

## Dividend and Profit Allocation Practices of Performing Cooperatives in Malaysia

NURIZAH NOORDIN\*  
SUSHILA DEVI RAJARATNAM\*  
MOHD. SHAHRON ANUAR SAID\*  
FARAHAINI MOHD HANIF\*  
RAFEDAH JUHAN\*

Noordin, N., Rajaratnam, S.D., Said, S.A. Hanif, F., Juhan, R., 2012. Dividend and Profit Allocation Practices of Performing Cooperatives in Malaysia. *Oñati Socio-legal Series* [online], 2 (2), 156-176. Available from: <http://ssrn.com/abstract=2194316>

### Abstract

This paper explores the dividend payout and profit allocation practices of performing cooperatives in Malaysia, specifically how net profits were distributed as between dividends and various funds established for the benefit of members, after the necessary statutory deduction has been made. This paper is an exploratory study that is confined to performing co-operatives throughout Malaysia of different sizes and activities. Figures were derived from the 2008, 2007 and 2006 audited annual financial statements provided by the co-operatives themselves. Overall the study revealed that micro co-operatives are found to have paid the highest average dividend payouts, followed by the large co-operatives. Credit co-operatives which have a sizeable amount of shares and subscriptions are observed to have the lowest average dividend payout ratio. The highest dividend payout is given out by the construction and consumer co-operatives. Besides dividends, co-operatives normally allocate part of their annual net profit for the benefit of members in the form of specific funds for members' social and related purposes. It was observed that in 2007, all co-operatives have increased their allocation towards members' benefits except for co-operatives in the services sector. In conclusion, the credit, agriculture and industrial co-operatives are the top three functions with the highest level of contribution to members' benefit fund.

### Key words

Dividend payout; profit allocation; performance; cooperative

### Resumen

Este artículo analiza el pago de dividendos y prácticas de reparto de beneficios que siguen las cooperativas de Malasia, específicamente el sistema en los que los

---

Article presented at the Conference on The Social Economy. Corporate Responsibility, Private Property & Partnerships. Workers' Rights and Cooperatives, held at the International Institute for the Sociology of Law, Oñati, Spain, and as part of the Summer Courses Programme of the UPV/EHU, 6-8 July 2011.

\* All authors are members of the Co-operative College of Malaysia. 103, Jalan Templer, 46700 Petaling Jaya, Selangor (Malaysia). [nurizah@mkm.edu.my](mailto:nurizah@mkm.edu.my); [sushila@mkm.edu.my](mailto:sushila@mkm.edu.my); [shahron@mkm.edu.my](mailto:shahron@mkm.edu.my); [farahaini@mkm.edu.my](mailto:farahaini@mkm.edu.my); [rafedah@mkm.edu.my](mailto:rafedah@mkm.edu.my)

beneficios netos, después de realizar las deducciones legales pertinentes, se distribuyen entre dividendos y los fondos creados para el beneficio de los miembros. Se ha realizado un estudio exploratorio que analiza las cooperativas de diferente tamaño y actividad limitadas a Malasia. Los datos se derivan de las auditorías de los años 2008, 2007 y 2006, que presentan las propias cooperativas. En general, el estudio demostró que las micro-cooperativas realizan, de media, los pagos de dividendos más elevados, seguidos por las cooperativas de gran tamaño. Se ha observado que las cooperativas de crédito, que tienen una considerable cantidad de intereses y suscripciones, mantienen sin embargo media más baja de reparto de intereses. El pago de dividendos más elevado lo realizan las cooperativas de la construcción y el consumo. Además de los dividendos, las cooperativas normalmente destinan parte de sus beneficios netos a favorecer a sus miembros, mediante fondos especiales destinados a proyectos sociales de los miembros. Se ha observado que, en 2007, todas las cooperativas aumentaron el reparto destinado a los beneficios para los miembros, con la excepción de las cooperativas en el sector servicios. Como conclusión, las cooperativas de crédito, agrícolas e industriales son los tres tipos de cooperativas con un mayor nivel de contribución al fondo para beneficio de los miembros.

**Palabras clave**

Pago de dividendos; reparto de beneficios; rendimiento; cooperativas

**Table of contents**

1. Introduction.....	159
2. Review of literature.....	160
2.1. Dividend Policy .....	160
2.2. Net Profit .....	160
2.3. Cash Flow .....	160
2.4. Debt Equity Ratio.....	161
2.5. Size of the Firm .....	161
2.6. Members' Benefits.....	162
3. Methodology .....	162
3.1. Data Collection Procedure .....	162
3.2. Selection Measures.....	163
4. Scope of study .....	163
5. Findings and discussion .....	164
5.1. Profile of Performing Co-operatives.....	164
5.1.1. Size and Function .....	164
5.1.2. Age (Longevity) .....	164
5.1.3. Size of Membership .....	165
5.1.4. Business Activities .....	166
5.2. Profitability of Performing Co-operatives.....	167
5.3. Dividend and Profit Allocation Practices of Performing Co-operatives.....	168
5.3.1. Members Funds and Dividend Payout .....	169
5.3.2. Growth Trends in Allocation for Members Benefit .....	170
5.4. Significant Factors Influencing Co-operatives' Dividend Payout (Pearson Chi-Square and Pearson Correlation Analysis).....	171
5.5. Implications and Conclusions .....	172
Bibliography .....	172

## 1. Introduction

Co-operatives were introduced in Malaysia in the early 1920s by the colonial government in response to credit and indebtedness problems of peasants, farmers and civil servants (Frederics 1973). Since the registration of the first thrift and loan cooperative in July 1922, the co-operatives sector, placed under the authority of the Malaysian Co-operative Societies Commission (MCSC) has become an important part of the economy and made a major impact on the lives of millions of Malaysians. From only 11 cooperatives in 1922, by 31 December 2009, the movement had registered 7,215 societies with a membership of 6.78 million people and total assets worth RM 64.9 million (Table 1). These co-operatives have evolved from credit, agricultural and consumer functions into a wide range of business activities covering banking, credit and finance, agriculture, housing, industrial, consumer, construction, transport and services.

Although the achievement in terms of numbers, membership size and asset accumulation shows that co-operatives have gained huge support and recognition, the co-operative movement currently contributes only slightly more than 1.4 percent to the Gross Domestic Product (GDP) of Malaysia. Hence, while providing the best services to their members, co-operatives need to also strengthen their role within the context of national development. In view of this aspiration, the 2011-2020 National Co-operative Policy (NCP) underlined strategies that will increase the participation of co-operatives in viable and high end economic activities to boost the contribution of co-operatives to achieve the targeted 5 per cent contribution to GDP by 2015 and 10 per cent by 2020.

