

THE RESILIENCE CONCEPT OF ISLAMIC ENTREPRENEUR AND THE PROMOTING OF ISLAMIC FINANCING PRODUCTS TO CREDIT CO-OPERATIVES IN MALAYSIA

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ABSTRACT

Credit Co-operatives serve to stabilize the global economy and played a vital role in Malaysian economic. There are a total of 10,087 registered co-operatives in Malaysia, with a total membership of more than 7 millions people. The purpose of this research is to identify outstanding entrepreneurial attitudes possessed by the Members of the Board of excellent credit co-operatives which are parallel to Muhammad p.b.u.h. as a pioneering entrepreneur. The method used in this study is a questionnaire survey using the instruments that were mainly developed based on a study by Paige (1999) entitled Entrepreneurs' Perception of Success Inventory. There are only 35 credit co-operatives which listed in the category of best 100 co-operatives by Co-operative Commission of Malaysia, which represented by a total number of 350 Credit Co-operative Board members. Variables tested were the phenomenon of credit co-operatives success as the dependent variable while the independent variables were the eight dimensions with an addition of Islamic financing product. Data were analyzed using SPSS version 21. Through correlation analysis test, the results found that there were significant correlations between the successful credit co-operatives with goal-setting, personality, motivation, knowledge and Islamic financing product. It makes way to promote Islamic financing product.

Keywords: *Muhammad p.b.u.h. as a pioneering entrepreneur, Entrepreneurs' Perception of Success Inventory (EPSI), 35 excellent credit co-operatives, Islamic financing product*

INTRODUCTION

The general co-operatives principles are in consistent with Islamic perspectives

The awareness of co-operative is flourishing among the Islamic Malay community. This is in accordance to the words of Allah SWT:

“... and help each other in righteousness and piety, and help not one another in sin and transgression and remain fearing Allah...” (Al-Maidah: 2)

Hatta (1960) said, co-operative is intended as a method against capitalism and attempt to help lift people from poverty and destitution, and society is the basis of the economy of the people, and the ambition struggle against the occupation since the beginning of the 20th century. Zulkarnain (2007) mentioned that the basic co-operative principles were taken from Rochdale Co-operative Principles (*Rochdale Principles*) through the first co-operative formed by 28 labor looms in a factory in Rochdale, England in 1844. The 8 Rochdale Principles said that: (i) democratic control, (ii) open membership, (iii) limited interest on capital, (iv) the distribution of surplus in dividen to the members in proportion to the purchases, (v) trading strictly on cash basis, (vi) selling only pure and undelaterated goods, (vii) providing for the education of the members in Co-operative principles as well as for mutual trading, (viii) political and religious neutrality. But the 8 Rochadale Principles has the similarities and differences with the principles embodied in Malaysia Co-operative Societies Act 1993 which outlines 7 principles: (i) open membership, (ii) democratic control by members, (iii) economic participation by members, (iv) autonomy and independence, (v) education training information, (vi) cooperation among co-operatives, and (vii) community conscious. Slight differences do not affect the main and prominent goal of the co-operatives movement.

OBJECTIVES OF THE STUDY

General Objective

To identify the factors that influences the success of credit co-operatives in facing competitions and tribulations of business.

Definite Objectives

To ensure the general objective can be successfully achieved, five definite objectives as stated below have been identified:

1. To identify a relationship between goal-setting with the phenomenon of success of credit co-operatives.

2. To identify a relationship between personality with the phenomenon of success of credit co-operatives.
3. To identify a relationship between knowledge with the phenomenon of success of credit co-operatives.
4. To identify a relationship between motivation with the phenomenon of success of credit co-operatives.
5. To identify a relationship between Islamic financing product with the phenomenon of success of credit co-operatives.

RESEARCH QUESTIONS

Based on the comments made on the problem and the purpose of the study, there are some questions that can be used as the basis of this study. The questions that arise are:

1. To what extent the existence of relationship between goal-setting with the phenomenon of success of credit co-operatives.
2. To what extent the existence of relationship between personality with the phenomenon of success of credit co-operatives.
3. To what extent the existence of relationship between knowledge with the phenomenon of success of credit co-operatives.
4. To what extent the existence of relationship between motivation with the phenomenon of success of credit co-operatives.
5. To what extent the existence of relationship Islamic financing product with the phenomenon of success of credit co-operatives.

PROBLEM STATEMENT

Though competition from companies that are not co-operative and other financial institutions perceived as a threat to the business of credit co-operatives such as Malaysian Building Society (MBSB, 2011), Coshare Company Holdings Berhad (2011), and Bank Rakyat Malaysia Berhad (Bank Rakyat, 2011). They can offer better term such as payment to customers (payout) is 100%, the customer may be able to get more cash from the net when they make loan from them, interest rate loans very low between 3.5% to 4.3% and a long repayment period of 25 years. This phenomenon enables credit co-operative to compete with these institutions in the market.

