Board Governance Attributes and Organizational Characteristics of Mosque Co-Operatives in Malaysia

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Abstract

Performances of mosque co-operatives rely on the effectiveness of the board of governance. The board has responsibilities to determine the strategic direction of mosque co-operatives, oversight management, and ensure the integrity of members’ rights and interests. The board of governance functions is becoming more challenging since the launching of National Co-operative Policy II (2011-2020), which among another, place greater emphasis on the expansion of mosque co-operatives movement via initiative of 1 Community, 1 Co-operative. Furthermore, the board of governance of mosque co-operatives is expected to deliver not only economic performance but also socio-economic governance, especially in supporting the activism of mosque institutions. Hence, as an initial observation, this study attempts to highlight the board governance attributes and mosque co-operatives organisational characteristics. The initial findings are essential in assisting regulator and policy maker like Ministry of Domestic Trade, Co-operative, and Consumerism (KPDNKK), Malaysia Co-operative Societies Commission (SKM), and Malaysia National Co-operative Movement (ANGKASA) in preparing the Mosque Co-operative Strategic Plan 2017-2020, and National Co-operative Policy III (2021-2030).

Keywords: Board Attributes; Organisational Characteristics; Mosque Co-operatives

1. Introduction

National Co-operative Policy II (2011-2020) aims to set-up 16,000 new co-operatives by 2020. One of the initiatives is the formation of mosque co-operatives through 1 Community, 1 Co-operative initiative. Specifically, the co-operative industry regulator in Malaysia – the Malaysia Co-operative Societies Commission (SKM) and the national apex co-operative – the Malaysia National Co-operative Movement (ANGKASA) have set a target of 6,025 mosque co-operatives nationwide by the end of 2020. Based on ANGKASA statistic, as at the end of April 2016, 381 mosque co-operatives have been registered while 485 mosque co-operatives are in the process of registration. The in charge and responsible Ministry of Domestic Trade, Co-operative, and Consumerism (KPDNKK) expect that mosque co-operatives could contribute significantly towards local community socioeconomic development and empower mosque institutions’ activations.

In order to achieve those aspirations, Board of Governance of mosque co-operatives has a significant roles, responsibilities, and functions. Like other categories of co-operatives, the board governance of mosque co-operatives carries out expected duties as stipulated in Section 44(1) of 502 Act (Co-operative Act, 1993). The extract of Section 44(1) is as follows: “The board of a cooperative shall represent the cooperative before all competent public authorities and in all transactions and transactions with a third person, shall have the power to institute or defend the suit brought on behalf of the co-operative and, in general, shall direct, manage and to supervise the business or activity, the fund and the property of the society, and shall exercise all the necessary powers to ensure that the administration and management are in full and proper to the affairs, affairs or activities of the society including, and notwithstanding the generality of the above, or the activities of the society as may be required under regulations, except the powers reserved for the members’ general meetings or representatives.”

Nevertheless, the 502 Act did not explicitly describe the attributes or characteristics of the board governance of mosque co-operatives. The 502 Act only highlights three important prerequisites for a person to be appointed as board governance member of mosque co-operatives, which first, one is not convicted under the Co-operative Societies Act 1993, second, one is not fired as officers of a cooperative, and third, the verification process by the SKM.

In addition, the mosque co-operative is guided by the Cooperative By-Law approved at its Annual General Meeting of Members/Representatives (AGM). Thus, every mosque cooperative is considered unique as it has its By-Laws. The mosque co-operative By-Laws could also elaborate in detail what criteria and features should exist in its board governance. Indeed, this aspect coincides with the practice of democracy and autonomy in cooperative movements.

Additionally, the understanding of the mosque co-operatives’ board governance attributes and the characteristics of the mosque co-operative is important. The thoughtful of those features can be associated with the economic and non-economic performance of the mosque cooperative. Secondly, the understanding of these features helps regulator and the national apex cooperative to channel any form of assistance more strategically. Third, the understanding of these features helps other stakeholders to implement
any customized initiatives in support of the development of the mosque co-operative. Furthermore, empirical studies have found the support of board characteristics influence towards the performance of both profit based entities, and non-profit based entities (1). In the study's knowledge, research on the attributes of the board governance of mosque co-operatives is still limited. In fact, existing studies are focusing on large-scale co-operatives, especially the 100 best-tier cooperatives at the national level. Hence, this study is conducted as an exploration to bridge the existence gap. The study has two purposes. It descriptively examines the characteristics of board governance of mosque co-operatives. The second objective is to assess the attributes of mosque co-operatives.