In view of the role and current performance of the co-operative sector in the economy, it would therefore be imperative to conduct further detailed analysis of the relative financial performance and growth profile, particularly of performing co-operatives. On the other hand, it is widely acknowledged that co-operatives also have a social objective that is to maximize the benefits to their members and ensure their needs are met. Hence, it is important that these performing co-operatives also fulfill their social obligations. Therefore, it would be enlightening to look into the dividend and profit allocation practices of performing cooperatives in Malaysia to evaluate the performance of co-operatives as a socio-economic entity.

Table 1: Cooperative Societies in Malaysia by Functions  
(as at 31 December 2009)

Function	No. of Coop.	Members (individuals)	Capital	Assets	Turnover	Profit/Loss
Banking	2	838,932	2,289,504,293	51,251,535,708	4,338,062,555	1,577,844,058
Credit/ Finance	575	1,963,054	4,170,086,940	7,180,092,477	1,367,606,347	348,108,617
Agriculture	1,362	289,484	244,317,272	1,256,095,986	613,878,566	123,113,737
Housing	107	89,182	133,356,559	406,619,034	36,442,571	164,698,774
Industrial	117	17,634	5,238,548	56,620,186	33,127,694	3,339,385
Consumer: (Adult)	1,681	670,908	279,481,976	1,127,480,418	791,900,262	56,451,623
Consumer: (School)	2,115	2,106,130	17,264,427	177,673,323	195,120,375	25,508,868
Construction	117	62,171	14,365,358	56,784,381	64,188,685	2,593,031
Transport	346	148,196	58,654,263	250,163,546	512,207,073	19,914,402
Services	793	598,084	1,753,250,727	3,236,209,436	966,475,435	341,347,245
<b>Total</b>	<b>7,215</b>	<b>6,783,775</b>	<b>8,965,520,363</b>	<b>64,999,274,495</b>	<b>8,919,009,563</b>	<b>2,662,919,740</b>

## 2. Review of literature

Many studies have been done on the dividends paid by and dividend policies of firms (e.g. Lintner 1956; Gordon 1959; Miller and Modigliani 1961; Mancinelli and Ozkan 2006; Amidu and Abor 2006; Zhou and Ruland 2006). This is one of the most controversial subjects in finance literature and still maintains its prominent position. Researchers always ponder about the dividend payment and also why investors need to pay attention to dividends. Payments of dividends are usually influenced by certain factors namely the dividend policy of the organization, net profit, cash flow, debt-equity ratio, sales growth and size of firm.

### 2.1. Dividend Policy

Generally, dividend can be defined as a portion of profit that is paid out by the organization to its shareholders as a reward for investing in the organization. The dividend is considered as the sharing of recognized assets among shareholders that could either be paid regularly by the organization or demanded by shareholders at any time. However, it is not a business expense for the organization. Thus, the rules and guidelines used by the organization to decide on the amount of dividend paid out to its shareholders generally depend on the organization's earnings. This is referred as the organization's dividend policy. (Santhi Appannan 2011).

According to Ross, Westerfield and Jordan (2008), dividends can be defined as cash paid out from current or accumulated retained earnings rather than other sources. This payment of dividends to shareholders depends on the company management's willingness to distribute the surplus of cash from their net income to shareholders or to retain it for other re-investment opportunities.

From the research conducted by various researchers, it seems that lower dividend payouts may lead to the investing of excess cash flow in projects or acquisitions with insufficient net present value by managers of a mature company with highly stable earnings. However, paying out too much in cash dividends may reduce the financial flexibility of high growth firms and force them to pass up valuable investment opportunities due to lack of capital. Thus, either of these situations could negatively affect a firm's value over time (Baker and Powell 2000).

### 2.2. Net Profit

According to Karam and Puja Goyal (2007) current earnings, which are also known as profit after tax, represent the capacity of a firm to pay dividends and thus it has a positive relationship with dividends. Besides that, the level of profit is considered as an invariable starting point in the management's consideration of whether dividends should be paid or not in any given year.

Moreover, Eriotis (2005) also examined the dividend policy of Greek firms and found that Greek firms distribute dividend each year according to their target payout ratio, which is determined by distributed earnings of these firms.

### 2.3. Cash Flow

A firm's cash flow is a good measure of the firm's liquidity and it is very important to compare a firm's liquidity position in relation to its dividend payment. According to Amidu and Abor (2006), dividend distribution depends not only on the profitability of firms but also on the free cash flow which is the amount of operating cash flow left over after the payment for capital expenditures. The empirical results of this study indicate a significantly positive relationship between cash flow and dividend payout ratios and thus the liquidity or cash-flow position can be considered as an important determinant of the dividend payout ratio. Besides that, Chay and Suh (2009) also consider cash flow as a determinant of dividend payments where firms facing high levels of cash flow uncertainty are likely to pay low dividends fearing cash shortfalls in the future. This statement correlates to Brav *et al.* (2005)

in their research report which stated that more than two-thirds of CFOs of dividend-paying firms stated that stability of future cash flow is an important factor affecting dividend decision.

#### 2.4. Debt Equity Ratio

Debt/ equity ratio (capital structure) can be considered as another feature which has a strong impact on dividend behavior. According to Karam and Puja Goyal (2007), the demand for external finance by the company usually arises on account of constraints imposed by its internal resources since the company cannot take advantage of investment opportunities with limited internal resources. The higher the internal flows are in relation to the investment requirements, the lesser will be the demand for borrowings and vice-versa. Thus, a higher dividend will lead to a higher demand for borrowing and increase the debt equity ratio, and the debt equity ratio is expected to be positively associated with dividend payout per share.

Baker and Powell (2000) also stated that firms with less external financing will lower their dividend payouts. In this research, they state that firms with higher levels of debt will need higher levels of liquidity to allow payoffs on potential implicit claims and firms will normally choose to use more equity instead of financing from outside to avoid the costs of financial distress. However, some leading scholars who have investigated dividend policies in developing markets, Aivazian *et al.* (2003) found that emerging market companies exhibit dividend behavior that is similar to US companies but these dividends are explained by profitability, debt and the market-to-book ratio. The empirical results from their research provide strong support for the statement that low debt ratios correspond to high dividend payments, which suggests that financial constraints affect dividend policy.

#### 2.5. Size of the Firm

Ward and McKillop (2005) in their study of the linkage between the UK Credit Unions' characteristics and location on the one hand, and their success on the other hand uses two financial indicators; the payout ratio (dividend and rebate percentage) and efficiency ratio (cost to income percentage) as a measure of success. The key findings were that there is a significant relationship between the success of a credit union and its size and the location from where the credit union sources its members. More specifically, larger credit unions and those located in more affluent locations are more successful.

