A Conceptual Analysis on Co-operative Enterprise (KOSISWA) at Institute of Higher Learning (IHLs) in Malaysia: Transformation of Malays Economies Agenda

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Abstract
The government initiatives towards establishment of business and entrepreneurs, especially among Malays ethnic, experienced a rapid development since Malaysia Independence Day back in 1957. Various policies have been launched such as New Economic Policy (1970-1990) which aimed to increase Malays ownership in economic activities without ignoring other races. However, at the end of the period, the targeted figure of 30% Malays ownership is far from achieved. The government then invested tones of money to develop various programs to overcome the problems which includes enhancement on co-operative enterprise among Malays. In Malaysia, 6.78 million people or 27% of the total population are members of co-operatives. These co-operative enterprises continue to play significant economic and social roles in the communities. Co-operative provides over 100 million jobs around the world, 20% more than multinational corporations. However, the co-operative enterprises have its own challenges which surrounded on the capacity of its members. Affective commitment may play a significant role specifically associated with determining entrepreneurial orientation among graduates at IHLs via co-operatives enterprise. In doing so, a conceptual model was put forward drawn from the literature to suggest possible antecedent conditions and its consequence associated with affective commitment at co-operative enterprises level. Thus, this study argued that in order to transform the Malays economies in Malaysia it must be done via co-operatives enterprise model since majority of the Malays joined the co-operatives and it already become the third largest sector in the country after government and private sectors. To make co-operative become successful the members of the co-operatives must overcome all the challenges and obstacles. These responsibilities should be upheld by young generation; the graduates at IHLs that will becomes the backbone of co-operative management in the future.

Keywords: Co-operative enterprise, Affective Commitment, Entrepreneurial Orientation, Malays economies, Malaysia.

1. Introduction

Co-operative enterprises or Co-Ophave a long history standing that can started in 14th century with the formation of the Shore Porters’ Society in Aberdeen, Scotland (Shore Porters, 2007). Co-ops were found across a wide range of sectors throughout Europe by the end of the 19th Century (Gide, 1922) and around the world (Birchall, 2011). Co-ops are estimated employed 100 million people and support the livelihood of a further 3 billion people across the world for the last decades and the 300 largest co-ops have a combined annual turnover between US$600 million to US$53 billion (Mazzarol, Limnios and

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Ironically, they are not just agricultural or grower organizations as most of us perceived. For example EdekaZentrale AG is the largest supermarket business in Germany and is a co-op; while France’s Credit Agricole Group is the largest retail banking groups in the France and the second largest such enterprise in Europe (Mazzarol et al., 2011). And in Malaysia, Bank Kerjasama Rakyat Malaysia (Bank Rakyat) was a success story of co-operative enterprise in the country.

The first co-operative in Malaysia was registered in 1936 (Hasbullah, Mahajar and Salleh, 2014). And after almost 90 years, now there are more than 10 thousands of registered co-operatives that are supposed to benefit more than 7 million of their members. SuruhanjayaKoperasi Malaysia (SKM) or Cooperative Commission of Malaysia have listed that there are eight main functions of co-operatives; which are financing, housing, transportation, consumer, plantation, industry, construction and services.

After becoming the third largest sector after the government and the private sector, the government called on the co-operatives to increase the contribution to gross domestic product to 20% by 2020. In this period the co-operatives sector contributes only about 11% only. Co-operatives should continue to complement the capabilities of accurate and comprehensive planning as well as implementing market research reliability in any commercial activity that would like to undertake. These strategies are capable of generating a commercial success for the co-operatives to become a successful business entity.

Despite its potential contribution towards economy, cooperative also faces various issues that could threaten its stability. The lack of public’s confidence, capital and the issues of leadership and management are major issues that may affect the stability, growth and development of the cooperative movement which we should not be overstate. Weakness in the division would allow the existence of an outside intervention that can make matters worse.

What so unique about a co-op compared to other business entity or enterprise is a co-op has a dual function, or ‘symbiosis’ in which it plays a simultaneous role of a union or alliance, and also a business (Fairbain, 1994). In other words, typically the primary purpose of the business or enterprise is to maximize shareholder returns through profit taking. But, the co-op has a more complex purpose focused on providing ongoing patronage with benefits accruing to its members and at the same time generates sufficient retained profit to continue as an enterprise (Mooney et al., 1996). While profit motive still remain, a co-op will aim to optimize return to both its members and its own operations (Bontems and Fulton, 2009). Thus, the sustainability of the co-op depends on how well it satisfies these dual and often competing demands from its membership (Nilsson, 2001).