2. Literature Review

The following sub-sections discuss previous related studies on mosque co-operatives, co-operative’s board governance attributes, and co-operative’s organisational attributes.

2.1. Mosque Co-operatives

According to the Manual and Guidance for Establishment of the Mosque Co-operatives by SKM, there are three objectives for setting-up of a mosque co-operative namely, (i) to improve the socio-economic level of members through cooperative economic activities, (ii) mobilizing resources such as financial capital and skills among members, and (iii) creating job opportunities for members and community. The main goal of mosque co-operative establishment is to make the mosque institution not only a place of worship but also as a center of collective economic activity of the local community. Establishment of a cooperative karah mosque is expected to bring four benefits; (i) generate income for the community, (ii) open opportunities for locals to venture into potential entrepreneurial activities, (iii) provide job opportunities to locals, and (iv) increase contributions to mosque funds and mosque activities.

Mosque co-operatives can acquire financial resources to carry out its business activities through share capital issuance, member fees, special members’ savings, and external borrowings from financial institutions. Additionally, SKM also offers easy-to-use financing with maximum collateral of RM 50,000 and secured loan of up to RM 10 million.

2.2. Co-operative’s Board Governance Attributes

Through the study of Sushila et al. (2), board members’ education level, work experience, and involvement in cooperatives contribute to the achievement and performance of a cooperative. Besides, Noordin et al. (3) found that good performing cooperatives consisted of experienced and aged board members. In addition, Bond (4) found that size of co-operatives board members, and board members’ skill significantly influenced the performance of cooperatives. Besides, Dehaene et al. (5) argued that in order to function effectively, members of co-operative governing board require basic literacy in finance and business strategy. The absence of extensive knowledge, skills, and competencies among board members led to ineffective governance and poor organisational performance among co-operatives (6, 7). Additionally, Zaridis and Mousiolis (8) found support for the influence of board structure towards cooperatives’ performance. Moreover, Huang, et al. (9) did not find the support that male domination in co-operatives’ board significantly influenced the performance. Besides, Huang et al. (9) also did not find the support that more frequent board members’ meeting significantly influenced co-operatives’ performance.

2.3. Co-operative’s Organisational Attributes

Sushila et al. (2) outlined the organisational characteristics of good performing co-operatives. Among them is asset size, and diversification of economic activity. Assessment by Ward and McKillop (10) found that the size of the assets significantly affected the performance of the cooperative, especially the credit based co-operatives. Larger sized co-operatives have advantages regarding production cost per unit and enjoy a better scale of economic benefits than small-sized co-operatives. Besides, the size of the cooperative may also refer to the number of co-operative members (11). Another study by Bond (4) found the relationship of co-operatives’ age, economic activities, and types of co-operatives towards performance. However, Bond (4) indicated no significant influence of the size of co-operative (when measured regarding the size of membership) towards performance. Additionally, the diversification enables co-operative to carry out various forms of economic activities, thereby reducing the risk of exposure to a single form of revenue. In addition, diversification allows the cooperative to meet the demand of its members and clients, thus contributing to increased sales (12). Through diversity, co-operatives can also increase the number of membership, thereby increasing the financial resources of co-operatives (11). Furthermore, Noordin et al. (3) found that co-operatives that are performing well are actively diversifying economic activities, and tend to be involved in a variety of interconnected enterprises such as agriculture and livestock, real estate, construction, services, and retail. In fact, through DKN II (2011-2020), the government and the regulator also emphasized the need for a diversified cooperative enterprise, involving in high impact economic activities such as tourism, healthcare, plantation, agriculture, property development, retailing and wholesale and financial services. Even these high impact economic activities have been identified as part of ‘Entry Point Projects’ (EPP) under the National Key Economic Area (NKEA) of the National Transformation Policy.

3. Methodology

The following sub-sections deliberate the method deployed in implementing the study. The sub-sections include population and sample of research, research instrument, and analysis technique of research.