From the research conducted by Al-Twajry and Abdulrahman Ali (2007) on the dividend policy and payout ratio for firms quoted on the Kuala Lumpur stock exchange (KLSE) during the period of 2001 to 2005, the companies' size was considered an independent variable that has an effect on the dividend per share (DPS). The difference between large companies and small companies gave significantly ( $p < 0.10$ ) better DPS in year 2001 and this difference kept on increasing for the next four years. Thus, the size of companies can be considered as one of the determinants and an independent variable, as suggested by the previous research.

In addition, Eriotis (2005) also studied how Greek firms set their dividend policies not only by net distributed earnings but also the changes in dividend and size of the firm; the empirical findings of this research suggested that size of the firms was included as a signal about the firm's dividend. Aivazian *et al.* (2003) also supported the research conducted by Al-Twajry and Abdulrahman Ali (2007) and Eriotis (2005) suggesting that a firm's size is may explain the firm's dividend policy. In their study, large firms are more likely to be mature and thus have an easier access to capital markets and should be able to pay more dividends.

## 2.6. Members' Benefits

In the context of cooperatives, a proportion of the co-operative's profits are usually used to provide benefits and returns to the members. In Malaysia, members' benefits are classified into three categories: dividends, social benefits and the patronage rebate. In the Malaysia Cooperatives Act 1993, a dividend is defined as a share of the profit of a registered society divided amongst its members in proportion to the share or subscription capital held by them. Meanwhile social benefits are the proportion of profits apportioned for members' funds such as those for welfare, education, death benefits and sports. As for the patronage rebate, it is defined as a share of the profits of a registered society divided among its members in proportion to the volume of business done with the society by them from which such profits were derived.

It is discouraging to note that only a small number of the cooperatives in our sample practice the payment of rebates based on patronage or transactions with the cooperatives. Indar Kaur (2006) stated in her research that the third cooperative principle and the very spirit of a cooperative entity, advocates that profits made by a cooperative should be distributed to its members based on the volume of their transactions with the cooperatives. This is a major distinguishing factor between cooperatives and a private or public company. Yet this aspect is totally ignored and not practised by cooperatives in Malaysia. This might be due to the lack of understanding of the philosophy, principles and values of cooperatives among Malaysian cooperators in general. There certainly is a need to educate cooperatives' leaders and members to enhance their knowledge of this.

## 3. Methodology

### 3.1. Data Collection Procedure

In the context of co-operatives, a combination of traditional financial measures and non-financial or subjective indicators would appear to be the best criteria to reflect the performance of co-operatives as a socio-economic entity (Parsley 1992; Hind 1997). While the combined measures of performance are deemed to be more appropriate, there are however, arguments that accounting-based measures of financial performance are a sufficient predictor of performance (Brief and Lawson 1992; and Peasnell 2006). For instance Kakani, Saha and Reddy (2001) have utilized accounting-based measures for evaluating the performance of firms in India, using the return on assets (ROA), the net profit margin (NPM), the return on capital employed (ROCE), cash flow measure (CFM) and compounded annual asset growth rate (CAGR).

Therefore, in this study the performance or success of co-operatives is assessed by using the three performance measures; the market measures (ROE), the accounting measures (NPM) and financial measures (ROA). This decision is also aligned with Rahman (2001) which cited that a combined measure using revenue, profit and other variables would be appropriate to assess performance. All three ratios were calculated for each of the 3,487 active co-operatives with complete 2008 audited financial data obtained from the MCSC. Each ratio was then given a score of 1 to 5 according to the 20% percentile. The performance of each co-operative was then calculated and ranked based on the sum of these scores, the highest score being 15 and the lowest score 3.

An overall performance score of between 11-15 was taken as the range to reflect good performance. The cutoff point of 11 was also used to ensure that a sufficient number of co-operatives of different sizes (large, medium, small and micro) could be identified for the purpose of conducting in depth analysis. 270 co-operatives (excluding co-operatives with an annual turnover below RM 100,000) from different clusters undertaking various functions or activities were finally identified as the performing or successful co-operatives. For the purpose of conducting in depth

analysis, 100 co-operatives were selected according to their ranking and as close as possible to the proportion of the number of performing co-operatives using sampling size as prescribed by Bartlett, Kotrlík, and Higgins's (2001) formula for selecting an appropriate sample size for conducting survey research. However, after screening for completeness and validity of data, the research finally managed to obtain usable data for 89 co-operatives.

To obtain the background of the co-operatives such as size, function, age, size of membership and business activities, surveys using structured questionnaires were conducted with the Secretary or Manager of the co-operatives. These data were used for the purposes of analysis of the relationship between dividend payments and a number of independent variables such as ROA, NPM, ROE, size, and number of membership. A team of researchers was employed to personally meet the respondents at their respective co-operatives. The questionnaire for the study was then distributed, briefed, checked for completion and collected on the same day.

### 3.2. Selection Measures

The characteristics that influence the performing co-operatives in Malaysia are discussed first. The trend of dividend distribution and profit allocation of these cooperatives is observed through their average dividend payout, the total amount of members' funds and the growth trends in allocation of members' benefits. The analysis is carried out over the 3-year period of 2006-2008. Subsequently the relationship between the variables that are considered in the cross sectional comparisons and the average dividend payout are examined using the simple analysis of correlation. The variables that are considered in the cross sectional comparisons are Return on Asset, Return on Equity, Net Profit Margin, Size, Function and Number of members in the cooperatives. All these variables are selected in accordance with previous studies carried out by Chen, Chen and Peng (2005), Collins and Kothrai (1989), Chung and Charoenwong (1991), Stacescu (2006), Grullon, Michaely and Wwanubatgab (2002), La Porta *et al.* (2000), Ghosh, Sirmans (2006), Gugler (2003), Fama and French (2001) and Al-Twaijry and Abdulrahman Ali (2007). Then, analysis was conducted to test how strong are the relationships of the variables to dividend policy. The coefficient of correlation of the various variables against the average dividend payout will be calculated to determine the relationship as mentioned. The profit allocation to the member's fund is explained through descriptive statistical analysis.

## 4. Scope of study

This paper is an exploratory study that is confined to only performing co-operatives throughout Malaysia of different sizes and activities. The performing co-operatives are selected from the 2009 database provided by the MCSC. In computing the financial profile of the performing co-operatives, figures were derived from the 2008 audited annual financial statements provided by the co-operatives themselves, while for the growth trends analysis, figures were derived from the 2008, 2007 and 2006 audited annual financial statements. School co-operatives and two banking co-operatives (Bank Kerjasama Rakyat and Bank Persatuan) were excluded from the study. Dormant and inactive co-operatives (which had not held their Annual General Meeting for two consecutive years) as identified by the MCCS, and co-operatives which incurred a net loss for the financial year were also removed from the basic databases.



