

CONCEPT PAPER

CHALLENGES AND RESILIENCE OF COOPERATIVE MOVEMENT IN MALAYSIA:

EMPOWERING MALAYSIAN COOPERATIVES IN ADVANCING SUSTAINABLE DEVELOPMENT

1. INTRODUCTION

Cooperatives play a pivotal role in fostering economic development, social integration, and community empowerment. In Malaysia, the cooperative movement has been instrumental in promoting inclusive growth, especially in rural and underserved areas. This concept paper aims to explore the challenges faced by the cooperative movement in Malaysia and propose strategies for empowering these cooperatives to contribute effectively to sustainable development. Malaysia has 15,809 registered cooperatives with 7.2 million members, contributing significantly to the nation's economy.

2. OBJECTIVES

- a. To identify and analyze the primary challenges faced by cooperatives in Malaysia.
- b. To assess the resilience strategies adopted by Malaysian cooperatives.
- c. To explore the potential of cooperatives in advancing sustainable development goals (SDGs).
- d. To recommend actionable strategies for empowering cooperatives to enhance their contribution to sustainable development.

3. BACKGROUND

- a. The cooperative movement in Malaysia has a rich history dating back to the early 20th century. Initiated by Sir Arthur Young in 1907, the movement aimed to improve the livelihoods of small farmers. The first cooperative, Wat Chan

Cooperative Unlimited Liability, was established in Phitsanulok in 1916, following the Raiffeisen credit cooperative model.

- b. Over time, the movement expanded, addressing issues like indebtedness and economic shifts. Today, Malaysia boasts 15,809 cooperatives with 7.2 million individual members. These cooperatives have accumulated US\$3.7 billion in shares and US\$35.1 billion in assets, contributing US\$13.7 billion in turnover, which accounts for 3% of the national GDP.
- c. The Malaysian government has played a significant role in supporting cooperatives. The Cooperative Act of 1968 facilitated the establishment of the Cooperative League of Thailand, serving as the apex organization for cooperatives. Furthermore, the government reorganized the Bank for Cooperatives into the "Bank for Agriculture and Agricultural Cooperatives," providing financial support to agricultural cooperatives.

4. CHALLENGES FACING MALAYSIAN COOPERATIVES

- a. Access to Finance: Cooperatives often struggle with securing funding due to stringent lending criteria and limited financial products tailored to their needs.
- b. Governance and Management: Many cooperatives suffer from weak governance structures and lack of professional management, leading to inefficiencies and mismanagement.
- c. Technological Adaptation: The rapid pace of technological change requires cooperatives to continuously upgrade their systems and processes, which can be a significant challenge for smaller entities.
- d. Market Competition: Cooperatives face intense competition from private enterprises and multinational corporations, making it difficult to maintain market share.
- e. Regulatory and Policy Constraints: Navigating the regulatory landscape can be complex, and there is often a lack of supportive policies that promote cooperative growth and sustainability.

5. RESILIENCE STRATEGIES

- a. Community Engagement: Strong community ties and member participation have enabled cooperatives to mobilize resources and support during challenging times.
- b. Diversification: Many cooperatives have diversified their activities to spread risk and create multiple revenue streams.
- c. Innovation: Embracing innovation in products, services, and operational processes has allowed cooperatives to remain competitive.
- d. Capacity Building: Investing in training and development for members and management has improved governance and operational efficiency.

6. RESILIENCE DURING THE COVID-19 PANDEMIC

- During the COVID-19 pandemic, Malaysian cooperatives demonstrated remarkable resilience. Increased government support and solidarity among cooperative members, known as "gotong royong," played crucial roles in overcoming challenges. External stakeholders also empowered cooperatives, highlighting their importance in times of crisis.

7. COOPERATIVES AND SUSTAINABLE DEVELOPMENT

- a. Cooperatives have a unique potential to advance sustainable development goals (SDGs) by promoting inclusive economic growth, social equity, and environmental sustainability. Key areas where cooperatives can contribute include:
 - b. Economic Growth: Cooperatives create jobs, enhance income generation, and contribute to local economies.
 - c. Social Inclusion: Cooperatives promote social inclusion by empowering marginalized groups and fostering community development.
 - d. Environmental Sustainability: Cooperatives can adopt sustainable practices in agriculture, energy, and other sectors to minimize environmental impact.

8. RECOMMENDATIONS FOR EMPOWERMENT

- a. **Enhancing Financial Access:** Develop cooperative-specific financial products and services, and establish partnerships with financial institutions to improve access to capital.
- b. **Strengthening Governance and Management:** Implement training programs for cooperative leaders and managers to enhance governance and operational efficiency.
- c. **Promoting Technological Adoption:** Provide support for cooperatives to adopt and integrate new technologies, including digital platforms for marketing and operations.
- d. **Policy Advocacy:** Advocate for supportive policies and regulations that facilitate cooperative growth and sustainability.
- e. **Collaboration and Networking:** Foster collaboration among cooperatives, government agencies, and private sector entities to share best practices and resources.

9. COMPARATIVE ANALYSIS: MALAYSIA AND THAILAND

9.1 HISTORICAL ORIGINS AND DEVELOPMENT

- a. **Malaysia:** The cooperative movement in Malaysia was initiated by Sir Arthur Young in 1907 to improve the livelihoods of small farmers. The first cooperative was established in 1916.
- b. **Thailand:** Thailand's cooperative movement began in 1915 in response to farmers' indebtedness, with the government initiating cooperatives to improve farmers' livelihoods.