Members of the co-op, therefore, can directly affect a co-op’s development, future success and survival. Along those lines, we argue that members of the co-op that are affectively commit in the co-op are more likely to value and implement Entrepreneurial Orientation (EO) effectively. Understanding of the role of Affective Commitment (AC) and Entrepreneurial Orientation (EO) and their antecedents are important because the co-op, unlike the majority of newly launched enterprise have access to significant financial resources thereby creating an interesting and distinct unique entity. Co-ops are faced with the decisive challenge of effectively utilizing initial resource endowments if they are to grow and survive. Therefore, we explicitly examine one main research question: What are the antecedents and consequences of Affective Commitment (AC) among members’ of the co-operative enterprise (KOSISWA) at Institute of Higher Learning in Malaysia?

**Problem Statements**

By definition, the co-op can be refer as a ‘hybrid’ form of social enterprise that can move between social an economic purposes depending on the needs identified within their members (Neck et al, 2008). Like other community based enterprise, the co-op is built on the skills innate within its membership, and is very dependent participation in nature, in order to achieve goals that can be economic or social in nature (Peredo and Chrissmann, 2006). One of the critically important issues most of the co-ops face today as is member commitment. Member commitment is critical because it is ameasure of how well a co-op is able to differentiate itself from typical enterprises. The higher the ability of the co-op to
differentiate itself from an enterprise, the easier it is for the co-op to retain its market share as borders breakdown and as multinationals move into markets they have traditionally ignored (Fulton, 1999). Simply said, member commitment is a sort of glue that allows membership and business volume to be maintained in today’s challenging business world. If the members place no value on either the co-op will degenerate and die. So how does the member contribute to the success of the co-op would remain as debates among scholars.

On the other hand, the concept of commitment is now increasingly being recognized as having significant impact at broad organizational level. Nummella (2003) gave example in the field of R&D collaboration; commitment has been identified as a key success factor for such collaboration to take place. Till now, much of the research examining commitment remains at developing stage and mainly confined to the business or strategy field. A major constraint of much work to date is that not many studies being done on the antecedents that give rise to commitment construct in particular in the co-op business model that becomes the focus under this study.

The most common concept used in the analysis of firm-level entrepreneurship is Entrepreneurial Orientation (EO). Miller (1983) considered entrepreneurship an organizational phenomenon rather than a personal one and introduced a strategic approach to entrepreneurship. Lumpkin and Dess (1996) also argued that Entrepreneurial Orientation (EO) emerges from strategic choice perspective. Therefore, it is more appropriate to analyze entrepreneurial strategy and orientation from the perspective of strategic adaptation. Entrepreneurial exercises will stimulate business expansion, technological progress, and wealth creation for both start-up ventures and existing firms. Entrepreneurial activity becomes among the major determinant of economic growth and sources for the majority of job creation and new business ventures and in the United States (Business Week, 1993). For it, scholars in literature (e.g., Covin and Slevin, 1991) and popular press (e.g., Peters and Waterman, 1982) have coincided that entrepreneurship is a fundamental factor to become high performing firms.

Hence, as far as the context in this study is concerned, a co-op embodies a third largest sector in most developed and developing countries after government and private sectors including Malaysia. Regardless of this, the investigation of the co-op has been under-researched. It is the result of both a preconception towards the study of government and private organizations/enterprises as of being of more important as well as an assumption that, co-op are more alike charity business. Such misconceptions happen because co-op involves highly complex interrelationships between two linked social systems; the members and the business.

