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Knowledge and Practice Gaps in Cooperative Financial Management

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Abstract

Financial management is one of the important areas of management in any business entity. A cooperative is an autonomous organization that conducts business activities, and its establishment aims to provide returns to its members. However, this goal will not be achieved if the cooperative is not managed well, and weak financial management will cause the failure in the cooperative to function and may result in negative impacts such as wastage and misappropriation. Therefore, this study aims to analyze the knowledge and practice gaps based on 74 items consisting of five financial management areas: Working Capital Management, Budget Management, Capital Management, Financial Reporting, and Financial Information Systems. A questionnaire was used as the data collection instrument. The sampling method for the cooperatives involved the stratified random sampling technique. A total of 221 respondents completed the questionnaire, and this study utilized the Rasch Measurement Model analysis with Winstep 5.2.2.0. The study findings revealed that the most challenging items in terms of knowledge and practice levels were in the area of Working Capital Management, followed by Capital Management and Financial Information Systems.

Keywords: Financial Management, Financial Management Knowledge, Financial Management Practices, Gap Analysis

Introduction

In Malaysia, there were 15,809 registered cooperatives in 2023, with assets amounting to RM165.89 billion and share capital and fees totalling RM17.45 billion (Malaysia Cooperative Societies Commission of Malaysia 2023). Cooperatives form the third sector in the national economy, and the benefits of cooperatives to their members can be seen in financial forms, such as the distribution of dividends, rebates, subscription discounts, and bonus shares (Abd Rahman & Zakaria, 2018). Non-financial benefits, on the other hand, include emotional well-being, life balance, happiness, and the creation of job opportunities by cooperatives (Sarmila et al., 2017). To ensure the continued success of cooperatives, they must maintain efficient financial management in line with cooperative management objectives, which encompass planning, organizing, directing, and controlling.

The field of Financial Management is the most challenging area for cooperative officers to implement, in addition to the areas of Management and Administration, Business Management, Strategic Management, and Governance Management (Hashim et al., 2023). Among the objectives of financial management are to secure sufficient capital resources, to ensure the prudent use of resources, and to guarantee a return on the resources invested. The importance of financial management is a crucial element within cooperatives, and if it is not managed properly, it can result in the cooperative becoming dysfunctional and inactive (Ariffin et al., 2017).

According to Abd Moen et al. (2012), several previous studies in the field of entrepreneurship related to financial management practices found varying and informal practices among entrepreneurs. However, studies involving the cooperative sector conducted by Habidin et al. (2021) and Hashim et al. (2023) revealed that the practices and competencies of cooperative board members in financial management are in a critical state and need to be strengthened. It was also suggested that these gaps should be addressed and explored in further studies for development.

In line with this, recommendations from the Ministry of Entrepreneur Development and Cooperatives (MEDC) and several past studies emphasize the need to improve the financial management of cooperatives in terms of knowledge and to enhance the efficiency of management practices within cooperatives (Habidin et al., 2021; Hashim et al., 2023). However, to date, research on the level and gaps in financial management within cooperatives remains limited. This research is crucial to assess the status and actions necessary to strengthen the knowledge and practices of cooperative treasurers and board members in managing cooperative finances in accordance with the legal compliance and guidelines issued by the Malaysia Cooperative Societies Commission of Malaysia (SKM).

In order to further clarify the needs in the field of financial management within cooperatives, a gap analysis is employed to identify knowledge and performance gaps in practice, with the aim of improving cooperative efficiency.

Literature Review

Financial Management

Financial management is an essential aspect that must be mastered by everyone (Norazam & Othman, 2017). Understanding the importance of financial management for a business serves as a benchmark and a factor that can influence business performance. Several studies in Malaysia have highlighted the significance of financial management in the context of life, organizations, and businesses (Abdullah et al., 2013; Azmi et al., 2018; Md Zeni et al., 2021; Adil et al., 2013).

According to Abd Moen et al. (2012), financial management is the art of handling money that one possesses. Meanwhile, Siraj et al. (2008) describe financial management as a decision-making process that involves planning, acquiring, and utilizing resources or funds to ensure the achievement of an organization's objectives. Good and well-planned financial management is achieved through prudent and efficient expenditure management (Sepeai & Ramli, 2019).