## 5. Findings and discussion

### 5.1. Profile of Performing Co-operatives

This section analysis the background profile of the selected 89 performing co-operatives with respect to the size, function and size of membership. The types of activities undertaken by the selected co-operatives are also examined.

#### 5.1.1. Size and Function

A majority of the selected performing co-operatives carried out agriculture functions (20), followed by credit (19) consumer functions (19) and services (16). Nine (9) of the selected co-operatives were involved in transportation. Two (2) out of the 89 co-operatives surveyed undertook the construction function while another four (4) co-operatives were in housing.

Most of the large co-operatives selected for the analysis were involved in credit, while a majority of the medium size co-operative was involved in agriculture. The smaller co-operatives selected were primarily involved in consumer and credit functions, whilst most of the selected micro co-operatives were involved in services and consumer functions.

Table 2: Selected Performing Cooperatives by Size and Function

	Function	Number	Size			
			Large	Medium	Small	Micro
1	Credit	19	7	4	7	1
2	Agriculture	20	5	8	5	2
3	Housing	4	2	1	0	1
4	Consumer	19	1	5	8	5
5	Construction	2	0	1	1	0
6	Transportation	9	1	4	2	2
7	Services	16	1	3	6	6
	<b>Total</b>	<b>89</b>	<b>17</b> <b>(19.1%)</b>	<b>26</b> <b>(29.2%)</b>	<b>29</b> <b>(32.6%)</b>	<b>17</b> <b>(19.1%)</b>

#### 5.1.2. Age (Longevity)

Table 3 below illustrates the distribution for the 89 co-operatives according to age (longevity). As shown, 19 co-operatives (21.3%) has been in existence for 10 years and below, 20 co-operatives (22.5%) between 11 to 20 years and 13 (14.6%) were in the range of 21-30 years. A total of 10 co-operatives (11.2%) were registered some 31-40 years ago while another 13 (15.7%) had been in operation for 41-50 years. Overall, 56.1% of the selected performing co-operatives have been in operation for more than 20 years.

With respect to function, the credit co-operatives selected are found to have been in existence on average for 45 years. Similarly most of the agriculture and housing co-operatives have been in operation for more than 30 years. Although the construction and services co-operatives are relatively younger compared to the credit co-operatives, they have been in operation for more than 10 years.

Table 3: Selected Performing Co-operatives by Age of Operations

Age (Year)	No. of Co-operatives	Percent (%)	Function						
			Credit	Agriculture	Housing	Consumer	Construction	Transportation	Services
≤10	19	21.3	0	3	0	5	1	1	9
11-20	20	22.5	3	3	0	5	1	5	3
21 - 30	13	14.6	3	2	0	4	0	2	2
31 - 40	10	11.2	3	4	0	2	0	1	0
41 – 50	14	15.7	3	4	0	2	0	0	1
> 50	13	14.6	7	4	4	1	0	0	1
<b>Total</b>	<b>89</b>	<b>100</b>							
<b>Average Age</b>			45	32	42	21	13	18	16

### 5.1.3. Size of Membership

As depicted in Table 4, 55 out of the 89 co-operatives surveyed, mostly comprised of medium, small and micro size cooperatives have a membership below 500 members, with four (4) medium, four (4) small and six (6) micro co-operatives having less than 100 members. One (1) large secondary cooperative has 13 primary cooperatives under it. Only one (1) micro size cooperative has between 501 to 1,000 members and another has between 1,001 to 10,000 members. Three (3) small and one (1) micro co-operative however were found to have between 1001-10,000 members. On the whole, 76.4 % of the selected performing co-operatives have a total membership of 1000 and below.

The large cooperatives generally have larger membership size, some having more than 10,000 members. These are generally made up of the longer established co-operatives such as credit and housing co-operatives. Six (6) large size credit cooperatives (3.4%) were found to have more than 10,000 members while one service co-operative has a membership of more than 20,000.

Table 4: Selected Performing Cooperatives by Size of Membership

	Number of Members	No. of Coop	Percent (%)	Sizes of Cooperatives			
				Large	Medium	Small	Micro
1	<100	15	16.9	1	4	4	6
2	100 – 500	40	44.9	5	13	13	9
3	501 – 1,000	13	14.6	0	3	9	1
4	1,001 – 10,000	15	16.9	5	6	3	1
5	10,001 – 20,000	3	3.4	3	0	0	0
6	>20,000	3	3.4	3	0	0	0
	<b>Total</b>	<b>89</b>	<b>100.0</b>	<b>17</b>	<b>26</b>	<b>29</b>	<b>17</b>

Table 5: Size of Membership of Selected Cooperatives by Function

	Number of Members	No. of Coop	Percent (%)	Function of Cooperatives						
				Credit	Agri'ture	Housing	Consumer	Const'rt'n	Transt'n	Services
1	<100	15	12.4	0	5	1	4	0	0	5
2	100 – 500	40	41.6	2	11	1	9	1	8	8
3	501 – 1,000	13	12.4	6	2	0	1	1	1	2
4	1,001 – 10,000	15	14.6	7	2	1	5	0	0	0
5	10,001-20,000	3	3.4	2	0	1	0	0	0	0
6	>20,000	3	2.2	2	0	0	0	0	0	1
	<b>Total</b>	<b>89</b>	<b>86.6</b>	<b>19</b>	<b>20</b>	<b>4</b>	<b>19</b>	<b>2</b>	<b>9</b>	<b>16</b>

#### 5.1.4. Business Activities

Performing co-operatives operate a number of diverse activities ranging from financial, plantation, construction to service based activities. It was found that most of the performing cooperatives (32.6% or 29 cooperatives) surveyed run only one type of business activity. Overall, more than 50 % of the performing co-operatives focused on 1-2 core business activities. A total of 20 cooperatives (22.5%) were found to carry out two types of business activities while another 23 cooperatives (25.8%) are involved in three different business activities. Only 16 cooperatives are identified to be involved in 4-5 different form of business There is however one (1) small sized cooperative carrying out six types of activities on a smaller scale.

Table 6: Number of Activities undertaken by the Selected Performing Cooperatives

Number of Activities	Frequency (No. of Cooperatives)	Percent	Size of Cooperatives			
			Large	Medium	Small	Micro
1	29	32.6	4	6	12	7
2	20	22.5	4	7	4	5
3	23	25.8	4	6	9	4
4	11	12.4	5	3	3	0
5	5	5.6	0	4	0	1
6	1	1.1	0	0	1	0
<b>Total</b>	<b>89</b>	<b>100.0</b>	<b>17</b>	<b>26</b>	<b>29</b>	<b>17</b>

While table 6 shows the number of business activities undertaken, the table below illustrate the different type of activities carried out by the 89 performing co-operatives. 35 out of the 89 (39.3%) co-operatives run services activities, including cleaning services and providing premises for rental. This is followed by plantation activity (31 co-operatives) and contracting activity (31 co-operatives), while credit activity is undertaken by 25 (28.1%) of the performing cooperatives. Only a small percentage of co-operatives are involved in the petrol station business (2 or 2.2% of cooperatives) while only 7 cooperatives (7.9%) undertook farming activity.