Royal Malaysian Customs Department (Zaleha, 2013), said the newly Goods and Sales Tax (GST) launched by the Government is also imposed to the co-operative society. It involves 6% tax on co-operatives loan processing fees, 6% tax payable is additional the charge by ANGKASA when the current tax already between 0.6% to 2% . Moreover, the 6% GST is also imposed to co-operative membership monthly fees, which at least RM30 per month (Co-

operative Act, 1993). Therefore, Goods Sales Tax (GST) brings more financial burden to the members of the credit co-operatives and creates anxiousness among the public to make loan to the credit co-operatives since other financial institution do not charge the borrower with GST nor the membership fees.

The implications

All the issues created great problem to the co-operative sectors such as unequal competition causing the co-operative products to be uncompetitive. GST tax on credit co-operative is a threat to people of lower and middle class income since the co-operatives main objective is to promote thrifty and saving. Future saving should not be burdened with tax. Furthermore, saving has its own obligation that is to pay yearly "zakat" and yearly tax by Inland Revenue (LHDN). The loan and saving scheme offered by the co-operatives are for the lower and middle income group to overcome the poverty in the society. Since financial institution do not charge the borrower with GST nor the membership fees, this will cost the lost of sales opportunities to co-operative and the difficulties may trap the people into the loan sharks. When the income become less, consequently the co-operative still has to bear the burden of salaries and operational cost and bank repayment and the whole business of the co-operatives will fall.

SIGNIFICANCE OF THE STUDY

According to Malaysian Co-operative Commission (2012) in Table 1, the total number of registered co-operatives in Malaysia is 10,087. Co-operative with the most members is the credit co-operatives with 1.7 millions members, the number is more than the members of Bank Rakyat. School co-operatives are uncountable, since the members are automatically come from the secondary schools' students. Eventhough, credit co-operatives have the most number of members but they are only represented by 558 registered credit co-operatives compare to the total number of registered co-operatives in Malaysia (10,087). From the total credit co-operatives (558), the category of big size credit co-operative has more than 1.2 million memberships (Table 2), that is 70.6%. Meanwhile source from the Public service commission of Malaysia (JPA, 2012) said that more than 1.2 millions government servants are using the service of credit co-operatives to get their personal loans. From these significant statistics on credit co-operatives, a study should has been done on the factors contributing to the success of the excellent credit co-operatives.

Table 1: General Statistic on the Function of the Co-operatives until 31 December 2012

No.	Function	No Of Co-operative	Membership
1	Banking	2	1,008,631
2	Credit	588	1,736,078
3	Agriculture – Adult	2,142	448,021
4	Agriculture – School	6	403
5	Housing	159	128,076
6	Industry	201	17,044
7	Consumer – Adult	2,172	573,029
8	Consumer – School	2,244	2,125,379
9	Construction	163	123,960
10	Transportation	435	147,479
11	Service	1,975	720,615
	Total	10,087	7,028,715

Source: Malaysia Co-operative Societies Commission, 2012

A study on global entrepreneurial activity found that level of national entrepreneurial activity is positively related to the level of economic growth. Additionally, it is also found that the establishment of Small and Medium Enterprises (SMEs) and its growth is significantly associated with job opportunities, increasing productivity and innovation (Acs, 1999; Kuratko & Hodgetts, 1995; Reynolds & White, 1997). Mohd Khairuddin (2007) states that one of the reasons why SMEs is important because it represents the majority of business in many countries and in Malaysia, their significant contribution to the economy is through creating jobs opportunities, generating income, productivity of goods and services.

For reasons explained above, it is very important to study the success factors of credit co-operatives in Malaysia through entrepreneurial perspective to help understand what contributes to success and this can be further boosted to ensure the co-operative sector continues to grow rapidly to continue to drive country economic growth.

LITERATURE REVIEW

Muhammad pbuh. As a Pioneering Entrepreneur Example

Nor Adila and Salmiah (2011), stated that entrepreneurial history of Islam started since Prophet Muhammad p.b.u.h. was at a very tender age. At that time, he worked as a shepherd. Then, he became a merchant and was appointed by Siti Khadijah as a managing director of her trading company. When he was at about 24 years old, Siti Khadijah's trust on Muhammad increased when she found out that Muhammad pbuh had experience in the business since the age of 12 years. After the death of Abdul Muttalib, the Prophet's grandfather, was reared by his uncle, Abu Talib (the father of 'Ali), a well known and prominent corporate figure in the Arabian Peninsula.

He has trained the Prophet in business (al-Misri, 1993) led him to Syria, Iraq and other Middle Eastern countries to do business.

