

**MEETING THE FINANCIAL NEEDS OF MUSLIMS THROUGH
ISLAMIC COOPERATIVE SOCIETY: A CASE STUDY OF ALBIR
ISLAMIC COOPERATIVE SOCIETY**

Bello, Mufutau Olusola

Department of Religious Studies

Ekiti State University

Ado Ekiti, Nigeria

Email: abumahfouzekiti@yahoo.com

miftaholusola@gmail.com

Phone No: +2348064579063

Abstract

The concept of Islamic cooperative society is an interest-free cooperative where members come together to contribute money for the purposes of lending one another devoid of interest that characterizes the conventional cooperative societies. Muslims in Nigeria, particularly Ekiti State were conscious of the repercussions and the consequences of involving in *riba* (usury) based financial system as contained in the glorious Qur'an and expatiated by various *ahadith* (recorded Sayings of Prophet Muhammad) of the Prophet. In line with this, one of the most vibrant Islamic organizations in the State, the Muslim Students' Society of Nigeria (MSSN) led the Muslims to establish an interest-free cooperative society known as *Albirr* Islamic Cooperative Society (AICS). Today, AICS has become a household name in the State and has been meeting the financial needs of this Muslim minority state. This paper brings to the fore the roles AICS is playing in meeting the financial needs of the Muslims in Ekiti State as a micro Islamic financial institution. Records like ledgers, annual financial records, minutes of monthly and general meetings, loan books, dividend books, general correspondence and membership record books were accessed to evaluate the impacts on the Muslims in the State. A comparative analysis of the economic situations of members before and after benefiting from the services of the Society was carried out to evaluate its impact on their economic wellbeing. A questionnaire was designed for this which was subjected to validity tests by experts. The data obtained were analyzed by simple percentage. The result shows that *Albirr* Islamic Cooperative Society is having a great positive impact on the economic lives of the Muslims of Ekiti State through its interest-free loans and other services it is offering to its members.

Keywords: Financial, Needs, Albirr Islamic, Cooperative

Introduction

The Islamic cooperative societies in Nigeria have become an alternative to Islamic financial system. Ekiti State of Nigeria being an Islamically disadvantaged State is far from enjoying the advantages of Islamic packages in the country. For example the Jaiz Bank, the only Islamic Bank in Nigeria has no branch in the state despite numerous branches across the country. The only alternative left for the Muslim is to look for how to pool resources together and make borrowing possible and easy based on Islamic principles.

Ekiti State was created on October 1, 1996, with an estimated population of about 1.87 million, out of the old Ondo State of Nigeria¹. Ekiti means “hilly country side”, and it is situated in the South West of Nigeria. It is bounded by Osun State in the West, Kwara State in the North, Kogi State in the North East and Ondo State in the South East.² Ekiti is located in the heart of the tropics between longitude 4.⁰ and 4.15⁰ East of the Greenwich Meridian and latitude 7.15⁰ to 8.5⁰ North of the Equator.³ The State is populated by Christians with about thirty to thirty five percent Muslims.⁴

Muslims in Ekiti State were largely depended on the existing structure built by the Christians in the State in the area of education, health, economy etc. For instance, before the establishment of *Albirr* Islamic Cooperative Society in Ado-Ekiti in May, 2002 by the Muslim Students’ Society of Nigeria (MSSN), Ekiti Area Unit, there was no record of existence of Islamic cooperative society in the State. MSSN therefore saw the need to make the economic aspect of Islam easy for Ekiti Muslims to practice and put what they profess and believe which seemingly appeared utopian into use. They sought to provide enabling environment for economic empowerment and sustainable development in *halāl* (lawful) way. Series of public lectures/ seminars were organized by the Society between January and May 2002, to sensitize the Muslim populace on the need to patronize Islamic cooperative societies.⁵ The following paragraphs explain how efforts in this direction have played out and have assisted the growth of Islam in the State.

The *Albirr* Islamic Cooperative Society

AlBirr Islāmic Cooperative Society (AICS) is operating an interest-free financial savings/loan and investment system. AICS registered with Ekiti State Ministry of Commerce, Industry and Cooperative with registration number 2870 in 2004. The membership of the Society that cut across Ekiti State has been increasing in leaps and

bounds springing from eighteen (18) in 2002 when it was established to three hundred and thirty (330) in 2012, which marked the end of the first decade.⁶ By the end of 2017, when the cooperative was fifteen years old, the membership of the cooperative has increased to nine hundred and sixty five (965).⁷ The increase in membership is largely due to the opportunity created by the Cooperative Society to transact through their online transaction system.