Robust financial management is crucial to ensure that an organization can carry out its planned activities effectively. As a result, cooperatives, which play a significant role in improving the socio-economic status of their members, must have strong financial management in place.

According to Ariffin et al. (2017), financial management within a cooperative is a crucial aspect that must be prioritized. Good financial management ensures that a cooperative can carry out all its planned activities to achieve its objectives. It also aids the management in making financing decisions, asset management decisions, and managing limited financial resources effectively and efficiently. At the same time, efficient financial management can streamline cooperative operations to secure financial resources and manage funds effectively.

Cooperative financial management must also comply with all legal and financial regulations in force, including the Cooperative Societies Act 1993, Cooperative Societies Regulations 2010, Cooperative By-Laws (UUK), Guidelines and Circulars from the Malaysia Cooperative Commission (SKM), and cooperative activity regulations. Registered cooperatives must adhere to every regulation specified, and these legal references can be accessed through the SKM website (Malaysia Cooperative Societies Commission of Malaysia 2017). Table 1 shows a review of legal data related to cooperative financial management.

Table 1
The Legal References Related to Finance Cooperative

Related Matters	**References**
Part VI - Property and Funds of Cooperatives (Sections 50 – 57) Part VII - Accounts and Audits (Sections 58 – 59)	Cooperative Societies Act 1993 (Amendment 2007) [Act 502]
Part V – Regulation 16 Part VI – Regulations 24 – 28 Part VII – Regulation 31	Cooperative Regulations 2010
GP1 – Statutory Reserve Fund (SRF) GP2 – Dividend Payments GP8 – Grant/Assistance Accounting GP9 – Special Savings/Deposits/Loans GP22 – Honorarium Payments GP23 – Financial Statement Reporting	Guidelines (GP)
01-2021 – Loans from Non-Members 02-2014–Cooperative Financial Information Management System 02-2011 – Issuance of Bonus Shares 01-2011 – Share Repayment through KWRS 01-2009 – Maintenance of KWRS	Circular
03-2021 – Instructions for KWRS Transfer 02-2021 – Instructions for KWA Development Transfer 01-2021 – Instructions for KWA Education Transfer 01-2011 – Dividend Payments on Shares and Fees	Statutory Instructions

Areas of Cooperative Financial Management

There are five areas of financial management involved: working capital management, budget management, capital management, financial reporting, and financial information systems.

Working Capital Management

Working capital is the component or liquid funds required to meet daily operational needs (Ariffin et al., 2017). It plays a crucial role in the success and failure of an organization and is considered the lifeblood of the organization (Upreti & Venkata, 2021).

Working capital refers to the total liquid assets held by an organization. To ensure the success of an organization, efficient working capital management is necessary to cover all planned and unplanned expenses in conducting transactions, as well as to meet the organization's short-term liabilities. Therefore, the components of current assets and current liabilities must be analyzed to assess the working capital held by a business in helping to generate profits (Yusoff et al., 2014). Additionally, business profitability depends on how well the business manages working capital components, such as current assets and current liabilities (Johar, 2016).

Furthermore, working capital management is a highly relevant component of financial management because it has a direct influence on the liquidity and profitability of an organization. Effective working capital management is essential in the process of managing current assets, current liabilities, and the relationships that exist between assets and liabilities (Van Horne & Wachowicz Jr., 2013). The management of current assets aims to streamline business operations, while the management of liabilities is crucial for strengthening the firm's ability to secure financing in the future (Baghani et al., 2019).

Efficient working capital management determines a company's success or failure in the short term or long term, as it involves balancing liquidity and business profitability. The success of a business is determined by how effectively financial managers manage working capital components such as cash, receivables, inventory, and payables (Kipronoh & Mweta, 2018).

The working capital requirements of an organization encompass the current assets and current liabilities it holds within a financial year. Current assets consist of cash, accounts receivable, inventory, and short-term securities, while current liabilities include payables, unpaid bills, accrued expenses, and bank overdrafts (Mwanzia & Makori, 2023; Peykani et al., 2023).

Management teams that can effectively plan and control working capital components, including cash, inventory, and accounts receivable, will demonstrate a higher efficiency in managing working capital. The overall performance of the firm will be adversely affected if there is a lack of understanding regarding the importance of efficient working capital management, as this can negatively impact the firm's profitability. Therefore, the selection and implementation of working capital management policies are crucial and have a strong influence on the firm's profits (Johar, 2016).