The Prophet's wisdom and know-how in matters relating to trade and commerce has led some of his uncles, comprising ignorant corporate leaders such as Abu Lahab, Abu Sufyan and other members of the board of directors of Bani Hashim family-owned company had met and decided to provide capital to the Prophet. When the offer was made, he refused to accept because the offer had exploitation motive and requested the Prophet Muhammad pbuh to acknowledge Latta and Uzza as god.

The refusal was done because the Prophet Muhammad p.b.u.h. did not want to be manipulated by the feudalistic corporate for their personal gain. Unlike Siti Khadijah who gave him the freedom to manage the business without conditions. The Prophet Muhammad pbuh accepted the offer because of his nature as an honest and has humanitarian responsibility. Because of his honesty and humanitarian attitude that he finally became famous not only in Mecca and the Arabian Peninsula, but also at the international level as corporate leaders of al-Amin (the trustworthy).

The Prophet Muhammad pbuh's name, descendant and personality had become well-known and had enabled him to get the title of 'al-Amin', the trustworthy. He possessed a very tranquil and pleasant character. Once he was appointed as a messenger, it was very easy for both, friends and foes, to accept and acknowledge the truth. Thus, this was the wisdom for the prophet Muhammad pbuh as a Prophet and leader (al-Misri, A. S. 1993). Therefore, it is clear that the Islamic business management concept is based on the Islamic ethics such as 'al-Amin' or trustworthy since it really made the Prophet Muhammad pbuh as a famous and successful Muslim entrepreneur icon of today's world.

According to Buerah, T and Hussin. S. (2011), Islam encourages legitimate business because the business is the largest source of income compared with other sources of income such as a public servant or working with others. The Prophet Muhammad pbuh himself was a trader before he was appointed as a messenger. Similarly, many Prophet's Companions made business as their source of income and even became famous millionaires and helped finance the struggle for Islam such as Abdul Rahman bin Auf ra, Usman bin Affan ra, ra Siti Khadijah bint Khuwaylid and Umar al Khattab r.a. Because of its importance, Islam has put business efforts in a proper place of human life. This is stated in the Quran:

"...and when the prayer has been concluded, disperse within the land and seek from the bounty of Allah, and remember Allah often that you may succeed..."(Al-Jumu'ah: 10)

Business activities are allowed during the pilgrimage season, while other activities are not allowed. This demonstrates the importance of such activities. The civilization and progress of a nation can be seen through the progress of its business. Business development will enable the country to achieve substantial progress and can give prosperity to its people. Meanwhile, in the

context of the Islamic development, trade can be used to spread and develop (Mustafa, 1994). Ibn Khaldun in his book *al-Muqaddimah* states that the business world is wide and is the main cause of economic prosperity of a society. Business activities are also a source of cultural growth of a nation or a culture where the community will grow and develop in humans to meet and engage in activities that bring satisfaction (Ibn.Khaldun, 1995).

The importance of business ventures can also be observed from Hijrah of Prophet Muhammad pbuh and his companions from Mecca to Medina. The main thing that was done by the Prophet Muhammad pbuh after the migration to Medina was to establish two important institutions that was very basis for Muslims, the mosque and the market. The mosque as a center of worship in a definite meaning while the market was the center of trade and economic activity in a general meaning of worship (Sobri, 1988; Mustafa, 1994; Abdullah, 1999). This shows that business and commerce is important in Islam.

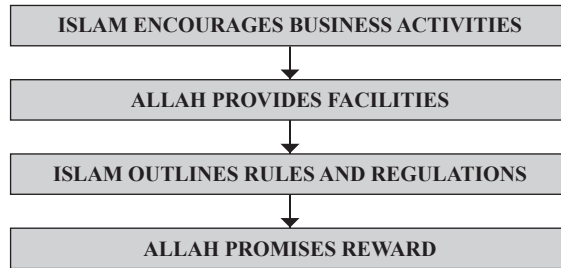
During the era of the companions of the Prophet Muhammad pbuh, Islam had grown and had formed the strongest government and the most extensive territory in the world. The peaceful country had helped boost business and trade up to a city like Medina, Kufa, Basra, Damascus and Mosul as the center of the busiest international trade with its trading activities. Industrial center that produced paper, silk worm, pottery, steel, leather goods, carpets and textiles were established to allow the goods to be exported worldwide (Mustafa, 1994). This development has made the Islamic state as the richest country in the world at that time. For example, during the reign of Caliph Umar bin Abdul Aziz, not even one citizen who was below the poverty line even though his reign was only for oa period of about two and a half years. The evident was during the performing of zakat. Every citizen was to pay the zakat while it was very difficult to get the poor who were eligible to receive zakat. This incident illustrates that the majority of Muslims had a high standard of living. Increased trading business is one of the important factors that contribute to the advancement of Islamic countries at the time.