Membership Growth of *AlBirr* Islāmic Cooperative Society, 2011-2018

Year	Number	Nominal Increment	Percentage Increase %
2011	306	-	-
2012	330	24	7.3
2013	372	42	11.3
2014	438	66	15.1
2015	540	102	18.9
2016	749	209	27.9
2017	965	216	22.3
2018	1022	57	5.3

Source: *Annual General Meeting of AlBirr Islāmic Cooperative Society Brochures, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018*

Operations of *AlBirr* Islamic Cooperative Society

The aim of the Cooperative Society is to promote Islamic, social and economic interests of members, and the objectives are to:

- i. promote lending spirit devoid of usury on loans among members.
- ii. encourage the development of the cooperative investment fund
- iii. make available to members opportunity to engage in *ḥalāl* business
- iv. make available to members the supply of goods and services within the limit of the *Shari'ah*, and
- v. minimize, if not eradicate the economic hardship and exploitation of Muslims through loan interests.⁸

The Cooperative Society also has the following as its working objectives, to:

- i. propagate Islam by institutionalising Islamic principles of interest free cooperative society;
- ii. perform other savings and investment functions that are not against the Islamic tenets and to share profits that may accrue therefore;

- iii. serve as financial backbone to *halāl* small scale businesses
- iv. work towards becoming an Islamic banking institution in the nearest future.⁹

The cooperative Society runs an Islamic interest-free system of financing. Yet it expends money on the running and maintenance of the society like transportation, attending seminars, advertisement, bank charges and telephone bills. The cooperative loses funds through sundry debtors. In 2014, the sundry debtors held an amount of two hundred and forty thousand, four hundred and seven naira. (N240, 407. 00).¹⁰ In order to leverage on the sundry expenses incurred by the Society, members resolved at the Annual General Meeting (AGM) of 2011 that every member shall pay a sum of one thousand naira (N1,000,) as annual development levy while 0.003% shall be charged as cost of transaction (COT) on every cheque issued out. For new members, the application form costs one thousand naira (N1, 000) to be paid along with the pass book due which stood at five hundred Naira (N500) while the cooperative constitution is five hundred naira (N500). Every member also pays five hundred naira (N500) to renew his/her membership if s/he absents from meetings and failed to make contributions for some months.¹¹ In other words, these payments serve as running costs instead of charging interest like other cooperative societies.

It was explicitly stated in the constitution of the Cooperative Society that operations of Albirr Islamic Cooperative Society will provide financing for its members' projects or assets acquisition in various forms under the principles of profit-sharing. Some of the means adopted by the Society in this regard include the Islamic principles of *Muṣhārahah*, *Muḍārahah*, diminishing *Muṣhārahah*, and *Murābahah*.¹²

The above Islamic economic principles were put into use by the Cooperative Society in some ways. For example, the Cooperative Society partnered with At-Tawheed Model schools under the *diminishing muṣhārahah* system to finance the purchase of vehicles for the schools. Five vehicles have been bought by the school through this system.¹³

The *Murābahah* system has been in use for the business unit of At-Tawheed Model schools, the Cooperative partners with the schools to finance the sale of books and other writing materials in the schools. Still under this system, the cooperative partners with a book publisher to produce text books for primary and secondary schools. The profit is shared at the end of the business after the capital has been returned.¹⁴ Likewise, Alhaji Adedayo Abdulhakeem who runs a printing company,

stated that he partners with the Cooperative Society to fund his company under the diminishing *murābahah* system operated by the Society.¹⁵

The Cooperative Society also operates a system known as *sharīkatu'lwujūh* (Credibility contract). It is a form of business partnership whereby a partner provides the entire capital either in cash or in kind to form a partnership in a trade, while the capital owner employs the other partner who has no capital to contribute but skill¹⁶ In this instance, the Society employs the service of an experienced person to man its cement shop while the profit is shared on an agreed ratio. The Society also has a poultry farm under the *sharīkatu'lwujūh* described above.¹⁷

Impact of Albirr Islamic Cooperative Society on Muslims in Ekiti State

The Cooperative Society assists members to keep the savings and disburse loans to members that apply for them. It also invests members' funds, keep special savings for the performance of *hajj*, the celebration of *Idul-Adha*, education, pension, finance, and manages potential business projects. Membership of AICS across the State has been enjoying the benefit of getting their businesses funded through loans disbursed by the Society.

