

FACTORS CONTRIBUTING TO THE SUCCESS AND EXCELLENCE OF CREDIT COOPERATIVES IN MALAYSIA, SPECIAL FINDING ON ISLAMIC FINANCING PRODUCT

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ABSTRACT

The purpose of this research is to identify the exemplary entrepreneurial attitudes which characterizes board members of an excellent credit cooperatives in Malaysia, with a view to act as role model for other cooperatives, against the backdrop of numerous hurdles it has been encountering including certain government policies as well as external competitions. This study is carried out based on a survey questionnaire method using several instruments that are adapted from the “Entrepreneurs Perception of Success Inventory” (EPSI). Out of the 588 registered credit cooperatives, there are only 35 cooperatives, which are listed among the best 100 cooperatives by the Cooperative Commission of Malaysia, representing a total population of 350 credit cooperative board members. The variables tested in this study are; 1) The dependent variable represented by the phenomenon factors of credit cooperatives success and 2) The independent variables, that are represented by nine dimensions, are goal setting, personality, knowledge, motivation and Islamic financing. The data were analyzed using SPSS version 21. Tests were conducted prior to factor analysis and the seven variables tested by correlation analysis showed significant results. From the results obtained, regression model can be built and the most dominant variable that contributes to the success of credit cooperatives is setting clear goals and the value of relationship strength of the tested variants is 25%.

Keywords: *35 excellent credit cooperatives; Entrepreneurs’ Perception of Success Inventory (EPSI); goal setting, personality; knowledge; motivation and Islamic financing.*

INTRODUCTION

The principles and the values brought about by the cooperative movement is a key pillar of the success of the cooperative movement around the world, (*Smith & Ross 2006*). The establishment of cooperative banking in various forms such as credit unions, building societies and cooperative banks focusing on the needs of its members has enabled it to carry out financial services activities for their members more effectively. Excessive risk-taking financial institutions such as those in the commercial banking system, are more susceptible to risk of failure in the event of global economic crisis. Commercial banks may face difficulties due to the individual's perception regarding loans interest cost factor arising from possible interest rate variation (*Chong, 2009*) during the financial crisis. On the other hand, credit cooperatives should take this golden opportunity to increase its business by offering additional services or other benefits to its members.

According to Malaysian Cooperative Commission (2012) in Table 1, the total number of registered cooperatives in Malaysia is 10,087. With 1.7 million members, credit cooperatives have the most number of members, and it even surpassed that of Bank Rakyat membership count. School cooperatives are excluded since its members are derived automatically from the secondary schools' students. Eventhough credit cooperatives have the most number of members but they are only represented by 558 registered credit cooperatives out of the total number of registered cooperatives in Malaysia (10,087). From the total credit cooperatives (558), the category of big size credit cooperative have more than 1.2 million memberships (Table 2), that is 70.6%. Meanwhile, a source from the Public service commission of Malaysia (JPA) (2012) indicated that more than 1.2 millions government servants are using the service of credit cooperatives to get their personal loans.

Table 1: General statistics on cooperatives according to its function on 31 December 2012

No	Function	No. of Coop	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	Development	163	123,960
10	Transportation	435	147,479
11	Service	1,975	720,615
	Total	10,087	7,028,715

Source: Malaysian Cooperative Commission 2012

Table 2: General statistics on credit cooperatives according to the cluster on 31 December 2012

Cluster	No. of Coop	No. of Membership
BIG	56	1,174,413
MEDIUM	85	344,794
SMALL	124	141,075
MICRO	323	75,796
Total	588	1,736,078

Source: Malaysian Cooperative Commission 2012

PROBLEM STATEMENT FROM COOPERATIVE CREDIT

There are three issues which continue to be the obstacles for the progress of credit cooperatives in Malaysia; Firstly, the policy issues from the Cooperative Commission of Malaysia (CCM); secondly, competition from non-cooperative institution and thirdly, compliance with the instructions of the Central Bank of Malaysia. The biggest tragedy that had befallen the Malaysian Credit Cooperative was the suspension of the activities of 8 credit cooperatives by the Cooperatives Commission of Malaysia (CCM) in 2010. The activities that were prohibited to be carried out by definition of Models 3 through GP6 or GP7 circular issued by the CMC (11 November 2010). The situation worsened when CCM intentionally allowed only one new credit cooperative credit activities to be carried out using Model 3, causing great loss to the suspended credit cooperatives as a result of its membership transfer to the new cooperative and consequently not being able to generate any new revenue.