In terms of the size of cooperatives, the study shows that most of the large cooperatives are involved in credit, investment and consumer activities. Meanwhile, service and contracting activities are the undertaken by the medium size cooperatives. Smaller cooperatives on the other hand tend to focus on contract, service, and plantation and retail business. Similarly the micro size cooperatives focused their effort on the service and plantation activities. Through the interviews conducted it was found that almost all of the plantation activities undertaken by the small and micro co-operatives are outsourced to a private third -party. Six (six) out

of the 17 performing co-operatives surveyed are involved in investment activities, mainly in shares.

Table 7: Types of Activities Undertaken by the Selected Performing Cooperatives

Type of Activities	No. of Cooperatives	Percent	Size of Cooperatives			
			Large	Medium	Small	Micro
Service	35	39.3	4	14	10	7
Plantation	31	34.8	5	11	10	5
Contract	31	34.8	3	14	11	3
Credit	25	28.1	9	5	8	3
Investment	24	27	7	8	3	6
Consumer	21	23.6	7	6	5	3
Retail	16	18	1	4	9	2
Housing	12	13.5	3	3	3	3
Transportation	9	10.1	2	3	2	2
Farming/Poultry	7	7.9	2	2	3	0
Petrol Station	2	2.2	1	0	1	0

### 5.2. Profitability of Performing Co-operatives

In general, the net profits for all functions show an increasing pattern from 2006 to 2007. Similarly, the net profit for 2008 grew soundly for all co-operatives except for credit and services co-operatives. Although the credit co-operatives in 2007 recorded a 59.38% increase in net profit compared to 2006, the net profit generated for 2008 decreased slightly (2.2%) to RM 8.7 million compared to RM 8.9 million in the previous year. The average net profit of services co-operatives also dropped 10.2 % in 2008 compared to 2007. This is perhaps due to the falling income experienced by the services co-operatives.

The growth in net profit for the large and medium sized co-operatives is significantly lower in 2008 compared to 2007 when the medium sized co-operatives demonstrated more than 100% growth. However, the growth in net profit for the small and micro co-operatives is higher in 2008 compared to 2007, with average growth of 34.75 % (small) and 36.92% (micro).

Table 8: Average Net Profit Growth of Performing Cooperatives According to Size

Size of Coop	Net Profit		
	Growth in 2007	Growth in 2008	Average Growth (2006-2008)
Large	36.41%	1.97%	19.19%
Medium	108.63%	32.76%	70.70%
Small	21.38%	48.12%	34.75%
Micro	33.50%	40.34%	36.92%

As Table 9 shows, transportation co-operatives demonstrated the highest growth (95 %) followed by the agriculture co-operatives (89%) and consumer co-operatives (58%). The services (12%) and housing (18%) co-operatives however recorded the lowest average growth in net profit for the three year period. Although the construction co-operatives did not perform very well in terms of income generation, the industry managed to record a positive growth in its net profit, even better than that achieved by the housing and services co-operatives.

Table 9: Average Net Profit Growth of Performing Cooperatives According to Function

Function	No. of Coop	Average 2006 (RM)	Average 2007 (RM)	Average 2008 (RM)	Average Growth (2006-2008) (%)
Credit	19	5,583,440	8,898,889	8,782,916	29
Agriculture	20	1,050,206	2,517,151	3,484,998	89
Housing	4	3,433,830	3,954,511	4,751,679	18
Consumer	19	61,926	83,237	151,772	58
Construction	2	25,117	33,638	38,219	24
Transportation	9	40,496	44,343	124,758	95
Services	16	13,064,122	17,578,110	15,784,316	12

In terms of the average net profit margin (NPM), it was found that there is a large variability among the co-operatives across the functions. As reflected in Table 10, cooperatives that carry out the housing function performed well with the highest NPM of 73.72 %, followed by cooperatives which perform the construction function. Meanwhile cooperatives involved in transportation activities had the lowest average NPM that is, 15.09%.

Similarly for profitability measured in the form of return on assets and return on equity, it was found that the cooperatives in the agricultural sector have the highest ROA of 32.01% and ROE of 40% as contrast to cooperatives in the credit sector with only 10.75% of ROA and 13.48% of ROE. The rest of the cooperatives which carried out the function of consumer, construction, transportation and services had an average ROA of more than 20% and ROE of more than 30%

Table 10: Profitability Ratio of Performing Co-operatives

	Function	Total No Coop	Profitability Ratio					
			Average NPM	IA	Average ROA	IA	Average ROE	IA
1	Credit	19	61.54	44.95	10.75	5.74	13.48	9.04
2	Agriculture	20	52.09	22.87	32.01	7.24	40.16	12.43
3	Housing	4	73.72	30.97	18.72	3.35	22.12	7.47
4	Consumer	19	26.32	7.92	25.39	6.49	36.50	11.54
5	Construction	2	70.14	20.09	21.93	7.53	32.89	15.26
6	Transportation	9	15.09	4.24	27.53	8.08	37.72	16.11
7	Services	16	37.21	44.13	21.11	11.49	32.45	16.77

IA : Industry Average

### 5.3. Dividend and Profit Allocation Practices of Performing Co-operatives

A proportion of the co-operatives' profits are usually used to provide benefits and returns to the members. For the purpose of this research, we only looked into two types of members' benefits which were the members' fund and dividend payout.

### 5.3.1. Members Funds and Dividend Payout

In terms of member's funds, Table 11 indicates that total members' funds accumulated by large co-operatives are mostly made up of the shares and subscription contributed by members (72%) The remaining amount is made up of various funds set up for the members' benefit, such as the members' education fund, members' benevolent fund and retained earnings. Conversely, the shares and subscriptions contributed by members of micro co-operatives only form 37 % of their member's funds.

Table 11: Members Fund of Selected Performing Co-operatives according to Size

Size	No. of coops	Total Member's Fund	Total Share Capital + Subscription		Average dividend payout
			RM	%	%
Large	17	3,332,831,130	2,412,051,323	72	16
Medium	26	69,986,693	34,028,965	49	13
Small	29	36,453,983	23,690,485	65	15
Micro	17	5,242,572	1,958,498	37	19

As credit co-operatives obtained most of their financing from internal sources, the main portion of their members' funds is in the form of shares and subscription (72%). Services co-operatives also had a large fraction of their members' fund in the form of share capital and subscriptions (83%) In comparison, for the agriculture, housing, consumer, construction and transportation co-operatives, the shares and subscription contributed by members only ranged from 14 % to 38%.