Budget Management

A budget is a concise statement of an organization's estimated income and expenses. Budgeting and financial management are fundamental branches of accounting that are very important. Budget management will determine future planning and expenditures. It is essential for cooperative management to allocate financial resources according to priorities (Md Zeni et al., 2021).

Additionally, a budget is not a form of financial statement but rather a document that forecasts the organization's performance in the future. Budgets are presented annually to provide information related to the anticipated revenue and expenditures, as well as financial planning for the following year to the public (Muniady et al., 2014). Budgets serve as a measure of lifestyle based on individual capabilities. Moreover, budgets are used as a mechanism for measuring the implementation of financial planning and facilitating cash flow within a business (Md Zeni et al., 2021).

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At the organizational level, budgets should be prepared as a mechanism for measuring the implementation of financial planning to facil itate cash flow (Muniady et al., 2014). According to Regulation 16 (1) of the Cooperative Regulations 2010, every cooperative is required to prepare an annual budget that clearly shows all details of income and expenses to be submitted for approval at the general meeting (Malaysia Cooperative Societies Commission of Malaysia 2010). The annual budget of a cooperative includes the anticipated income and anticipated expenses for a specific accounting period. The anticipated or estimated income lists are the expected revenue from all business and non-business activities of the cooperative. Meanwhile, the anticipated expenses detail are the budgeted expenditures based on several factors, such as actual expenses, market economic changes, current issues, and the board's experience within the cooperative (Maktab Kerjasama Malaysia 2010), Cooperative budgets are usually based on studies, observations, and experience (Hashim, 2012).

Capital Management

Capital is the resource required to support the daily operations of a business. A lack of capital is a common challenge faced by small and medium-sized entrepreneurs in this country, as small and medium enterprises are often associated with organizations that do not have a complete and effective financial management system and rely heavily on the personal funds of entrepreneurs or funds provided by relevant government agencies (Kamsin et al., 2008; Othman & Dawood, 2020).

Capital is also the fund used to run cooperative businesses (Kirana & Saskara, 2017). According to Section 50 of the Cooperative Act 1993, the capital and financial resources of cooperatives can be obtained from several sources, such as entrance fees, share capital, membership fees, special savings, deposits or loans, reserve accounts, and donations (Malaysia Cooperative Societies Commission of Malaysia 2017). According to Kirana & Saskara (2017), saving money or capital in cooperatives is one of the activities that cooperative members can engage in. The capital saved by members can be used by the cooperative to expand its business.

Cooperatives can obtain their capital from either internal or external sources. Internal capital is derived from the cooperative's internal sources, such as contributions from members, while external capital is obtained from outside sources, such as loans (Ismail & Said, 2012). Cooperative capital should be managed according to its needs; that is, short-term capital should be sourced from short-term means if short-term capital is required, and vice versa, allowing the cooperative to meet its liability obligations within the stipulated timeframe.

Financial Reporting

Financial reports are crucial sources of information for understanding and analyzing the financial position of a business, and the results of this financial analysis can be used in business decision-making. The annual report of a cooperative is a book or document produced by the cooperative after the end of a financial period to convey information regarding operational results, financial position, and social activities undertaken (Maktab Kerjasama Malaysia 2010). The financial statements of a cooperative are also a complete set of financial reports prepared by the cooperative management for dissemination to internal or external accounting information users. This report summarizes all transactions and activities of the cooperative and subsequently shows the financial position of the cooperative over a specific date and period (Ariffin et al., 2017; Saputro, 2019; Sugiyanto et al., 2020).

Section 58(3) of the Cooperative Act 1993 states that every cooperative shall prepare, as soon as possible but not later than two months after the end of each financial year, trading and profit and loss accounts and a balance sheet along with any other documents required for audit purposes (Malaysia Cooperative Societies Commission of Malaysia 2017). According to GP23: Guidelines for Financial Statement Reporting for Cooperatives, financial statements consist of a balance sheet, profit-sharing account, profit and loss and trading account, cash flow statement, and notes to the accounts (Malaysia Cooperative Societies Commission of Malaysia 2017).

Financial Information System

The accounting information system processes transaction data to provide accounting information to both internal and external users. It is a system that delivers reports related to economic activities and the state of the business. Additionally, the accounting information system interacts with management information systems, which process non-transactional data to produce information that aids managers in decision-making (Warren et al. 2019).