Central Bank instructions to shorten repayment period for loan is another form of hindrance to its progress. Credit cooperatives had all along been giving out personal financing facilities with long repayment periods up to 25 years. However, the new Central Bank of Malaysia's rule pursuant to section 31(1)(a) of the Central Bank of Malaysia Act 2009 (*Akta BNM*), requires all credit cooperatives registered with the Cooperative Commission of Malaysia under the Cooperative Societies Act 1993 to comply with the financial stability measures such as the repayment period for personal loan must not exceed the maximum period of 10 years. Additionally, the method of calculating payroll deductions for the purpose of financing under the scheme of ANGKASA Deduction Bureau is extended to take into account reimbursement amount for all loans taken (ie, include both loan under the scheme and outside the scheme) and pre - approved personal financing is prohibited. New method of calculating the limit of 60% of the financing facility through payroll deductions offered under the BPA scheme is derived as follows:

$$\text{The Ratio of Debt Repayment (DSR)} = \frac{\text{All Loan Repayment}}{\text{Net income after Statutory Deduction}}$$

As a result this latest directive from Central Bank of Malaysia, the potential client based would be significantly reduced as a short payback period resulting in high monthly installments would be beyond the capacity of the majority of its targeted customers and consequently the credit cooperative business would be adversely affected.

OBJECTIVES

The purpose of this study is to extend the previous research which highlights the effectiveness of entrepreneurial traits in credit cooperative board members in relation to its level of success. Based on the statement of problems above, we have outlined a number of objectives to be achieved in the study of credit cooperatives in Malaysia. Thus the objectives of this study are:

1. To identify the significant relationship between goal setting with the success of credit cooperatives.
2. To identify the significant relationship between personality and success of credit cooperatives.
3. To identify the significant relationship between knowledge and success of credit cooperatives.
4. To identify the significant relationship between motivation and success of credit cooperatives.
5. To identify the significant relationship between Islamic financing to the success of credit cooperatives.

The objectives are followed by a study and eventually alternate hypotheses will be tested:

Ha1: There is significant relationship between goal setting with the success of credit cooperatives.

Ha2: There is significant relationship between personality and success of credit cooperatives.

Ha3: There is significant relationship between knowledge and success of credit cooperatives.

Ha4: There is significant relationship between motivation and success of credit cooperatives.

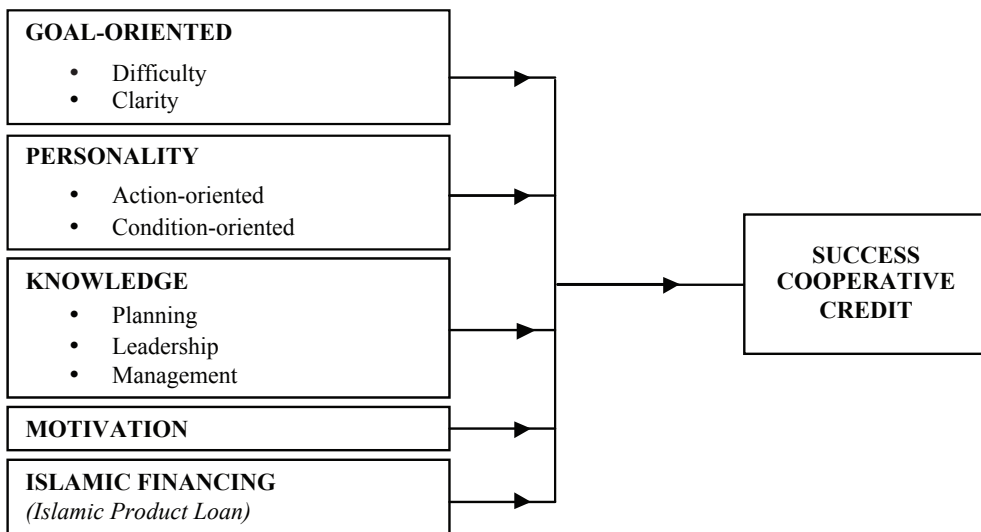
Ha5: There is significant relationship between Islamic financing to the success of credit cooperatives.