Business and trade efforts to meet the needs of human beings nowadays are more demanding and Muslims could not separate themselves from the need to increase the involvement in business and trade. These demands are becoming more important to meet the obligatory kifayah to meet the needs of Muslims. However, at the same time Muslims need a guideline in the course of trade and economic efforts. Thus the question of values and ethics play an important role in every aspect of the business and trade in Islam.

Islamic Entrepreneurship Model

The forte of entrepreneurship in Islam is to have a complete and comprehensive model. Islamic entrepreneurship mode encourages business activites, providing facilities, outlines rules and guidelines as well as promising profits and reward now and in hereafter. Diagram 1 shows the Islamic entrepreneurship model by Alias (1992).

Diagram 1: Islamic Entrepreneurship Model



Source: Alias (1992)

Encouragement by Islam to involve in trading are mentioned several times in the Quran, such as in Surah Al -Baqarah: 198 and Al - Muzammil: 20, and some scholars such as al - Qaradawi linked it directly to business. Allah, the Al Mighty, has provided for man to do business and trade and has been clearly shown by Allah in the holy Quran. All these are signs of Allah, His mercy and His Pleasure towards business activities. Some of Allah’s blessings are the sea as roads, boats for transportation, wind as power of direction and purpose, peaceful and conducive environment that encourage trade, season and protection. Islam also has set some rules and guidelines to ensure that the business can run properly and profitable for all parties. Alias (1992) says, the regulation is divided into three, namely macro refers to the policy that benefit all parties and individuals refers to the characteristics of individual behavior such as honesty (Surah Al-An’am: 152):

“...and do not approach the orphan’s property except in a way that is best until he reaches maturity. And give full measure and weight in justice. We do not charge any soul except [with that within] its capacity. And when you testify, be just, even if [it concerns] a near relative. And the covenant of Allah fulfill. This has He instructed you that you may remember.”

According to Devine (2002), profit is an important criteria for the entrepreneur’s success while Paige (1999), and Frese et al., (2002), emphasized on the importance of putting in other components such as freedom and the control of people’s life. Though, the Co-operative Act 1993 also claimed that concerned towards societies is also included in co-operatives principles.

The goal-setting theory by Locke (1968), suggested that a proper acceptance of a difficult and clear goal will turn the individual performance to a better level. Kuhl (1982), and Kuhl (1985), also that claimed individual with action-oriented personality is tend to act faster and more proactive in handling their weaknesses than the individual with condition-oriented personality. Fatin and Hisham (2011), said that Muslim entrepreneurs have to be equipped with both type of knowledge which are; the knowledge of business and the knowledge that develop good manner in entrepreneur’s behaviour. According to Birchall & Simmons (2004), in the theory of “Mutual

Incentive Theory” (MIT), the motivational aspect for the participation is not assuming that human in a normal condition is being cooperate to each other and being self-centered but the motive of their cooperation is because of other people and self-benefits.

Emanuel (2009), said that the microcredit activities should synchronize their business activities with the Malaysian cultural values. Furthermore, the most important thing is Malaysia is an Islamic country and the majority of the citizens are Muslim. Conroy (2002), also emphasized that the micro financing loan must be sensitive to the Muslim customers by only charging the service charge for the micro financing product and not applying any interest on the product.

However, Islamic financing contracts can not be enforced in countries that secular constitution and often contract would accept defeat in a civil court trial . Shariah court in Malaysia has not provided the jurisdiction of Islamic Muamalat (economic), only to the extent of family affairs and Islamic Law of Inheritance. Khalid (2007), in the Kuala Lumpur High Court case of Bank Islam Malaysia Berhad (Plaintiff) with Tan Sri Khalid Ibrahim (Defendant), in which the Islamic Bank, among others, claiming debts of Islamic financing contract (BBA Facility Agreements) on the defendant. Defendant rejected the argument that the BBA Facility Agreements products offered by Islamic banks are not authorized to offer these products in accordance with the Islamic Banking Act 1983 and the BBA Facility is not in accordance with the teachings of Islam, with the Islamic Bank was violating the truth as the Islamic Banking Act 1983. The High Court rejected the Plaintiff claim and Justice Zawawi Salleh ordered the case to be referred to the Advisory Commission of Bank Negara Malaysia (the Shariah Advisory Council of Bank Negara Malaysia, SAC). Islamic financing contract can not be enforceable in the civil courts in Malaysia, so there should be efforts to draft a contract that can be enforced in both the Civil and Syariah courts. Shirley (2006), stated that the main challenge is to draft a contract agreement with *Shari'a compliant* and at the same time ensuring that the contract should be enforced in secular court. Ernst (2008), in German secular stated that legislature should be enacted and not all parties are given the freedom to agree with the contract as they want. For the purpose of establishing Islamic Banking and enforcing the Islamic contract in German court, process analysis and identifying the products must be done carefully, then choose the appropriate secular legal clauses to conform to Islamic financing contracts. Draft contract manufacturing is very important to solve these *Shari'a compliant* problems, yet there are still many loopholes in Islamic financing contract agreement when the contract is tabled in Malaysian court.

