

UNIVERSITI TEKNOLOGI MARA

**CO-OPERATIVE GOVERNANCE INDEX (Co-opGI)
AND ITS APPLICATION
IN CREDIT CO-OPERATIVES
IN MALAYSIA**

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Author's Declaration

I declare that the work in this thesis was carried out in accordance with the regulation of Universiti Teknologi MARA. It is original and is the result of my own work, unless otherwise indicated or acknowledged as referenced work. This topic has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

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ABSTRACT

This study creates a measure of co-operative governance in the form of co-operative governance index (Co-opGI) based on a dataset from 78 credit co-operatives in Malaysia. Co-opGI is a composite measure of 20 indicators derived from experts' opinion, survey and annual reports under the categories of four co-operative governance mechanisms: board effectiveness, member active participation, internal audit committee's efficiency and management's efficiency. There are five stages of process in constructing the Co-opGI: (i) indicators identification, (ii) measurement identification, (iii) measurement standardisation, (iv) measurement weighting and (v) measurement conversion into indices. This index is used as a proxy measure of the level of co-operative governance in a co-operative. The study relates Co-opGI to co-operative performance and finds no significant relationship. The study examines the relationship of size of co-operative governance organs (members, board, internal audit committee and management) with Co-opGI. The result shows that size of management and size of internal audit committee relate positively with Co-opGI. Cluster analysis groups the 78 co-operatives into five groups according to their levels of Co-opGI and finds that size, competency and compliance of internal audit committee are significantly different across the five groups of Co-opGI in which the Very High Co-opGI group shows the highest scores. The tests show that board communication, member active participation and management efficiency differ significantly between the Co-opGI groups. The results imply that Co-opGI is valid and reliable in measuring corporate governance in co-operatives.

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