Finally a model equation for this study will be developed and would be able to identify the most dominating variables which acts as the phenomenon of success of credit cooperatives in this study.

CONCEPTUAL FRAMEWORK

A study of conceptual frameworks have been taken and adapted from a concept developed by Yurkiewicz (1996), Sun (2003), Valdez (2009) and Zahiruddin (2011) to carry out research on the phenomenon of the success of credit cooperatives in Malaysia. The variables studied are successful phenomenon as the dependent variable, while the independent variables as predictors of success of credit cooperatives are difficulty goal setting, goal clarity, action oriented personality, circumstances oriented personality, planning knowledge, leadership knowledge, management knowledge and motivation. The results from the literature review found that Islamic finance products have contributed to the success of cooperative phenomena; thus we suggest that this variable as the contribution of knowledge in this research as shown in Diagram 1.

Diagram 1: Research Framework



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

RESEARCH HIGHLIGHTS

The study of entrepreneurial and cooperative success in Malaysia

Jamilah (2011) has made a study on the level of members participation in cooperative economic activities in Malaysia. The study only focused on consumer cooperatives,

farming, housing, industry, transport and services. Credit cooperatives, banking cooperative and schools cooperative were not included in the sampling process. *Zahiruddin (2011)* has made a study immersing the factors that influence the success of entrepreneurs engaged in the manufacturing sector in Malaysia. This study contributes to giving constructive and meaningful views and ideas to entrepreneurs to enhance their businesses, which in turn would contribute to the nation's economy. The dependent variables studied are successful entrepreneurs, while the predictor variables in the study are goal setting, personality, knowledge and motivation.

The dependent variable is a reference adapted from "Entrepreneurs' Perception of Success Inventory" (EPSI) by (*Paige, 1999*) to measure the success of entrepreneurs. EPSI instruments confirm all respondents are successful entrepreneurs and were chosen from among the members of the top 100 co-operatives for the year 2012 .

Emanuel (2009) states that credit cooperative activities must adapt its business with Malaysian cultural values and more so with Malaysia being an Islamic state and having a Muslim population majority. In view of the likelihood of Muslims favoring Islamic products over conventional products, it is imperative that microfinance products conforms to the religious guideline of Islam. Since March 1993, many banks and financial institutions began to introduce Interest-Free Banking Scheme (IBS) that Muslims and Malaysians can use banking services not involved in usury (*Muamalat 2012*). According to the Malaysian Federal Constitution Article 11 states that Malaysians are entitled to choose what their religious practices, which provide opportunities for Malaysians to opt for Interest Free Banking (SPTF) to avoid being associated with riba (interest). This is in accordance to the Word of Allah S.W.T.:

"Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein."

By creating an additional independent variable, it is considered as a contribution to Islamic finance knowledge. All the objectives are described by creating research questions and building null hypotheses. In this study, hypotheses are tested by using the software "Statistical Package for Social Sciences (SPSS)" version 21.0, which will ultimately contribute to the success of credit cooperatives in Malaysia.