The implementation of computerized information systems, including accounting information systems, involves significant costs. Therefore, the decision to implement a computerized accounting information system requires careful consideration. A computerized information system is a collection of hardware and software designed to transform data into useful information (Bodnar & Hopwood 2011).

Moreover, the accounting information system processes both financial and non-financial transactions that can directly affect the processing of financial transactions in a business (Hall 2019). The accounting information system consists of human resources and capital within an organization that are responsible for providing financial information and data obtained from the collection and processing of transaction data. The information produced by the accounting information system is distributed to managers at various levels to be used in planning and controlling business activities (Romney et al. 1997).

Knowledge of Financial Management

Knowledge of financial management is crucial in this era of globalization, as almost every transaction involves financial management. According to Abdul-Rahman & Zulkifly (2016), money is the most important asset for meeting demands and needs in an increasingly challenging economy. According to Shaari et al. (2013) financial literacy as the knowledge, principles, concepts, and basic technological tools that enable individuals to be financially savvy. It can also be viewed as both a science and an art of handling money, which individuals or organizations must possess (Noraihan et al., 2013).

Yong et al. (2018) found that good financial education influences financial knowledge and can change attitudes and behaviors regarding money management. Recent studies have expanded on several critical issues in determining the level of skills, behaviors, attitudes, experience, and practices in financial management (Mahmud & Rahman, 2018; Sepeai & Ramli, 2019; Zainol & Ramli, 2019), as well as in efficiently managing personal wealth (Anthony 2011).

Financial management that encompasses knowledge is a significant influence in managing various affairs. This is because the issue of knowledge is closely related to how financial management is conducted. Poor financial management can lead a firm to bankruptcy or losses. According to Sudar (2003), entrepreneurs and aspiring entrepreneurs should equip themselves with knowledge regarding financial management aspects to reduce the risk of failure. This is also supported by Zaman & Othman (2018), who state that the failure of entrepreneurs in Malaysia is due to a lack of knowledge in financial matters.

Financial Management Practices

Financial management involves various flexible practices in handling money, which need to be managed effectively and efficiently by both large and small organizations. According to Isle & Freudenberg (2022), small businesses require a unique financial management pattern. Their study shows that small businesses differ in terms of financial management practices, involving a dynamic learning process influenced by external and internal environmental factors. Therefore, there is no uniform solution that can be applied across all small businesses, as each is affected by its distinct internal and external influences.

According to Gutiérrez-Ponce (2024), small and new businesses struggle to obtain external financing opportunities due to a lack of information regarding the quality of operations and management. Consequently, lenders are reluctant to provide credit facilities to them, and if they do, they impose high loan costs as a means of mitigating lending risks. This is further supported by Sepeai & Ramli (2019), who argue that a strong understanding of management principles enables individuals to practice financial risk management and take advantage of increased competition in business. A study by Abd Moen et al. (2012) concludes that entrepreneurs from marginalized backgrounds possess the ability to manage the financial management processes of their businesses, even though they may employ various financial management approaches, allowing them to drive future business growth.

In summary, these studies illustrate that financial management practices are a critical management aspect for small-scale business entities. Comprehensive financial management practices must be implemented efficiently and effectively. Thus, both small businesses and cooperatives need to bridge the knowledge and practice gaps in controlling all daily operations related to financial management.

Methodology

This study is designed quantitatively. It focuses on cooperatives that are active in the micro and small clusters, where both clusters have a high number of cooperatives and potential for development. The sampling method for the involved cooperatives is conducted through stratified random sampling according to the zones in Malaysia. Table 2 shows the response rate from 221 respondents consisting of five involved zones. Each zone has a sufficient number of respondents as it has exceeded the minimum requirements set (Linacre 2004).