3.1. Population and Sample Of Research

This preliminary study focused on members of board governance of mosque co-operatives. The study adopted purposive sampling method by engaging the board members of mosque co-operatives from the state of Selangor, Kuala Lumpur, and Negeri Sembilan at the Mosque Co-operative Business Development Workshop in Port Dickson from 18 to 19 May 2016. The Business Development Workshop organized by ANGKASA is part of a continuous professional development program to equip the board members with updated information, knowledge, and skills in driving the progress of mosque co-operatives. 51 mosque co-operatives’ board members attended the two-day workshop.

3.2. Research Instrument

The data was collected through the questionnaire. The questionnaire form was prepared in Bahasa Malaysia. The questionnaire was developed based on previous work of Malaysian co-operatives by (2) and (3). The questionnaire was distributed to respondents on the first day of the workshop. The briefing was also presented to explain the objective of the study, and to respond towards any concerns from participants. Respondents were given time to fill out the questionnaire and handed back to the research secretariat after completion of the last session of the workshop. However, respondents were given the freedom to answer the questionnaire or otherwise. However, encouragements were given by the ANGKASA secretariat to obtain greater feedback.
3.3. Analysis Technique Of Research

This study applies descriptive analysis. The descriptive method is considered to be compatible with the objective of the study. According to Lawrence (13), the descriptive method is to illuminate and give an initial description of a social phenomenon that focuses on ‘Who?’, and ‘How?’. According to Lawrence (13), the usual instruments in descriptive research methods are the use of survey forms, interviews, field observations, and content analysis. Furthermore, according to Singh, Fook and Sidhu (2006)(14), descriptive methods are quantitative research involving the process of explaining social situations by gaining perceptions, views, and opinions of respondents in populations or samples dealing with social situations. In general, according to Singh et al. (2006)(14), the fundamental question of the descriptive method is the question ‘What?’. Hence, coinciding with the commitment of this study to obtain the initial description of the mosque co-operatives’ board attributes and organisational characteristics, the descriptive method is considered to be appropriate and adequate. In a cooperative study, this descriptive technique was used by researchers such as (15). The descriptive analysis of this study was conducted using SPSS 22 software.

4. Results and Findings

The following sub-sections present the respondents’ analysis and descriptive analysis results.

4.1. Respondents’ Analysis

Of the 51 questionnaires circulated, only 41 completed questionnaires have been returned. The response rate was 80.39%. Subsequently, through the screening stage, four questionnaires were removed from further analysis. Therefore, the usable questionnaire was 37 or the usable rate of 72.55%. Of the 37 respondents, 30 were board members of mosque cooperatives from Negeri Sembilan (81.1%) while 7 were from Selangor (18.9%). No respondent from Kuala Lumpur was recorded returning the questionnaires, despite joining the two days’ workshop.

Next, 6 respondents or 16.2% were chairmen of the board of mosque co-operatives. Then, 11 respondents of 29.7% were secretary of the board of mosque co-operatives. The study also recorded 6 respondents, or 16.2% was treasurer of the board of mosque co-operatives. Additionally, 13 respondents or 35.1% were board members for mosque co-operatives.

4.2. Descriptive Analysis Results

The descriptive analysis results encompass findings on education level, experience involvement in co-operative, age, gender, working experience, mosque co-operative diversification activities, age of mosque co-operative, membership of mosque co-operative, and performance indicators.

Education Level

16 respondents received tertiary education, with 4 of them holding a Bachelor’s Degree (10.8%); 2 of them were professional certificate holders (5.4%), and 10 of them were Diploma holders (27%). Next, 21 respondents received secondary education with 5 of them were the Higher School Certificate or equivalent (13.5%) holders, 10 of them were Malaysian Certificate of Education holders or equivalent (27%), and 6 of them were Lower Certificate of Education holders or equivalent (16.2%). A study by Noordin et al. (3) emphasizes the importance of continuous education and training among co-operatives’ board members to enable the acquisition of skills, abilities, knowledge, and competencies; hence meeting the challenges and any possible uncertainties while managing the co-operatives. The similar position of the importance of education among co-operatives’ leaders was observed in Zheng et al. (16) and (17).

Experience Involvement in Co-operative

A total of 28 respondents or 75.7% indicated that their involvement in the co-operative was less than five years old. Only 9 respondents were involved with co-operative movements more than 6 years, and 2 of them having over 25 years of co-operative experience.