RESEARCH METHODOLOGY

i. Measurement of success

Paige (1999) found that there are also other methods of evaluating success that differs from success in the stock market. Features such as personal freedom and happiness are also a measure of success. Because the respondents are all members of the Board from among the best cooperative that has been substantially and decisively judged, then for the purpose of this study, the measure of success used are the models by *Paige (1999)*. According to the model *Paige (1999)*, the scale used are seven-point Likert scale adapted from the questionnaire developed by *Yurkiewicz (1996)*, *Sun (2003)*, *Valdez (2009)* and *Zahiruddin (2011)* with respect to Critical Success Factors Malaysian Small and Medium Industries (SMIs) in the Manufacturing Sector in Malaysia, which was adapted from the "Entrepreneurs' Perception of Success Inventory" (EPSI) by (*Paige, 1999*). The original items of this instrument was eight but 4 items have been dropped by the specialist officers of the Cooperative Commission of Malaysia, the Malaysian Co-operative College and the Angkatan Kebangsaan Koperasi Malaysia (Angkasa), since they are incompatible with the Malaysian Cooperative Societies Act 1993.

ii. Research population

For this study, population was highlighted from credit cooperatives of all registered cooperatives as shown in Table 1. However, samples taken are all members of the board of credit cooperative which have been categorized in the index of 100 best of 2012, where the number of Board members of each cooperative are usually nine person, including the Manager. This person in this position is usually someone who is conversant with every operational aspect the credit activities and always participates in meetings with Board members in matters relating to credit activities. A total of 35 credit cooperatives managed to be listed amongst the top 100 cooperatives in Malaysia in 2012 as shown in Table 3 below:

Table 3: Number of Selected Credit Cooperatives Among 100 Best Cooperative in Malaysia According to the State in 2012

State	Total
Kedah	1
Kuala Lumpur	17
Melaka	1
NS	Nil
Pahang	1
State	Total
Pulau Pinang	3
Perak	2
Kelantan	2
Sabah	1
Sarawak	1
Selangor	1
Terengganu	1
Johor	3
Total	35

iii. Test on the content validity of the research instrument

This study used questionnaires to obtain information as a primary channel. The original questionnaire was developed by Yurkiewicz (1996), Sun (2003), Valdez (2009) and Zahiruddin (2011) in Malay Language. Kamisan (2004) has developed question survey variables for Islamic financing in English and has been changed the language to Malay Language and has been reviewed by two senior lecturers in language from the local universities. Then, the questionnaires were given to five specialist officers from the Malaysian Cooperative Commission, Co-operative College of Malaysia and the Angkatan Kebangsaan Koperasi Malaysia (ANGKASA). There were items from the original question which were not consistent with the Cooperative Societies Act of Malaysia 1993 was dropped. The suitability and accuracy of the overall mean of items to measure the study variables according to expert assessment is between 4.35 to 4.72 as shown in Table 4, above the average on a scale of 1 to 5. The 1 to 5 scales were used and described as; 1 is very weak, 2 is weak, 3 is moderate, 4 is good while 5 is described as best. This measurement was as referred to Sahandri (2013). Thus it can be concluded that the items in the questionnaire of this study is valid in terms of content, appropriateness and accuracy of the study.

Table 4: Validity Evaluation by Five Specialist Officers on the Variables Tested

Research Variables	Evaluator Min					Average Min
	Specialist 1	Specialist 2	Specialist 3	Specialist 4	Specialist 5	
Phenomenon of Cooperative Success	4.5	4.75	4.75	4.5	4.75	4.65
Goal-Setting Difficulty	4.25	4.25	4.75	4.5	4.25	4.4
Goal-Setting Clarity	4.6	4.8	4.6	4.6	5	4.72
Action-Oriented Personality	4.75	4.75	4.5	4.25	4.5	4.55
Condition-Oriented Personality	4.5	4.75	4.25	5	4.25	4.55
Planning Knowledge	4.5	4.5	3.875	4.625	4.25	4.35
Leadership Knowledge	4.4	4.6	4.2	4.2	4.8	4.44
Management Knowledge	4.7	4.5	4.3	4.7	4.6	4.56
Motivation	4.6	4.4	4.4	4.6	5	4.6
Islamic Products	4.75	4.5	4.0	5	4.5	4.55

iv. Factor analysis test

Factor analysis was done to obtain the reliability of research tools, SPSS will produce outputs that are measured by several indicators to measure Kaise - Meyer - Olkin (KMO), Barlett's Test of Sphericity, the Eigen values, percentage of variance explained, the loading factor, and the number of items representing the factor. Measurement values are as follows:

