup>1</sup> Abdul Rauf, Background of Cooperative Development in the Federation of Malaya, International Cooperative Alliance (ICA), New Delhi, India, 1960, pg. 6.

problem which need to be address for the betterment of the cooperatives especially in the area of training and education.

## 1.2 STATEMENT OF PROBLEM

The cooperative movement of Malaysia can be said to have very little history of cooperative training and education. In the past the training and education was not given much attention and significance. Whatever that had been done to impart cooperative training and education was purely on the ad hoc basis. This was due to the origin of the cooperatives in this country where cooperatives were formed to meet one particular need which was to get farmers and wage earners out of the clutches of the money lender. There did not appear to be a need for the training and education because the process was so simple; to receive money from members and in turn lent it out to needy farmers.

As mentioned earlier, the cooperative movement was brought in with a certain purpose and objective that is to overcome the indebtedness among the rural farmers and urban salaried workers. Thus full concentration was given to these cooperatives

for more than four decades, until the late 1960's, ( or even today), members and non-members (the public), tend to associate cooperative with credit and the main reason for joining cooperatives is to get services especially credit. The question usually asked when joining a cooperative are; when I can borrow and how much I can borrow? The main reason for this attitude was the lack of understanding of the cooperative principles and concepts.

There are also the misconception about the cooperatives and the cooperative movement. The movement began with the need of the poor distressed lot to improve themselves through these self-help organization and in the Malaysian context, the introduction of this concept was to help the needy and the rural poor. This leads to the misconception that a cooperative is a benevolent institution to alleviate the social and economic problem status of the less privileged sections of our society. It was not until the 1980's that the members and non-members began to realize the other aspects of the cooperative movement, it's capabilities of and how it can be used to promote development.

In addition, the members and non-members (the public) attitude, who have the "couldn't-care-less" or 'lackadaisical' attitude about cooperatives. They are ignorant and they do not bother to

know their rights and liabilities as members of a cooperative. They are not worried about the internal control of the cooperative because they thought that 'control' is the duty and responsibility of the government, that is the Cooperative Development Department (CDD). This was another misconception that has to be put right through cooperative training and education.

There are also mismanagement of the cooperatives by the cooperative leaders and board directors who were in some big cooperative societies where the cooperative became a platform for the power struggle and power for personal interest. Besides that the cooperators have become very impersonal and materialistic where everything is measured and valued with money. So much so that services by the cooperatives have to be paid. Fixed allowances as well as sitting allowances are provided for the board members and committee members, who render services to the cooperative. Gone are the days of 'honorary' services or a very minimal charges for providing services to the cooperatives. Even attending Annual General Meetings (AGM), the members need to be paid.

The cooperative movement have become adulterated with the influence of corporate companies where members will measure the success of their cooperative with the rate of dividend

declared at the end of the financial year. This happened simply because of passive membership where the members are ignorant and do not bother to know their rights and liabilities. Passive members mean there is no internal control and the lack of internal control will consequently lead to mismanagement and misappropriation of funds and losses to the cooperatives.

Apart from that, competition from the private sectors also posed as a threat to the cooperative activities such as consumer activities where the private sectors offer more varieties of products and services at competitive prices compared to the cooperatives.

Thus, it can be seen from the above that the root of all the problems in the cooperative movement today is lack of training and education. An enlightened and active membership is a necessary condition for the cooperative to genuinely function. The two aspects of this relationship can be mentioned here. Firstly, only an enlightened and educated membership can encourage members participation; mentally, physically and financially, in the affair of the organization.

Secondly, an enlightened membership will enable members to communicate openly and genuinely, which can established a kind of dialogue and mutual communication which therefore enable the cooperative to be managed effectively.

Although, certain steps were taken to conduct training and education for the cooperatives at that time but there was no satisfactory progress. This is due to inavailability of funds and facilities. The individual cooperative cannot conduct their own training and education program due to lack of qualified trainers and limited training materials and resources. Only very few training for negligible members of cooperative could be trained during this period.