On the other hand, the promotion of Indigenous or Bumiputeras (mainly Malays) into trade and industry is often seen as a socioeconomic initiative engineered by the Malaysian government. The respective policies under the New Economic Policy (NEP) and National Development Policy (NDP) sought to enhance and intensify the participation of Malays in economic and business ventures. The NDP and its predecessor, the NEP, are public policy instruments formulated to promote Malays general economic well-being which was incorporated in the Malaysian government’s five yearly economic plans since 1970. The NEP which lasted for twenty years, however, did not meet its objective of managing 30% economic equity shareholding by Malays. Since then, various policies and initiatives being put in places by government which involved tonnes of money, just to ensure that Malays agenda achieved the target. However, it was widely acknowledged by the government and the Malays business leaders and intellectuals that the policies have not succeeded as targeted. There were even fears among the community that, whatever little that has been achieved, after more than 50 years, may be lost again. Facts and figures from the various report seemed to suggest that the Malays economic achievement is not a lasting proposition based on current policies. It can probably be argued that more than public instruments are required to help overcome Malays economic malaise, and for funds spent, for results that do not compensate the efforts of the government policies in increasing Malays economic status (Zainol, 2011).

The success of Bumiputera or Malays Agendas lies on its young generation, the graduates from universities and colleges in particular. They are the future leaders, the engine of growth to the nation as a
whole. However, the unemployment of graduates has become a national issue in Malaysia as the number of graduates from public and private higher educational institutions that join the job market increases each year. Unfortunately, this proliferation not only exceeds the current demand for their services but also the skills of new graduates do not match those needed by employers. Hence, academic qualifications can no longer guarantee immediate employment upon graduation, and instead, graduates are required to show a positive attitude towards the changing job market (Morshidi et al., 2004). This situation if not being handled properly will worsen the Malays status in gaining economic power in the future.

Thus, it has been proposed that graduates widen their career scope by investigating entrepreneurship as a possible basis for a career (Z Ghazali, NA Ibrahim & FA Zainol, 2013). Furthermore, entrepreneurship will help the new graduates develop their own career and create employment by expanding the job market (Norasmah, 2004). In facts, entrepreneurship has been acknowledged by most scholars and practitioners as a solution to the problem of unemployed graduates (Kamariah et al., 2004; Salmah, 2006). Moving towards becoming a developed nation by 2020, the development in entrepreneurship has had notable effects on the business in Malaysia today. However, it need a paradigm shift among graduates, as their contributions to entrepreneurship would stimulate the country’s economic growth.

Universities and colleges in Malaysia have taken a bold step to strengthen its education sector. Entrepreneurial education is primarily the focus of every university and college nowadays. Students from various academic programs are required to take courses in entrepreneurship. However, it is unknown whether contextual founding conditions or any perfect model at university/college level that drove students’ intention to self-employment. In order to design an effective program, policy makers have to know the factors mentioned above that need to be emphasized (Autio et al., 1997). For the time being, most of universities and colleges developed their own programs on entrepreneurship with the target to produce entrepreneurs among their students. But there is no perfect model to be claimed in developing entrepreneurs among young graduates since it is very contextual in nature. Therefore, there is a dire need to conduct a study focusing on graduate’s co-op; its antecedents and consequences in developing entrepreneurs among students.

The aim of this study is to determine and investigate antecedents and consequences of Affective Commitment (AC) among members’ of the co-operative enterprises (KOSISWA) at Institute of Higher Learning in Malaysia? The link between what contribute to the success of graduate co-op at tertiary level, the ability of co-op model as entrepreneurial incubator and its contribution towards developing graduate entrepreneurs among Malays that leads to transformation of Malays economies in Malaysia would be interesting findings in this study.

2. Research Methodology

This study use qualitative approach by systematically review the literature from various databases. To have a clear and precise guidance in reviewing the literature, research question was constructed: What are the antecedents and consequences of Affective Commitment (AC) among members’ of the co-operative enterprises (KOSISWA) at Institute of Higher Learning in Malaysia? The link between what contribute to the success of graduate co-op at tertiary level, the ability of co-op model as entrepreneurial incubator and its contribution towards developing graduate entrepreneurs among Malays that leads to transformation of Malays economies in Malaysia would be interesting findings in this study.

3. Literature Review

According to Nilsson (2001), where the member values patronage over investment the co-op will be a traditional one focused primarily on collective rights and addressing market failures. However, where
they value investment rights over patronage, the co-op will best serve its members by demutualization and conversion to an enterprise or business entity.

Early work on the notion of commitment within the field of organizational behavior initially viewed organizational commitment as a uni-dimensional construct that represented the strength of identification or involvement an individual has with the organization, reflecting an underlying bond or attachment (Mowday et al, 1982). Years of research by various scholars however proved the advancement in both the understanding and conceptualization of the commitment construct. One of the critical advancement was the recognition of multiple commitments by individuals within organizations (Clarke, 2006).