- a. Loading factor must be no less significant than 0.3 on the respondent in excess of 200, but if the respondent is less than 200, then the value must not be less than loading factor of 0.4 (Meyer et al, 2006). Items that have a loading factor of less than 0.4, is considered to have crossloading and will not be maintained in this study.
- b. KMO value should be $0.6 < KMO < 0.90$ (Hair et al, 1998, Meyer et al, 2006). The values of 0.5 and below will not pass the requirements for factor analysis of variance.
- c. The value of Barlett's Test of Sphericity, $p < .05$, (Hair et al, 1998, Meyer et al, 2006) show the variables are independent and pass a screening factor analysis.

- d. Eigen value greater than 1 is significant for conditions beyond factor analysis, (Hair et al, 1998, Meyer et al, 2006).
- e. The percentage of variance explained should be around 60% of the total variance (Meyer et al, 2006).

Table 5 shows the five conditions above the factor analysis of the variables were observed in this study (Hair et al, 1998), thus the Pearson correlation test will be conducted.

Table 5: Factor Analysis to the Variables

		Eigen Value	KMO	Sphericity Bartlett	Significant P	% Variance
1	Phenomenon of Cooperative Success	1.978	0.684	116.09	0.000	49.447
2	Goal-Setting Difficulty	2.046	0.656	140.216	0.000	51.149
3	Goal-Setting Clarity	3.473	0.787	755.9	0.000	61.452
4	Action-Oriented Personality	2.702	0.671	499.852	0.000	67.547
5	Condition-Oriented Personality	3.118	0.722	619.583	0.000	77.943
6	Planning Knowledge	3.739	0.814	592.505	0.000	53.420
7	Leadership Knowledge	3.281	0.841	482.208	0.000	65.625
8	Management Knowledge	5.507	0.830	1415.399	0.000	55.07
9	Motivation	2.833	0.739	334.269	0.000	56.657
10	Islamic Loan Products	2.223	0.690	192.177	0.000	53.565

FINDING AND ANALYSIS

i. t-test

Based on SPSS t-test (Table 6), the phenomenon of credit cooperatives success shows that there is a difference between credit cooperatives which are doing business other than the credit activity and those who just depend on credit activity, or in other words the success of cooperatives credit in this study are influenced by the cooperative which conduct business activities other than credit, this is in line with frequency analysis (Table 7), that of the 190 respondents in the Cooperative Board Members questionnaires, they give an opinion that the cooperatives profit category below 25% revenue from other businesses was 45.3% of the respondents, the remaining 54.7% (majority) of the respondents felt cooperative gains more than 25% of the total profit cooperative business contributed by other businesses (Table 8).

Table 6: T-test Result for the Phenomenon of Credit Cooperatives Success Between Credit Cooperatives and Businesses Other Than Credit Activity

	External Capital	N	Min	Standard Deviation	t -Value	Sig.
Cooperative success	Yes	148	1.22	.416	1.848	.000
	No	42	6.228	.5448		

Table 7: Type of Side Business Done by Credit Cooperatives

	Frequency	Percent	Valid Percent	Cumulative Percent
Petrol Station	21	11.1	11.1	11.1
Grocery Store	1	0.5	0.5	11.6
Ar Rahnu	33	17.4	17.4	28.9
Contractor	1	0.5	0.5	29.5
Supplier	11	5.8	5.8	35.3
Plantation	10	5.3	5.3	40.5
Property	50	26.3	26.3	66.8
Investment / Stock	4	2.1	2.1	68.9
Tabung khairat hutang	10	5.3	5.3	74.2
Tourism	7	3.7	3.7	77.9
Not applicable	42	2.1	2.1	100.0
Total	190	100.0	100.0	