In 2012, a total of twenty six million, three hundred and eighty thousand was disbursed to qualified members while in 2014; it rose to forty one million, four hundred and thirty six thousand.¹⁸ In fact, in 2017 the Society reported that no qualified member of the group were denied loan in the whole of that year. A total of one hundred and ten million, two hundred and fifty five thousand was disbursed as loans to members¹⁹

The Society acquired some acres of land beside NNPC Mega Station along Iworoko Road, Ado-Ekiti. The piece of land is to be sold to would-be-buyers while the dividend will be shared to the investors. This is expected to produce a good result for the Society. The piece of land has continued to appreciate in value since the time of its purchase.²⁰

One of the landmark achievements of the cooperative is the provision of annual general gifts to members and the stakeholders within the Muslim Community of Ekiti State. It has become a custom of the Cooperative Society to brand a particular product in its name and distribute it free to members and non-members Muslim stakeholders in the State. Some of the gifts it has distributed in the past included umbrellas, praying mats, dish bowls, glasswares, plastic bowls, plastic chairs, and food items. The distribution of these gifts attract members to the Annual General Meeting which is always celebrated with pump and pageantry²¹

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Members also go home with dividends on their investments. In 2017, a total of three Million eight hundred and eighty eight thousand two hundred and thirty six naira forty seven kobo (3,889, 236.47) was shared to members²²

The Cooperative Society also partners with some individuals and corporate bodies. The analysis of its transactions with some of the partners is detailed thus:

Year	Name of Partner	Business Type	Amount N	Profit Sharing Formula	Remark
2010	At-Tawheed Model Schools, Ado-Ekiti	Transportation	1,600,000	50:50	Completed and Successful
2011	At-Tawheed Model Schools, Ado-Ekiti	Transportation	1,600,000	50:50	Completed and Successful
2013	At-Tawheed Model Schools, Ado-Ekiti	Sales of Text Books	300,000	50:50	Completed and Successful
2012	At-Tawheed Model Nursery/Primary School, Igbemo Ekiti	Transportation	1,600,000	60:40	Business is on-going but not thriving
2012	Saliu Abdul-Ganiy	Poultry Farm	1235,000	70:30	Business has ended and Unsuccessful
2013	Saka Jimoh	Sales of Cement	1,600,000	60:40	Diversion of Fund
2014	Autolat Nig. Limited	Sales of fairly used goods	2,000,000	50:50	Business is on-going but not thriving
2014	Zeem Global Publication	Publication of Text Book	5,521,725	60:40	Business is on-going
2016	Owobolarin Nig. Limited	Wholesale and retail distribution of Rice	14,000,000	60-40	Completed and successful
2017	Ameekable Holdings	Wholesale and retail distribution of phones	7,000,000	60-40	On-going thriving well
2017	GOODBAND Nig Limited	Palm oil/ palm kernel production	8,000,000	60-40	Completed and successful
2017	Tiamiyu Nig Limited	Farming	445,000	50-50	On-going

A purposively designed questionnaire was analysed to determine the impacts of *AlBirr* Islamic Cooperative Society on the people of the State. Two hundred (200) members of the Cooperative Society, representing five percent (5%) of the total member of the Cooperative Society as at its Annual General Meeting (AGM) of 2018, responded to the questionnaire. The assemblage of the members on the occasion of its AGM afforded the researcher to distribute the questionnaire randomly among members. The result reveals the following:

a. Mobilization and Education of Muslims to Join Islamic Cooperative Societies.

Question: Are you a member of a conventional cooperative society before Joining *Al-Birr* Islamic Cooperative Society?

Variables	Respondents	Percentage %
(A) Agree	160	80
(B) Disagree	40	20
(c) No Response	-	-

Question: Have you withdrawn from the conventional cooperative society after joining the Islamic Cooperative Society?

Variables	Respondents	Percentage %
(A) Agree	104	52
(B) Disagree	56	28
(c) No Response	40	20

Question: Do you still wish to leave the conventional cooperative society now that you have joined *Al-Birr* Islamic Cooperative Society?

Variables	Respondents	Percentage %
(A) Agree	48	24
(B) Disagree	8	4
(c) No Response	44	22

From the above results, it is evident that many Muslims were members of conventional cooperative societies. In the same vein, it could also be said that the emergence of *Albirr* Islamic Cooperative Society has made many Muslims to leave the conventional cooperative society for *AlBirr* Islamic Cooperative Society. It was revealed that 160 members of the respondents out of 200 representing 80% of the respondents claimed to

have belonged to various conventional cooperatives in the State before joining *Al-Birr* Islamic Cooperative. 104 respondents representing 52% of the respondents who claimed to have belonged to one conventional cooperative or the other said they had withdrawn from the conventional cooperatives to join *Al-Birr* Islamic cooperative while 48 respondents representing 22% said that they would soon leave the conventional cooperatives.

b. Improvement in the Economy of Members

Question. Have you borrowed money from *Al-Birr* Islamic Cooperative Society?