- **Involvement in Decision Making**

  There are various literatures on the antecedents of organizational commitment (Mathieu and Zajac, 1990; Meyer and Ellen, 1988) as well as that on inter-organizational collaboration that provides support for the important of involvement in decision making as key determinant of commitment (Bucklin and Sengupta, 1993; Huxham and Vangen, 2000). It would therefore, seem reasonable to propose involvement in decision making as an antecedent of affective commitment (AC) in this study.

- **Confidence in Co-Operative Organization**

  There are also some authors that stressed the importance of confidence among network members as a key factor in facilitating collaboration. For instance, Das and Teng (1998) in their study showed that low levels of confidence amongst network members contributes to a lack of co-operation and encourages partners to act out of their own self-interest. Based on the study, they have proposed that both trust and control are inter-related constructs underpinning confidence in partner co-operation. In other words, without such confidence networks members’ organization will suffer in long run. Thus, the concept of possessing confidence in partners has been associated with increasing the member’s commitment (Numella, 2003).

- **Goal Congruence**

  Theory of power-dependence by Emerson (1962) has suggested that commitment is likely to be stronger as a result of increasing the centrality of that dependence to the network. It seemed reasonable that goal congruence is likely to strengthen this perception should also be associated with the development of network commitment (Lawler and Yoon, 1996). Whereas network members shared common values (Dwyer et al., 1987; Heide and John, 1998) and there is congruence between the network member’s goals and those of the network (Frazier et al., 1988; Lewis, 1990), the level of uncertainty between network members is likely to be reduced.

- **Affective Commitment (AC)**

  Looking into commitment literature broadly, commitment is now being accepted as a multi-dimensional construct consisting three independent and distinguishable mind-sets or psychological states (Meyer and Herscovitch, 2001). These have been labeled as affective commitment which indicates the degree of emotional attachment an individual has to the organization, continuance commitment that reflects the strength of intention of the individual to remain with the organization due to either costs of leaving or lack of alternatives on offer and normative commitment that associated with a felt obligation to remain with the organization. Therefore, commitment can be seen as a measure of varying degrees of all three mind-sets (Allen and Meyer, 1990). However, due the nature of co-operative members which have emotional attachment when establishing and joining co-operatives, this study only take affective commitment into the consideration.

- **Entrepreneurial Orientation (EO)**

  The entrepreneurial orientation (EO) construct has been identified as having five dimensions—autonomy, risk taking, pro-activeness, innovativeness and competitive aggressiveness as described by Lumpkin and Dess (1996). However based on the study conducted by Zainol (2010), the most widely used in operationalization of the entrepreneurial orientation (EO) construct is based on the work of
Khandwalla (1977), Miller and Friesen (1982) and Covin and Slevin (1989). For example, Covin and Slevin have looked at the dimensions of pro-activeness, risk taking and innovativeness since they created a uni-dimensional measure of strategic orientation. They suggested that the three dimensions should be aggregated together when conducting further studies. This aspect of looking at the factors of innovation, risk taking and pro-activeness and how they relate separately and collectively to performance was advanced by the research of Kreiser, Marino and Weaver (2002). As far as this study is concern, the entrepreneurial orientation (EO) construct is viewed as a uni-dimensional measure of strategic orientation, and included the three factors of innovativeness, risk taking, and pro-activeness as discussed above.

- Co-operative Overview

Syed Abdullah A. Bakar (1987) mentioned in his article that co-operative is defined as an organization with the people as the members having common goal to achieve. The members willingly grouped together to improve their social economics situation and carry out democratic organization management based on the individual right and majority voice. It’s already proven by the main objective of cooperative is to improve the welfare of the cooperative members and in the abstract, to promote the economic members, (AlmasdiSyahza, 2004)

In Akluj India, cooperatives become important agents in maintaining their economic growth. Starting with sugar factory in 1962, by the year 2003 they have 549,119 cooperatives with 229 510 million members. These cooperative successfully help Akluj and their community in increasing their family income, offer job opportunities and make better lifestyle. They are able to do all this due to high commitment and active participations from the higher level management and from the members itself. They can create high level of commitment because the cooperative provide scholars (social responsibility) to the members’ children and the children willing to take responsibilities to manage their cooperative after they have finished their study (Devi Sushila, 2007). In 2002 cooperatives in India contribute about 5% to the GDP, meanwhile Malaysia is targeting the same percentage contribution by 2020.