Table 8: Percent of the Total Profit Cooperative Business Contributed by Other Businesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 25%	86	45.3	45.3	45.3
Between 26%- 50%	62	32.6	32.6	77.9
Between 50%- 75%	12	6.3	6.3	84.2
Between 75%-100%	30	15.8	15.8	100.0
Total	190	100.0	100.0	

ii. Pearson Correlation Test

Summary of Pearson correlation test for independent variables showed that seven predictor variables are having a significant relationship to the phenomenon of cooperative success (Table 9). Thus, the null hypothesis is successfully rejected; the variables are goal setting clarity, condition-oriented personality, planning knowledge, leadership knowledge, management knowledge, motivation and Islamic financing. Meanwhile, the other two variables have no significant relation to the success of credit

cooperatives. There are goal setting difficulty and action-oriented personality. Thus, the null hypotheses is failed to be rejected.

Table 9: Correlation Between Success (Dependent Variables) and Independent Variables

	Dimensions	Pearson Correlation	Sig. (1- tailed)
1.	Goal Setting Clarity	.500	.000
2.	Condition-Oriented Personality	.302	.000
3.	Planning Knowledge	.282	.000
4.	Leadership Knowledge	.323	.000
5.	Management Knowledge	.321	.000
6.	Motivation	.139	.028
7.	Islamic Financing	.183	.006
8.	Goal Setting- Difficulty	-.065	.188
9.	Action-Oriented Personality	.112	.061

iii. Double Regression

Multiple regression analysis (stepwise) was used to determine the most dominant variables and compose a regression model for this study. The variable is a better predictor if it has a standard beta coefficient higher than standard beta values of other variables. Any independent variables that does not contributed significantly to the confidence level of $p < 0.05$ will be removed from the regression model. Table 10 shows the multiple R models Summaryc is 25.0% of the total variance in this study. Table 11 and Table 12 provides the output that shows two stepwise regression models developed from this regression was significant. Thus, with both models can form the following equation:

$$\text{Success} = o + \beta_1 \beta \text{ Goal Setting Clarity} + \beta_2 \text{ Goal Setting Difficulty} + e$$

$$\text{Success} = 4763 + 0347 \text{ Clarity Goal Setting} - \text{Goal Setting Difficulty} 0.111 + e$$

β Where o is the cross coefficient and e is the error.

From the above regression equation it can be concluded that when one unit, ie goal clarity setting, was added, it would increase the success by 0.347 units. On the other hand, if a unit, ie goals difficulty, was added, it would cause a drop in the success by 0.111 units. Thus it can be concluded that in order to allow credit cooperatives be more successful, then a clear business objectives must be presented to all employees of the cooperative and any goal that is difficult to achieve is to be reduced . This summary also shows that the most dominating independent variable to the phenomenon of success of credit cooperatives in this study is the setting of clear objectives, namely (R square value) is to be 25.0% of the total variance in this study.

Table 10: Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.500 ^a	.250	.246	.4263	
2	.524 ^b	.275	.267	.4202	1.253

a. Predictors: (Constant), Mean Scores Clarity

b. Predictors: (Constant), Mean Scores Clarity, Mean Scores Goal Setting Difficulty

c. Dependent Variable: Mean Scores Measure Success

Table 11: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.368	1	11.368	62.553	.000 ^b
	Residual	34.167	188	.182		
	Total	45.536	189			
2	Regression	12.511	2	6.256	35.422	.000 ^c
	Residual	33.025	187	.177		
	Total	45.536	189			

a. Dependent Variable: Mean Scores Measure Success

b. Predictors: (Constant), Mean Scores Clarity

c. Predictors: (Constant), Mean Scores Clarity, Mean Scores Goal-Setting Difficulty