Table 12: Members Funds of Selected Performing Co-operatives according to Function

Function	No. of coops	Total Member's Fund	Total Share Capital + Subscription		Average dividend payout
			RM	%	%
Credit	19	1,329,976,368	961,095,176	72	7
Agriculture	20	223,413,242	35,285,421	16	14
Housing	4	177,586,394	55,572,444	31	14
Consumer	19	10,265,423	3,854,470	38	15
Construction	2	2,234,443	304,146	14	20
Transportation	9	2,978,307	1,050,095	35	9
Services	16	1,698,060,201	1,414,567,519	83	12

Although the percentage of shares and subscriptions to total members funds is small, the micro co-operatives are found to have paid the highest average dividend payouts (19%) This is followed by the large cooperatives which gave a dividend return of 16 %. This, although not the highest, is a substantial amount considering the sum of member's shares and subscriptions held by the large co-operatives. Small co-operatives' annual average dividend payout is 15 % while the medium cooperatives on average paid out 13% dividends to their members.

These findings are contrary to the findings of Ward and McKillop (2005) where larger credit unions, due to economies of scale are found to be in a better position to make dividend pay outs to members. However this contrary finding is not surprising since dividends are being paid based on the amount of shares and subscriptions. Cooperatives with a sizeable amount of total share capital and subscriptions would have to share their portion of profit among more members compared to the micro size cooperatives. This is also the reason why credit co-operatives which have a sizeable amount of shares and subscription are observed

to have the lowest average dividend payout ratio (7%). Relatively, services co-operatives paid an average dividend of 12%. The highest dividend payout is made by the construction and consumer co-operatives, 20% and 15% respectively. It should also be noted that the Ward and McKillop (2005) investigated only credit unions in the United Kingdom as their focus of study.

### 5.3.2. Growth Trends in Allocation for Members Benefit

Besides dividends, co-operatives normally allocate part of their annual net profit for the benefit of members in the form of specific funds for social and member related purposes. It is through these funds that the cooperatives will be able to make their contribution to improve the social well being of their members.

Tables 13 and 14 summarize the average allocation for members' benefits made by the selected performing cooperatives according to their sizes and functions. It is observed that in 2007, all co-operatives have increased their allocation towards members' benefits except for co-operatives under the services function and small co-operatives. This increasing trend is probably in response to the higher profit recorded in the respective year.

However, the percentage increase in members' allocations is higher than the increase in the profit experienced by the various functions. For example, although the average net profit for the agriculture co-operatives grew 89 %, the average growth in the amount allocated for members' benefits soared more than 100 %. Similarly, the housing cooperatives on average allocated 33 % of their profits for members, compared to their average profit growth of 18%. The credit, agriculture and industrial co-operatives are the three functions with the highest levels of contributions to members' benefit funds.

Table 13: Average Allocation to Members Benefit by Size

Size	Average 2006	Average 2007	Average 2008	Average Growth (2006-2008)
Large	1359970	1644250	2808753	46%
Medium	101801	138446.5	221179.9	48%
Small	41215.61	40946.45	56056.08	18%
Micro	14144.58	18206	21908.77	25%

Table 14: Average Allocation to Members Benefit by Function

Function	Average 2006 (RM)	Average 2007 (RM)	Average 2008 (RM)	Average Growth (2006-2008) (%)
Credit	729,868	858,398	1,062,329	21
Agriculture	366,946	447,575	1,397,353	117
Housing	1,159,733	1,269,040	1,998,044	33
Consumer	31,827	33,599	47,541	24
Construction	22,340	102,352	145822	200
Transportation	11,211	12,885	19,139	32
Services	47,463	42,833	50,359	4

Overall, construction cooperatives have the highest average growth of allocation to members' benefits especially between the years 2006 and 2007. The amount of allocation for the agriculture cooperatives also shows an upward trend, in line with the increase in net profits. On the other hand the services cooperatives' allocation to members' benefits increased a slight 4 % despite recording a average growth of 24 % in income and 12% in net profit.

As reflected in their annual report for the years 2006 to 2008, it is found that almost all of these performing co-operatives regardless of their function and size apportioned profits to their members in the form of Death Benefits. Besides that, it was also found that the majority of these performing co-operatives favor allocating profits to the Welfare Funds which cover members' disaster relief, assistance to perform the hajj and umrah and medical benefits. There is also an Education Fund allocated by most of the co-operatives in order to reward members' children for great achievements in education as well as providing scholarships for them for further studies. Additionally, some of these performing co-operatives do allocate profits to a Retirement fund and Festive Season Fund.

As mentioned earlier, it is found that there is a positive growth in allocation to members' benefits from 2006 to 2008. This positive growth was actually caused by the increase in types of member's funds established by the co-operatives, mostly Welfare Funds and Education Funds. It is also happens that a number of performing co-operative did not make any profit allocation to members' benefits in 2006, but started making this provision in 2007 and increased the amount in 2008. Previously, most of them preferred to distribute their profits only in the form of dividend payout.

#### *5.4. Significant Factors Influencing Co-operatives' Dividend Payout (Pearson Chi-Square and Pearson Correlation Analysis)*

The basic premise of econometric analysis is to establish the extent of the relationship if any between the dividend payment and a number of independent variables such as Return on Assets (ROA), Net Profit Margin (NPM), Return on Equity (ROE), size, function and number of members in cooperatives. The data analysis was undertaken using the SPSS statistics package. The results indicate that there is a significant relationship ( $p < 0.005$ ) between dividends paid by the cooperatives to their members with ROA, NPM, ROE, size, function and number of membership as shown in Table 15. This suggests that the variables mentioned above somehow influence the dividend payment of the cooperatives.

To address the question of which independent variables most influence the payment of dividends, Pearson correlation test were performed on the variables. Table 15 presents the Pearson correlation results. The correlation shows that ROA and ROE have a weak negative relationship ( $r < 0.5$ ) with the payment of dividend. This indicates that a higher ROA or ROE does not necessarily lead to a higher payment of dividend. However the positive relationship of NPM with payment of dividend indicates that cooperatives pay more dividends when their net profit margin increases.

Furthermore size and function show a moderate negative relationship with the payment of dividends. This shows that larger cooperatives do not essentially pay more dividends compared to smaller cooperatives. As shown in Table 11, micro size cooperatives have the highest dividend payout ratio of 19 % compared to large cooperatives with a dividend payout ratio of only 16%. The results also show that cooperatives which are more diversified do not necessarily pay out more dividends compared to cooperatives which focus on one main activity. As expected the significant, moderately positive relationship between numbers of members with the dividend paid indicates that cooperatives with a higher number of members would be likely to pay out more dividends.