According to AriefBudiman(2013), shows that capital, and loans have a positive influence on the development of business members. Other factors like respondent identity, members, businesses, membership, the level of capital and income level will determine the influence of the development of member businesses. Granting loans to members have been able to increase business activity members from 33.36% to 44.16%, the increase of 10.8%, when total employment increased to 23%. These shows lending to the cooperative members benefit savings and enhance the activities of member businesses while providing greater income to members in proportion to the work done and to create jobs by increasing employee owned business members.

- Co-Operative as an Agent of Transformation for Malays Economies

By the year 2011, Malaysia has 9,074 cooperative by 7,040,309 members. With the population of 28.86 million, only about 22.87% participate in cooperative. In Malaysia, the effectiveness of the cooperative will be measured by certain criteria such as the ability to achieve certain level of financial performance (revenues, assets and equity), businesses, management and legal compliance aligned with the standard of International Co-Operative Alliance (ICA). This may be measured by determining the cooperative industrial average, determination of financial factor, and determination by non-financial factors. For the year 2011, Koperasi Permodalan Felda Malaysia Berhad, Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat), and Koperasi Kebangsaan Permodalan Tanah Berhad is the best top three cooperation in Malaysia. To enhance the effectiveness of the cooperation activities in Malaysia, the cooperative regulations 1995 was made. The main features of this regulations is to promote of good management practices, enhancement of member empowerment, explicit development role of the department, cooperatives to set up subsidiaries in order to take part in the economy and to enable cooperative to set aside some portion of their profit to fund projects for the benefits of the community.
Koperasi Kakitangan Petronas Behad (KOPETRO) has been recognized as one of the effective cooperative during 2006. According to their board of directors, the successful of KOPETRO is due to higher commitment on corporate governance and effective and transparent work culture from the higher level of management till the members of the cooperative itself. They shared the same values which is loyalty, dedicated, innovative, proactive, and always be the best. However, for the year 2012 KOPETRO is the 7th from the best cooperative in Malaysia. According to their board of directors, the main challenges for cooperatives in Malaysia is lack of expertise to identify and handle the businesses, bureaucracy and unable to lead the cooperative professionally. Therefore must be some reason why KOPETRO cannot maintain their good performance for a year after.

**Cooperative and Challenges**

According to Yaprak’s (1985), many cooperative have problems in expanding their activities abroad because they perceived anxieties about export involvement due to lack of information, limited market contacts, and personnel deficiencies. This is proven by Kedah Cooperation Society, that they found that there are 5 main barriers to being engaged in international business. The barriers are: (1) Lack of foreign channels distribution ;( 2) Confusing foreign import regulations and procedures; (3) high cost of selling abroad; (4) management emphasis on developing domestic market; and (5) lack of capital to finance business expansion into foreign market. (Mahajar.Abdul Jumaat, 2005; Mohd Yunus. Jasmani, 2005)

Rusnani Mamat (1993) also said that financing, weak administration and lack of experience is the three key issues in the development of housing scheme that have to be faced by the cooperative movement. It’s proven by Johor State Land Development Cooperatives Limited Kluang (KOPKETA) where KOPKETA faced 3 major problems involved in housing scheme project. First, the financial problems where there have to apply soft loan because of cash flow problems to secure bridging finance and end finance. Second, the administrative problem where the board of directors is based on voluntarily basis and not performance basis. Third, lack of experience which does not had experiences staff to carry out the housing scheme development. The positive approach by KOPKETA is to provide affordable housing to owned by members and unaffordable which comes from the low and medium income group. It’s because most of private developers offered too high prices housing that beyond the affordability level (Siti Rohana Salleh, Ahmad AriifianBujang, 2008).

Azmah Othman (2008) and Fatimah Kari (2008) in their articles stated that cooperatives facing a great challenges from the non-cooperative business. They are also face serious problems with internal weakness arising from management inefficiencies and members’ apathy. Cooperatives have been perceived by members as reliable and beneficial organization, however, these positive perceptions were let down by members poor reactions towards increasing shareholdings in cooperatives. This negative reaction has serious implication for those cooperative which strongly rely on members for finance. These problem occurred because people join cooperative with minimum information about cooperative and some of them without understanding the ideologies and principles of cooperation, thus they have no sense of commitment to cooperatives.