Most financial institutions and credit co-operatives in Malaysia offer Islamic financing products, but not all the features are the same as each of them depends on the scholarly consultant in the financial institution called the Board of Syariah. Hanif (2008), states that the interpretation of Sharia Board is in accordance with their skills in four major sects of Islam fiqh (schools of thought); the Shafi sect, Hambali sect, Hanafi sect and Maliki sect. Thus, the composition of the Syariah Board should include scholars who are proficient in all four schools of thoughts in the interpretation of Islamic products so that the output is agreed and accepted by all Muslims from all sects and localities. However, according to the study by The International Monetary Fund

(Juan, 2007) noted that many scholars are invited as referral specialists to occupy the Syariah Board in a country as well as abroad, thus creating consistency in the interpretation of Islamic financing products even if issued by different financial institutions. Ernst (2008), stated that in Germany, it is not enacted that every financial institution is required to have the Syariah Board but it is their own initiative to have one for the purposes of Islamic financing credibility and gaining the trust of Islamic products from customers. There are financial products in the existing banking system in Germany actually has fulfilled Syariah guidelines and there are also products that can be categorized as complying with Syariah guidelines by amending or adding some clauses.

In contrast, in the Netherlands, the law requires the sale contract to be stated in detail the payment of the debt and the interest (Israel, 2006). Thus, the interest will be clearly stated in the contract but consequently there are a few legal obstacles arise. The Islamic contracts require two sales transactions, it will be more expensive because customer has to pay stamp duty twice. Good move has been made in the UK, where the former Chancellor of the Exchequer, Gordon Brown, had abolished double stamp tax in the 2003 Budget (Han, 2007). But other barriers are quite hard to be ignored for example the conventional housing loans in the UK are at risk of 50% under the Basle bankruptcy act and in the case where the financier (bank) holding of property, the risk rises to 100%. Thus, the interest has become one major element that could cause bankruptcy. In Malaysia there are many customers who are not obsessed with either the product is syariah compliant as it will extend the processing time and increase the costs. When the Islamic financing products was first introduced in the United Kingdom, Dar Humayon (2004), conducted a survey to see the interest of Muslims on the products. Surprisingly, only a small handful of Muslims in the UK were interested in Islamic financing products; from 500 Muslims in the UK, only 5% are very interested in Islamic finance, while 23% are interested in housing loans (mortgages) if only the rate is competitive with the conventional interest-based mortgage. Oakley (2007), states that mortgage is growing in the UK, and is expected to reach a value of £850 million a year to customers amounted to 8,000 people when conventional financing totaling more than £1,000 billion, and the rate of increase is in double digits.

HYPOTHESES

The following hypotheses are developed based on the explanation of the variables.

- Ho 1: There is no significant relation between goal setting with the phenomenon of success of credit co-operatives*
- Ho 2: There is no significant relation between personality with the phenomenon of success of credit co-operatives*
- Ho 3: There is no significant relation between knowledge with the phenomenon of success of credit co-operatives*

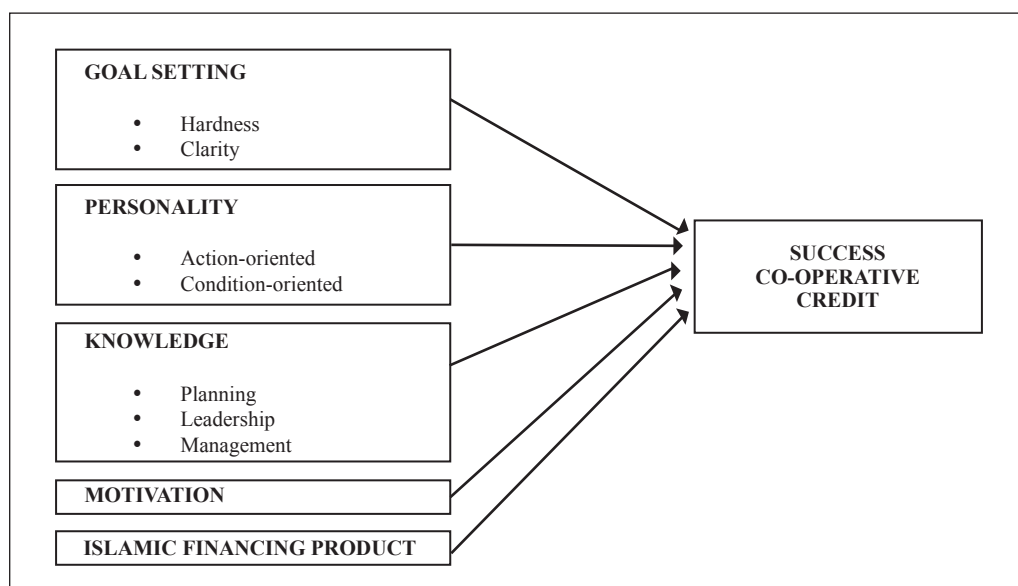
Ho 4: *There is no significant relation between motivation with the phenomenon of success of credit co-operatives*