Table 15: Pearson Chi-Square and Pearson's R Analysis of ROA, NPM, ROE, Size, Function and Number of Membership with Dividend Payment.

Variables	Pearson Chi-Square Asym.Sig (2 sided)	Pearson's R
ROA	0.004	-0.302
NPM	0.007	0.284
ROE	0.008	-0.281
Size	0.000	-0.597
Function	0.027	-0.326
No. of membership	0.002	0.335

### 5.5. Implications and Conclusions

The findings from this study indicate that micro co-operatives are found to have paid the highest average proportional dividend payouts (19%) followed by large co-operatives (16 %). Small co-operatives' annual average dividend payout was 15 % while the medium cooperatives on average paid out 13% dividends to their members. This is due to the fact that since dividends are paid based on the amount of shares and subscriptions, co-operatives with a sizeable amount of total share capital and subscriptions would have to share their profits among more members compared to the micro size cooperatives. Furthermore, the findings also suggest that co-operatives in Malaysia are in a better position to increase dividend payouts to members yearly. However it is not necessary for them to pay higher dividends. Co-operatives instead can choose to allocate their profits to welfare funds such as education funds and retirement funds since this would serve as long term benefits to their members. Profits can also be used to expand the operations of the co-operatives or for future investments.

It can also be concluded that cooperatives are keener to allocate benefits and returns to the members by payment of dividends and allocation to members' funds rather than practising patronage rebates, although the third cooperative principle and the very spirit of a the cooperative entity advocates that profits made by a cooperative should be distributed to their members based on the volume of their transactions with the cooperative.

In conclusion it is also observed that there is an increasing trend in the allocation made towards members' benefits. In fact the percentage increase in the members' allocation is higher compared to the increase in the profit experienced by the various functions. Although performing co-operatives in Malaysia are found to have made ample allocation to provide benefits to members, their focus on the quality of services and products offered to the members and public should be heightened, offering a variety of benefits to the members and providing community support. This would not only keep members engaged and committed to the co-operative but would also draw new members and patronage from the public to support the development of co-operatives. Co-operatives must also strategically draw up plans to increase their membership to support the development of the co-operatives and growth of the cooperative movement.

### Bibliography

- Aivazian, V., Booth, I. and Cleary, S., 2003. Do Emerging Market Firms Follow Different Dividend Policies From U.S. Firms? *Journal of Financial Research*, 26(3), pp. 371-387.
- Al-Twaijry, Abdulrahman Ali. 2007. Dividends Policy and Payout Ratio: Evidence from the Kuala Lumpur Stock Exchange. *Journal of Risk Management*, 8(4), 349-363.

- Amidu, M., and Abor, J., 2006. Determinants of Dividend Payout Ratios in Ghana. *Journal of Risk Finance*, 7(2), 136-145.
- Amini, A. M., Ramezani, M., 2008. Investigating the success factors of poultry growers' cooperatives in Iran's western provinces. *World Applied Sciences Journal*, 5(1), 81-87.
- Baker, H., and Powell, G., 2000. Determinants of Corporate Dividend Policy: A Survey of NYSE Firms. *Financial Practice & Education*, 10 (1), 29-40.
- Bartlett, J. E., Kotrlik, J.W., and Higgins, C., 2001. Organizational research: Determining appropriate sample size for survey research. *Information Technology, Learning, and Performance Journal*, 19(1), 43-50. Available from: <http://www.osra.org/itlpj/bartlettkotrlikhiggins.pdf> [Accessed January 2012].
- Brav, A., et al., 2005. Payout Policy in the 21st Century. *Journal of Financial Economics*, 77, 483-528.
- Brief, R., and R. Lawson. 1992. The role of the accounting rate of return in financial statement analysis. *Accounting Review* 67, 411-426.
- Bruynis, C. L., et al., 2001. Critical success factors for emerging agricultural marketing cooperatives. *Journal of Cooperation*, 16(2001), 14-24.
- Carlberg, J.G., Ward, C. E., and Holcomb, R. B., 2006. Success Factors for New Generation Cooperatives (NGC). *International Food and Agribusiness Management Review* [online], 9(1), 62-81.
- Chay, J. B., & Suh, J., 2009. Payout policy and cash-flow uncertainty. *Journal of Financial Economics*, 93(1), 88-107.
- Chen, T., Chen, B., Peng, S., 2008. Firm operation performance analysis using data envelopment analysis and balanced scorecard: A case study of a credit cooperative bank. *International Journal of Productivity and Performance Management*, 57(7), 523-539.
- Chia, A., Sin Hoon, H., 2000. Adopting and creating balanced scorecards in Singapore-based companies. *Singapore Management Review*, 22(2), 1-15.
- Chung, K. and C. Charoenwong, 1991, Investment options, assets in place, and the risk of stocks. *Financial Management*, 20, 21-33.
- Collins, D., Kothari, S., 1989. An analysis of the cross-sectional and intertemporal determinants of earnings response coefficients. *Journal of Accounting and Economics*, 11, 143-181.
- Din, J., 2006. Data envelopment analysis as a method to measure efficiency of performance in co-operatives. *Malaysian Journal of Co-operative Management*, 2, 19-25.
- Eriotis, N., 2005. The Effect of Distribution Earnings and Size of the Firm to its Dividend Policy, *International & Economics Journal*, 4(1), 67-74.
- Fama, E., French, K., 2001. Disappearing dividends: changing firm characteristics or lower propensity to pay? *Journal of Financial Economics*, 60, 3-43.
- Fredericks, L. 1973. *Cooperative Structure and Government policy in Malaysia*. Uppsala: Lantbrukshögskolan, Institutionen för ekonomi och statistik.
- Ghosh, C., and Sirmans, D.F., 2006. Do Managerial Motives Impact Dividend Decisions in REITs? *Journal of Real Estate Finance*, 32, 327-355.
- Goddard, J., and Wilson, J.O.S., 2005. US Credit Unions: An Empirical Investigation of Size Age and Growth. *Annals of Public and Cooperative Economics*, 76(3), 375-406.