Table 2

Number of Respondents Selected

Zone	**State**	**No. Respondent**	**Response**
Middle	Wilayah	14	33
	Selangor	19	
South	Johor	39	63
	Melaka	11	
	Negeri Sembilan	13	
North	Pulau Pinang	3	31
	Kedah	8	
	Perlis	4	
	Perak	16	
East	Pahang	18	47
	Kelantan	9	
	Terengganu	20	
East Malaysia	Sabah	11	47
	Sarawak	36	
		Total	221

Each cooperative involved in the study is represented by only one respondent who will answer the questionnaire. The respondents of the study are the members of the cooperative management holding the position of Treasurer or cooperative officers managing the financial management section, as this aligns with the study's objectives. For the validity and reliability of the quantitative data collection, a minimum of 30 respondents is required, which is sufficient to produce accurate and consistent data at a 95% confidence level using Rasch analysis (Bakar et al. 2014; Jalil & Siew 2022; Norudin et al. 2022; Said et al. 2019). Each cooperative involved in the study represents only one respondent who will answer the questionnaire.

This study produces a set of questionnaires that have gone through development, review, validation, and the validity and reliability process of the instrument using Rasch Measurement Model analysis. This research instrument consists of 74 items adapted from previous studies, and each item has been modified based on the study's objectives. Before the pilot study was conducted, this research instrument was validated by 10 university lecturers with expertise in finance and accounting to assess each item produced. The pilot study involved 34 respondents who hold the position of treasurer or officers managing the financial section of the cooperative. They are to read, review, and answer the 74 items in the questionnaire.

Research Findings

Table 3 shows the background of the cooperatives involved in this study. The majority of the cooperatives have been in operation for 1 to 25 years (61.1%), primarily engaging in service activities (35.5%), and have never participated in mentoring programmes (85.1%)

Table 3
Background of Cooperatives

		Frequency	Percentage (%)
Main Functions of the Cooperative	Services	78	35.3
	Customer	70	31.7
	Plantation	42	19.0
	Finance and Banking	17	7.6
	Transportation	8	3.6
	Construction	3	1.4
	Housing	2	0.9
	Industrial	1	0.5
Duration of Cooperative Operation	1-25 years	135	61.1
	26-50 years	67	30.3
	51-75 years	18	8.1
	More than 75 years	1	0.5
Guidance Previously Attended	Yes	33	14.9
	No	188	85.1

Respondents' Background

Overall, a total of 221 respondents participated in this study, consisting of cooperatives in the micro and small clusters. Table 4 presents the background of the study respondents, which includes cooperative officers holding positions as Treasurers (65.6%), Management (31.2%), and Assistant Treasurers (3.2%) who are responsible for managing the cooperative's finances. The majority of respondents are female, with 116 respondents (52.5%) answering the survey. They are aged between 41-60 years (51.1%), hold the highest education level of a bachelor’s degree (46.6%), and have less than 5 years of experience (61.1%).

Table 4
Respondents' Background

Respondents' Background		**Frequency**	**Percentage (%)**
Gender	Male	105	47.5
	Female	116	52.5
Position	Treasurer	145	65.6
	Assistant Treasurer	7	3.2
	Management	69	31.2
Age	18 - 30 years	19	8.6
	31 - 40 years	59	26.7
	41 - 60 years	113	51.1
	60 above	30	13.6
Education Level	Primary	1	0.5
	Lower Secondary	3	1.4
	Upper Secondary	42	19.0
	Diploma	49	22.1
	Bachelor's Degree	103	46.6
	Master's	20	9.0
	Doctor of Philosophy	3	1.4
Duration of experience	Less than 5 years	135	61.1
	6 - 10 years	50	22.6
	11 - 15 years	20	9.1
	More than 15 years	16	7.2

Knowledge Level and Financial Practice in Management
Table 5 shows the complete list of 74 items categorized according to the level of knowledge and practice in five areas of financial management. Based on the mean item measurement, a total of 13 items for knowledge level and 13 items for practice have been identified as difficult (items positioned above logit 0.00) and require special attention. Meanwhile, items positioned below logit 0.00 are considered easy.

Table 5
Knowledge Level and Financial Practice in Management

Area	**Total Items**	**Knowledge Level**		**Practice**	
		Easy logit<0.00	**Difficult logit>0.00**	**Easy logit<0.00**	**Difficult logit>0.00**
Working Capital Management	34	9	8	9	8
Budget Management.	8	4	0	4	0
Capital Management	8	1	3	0	4
Financial Reporting	12	6	0	6	0
Financial Information System	12	4	2	5	1
Total	74	24	13	24	13

The findings reveal that the level of difficulty (items above logit 0.00) based on knowledge and practice is highest in the area of Working Capital Management (8+8 = 16 items), followed by Capital Management (3+4 = 7 items) and Financial Information Systems (2+1 = 3 items). In contrast, easy items (those below logit 0.00) are found in the areas of Budget Management and Financial Reporting, where there are no difficult items for either knowledge or practice level.