Ho 5: *There is no significant relation between Islamic financing product with the phenomenon of success of credit co-operatives*

STUDY FRAMEWORK

Based on Diagram 2, the study involved nine independent variables, there are goal-setting hardness and clarity personality action oriented and condition oriented, knowledge for planning, leadership and management, motivation and Islamic financing product, while success for co-operative credit is the dependent variable.

Diagram 2: Research Framework



Source: Yurkiewicz (1996), Sun (2003), Valdez (2009) and Zahiruddin (2011)

RESEARCH METHODOLOGY

In order to conduct this research, the researcher took the opinion from Fraenkel & Wallen (1996) that suggest the quantitative method based on survey can provide information which will be able to identify the relation between the succes phenomenon of credit co-operatives with the predictors tested in this research; the goal- setting, personality, knowledge, motivation and Islamic financing product.

Research was done to the total number of population of 350 respondents from 35 credit co-operatives which were listed in top 100 co-operatives in Malaysia for the year 2012 by Co-operatives Commission of Malaysia. The sampling method employed was comprised of nine board of directors with an addition of one senior manager from all the 35 credit co-operatives. Thus the total population was 350 respondents. Consequently, 190 completed and answered questionnaire were return back to the researcher. Methods used in the study was the questionnaire survey using instruments adapted from “*Entrepreneurs’ Perception of Success Inventory*” (EPSI) questionnaire by Paige (1999). The original survey is from the questionnaire created by Yurkiewicz (1996), Sun (2003), Valdez (2009) and Zahiruddin (2011) which originally in Malay while the survey on Islamic financing product was based on Kamisan (2004) which was available in English and had been translated to Malay and checked by two senior lecturers from Universiti Malaya, Malaysia.

Questionnaire type is a multiple choice questions and Likert scale of 7. According to Table 3, the questionnaire is designed in two parts, A and B, which contains of 67 items. Part A contains 14 demographic items and Part B contains the factors that influence the success of co-operative credit (4 items for success; 9 items for goal setting, 8 items for personalities, 23 Items for knowledge; 5 items for motivation and 4 items for Islamic financing product).

Table 3: Number of Questionnaires

No	Factor	Item
1.	Demografy	14
2.	Success Factor	4
3.	Goal Setting	9
4.	Personality	8
5.	Knowledge	23
6.	Motivation	5
7.	Islamic Financing	4
Total		67

DATA ANALYSIS - CORRELATION ANALYSIS

The correlation test is to identify the relationship between independent variables with the phenomenon of success among credit co-operatives. Table 4 shows the results of correlation of the data.

Descriptive statistic results were based on the collected data from 190 respondents. The data had been analysed and the results were as follows. For the Highest Academic Qualification variable, data showed that 16 respondent (8.4%) qualified with SPM, 44 (23.2%) with STPM, 14 (7.4%)

with Diplome, 50 (26.3%) with First Degree, 45 (23.7%) with Master’s in Science Degree, 15 (7.9%) with Master’s in Art Degree and 6 (3.2%) with Doctor in Philosophy (PhD). The total of male respondents were 143 (75.3%) while 47 (24.7%) were female.

Three respondents (1.6%) were between 18 to 25 years old, 36 (18.9%) between 26 to 33, 32 (16.8%) between 34 to 41, 65 (34.2%) between 42 to 50 and 54 (28.4%) respondents were 51 years old and above. From the total of 190 respondents, 20 (10.5%) were Presidents, 31 (16.3 %) were Co-Presidents, 32 (16.8%) were Secretaries, 27 (14.2%) were Treasurers, 51 (26.8%) were Co-operatives Members of Board and 29 (15.3%) were the Credit Managers. The respondents were comprised of 187 (98.4%) Malays, a Chinese and another two persons which came from other races. The number of co-operatives that have been registered in less than 5 years were 3 co-operatives (1.6%), between 5 to 10 years was 1(0.5%) co-operative, between 11 to 15 years were 4 co-operatives (2.1%) and more than 15 years were 182 co-operatives (95.8%).