- Gordon, M. J., 1959. Dividends, Earnings and Stock Prices. *Review of Economics and Statistics*, 41(2), 99-105.
- Grullon, G, Michaely, R., Wwanubatgab, B. 2002. Dividend policy, growth, and the valuation of shares. *Journal of Business*, 75, 387-424.
- Gugler, K., 2003. Corporate governance, dividend payout policy, and the interrelation between dividends, R&D, and capital investment. *Journal of Banking and Finance*, 27, 1297-1321.
- Guzman, I., Arcas, N., 2008. The usefulness of accounting information in the measurement of technical efficiency in agricultural cooperatives. *Annals of Public and Cooperative Economics*, 79(1), 107-131.
- Hartungi, R., 2007. Understanding the success factors of micro-finance institution in a developing country. *International Journal of Social Economics*, 34(6), 388-401.
- Hind, A.M., 1997. The Changing Values of the Cooperative and Its Business Focus. *American Jurnal Agricultural Economics*. 79, 1077-1082.
- Indar Kaur, 2006. Performance Measurement: An Evaluation of Co-operatives Performance in Malaysia. *Malaysian Journal of Co-operative Studies*, 2, 1-17.
- Irala, L. R. *Performance measurement using the balanced scorecard* [online]. Available from: <http://ssrn.com/abstract=980691> [Accessed 2007].
- Kakani, R.K., Saha, B., Reddy, V.N., 2001. Determinants of Financial Performance of Indian Corporate Sector in the Post-Liberalization Era: An Exploratory Study. *National Stock Exchange of India Limited, NSE Research Initiative* [online]. Available from: <http://ssrn.com/abstract=904983> [Accessed January 2012].
- Kaplan, R. S., Norton, D. P., 1993. Putting the balanced scorecard to work. *Harvard Business Review*, 71(5), 134-140.
- Karam, P., Puja, G., 2007. Leading determinants of Dividend policy: A case study of Indian Banking Industry. *Decision*, 34(2), 87-112.
- Kyriakopoulos, K., Meulenbergh, M. , Nilsson, J., 2004. The impact of cooperative structure and firm culture on market orientation and performance. *Agribusiness*, 20(4), 379-396.
- La Porta, R., *et al.*, 2000. Agency problems and dividend policies around the world. *Journal of Finance*, 55, 1-33.
- Liebrand, C., 2008. Using the 'extra-value index' to measure agricultural cooperative performance. *Rural Cooperatives* [online], January/February, 22-24. Available from: <http://www.rurdev.usda.gov/supportdocuments/CoopMag-jan08.pdf> [Accessed January 2012].
- Ling, K. C., and Liebrand, C., 1998. *A new approach to measuring dairy cooperative performance* [online]., Washington: Rural Business-Cooperative Service, U.S. Department of Agriculture. Available from: <http://www.rurdev.usda.gov/rbs/pub/rr166.pdf> [Accessed January 2012].
- Lintner, J., 1956. Distribution of Incomes of Corporations among Dividends, Retained Earnings, and Taxes. *American Economic Review*, 46(2), 97-113.
- Liu, P., Tsai, C., 2007. Effect of knowledge management systems on operating performance: An empirical study of hi-tech companies using the balanced scorecard approach. *International Journal of Management*, 24(4), 734-743.
- López Lluch, D.B., Del Campo Gomis, F.J., Vidal Jimenez, F., 2006. A Management Model for the Evaluation of Co-operative Success with Special Reference to

- Member Objective Setting and Satisfaction. *International Journal of Co-operative Management*, 3(1), 38-46.
- Mancinelli, L., and Ozkan, A., 2006. Ownership structure and dividend policy: Evidence from Italian firms. *The European Journal of Finance*, 12(3), 265-282.
- Mat Nor, F., Ramlee, S., 1997. A Note on the Malaysia Experience on the Financial Performance Reaction to Capital Structure. *Malaysian Management Review*, 32(2), (ISSN 0025-1348).
- Mckillop, D. G., 2005. Financial cooperatives: Structure, conduct and performance. *Annals of Public and Cooperative Economics*, 76(3), 301-305.
- Miller, M. and Modigliani, F., 1961. Dividend Policy, Growth, and the Valuation of Shares. *Journal of Business*, 34, 235-264
- Ming-Yen, W., Choy, S., 2007. Theorising a framework of factors influencing performance of woman entrepreneurs in Malaysia. *Journal of Asia Entrepreneurship and Sustainability*, 3(2), 42-59.
- Parsley, S. 1992. How to Evaluate the Performance of a Cooperative. *Management Quarterly*. 33, 31-35.
- [Peasnell, K.V.](#), 2006. [What options does the future hold?](#) *The HR Director*, Apr, 25.
- Rahman, S. 2001. A comparative study of TQM practice and organisational performance of SMEs with and without ISO 9000 certification. *International Journal of Quality & Reliability Journal*, 18 (1), 35-49.
- Risseuw, P., 2004. *Estimating the Determinants of Financial Performance of Very Small Service Firms* [online]. Available from: <http://www.sbaer.uca.edu/research/icsb/1997/62.pdf> [Accessed 31 January 2012].
- Ross, S.A., Westerfield, R.W., and Jordan, B.D., 2008. *Corporate Finance Fundamentals*. 8<sup>th</sup> ed. Boston: McGraw-Hill.
- Appannan, S., and Sim, L.W., 2011. A study on leading determinants of dividend policy in Malaysia listed companies for food industry under consumer product sector. In: *2nd International Conference On Business And Economic Research* (2<sup>nd</sup> Icbcr 2011), 14-16 March 2011, Langkawi Kedah, Malaysia [online]. Available from: [http://www.internationalconference.com.my/proceeding/2ndicber2011\\_proceeding/209-2nd%20ICBER%202011%20PG%20945-976%20Dividend%20Policy.pdf](http://www.internationalconference.com.my/proceeding/2ndicber2011_proceeding/209-2nd%20ICBER%202011%20PG%20945-976%20Dividend%20Policy.pdf) [Accessed 31 January 2012].
- Sharma, K., 2008. Leadership through performance: A dea analysis of urban cooperative banks of Maharashtra (India). In: Y. Dongre, A. Kurimoto and P. Nair, eds. *Leadership Role in Preserving Co-operative Identity*. New Delhi: International Co-operative Alliance–Asia & Pacific, 67-85.
- Shih-Jen, K. H., McKay, R. B., 2002. Balanced scorecard: Two perspectives. *CPA Journal*, 72(3), 21-25.
- Singh, S., Coelli, T. , Fleming, E., 2002. Performance of dairy plants in the cooperative and private sectors in India. *Annals of Public and Cooperative Economics*, 72(4), 453-479.
- Stacescu, B., 2006. Dividend Policy in Switzerland. *Financial Markets and Portfolio Management*, 20 (2).
- Ward, A., McKillop, D.G., 2005. An investigation into the link between UK credit union characteristics, location and their success. *Annals of Public and Cooperative Economics*, 76(3), 461-489.

- Wong, J. *et al.*, 2007. *Determinants Of The Performance Of Banks In Hong Kong* [online]. Available from: <http://ssrn.com/abstract=1032032> [Accessed January 2012].
- Worthington, A.C., 1998. Testing the association between production and financial performance: Evidence from a not-for-profit, cooperative setting. *Annals of Public and Cooperative Economics*, 69(1), 67-83.
- Zhou, P., and Ruland, W., 2006. Dividend Payout and Future Earnings Growth. *Financial Analysts Journal*, 62(3), 58-69.