9.2 GOVERNMENT SUPPORT

- a. **Malaysia:** The Cooperative Act of 1968 facilitated the establishment of cooperative organizations, and the government reorganized financial support mechanisms for agricultural cooperatives.

- b. Thailand: The Thai government also provided significant support, establishing the Cooperative League of Thailand and reorganizing the Bank for Cooperatives to support agricultural cooperatives.

9.3 SCALE AND IMPACT

- a. Malaysia: The country has 15,809 cooperatives with 7.2 million members, US\$3.7 billion in shares, US\$35.1 billion in assets, and US\$13.7 billion in turnover, contributing 3% to the national GDP.
- b. Thailand: Thailand's cooperatives contribute more than 12% to the national GDP, indicating a larger economic impact relative to Malaysia.

9.4 HIGH-IMPACT PROJECTS

- Thailand: Many agricultural cooperatives in Thailand embark on high-impact projects that are lucrative and profitable. These projects include advanced farming techniques, value-added agricultural products, and large-scale agribusiness initiatives, significantly boosting their economic contributions.

9.5 ORGANIZATIONAL STRUCTURE

- Both Malaysia and Thailand follow a three-tier system: primary cooperatives at the district level, federations at the provincial level, and national federations representing cooperatives.

9.6 RESILIENCE AND INNOVATION

- a. Malaysia: Cooperatives have shown resilience through community engagement, diversification, innovation, and capacity building, particularly during the COVID-19 pandemic.
- b. Thailand: Similarly, Thai cooperatives have demonstrated resilience and the ability to mobilize community resources and government support effectively.

9.7 CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

- a. Malaysia: Cooperatives contribute to economic growth, social inclusion, and environmental sustainability.
- b. Thailand: Thai cooperatives also focus on sustainable development goals, leveraging their larger economic footprint and high-impact projects to drive broader impacts.

10. FUTURE OBJECTIVES AND STRATEGIES

- a. Malaysia's next objective is to build a high resilient and high performing cooperative sector based on the Malaysia Co-operative Policy 2030 (DAKOM 2030). The aim is to make cooperatives in Malaysia the catalyst for the country's socio-economic growth. This involves enhancing and strengthening the cooperative movement through digitalization, which will improve efficiency, transparency, and member engagement.
- b. Notable achievements of Malaysian premier cooperatives include Bank Rakyat, ranked as the 244th best world cooperative. Additionally, Coop-Bank Pertama and the Malaysian National Military Cooperative (Koperasi Tentera) are also on the way to being among the top-ranked cooperatives in the world based on their current achievements.

11. CONCLUSION

- The cooperative movement in Malaysia faces significant challenges but holds immense potential for driving sustainable development. By addressing the barriers to growth and leveraging their inherent strengths, Malaysian cooperatives can become powerful agents of change. This symposium aims to catalyze dialogue, share insights, and forge partnerships to empower cooperatives in advancing sustainable development in Malaysia.

12. CALL TO ACTION

- To fully realize the potential of the cooperative movement in Malaysia, it is essential to engage a broad spectrum of stakeholders in a collaborative effort.

We propose the following actions:

1. Policy Makers and Government Officials:

- Engage in Dialogue: Actively participate in the symposium to understand the challenges and opportunities within the cooperative sector.
- Formulate Supportive Policies: Develop and implement policies that facilitate access to finance, enhance governance, and promote technological adoption within cooperatives.
- Provide Financial Incentives: Allocate resources and create financial incentives to support cooperative projects, especially those aligned with sustainable development goals.

2. Cooperative Leaders and Members:

- Share Best Practices: Utilize the symposium as a platform to share success stories, strategies, and innovations that have proven effective in overcoming challenges.
- Collaborate and Network: Forge partnerships with other cooperatives, government agencies, and private sector entities to leverage resources and expertise.
- Invest in Capacity Building: Prioritize training and development for members and management to enhance skills and governance capabilities.

3. Academia and Researchers:

- Conduct Research: Investigate the impact of cooperatives on sustainable development and identify areas for improvement.
- Disseminate Knowledge: Share research findings with policymakers, cooperative leaders, and other stakeholders to inform decision-making processes.

4. International Organizations and Donors:

- Support Capacity Building Initiatives: Fund training programs and technical assistance projects aimed at enhancing the capabilities of cooperative leaders and members.
- Facilitate Knowledge Exchange: Promote cross-border collaborations and knowledge exchange between cooperatives in Malaysia and other countries with successful cooperative movements.
- Monitor and Evaluate Impact: Track the progress of cooperative projects and initiatives to ensure they are delivering the intended economic, social, and environmental benefits.

13. CONCLUSION

- a. The cooperative movement in Malaysia has the potential to be a powerful driver of sustainable development. By addressing current challenges and leveraging existing strengths, cooperatives can significantly contribute to economic growth, social inclusion, and environmental sustainability.
- b. This symposium serves as a call to action for all stakeholders to come together, share insights, and forge partnerships that will empower Malaysian cooperatives to advance sustainable development.
- c. We invite policymakers, cooperative leaders, researchers, and development practitioners to engage in this symposium, share their experiences, and contribute to the formulation of actionable strategies. Together, we can build a

resilient and sustainable cooperative movement in Malaysia that leaves no one behind.

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