Table 12: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		Beta	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.314	.245		17.586	.000		
	Mean Scores Clarity	.328	.041	.500	7.909	.000	1.000	1.000
2	(Constant)	4.763	.300		15.902	.000		
	Mean Scores Clarity	.347	.042	.529	8.353	.000	.967	1.034
	Mean Scores Goal-Setting Difficulty	-.111	.044	-.161	-2.544	.012	.967	1.034

a. Dependent Variable: Mean Scores Measure Success

DISCUSSION AND RECOMMENDATIONS

- i. From the study, the research hypotheses (Ha1, Ha2, Ha3, Ha4 and Ha5) are accepted and the results are described as follows:
 - a. There is a significant relationship between the clarity of goal setting and the phenomenon of success of the credit cooperatives.
 - b. There is also a significant relationship between condition-oriented personality and the phenomenon of success of the credit cooperatives.
 - c. There is a significant relationship between planning knowledge, leadership and management and the phenomenon of success of the credit cooperatives.
 - d. There is a significant relationship between motivation and success and the phenomenon of success of the credit cooperatives.
 - e. There is a significant relationship between Islamic financing and the phenomenon of success of the credit cooperatives.
- ii. The potential of Islamic financial products.

This study has proven that the contribution of knowledge is evidenced by a significant relationship between the Islamic financing and the phenomenon of success of the credit cooperatives. Tan Sri Muhyiddin Yassin, the Deputy Prime Minister (2013) stated that Malaysia continues to be one of the leading Islamic financial market in the world with continued growth of the Islamic financial sector on three key areas of expertise, sharia and corporate governance practices and legal framework and regulations.

The finding for Islamic financing product to be a significant predictor having a relationship to the phenomenon of credit cooperative success is very interesting and encouraging, it is in accordance with the theory of *Emanuel (2009)* that credit cooperative activities must adapt its business with Malaysian cultural values and very important facts that Malaysia has a majority of Muslim population. Thus, microfinance products shall conform to the religion of Islam, where Muslims and Malaysians are more likely to subscribe to Islamic financial products over conventional products.

Since March 1993, many banks and financial institutions began to introduce interest free banking scheme not only for Muslims but for all Malaysians as a whole, as an alternative to conventional banking services involved in usury (*riba*) (Muamalat 2012).

Moreover, according to the Malaysian Federal Constitution Article 11(1963) states that Malaysians are entitled to choose their religious practices, although

considerable percentage of Malaysian population are non muslims, a growing number of them are shifting to Islamic Banking, which provide opportunities for Malaysians to opt for an alternative mode of banking system. For the muslims, Interest Free Banking (SPTF) provides the escape route to avoid being associated with riba (interest). This is in accordance to the Word of Allah S.W.T.:

“Those who consume interest cannot stand [on the Day of Resurrection], except as one stands who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest.”

CONCLUSION

The finding showed that, Islamic personal loan have significant relationship with the success of cooperative credit. Therefore, it is indeed important that cooperatives activities to be conducted in accordance with the precise requirement of the Creator. The call inspires and motivates the cooperatives to conducts its business accordingly and it is a part of fulfilling the fard' kifaya. If more business is conducted according to Islamic system, then it is an opportunity to gain more profit that is permissible in Islam and that is considered submission to the will of God, as the saying in Adz-Dzaariyaat chapters (51-56):

“I did not create the jinn and mankind except to worship God”

Subsequent studies can be carried out regarding factors that can contribute to the success of cooperatives in many other activities including agriculture, housing, manufacturing, consumer, construction, transport, tourism, etc as shown in Table 1. Hopefully, as our nation evolves into a more advanced and affluent society, the cooperative movement is also envisaged to move in similar direction to enable it to play its part in making significant contribution to the economic growth of Malaysia.

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