Age

The average age of mosque co-operatives’ board members recorded was 60.16 years. The minimum age recorded was 41 years old; while the maximum age recorded was 70 years. Age of 60 is a compulsory retirement age for the public service, and in most private sector workers, especially those in government-linked companies (GLCs). The similar pattern of greater pensioners’ involvement in co-operative movement in Malaysia was also discovered in earlier assessment by (18). Besides, there was a lack of mosque co-operatives board members with age of less than 40. The age of 40 is the maximum age limit of the youths as stipulated in the Youths Societies and Development Act 2007. However, referring the Co-operative Act 1993 imposes no maximum age limits for co-operative board appointment; unless otherwise provided in the mosque cooperative By-Laws, and approved by a general meeting of members/representatives.

Gender

The study recorded that 34 respondents or 91.9% were males. There were only three female respondents or 8.1%.

Working experience

Next, the study found that 19 respondents or 51.4% were involved in public services such as military, and educators. A total of 8 respondents or 21.6% had worked in the private sector such as the manufacturing sector. Meanwhile, 8 respondents were running their own business.

Mosque Co-operative Diversification Activities

The study also obtained a preliminary understanding of mosque co-operatives’ organisational characteristics. Among them are diversification activities which are carried out by the kariah mosque cooperative. The study recorded mosque co-operatives involvement in services, consumers, retail, livestock, agriculture, real estate, investment, government and private contracts, homestay and sand mining.

However, in general, 26 mosque co-operatives or 70.3% were involved in an activity only. 7 mosque co-operatives reported involvement in two activities, 3 mosque co-operatives involved in three types of economic activities, and only 1 mosque co-operative was involved in four types of enterprises.

Age of Mosque Co-operative

This initial study found that the mean age of mosque co-operative was 3.81 years. The minimum age of mosque co-operative recorded was one year, while the maximum age was fifteen years. In average, mosque co-operative was considered new, where majorities of mosque co-operatives were set up from 2012 onwards, as the National Co-operative Policy II was mobilized.

Membership of Mosque Co-operative

The study recorded the mosque co-operative with the largest membership of 500 people. Additionally, the smallest number of memberships recorded was 50. On average, membership of mosque co-operatives was 114.

Performance Indicators

Three performance indicators are recorded in this preliminary survey namely asset size, financial performance, and non-financial performance. 26 respondents or 70.3% informed that the mosque co-operative had small-sized of assets, and 9 respondents or 24.3% indicated that a moderate-sized of assets. For performance indicators, 13 respondents or 35.1% reported satisfactory financial performance, while 19 respondents or 51.4% showed moderate financial performance. Only 3 respondents or 8.1% said the financial performance of the mosque co-operative was good.

A similar pattern found for non-financial performance indicators. 18 respondents or 48.6% said satisfactory performance, 13 respondents or 35.1% stated moderate performance, and only 3 respondents or 8.1% reported that the non-financial performance of the mosque co-operative was good.
5. Conclusion

This preliminary survey has provided an initial understanding of mosque co-operatives’ board attributes and organizational characteristics. For the mosque co-operatives’ board attributes, the exploratory indicators were the level of education, age, gender, work experience, and experiences involved in cooperative movements. Regarding the mosque co-operatives’ organisational characteristics, the elaborated elements were major activities, the number of activities, cooperative age, cooperative membership, and performance indicators comprising asset size, financial performance, and non-financial performance.

5.1. Implications of Research

There are several key implications that should be taken into consideration by stakeholders in the national cooperative movement, especially about mosque co-operative progress. First, relates to the level of education. More efforts need to be mobilized to advance mosque co-operative board members’ education. For formal education, Co-operative College of Malaysia (MIA) can provide a diploma in mosque co-operative education. This effort can be implemented in collaboration with ANGKASA, public and private higher education institutions. The diploma-level formal education program is expected to strengthen the mosque co-operatives board members with modern marketing theories and practices, exposure to the use of information telecommunication technology in the development of business, and application of modern management principles in governing mosque co-operatives. Also, formal education diploma level will be able to broaden mosque co-operatives’ board members internationalisation and global overview. The diploma-level formal education program may also be considered through online or distance education platforms.

Apart from the higher formal education, the mosque co-operatives board members’ knowledge and skills can be enhanced through a professional development program (CPE). At present, continuous training and education programs have been implemented by various stakeholders in the co-operative sector. In this, this approach can be improved by looking at the possibility of applying professional development programs practices of professional bodies like the Malaysian Institute of Accountants (MIA). Through experience of those professional bodies, CPE programmes for mosque co-operatives’ board members can be implemented more systematically with minimum training time requirements and a more holistic training modules covering theoretical, practical, behavioural, technical and non-technical competencies.