From 190 co-operatives, 45 co-operatives (23.7%), were having staffs less than 10 person, 3 co-operatives (1.6%) were having between 11 to 20 staffs, 49 co-operatives (25.8%) were having 21 to 30 staffs, 54 co-operatives (28.4%) were having between 31 to 40 staffs, while the co-operatives which were having more than 40 staffs were 39 (20.5%).

Table 4: Correlation between Success (Dependent Variables) and Independent Variables

	Variables	Pearson Correlation	Sig. (1- tailed)	Hypotheses	McBurney (2001) Definition of Correlation
1.	Goal Setting Clarity	.500	.000	Reject <i>H₀</i>	Moderate
2.	Condition-Oriented Personality	.302	.000	Reject <i>H₀</i>	Weak
3.	Planning Knowledge	.282	.000	Reject <i>H₀</i>	Weak
4.	Leadership Knowledge	.323	.000	Reject <i>H₀</i>	Weak
5.	Management Knowledge	.321	.000	Reject <i>H₀</i>	Weak
6.	Motivation	.139	.028	Reject <i>H₀</i>	Weak
7.	Islamic Financing	.183	.006	Reject <i>H₀</i>	Weak
8.	Goal Setting-Hardness	-.065	.188	Accept <i>H₀</i>	-
9.	Action-Oriented Personality	.112	.061	Accept <i>H₀</i>	-

The results showed variable correlation clarity of goal setting, personality-oriented situation, knowledge of planning, leadership and management, motivation and Islamic financing are connected with the phenomenon of success in credit co-operatives. Meanwhile, the difficulty of goal setting and action-oriented personality have no a significant bearing on the success of the phenomenon in credit co-operatives.

RESULT OF HYPOTHESES

The null hypothesis were rejected and draw the meaning of:

- a. There is a significant relationship between the clarity of goal setting and the phenomenon of success of the credit co-operatives.
- b. There is also a significant relationship between condition-oriented personality and the phenomenon of success of the credit co-operatives.
- c. There is a significant relationship between planning knowledge, leadership and management and the phenomenon of success of the credit co-operatives.
- d. There is a significant relationship between motivation and the phenomenon of success of the credit co-operatives.
- e. There is a significant relationship between the Islamic financing product and the phenomenon of success of the credit co-operatives.

DISCUSSION

Results obtained in this study showed that goal-setting is significantly related to the success phenomenon in credit co-operatives. This is consistent with the attitudes and determination of the Prophet Muhammad pbuh in his business activities until he was able to bring his companions together in his successful journey. During the era of the companions of the Prophet Muhammad pbuh, Islam had grown and had formed the strongest government and the most extensive territory in the world.

The result also showed that knowledge is among the important factors for credit co-operatives success. This is related to the values brought by the Prophet Muhammad pbuh which encourages the entrepreneurs to increase their effort in business. This is also related with what have been done by Prophet Muhammad pbuh's uncle Abu Talib who had trained the Prophet in business (al-Misri, 1993) which led him to Syria, Iraq and other Middle Eastern countries to do business. In co-operatives succes, knowledge is also important since it is proven that the Prophet's wisdom and know-how in matters relating to trade and commerce has led some of his uncles, comprising ignorance corporate leaders such as Abu Lahab, Abu Sufyan and other members of the board of directors of Bani Hashim's family-owned company had met and decided to provide capital to the Prophet Muhammad pbuh.

The result also showed that Rasulullah pbuh has been the best example to his followers (ummah) from the side of manners (akhlak) and his commitment in business. Because of honesty and humanitarian attitude, Rasulullah pbuh finally became famous not only in Mecca and the Arabian

Peninsula, but also at the international level as corporate leaders of *al-Amin* (the trustworthy). The Prophet Muhammad pbuh name, descendant and personality had become well known and had enabled him to get the title of 'al-Amin', the trustworthy. He is also possessed a very tranquil and pleasant character. Therefore, it is clear that business planning, leadership and management concept based on the Islamic ethics made the Prophet Muhammad pbuh as a famous and successful Muslim entrepreneur icon of today's world.

The result of this research also showed that a higher level of motivation from the members of the board in co-operatives was significantly related to the success of credit co-operatives. This is compatible with Rasulullah pbuh's method in which he motivates his followers (ummah) to excel in business since it will gain the *duniawi's* and *ukhrawi's* profit because of Islamic rules compliance in business.

Results showed that Islamic financing product is also among the important factors for credit co-operatives success. Allah SWT encourages the people to do trading wisely and properly and did not correlate it with interest (*riba'*). Allah SWT has also told us that syariah practices in trading will lead us to the success in business. Encouragement by Islam to involve in trading are mentioned several times in the Quran, such as in Surah Al -Baqarah: 198 and Al - Muzammil: 20.