Until today the cooperatives still have this problem and some observations made by Pradit Machima<sup>2</sup> in 1992 are :-

- a. inadequate cooperative knowledge, both theory and practice among the members, board members, committee members and cooperatives employees;
- b. low level of training and education among members, board members, committee members and cooperative employees;
- c. lack of qualified and dedicated cooperatives leaders;
- d. lack of planning and managing skills among the board members and the cooperative employees;
- e. insufficient members participation and members relations.

In order to address the problem above, proper weightage must be given to improve the training and education activities by

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<sup>2</sup> Machima, P, Dawn of Consumer Cooperatives Movement in Asia, ICA Regional Office for Asia and the Pacific, India, April, 1992, pg. 7.

every organizations involved with the cooperatives. The cooperative societies too should take this seriously.

Currently, there are three organizations which are providing cooperative training and education in Malaysia namely the Cooperative College of Malaysia (CCM), the Cooperative Development Department (CDD) and the National Cooperative Organization of Malaysia (ANGKASA). Hence this study will focus on the role and function of the three organizations in providing training and education activities for the cooperative movement.

### **1.3 OBJECTIVE OF THE STUDY**

As mentioned above, there is a need for the training and education for the members, board members, committee members and the cooperative employees for the betterment of the cooperative movement. Therefore the objective of this study :-

- a. To review the training and education program provided by the various organizations for the cooperative movement in Malaysia.
- b. To review the education and training activities conducted by the Cooperative College of Malaysia.

- c. To provide a framework in promoting active collaboration between and among all the organizations involved in cooperatives training and education.
- d. To discuss the training and education needs of the cooperative movement and its relevance to the contemporary requirements.
- e. To suggest recommendations for achieving a greater effectiveness in the training and education program.

#### 1.4 SIGNIFICANCE OF STUDY

The significance of this study are :-

- a. The findings will enable the various organizations to improve the training and education programs provided for the cooperatives, especially CCM, in line with the contemporary needs of the cooperative movement.
- b. The findings will also enable the various organizations involved in the training and education activities to make future plans and strategies regarding cooperative training and education.
- c. The literature on training and education for the cooperatives is very scarce and therefore the findings of this study

could provide some contributions to the literature on the subject.

## 1.5 RESEARCH METHODOLOGY

A large part of the secondary data are being used in this study which concerns cooperatives concepts and practices as well as on the subject of training and education. Various books, magazines, journals, periodicals, seminar/conference papers and databases were used extensively in this study. In addition to this, annual reports and official documents from the various bodies involved, will be utilized.

After the groundwork have been done, discussion and an in-depth interviews were carried out with the officers from the various bodies involved in the study. At the same time, interviews were conducted with the key individuals of all the organization under study, so as to enable to get a closer look at some of the factors that can facilitate or inhibit the cooperative training and education development in the respective organizations. Their opinion regarding the cooperative training and education were also sought. Interviews were also conducted with participants attending the programs at the college.

## 1.6 ORGANIZATION OF CHAPTERS

Chapter 2 which follows provides the literature review on training and education which discussed the concepts and practices of training and education for the cooperatives movement.

Chapter 3 gives an overview of the cooperative movement in Malaysia which includes the early years of the cooperative formation, its progress and development and the present achievements. This chapter also provides some definitions of cooperatives and a brief discussion of the cooperative background in Europe.

Chapter 4 is confined to the training and education activities organized and conducted by different organizations such as the Department of Cooperative Development (CDD), and the National Cooperative Organization (ANGKASA), being the apex organization for the cooperative movement.

Chapter 5 provides a detailed discussion on Cooperative College of Malaysia, as the one and only cooperative training institution for the cooperatives.

Chapter 6 discussed the problems faced by the various bodies in carrying out the training and education activities for the cooperatives in Malaysia.

Finally in chapter 7, a summary of the study is presented. Some recommendations will be given to improve the training and education activities for the cooperative movement.