Second, relates to the involvement of youth and women. This initial study revealed the lack of youth and women participation in mosque co-operatives’ board membership. For immediate improvement, the mosque co-operative could amend its By-Law to allow more appointment of youth and women. Youth involvement at mosque co-operatives’ board level is important, not only to provide stable and continuity of leadership, more essential the involvement of the group is expected to attract more youths acquiring the service and products of mosque co-operatives or supporting mosque institutions activities. Besides, the appointment of more youths as board members seeks to motivate peers to actively involved in beneficial activities, thereby reducing the social costs that the taxpayer needs to bear.

The involvement of more women as board members offers wider perspective in the strategic plan of the mosque co-operative. According to Betz et al. (19), women are more care of human relationships and are more likely to offer assistance other than men. Besides, Roxas and Stoneback (20) illustrate women are more likely to adhere to rules, perform better work, and are more likely to maintain harmonious relationships than men at work. Meanwhile, Boutilier (21) concludes that when more women occupy board members of a business entity, the organization also shows more concern towards issues like social well-being, corporate responsibility, and environmental sustainability. Additionally, women have the ‘communal’ nature or think of the importance of a larger group than themselves or the ‘agentic’ nature (22). Practically, the biggest buying power in a society is women. With the involvement of more women at mosque co-operatives’ board level could spur the use products and services of the mosque co-operatives. In fact, the involvement of women in the national co-operative movement has been reflected through the success of the Koperasi Serbaguna Kaum Ibu Kubang Pasu Berhad Jitra Kedah and the recognition of Puan Hajah Noorizan binti Abdul Latif as the National Best Female Cooperator 2015. Another implication refers to the involvement of the pensioners in the mosque co-operatives. This group has been identified as initiators and movers of co-operatives in their respective communities. Active participation of pensioners is a positive sign, where mosque co-operatives could utilise the vast pool talent of pensioners group. These retirees bring with them extensive work experience, professional and non-professional relationships or highly-integrated networking and diverse global outlook. Hence, more pensioners need to be mobilized to support the progress of the co-operative movement, including mosque co-operatives. SKM and ANGKASA could seek cooperation from agencies such as the Post-Service Division in the Public Service Department. Involvement in mosque co-operative movement is even a way in which the retirees can still contribute to the nation’s socio-economic prosperity. Similar strategic links can be extended to the Veterans Department of the Malaysian Armed Forces and the related agency Perbadanan Hal Ehwal Bekas Angkatan Tentera Malaysia (PERHEBAT) so that military retirees can be involved in the mosque co-operative movement. The same strategic collaboration can be extended to the human capital of private sectors, especially among government-linked companies (GLCs) both at federal and state levels.

5.2. Limitation of Research

This initial study only involves mosque co-operatives from three states only - Selangor, Negeri Sembilan, and Kuala Lumpur. Respondents’ feedback may be limited to current scenarios in each state. For example, during the workshop, there were participants who informed the difficulty of driving the mosque co-operative performance due to the lack of support and bureaucracy issue in the state. However, the situation may not apply in another state jurisdiction. Subsequently, descriptive research analysis techniques conform to their initial objectives as an ‘exploratory’ study. However, the findings of this study did not support any correlation and relationship between the mosque co-operative board attributes and organisational characteristics towards economic performance or non-economic performance.

5.3. Suggestion for Future Research

In future, this similar study can be intensified by involving more respondents from mosque co-operatives in other states. Furthermore, an analysis of the relationship between mosque co-operatives and the financial and non-financial performance can be ascertained. Even future studies can use mosque co-operatives board features as ‘moderating’ and ‘mediating’ variables in verifying the model of the determinants of the performance of a mosque co-operative using advanced analysis methods such as Structural Equation Modeling through AMOS or Smart PLS software.

Acknowledgement

We are grateful for the financial assistance from Malaysian Ministry of Higher Education via Fundamental Research Grant Schemes (FRGS) 1/2015 that enables the conduct of research on issues surrounding performance of Malaysian mosque co-operatives. We also acknowledge similar support from Yayasan Universiti Multimedia-Tabung Amanah Zakat through Fiqahlillah Research Development Grant Scheme (FRDGS).
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