Table 6 presents a list of difficult items based on knowledge and practice level according to financial management areas. Overall, the analyzed items are arranged by the highest level of difficulty and accompanied by a logit scale based on percentage values. Difficult items exceed 50% (above logit 0.00).

In the area of Working Capital Management, there are 8 difficult items in both knowledge and practice level. The most challenging aspects in this area relate to transactions conducted on credit. The difficult items in both knowledge and practice level include providing credit sales for goods/services, determining credit policy for business activities, controlling credit offerings to members, preparing accounts receivable schedules, determining the percentage of allowance for doubtful debts, and managing credit repayments. Some items are difficult in knowledge but easy in practice, such as managing current inventory balances (PA16) and managing inventory costs (PA15). Additionally, there are items that are difficult in practice but easy in knowledge, such as inventory security management (AA13) and using cash budgets in decision-making processes (AA3).

In the area of Capital Management, there are 3 difficult items in knowledge level and 4 difficult items in practice level. The difficult items related to knowledge and practice level involve obtaining external financing sources, the necessity of cost comparison analysis in obtaining external financing and generating internal funds through share capital and fees. There are also items that are easy in knowledge level but difficult in practice level, such as setting the capital structure by the Cooperative Board Members (AC1).

In the area of Financial Information Systems, there are 2 difficult items in knowledge level and 1 difficult item in practice level. The difficult items in both knowledge and practice levels relate to filling in financial report details in the Cooperative Financial Management Information System. Additionally, there are items that are difficult in knowledge level but easy in practice level, specifically regarding the preparation of working capital reports using computer software (PE5).

Table 6
List of Difficult Items on Knowledge and Practice Levels in Financial Management Areas

Area	No.	Knowledge Items	Code	Logit	%	No.	Practice Items	Code	Logit	%
Working Capital Management	1.	Control of Credit Offerings to Members	PA9	1.57	82.78	1.	Control of Credit Offerings to Members	AA9	1.53	82.20
	2.	Determination of Percentage Provision for Doubtful Debts	PA11	1.45	81.00	2.	Preparation of Debtors' Aging Schedule	AA10	1.37	79.74
	3.	Preparation of a Debtors' Aging Schedule	PA10	1.37	79.74	3.	Credit Policy for Business Activities	AA8	1.26	77.90
	4.	Credit Policy for Business Activities	PA8	1.30	78.58	4.	Determination of Percentage Provision for Doubtful Debts	AA11	1.26	77.90
	5.	Facilities for the Purchase and Sale of Goods/Services on Credit	PA7	1.21	77.03	5.	Facilities for the Purchase and Sale of Goods/Services on Credit	AA7	1.08	74.65
	6.	Managing Credit Repayments	PA12	0.52	62.71	6.	Credit Repayment Management	AA12	0.78	68.57
	7.	Managing Current Inventory/Stock	PA16	0.10	52.50	7.	Inventory/Stock Security Management	AA13	0.15	53.74
	8.	Managing Inventory/Stock Costs	PA15	0.01	50.25	8.	The Use of Cash Budgeting in Decision-Making Process	AA3	0.12	53.00
Capital Management	1.	External Financing Sources from Financial Institutions External Financing Sources from Financial Institutions	PC3	0.95	72.11	1.	The Use of External Financing Sources from Financial Institutions	AC3	1.12	75.40
	2.	The Need for Comparative Cost Analysis in Obtaining External Financing Sources	PC4	0.74	67.70	2.	Comparative Cost Analysis in Obtaining External Financing Sources	AC4	0.78	68.57
	3.	The Generation of Internal Funding Sources is Through Share Capital and Fees	PC2	0.10	52.50	3.	The Use of Internal Funding Sources Through Share Capital and Fees.	AC2	0.17	54.25
						4.	Determination of Capital Structure by the Cooperative Board Members.	AC1	0.07	51.75
	1.	Details of Financial Reports	PE6	0.82	69.42	1.	Filling in Financial Report	AE6	0.56	63.65

Financial Information System		in the Cooperative Financial Management Information System				Details in the Cooperative Financial Management Information System
	2.	Working Capital Reports are Prepared Using Computer Software	PE5	0.18	54.49	

Analysis of Knowledge and Practice Gap on Financial Management

Table 7 shows that there are five gaps analyzed through the difference in logit values of knowledge and practice items in specific areas. Generally, the level of knowledge needs to be solid first, followed by practice level in managing finances.