In view of the prevailing situation, it is essential for this study to examine the full potential of cooperative enterprise as a powerful business model for the social-economic development of the region, in particular the Malays population.

**Co-Operative Enterprise at IHLs**

The main agenda of entrepreneurship education in IHLs is to produce entrepreneurial graduates as well as graduate entrepreneurs (MNH Yusoff, FA Zainol& MD Ibrahim, 2015). Entrepreneurship education has been encouraged and promoted based on the belief that entrepreneurship can be nurtured and learnt. MNH Yusoff et al (2015) emphasized that continuous exposure to entrepreneurship activities can enhance students’ inclination to venture into these activities. Besides that, their family backgrounds, personal experiences, and external environment were also found to influence their intentions towards involvement in entrepreneurship activities. This has been agreed by Dahlan et al. (2010) which argued
individual with a family background in business tend to have higher inclinations towards entrepreneurial activities compared to those who do not. Over time, continuous exposure to entrepreneurship activities had developed the tacit knowledge that was found to positively influence a person's intention and behaviour to become their own boss; to be an entrepreneur.

It also being proof empirically that, students who have been exposed to entrepreneurship education were found to positively correlate to an inclination towards venturing into business. They carried entrepreneurial characteristics and act differently (risk taker, innovator and proactive) compared to their counterparts that have same exposure (Cheng et al., 2009). Thus, entrepreneurship education becomes a turning point for the students to choose entrepreneurship as a career of choice. Simply said, the number of graduate entrepreneurs will likely increase if more students are exposed to entrepreneurship education programs and activities in the university. Curriculum, need to be design to maximize students’ learning experience via the entrepreneurship education and enterprise education model (MNH Yusoff et al., 2015).

In contrast, students who have previous working experience could perform entrepreneurially as they already possess many entrepreneurial characteristics. Nowadays, prospective employers prefer students who can act entrepreneurially as they are able to deal with the dynamics of the business environment (Tan & Ng, 2006).

Thus, the need for a practical and applicable model for entrepreneurial learning is becoming critical. In this study, we aimed to investigate antecedents and consequences of Affective Commitment (AC) among members’ of the co-operative enterprises (KOSISWA) at Institute of Higher Learning in Malaysia. The ability of co-op model as entrepreneurial incubator and its contribution towards developing graduate entrepreneurs among Malays would provide valuable insights for various stakeholders involved in Bumiputera or Malays Agendas in Malaysia.

4. Conceptual Framework

Based on the past literatures discussed above, the conceptual framework depicted in Figure 1 below will fill the gaps from the previous works done by earlier researchers in this area:

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Involvement in Decision Making (DM)

Confidence in Co-Operative Organization

Goal Congruence (GC)

Affective Commitment (AC)

Entrepreneurial Orientation (EO)
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Figure 1: A Conceptual Framework of the Antecedents and Consequence of Affective Commitment

5. Conclusion

This study has argued that affective commitment may play a significant role specifically associated with determining entrepreneurial orientation among graduates at IHLs via co-operatives enterprise. In doing so, a conceptual model was put forward drawn from the literature to suggest possible antecedent conditions and its consequence associated with affective commitment at co-operative enterprises level. Based on the literatures, there are a lot of issues on Malays Bumiputera in particular their involvement in business and entrepreneurship where entrepreneurial orientation became the major factor. Various
economic models including co-operatives enterprises have been implemented by the current government but the results still a far from what have been targeted. Co-Operative Enterprises for example have shown a lot of success stories and become the platform for majority of the Malays Bumiputera to learn about business increased their entrepreneurial orientation. However, the co-operative enterprises have its own challenges which surrounded on the capacity of its members. Thus, this study argued that in order to transform the Malays Bumiputera Economies in Malaysia it must be done via co-operatives enterprise model since majority of the Malays joined the co-operatives and it already become the third largest sector in the country after government and private sectors. To make co-operative become successful the members of the co-operatives must overcome all the challenges and obstacles. These responsibilities should be upheld by young generation; the graduates at IHLs that will becomes the backbone of co-operative management in the future.

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