Variables	Respondents	Percentage %
(A) Agree	180	90
(B) Disagree	20	10
(c) No Response	-	-

Question. The money borrowed has improved my economy

Variables	Respondents	Percentage %
(A) Agree	120	60
(B) Disagree	60	30
(c) No Response	20	10

The results of the tables above show that *Al-Birr* Islamic Cooperative Society has helped in the improvement of the economy of members. 180 respondents representing 90% of the respondents claimed to have borrowed money at one time or the other from the Cooperative. 120 of them representing 60% claimed to have had improved economy due to the money borrowed.

c. Reliability and Effectiveness of the Cooperative Society

Question. How convenient is the mode of loan repayment in *AlBirr* Islamic Cooperative Society when compared with the conventional cooperatives societies?

Variables	Respondents	Percentage %
(A) Convenient	170	85
(B)No difference	30	15
(c) No Response	-	-

Question: What is your view of *AlBirr* Islāmic Cooperative Society when compared with the conventional cooperative societies?

Variables	Respondents	Percentage %
(A) Reliable	182	91
(B)No difference	18	9
(c) No Response	-	-

Question: What is your view on the mode of operation in *AlBirr* Cooperative Society when compared with the cooperative societies?

Variables	Respondents	Percentage %
(A)Effective	144	72
(B)No difference	56	28
(c) No Response	-	

It could be deduced from the above tables that the mode of repayment of loan by members was made easy by *AlBirr* Islamic Cooperative. 170 respondents representing 85% of the respondents agreed that the mode of repayment was easier than the mode of repayment in conventional cooperatives. Another area is the reliability of the Cooperative Society. 182 respondents representing 91% of the respondents agreed that the cooperative is reliable enough to deal with. Also, 144 respondents representing 72% of the respondents agreed that the cooperative is effective and efficient.

Challenges Faced by the Cooperative Society

Despite pursuing the principles of Islamic Cooperative Society, with vigour *AlBirr* Islamic Cooperative Society still faces challenges. The major challenge encountered by the cooperative is members defaulting to pay back loans within the stipulated time. A loan is said to be overdue after eighteen months (18), but most members go beyond this time to pay back the loan. Some of the measures put in place to ensure compliance include the use of two sureties who will be liable when the borrower defaults. A borrower is also allowed to sign a post-dated cheque that will cover the period of repayment. Despite these measures, members still default. In 2011, a legal action was instituted against the defaulters. Twenty thousand naira (N20,000) legal fee was recorded to have been expended in pursuing the defaulters legally.²³ The legal action has cautioned many members to be more prompt in their payments.

Another challenge bedevilling the Cooperative Society is that of the sundry debtors. These are debtors that the hope of paying back their debt is already lost. The amount on sundry debts increases annually. For example, in 2012, the sum of one hundred and twenty thousand, six hundred and twelve naira (N120,612) was recorded as sundry debts,²⁴ this rose to two hundred and forty four thousand, four hundred and eighty seven naira (N244,487) in 2014.²⁵

Sundry Loss of *AlBirr Islāmic Cooperative Society, 2011-2018*

Year	Amount N
2011	190,000
2012	120,612
2013	200,000
2014	244,487
2015	84,497
2016	16,980
2017	9,000
2018	18,020

Source: *Annual General Meeting of Al-Birr Islamic Cooperative Society Brochures, 2011, 2012, 2013, 2014, 2015, 2016 2017 and 2018*

Embezzlement by the executive of the Cooperative Society is another challenge facing *Albirr Islamic Cooperative Society*. The first treasurer of the cooperative was alleged to have embezzled about N350,000 in 2004. He was taken up and charged to court. Though the court ruled that he should pay the said amount back to the purse of the cooperative after he had pleaded for clemency, he promised to pay the said amount in installments. At the Annual General Meeting of the cooperative in 2014, the house decided to write off the amount when it was obvious that he could not pay it back due to ill-health.²⁶

Some members of the Cooperative Society are not regular in their contributions. Some have cultivated the attitude of being regular only when they are aiming to obtain loan from the cooperative and afterwards they stay away for months without contributing any amount to the Society.²⁷

Conclusion

This study vividly analyses the importance of an Islamic cooperative society on the Muslims. *Albirr Islamic Cooperative Society* in

Ekiti state was used as a case study. Being a leading Islamic cooperative society in the state, its membership cut across the whole state and has since been growing year in and year out since its establishment. Findings in this research showed that Albirr Islamic Cooperative Society has been a safe haven for the Muslims in Ekiti state in the area of Islamic financing. The Society has been able to educate the Muslims on the essence of Islamic Banking System. Muslims who desire Islamic financial system to be able to finance their businesses now have the opportunity. Many of them who were previously in the conventional cooperative societies have withdrawn to join Albirr Islamic Cooperative Society. As a result of the findings in this work, one would therefore recommend to Muslims most especially the locals who may not have access to the real Islamic banking to see Islamic cooperative societies as alternative to Islamic Banking System.

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