"It is no crime in you if ye seek of the bounty of your Lord (during pilgrimage). Then when ye pour down from (Mount) Arafat, celebrate the praises of Allah at the Sacred Monument, and celebrate His praises as He has directed you, even though, before this, ye went astray."
(Surah Al -Baqarah: 198)

"...read ye, therefore, of the Quran as much as may be easy for you. He knoweth that there may be (some) among you in ill-health others travelling through the land, seeking of Allah's bounty yet others fighting in Allah's Cause, read ye, therefore, as much of the Quran as may be easy (for you) and establish regular Prayer and give regular Charity and loan to Allah a Beautiful Loan. And whatever good ye send forth for your souls ye shall find it in Allah's Presence, - yea, better and greater, in Reward and seek ye the Grace of Allah. for Allah is Oft-Forgiving, Most Merciful." (Al - Muzammil: 20)

The results show that credit co-operatives which provide Islamic financing products will experience a continuous success rate. This is in line with the opinion of Conroy (2002), Maghoul (2004), and Emanuel (2009). Similarly, the rights of Malaysians such as in Article 11 of the Constitution of Malaysia will be satisfied where the people are given the right to choose an Islamic financing products that are proven to have a significant relationship with the phenomenon of the success of credit co-operatives. Although the interpretation of McBurney (2001), says that the relevance rate is weak, but this interpretation carries two implications, first, Islamic financing products is newly introduced by credit co-operatives, and second all parties need to redouble efforts to promote Islamic finance products.

The entrepreneurial spirit shown by a cooperator shows a significant correlation to the success of credit co-operatives. The spirit are to have a clear goal, a response to the personality, planning knowledge, leadership knowledge, management knowledge, motivation and Islamic financing products. These are the prominent knowledge contributed by the researcher in this study .

RECOMMENDATIONS

Discovery on the good characteristics such as setting clear goal, condition-oriented personality, knowledge in planning, knowledge in leadership, knowledge in management as well as the high level of motivation are the attitudes needed for a members of the board in co-operatives. This is because, this study has proved that those characters and attitudes are significantly correlated with the succes phenomenon in credit co-operatives. Therefore, the co-operatives should organize various programs such as conferences, workshops and courses in order to built those specific characters for the members. The aim of emphasizing those characters is to improve the members' competency to handle the co-operatives activities.

Similarly, the authorities of the affairs of the co-operatives, namely Malaysia Co-operative Societies Commission (SKM) and the Ministry of Domestic Trade, Co-operatives and Consumerism (Ministry) can make this study as a platform to nurture and support other co-operatives and enable them to take the right approach in managing the organizations.

The offering of Islamic financing product shows a significant link to the phenomenon of success of credit co-operatives, but the conscious among the community to select the product is still unwavering. Credit co-operatives, banks and financial institutions take this advantage by offering both types of products, Islamic finance and conventional products based on usury or interest calculation. Customers are looking for products for which a loan approval is given faster except for a group of Muslim customers who are very loyal to the Islamic financing products. The non-Muslim customers will subscribe to Islamic products after having a long-term argument that will not be overwritten investment losses though the inflation will occur. This is because the Islamic product profit rate is fixed and sealed *aqad* agreement for the whole value of the contract and will not vary whatever the risk is. Therefore, the researcher strongly recommend Muslims in Malaysia and global to support and subscribe to Islamic financing products issued by financial institutions and credit co-operatives because by doing so could be a significant correlation to the success of credit co-operative.

CONCLUSION

This study provides many significant breakthrough in terms of ensuring the phenomenon of success of credit co-operatives. In addition, this study successfully apply the entrepreneurs characteristic to verify the success phenomenon of 35 excellent credit co-operatives in Malaysia. Thus this study can serve as a reference in the future. It is hoped that this study will be a guide to credit co-operatives which are not selected as a respondent to take appropriate action such as enhancing the capability of the board of director according to the characteristic of those from excellent credit co-operatives.

This study is also relevant to organizations such as banks and other financial institutions, the statutory body of government loans (loans to business), the franchise organizations such as the oil company and restaurant chain, may benefit in term of to assist them in making decision to assess the potential of co-operatives and determine which co-operatives would be selected to be nurtured and supported.

If the members of the board have the selected characteristics as stated above, the co-operatives have great potential to develop and excellent. On the other hand, the observation to the boards members who do not practice the good characters, would indicates that this co-operatives would not perform excellent. This would be the indicator to the authority body to take an alert on those co-operatives.

Last but not least, the study is expected to arouse the interest of other related studies to further contribute to the understanding of the behavior of credit co-operatives and other co-operative functions. This study is also an opener towards more significant study of human behavior and the professionalism, with the goal of enhancing co-operative sector as a third effective and successful contributor to the Malaysia's GDP.

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