Table 7

Gap Between Knowledge and Practice in Financial Management Fields

	Knowledge Items	logit	Practice Items	logit	Gap
Gap 1	PE5 Working Capital Report	0.52	AE5 Preparation for Working Capital Report	-0.07	0.59
Gap 2	PE6 Financial Report for CFMIS	0.82	AE6 Filling in Financial Report Details for CFMIS	0.56	0.26
Gap 3	PA12 Credit Repayment	0.52	AA12 Credit Repayment Management	0.78	0.26
Gap 4	PA3 Functions of Cash Budgeting	-0.12	AA3 The Use of Cash Budgeting	0.12	0.24
Gap 5	PA11 Percentage of Provision for Doubtful Debts	1.45	AA11 Determination of the Percentage of Provision for Doubtful Debts	1.25	0.20

Gap 1 indicates that the level of knowledge is more challenging compared to practice. Knowledge regarding the details of the working capital report is more difficult than the practice of preparing the working capital report using computer software. Preparing the working capital report is easy to implement with software because it is generated automatically. However, the Treasurer faces difficulty understanding the full content in detail in the prepared report.

Additionally, there are findings showing that both knowledge and practice levels are difficult for the Treasurer to comprehend and execute. This is evidenced by Gap 2 and Gap 5, which demonstrate a similar pattern of difficulty, where the level of knowledge is harder than the practice level. Gap 2 pertains to financial reporting in the Cooperative Financial Management Information System (CFMIS). The lack of understanding regarding CFMIS is due to a lack of desire to practice it, even though it is mandated by law. In terms of practice, the cooperatives rely on the services of auditors to fill in the financial report details into the online application.

The determination of the percentage allocation for doubtful debts relates to Gap 5. Micro and small cooperatives struggle to apply knowledge and practice in determining the percentage allocation for doubtful debts because they are not flexible with directives that could be beneficial.

Gap 3 shows the opposite situation, where the difficulty of practice is higher than that of knowledge. This gap involves the management of credit repayments. The Treasurer finds it challenging to understand the credit repayment policy, which significantly impacts practice. Knowledge of cash budgeting in the decision-making process is easier compared to the practice indicated in Gap 4. The Treasurer understands the function of cash budgeting in decision-making. However, from a practical standpoint, there are other factors to consider, such as financial capacity, risk level, and member interests.

The findings of this gap analysis have identified the overall highest level of difficulty in the items studied. Among the challenges faced by these micro and small cooperatives are those related to digitalization adaptation, such as preparing financial information using computer software and filling in information in the CFMIS. The findings of this study align with the results of studies conducted by Hashim et al. (2023) and Ahmad & Yusop (2021), which show that the highest difficulty level of items based on the tasks of cooperative officers is related to digitalization.

Conclusion

The differences between the levels of knowledge and practice provide a detailed account of the gaps for five areas that have been identified namely working capital management, budget management, capital management, financial reporting, and financial information systems. There are gaps in knowledge and practice items related to (1) the preparation of working capital reports, (2) details of financial reports in the CFMIS, (3) management of credit repayments, (3) cash budget functions, and (5) determination of bad debt allocation percentages.

This study suggests that the findings from this gap analysis can be utilized by cooperatives and agencies under the Ministry of Entrepreneur Development and Cooperatives, such as the Malaysian Cooperative Institute (MCI), to improve the existing curriculum and develop appropriate training modules to align with the current needs of cooperative officers. This study also suggests that an impact study should be conducted on participants who have attended the course, with the aim of assessing current needs so that the Cooperative Treasurer or cooperative officers can be supported comprehensively. MCI is recommended to organize short-term courses and modules in online learning formats so that cooperatives can prepare for digitalization.

With the findings obtained, it is hoped that they can assist the cooperative movement in wisely selecting the necessary training and guidance so that the development of human capital within cooperatives can progress well, in line with the expansion factors of cooperatives to become more advanced and excellent.

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