

A DISCUSS ON SOME ISLAMIC COOPERATIVE ROLES IN MEETING THE SOCIAL AND FINANCIAL SUSTAINABLE DEVELOPMENT OF ITS MEMBERS

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Abstract

Generally, cooperative system in Nigeria, particularly the Conventional Cooperative (CC) had made some successful development impacts on the cooperative members in the past, in the areas of socio-economic phenomenal before its declination in recent time. The Islamic Cooperative activities have started in prototype manner of the CC with efforts to transform the conventional pattern to the Islamic pattern. This paper is concerned with some of the roles that the Islamic Cooperative can play in meeting the social and financial sustainable development of its members. The paper examines the sustainable development from the Islamic perspective and relates it to that of the world commission on environment of the United Nation (UN) that postulates the cultivation of economic and social equity in societies throughout the world, amongst its goals, ideals and value. This paper examines some of the Islamic Financial Products (IFPs) and suggests the ways they can be operated without derailing from the Sharī'ah, to bring about the required sustainable development for the members. It recommends that there is need for the Islamic cooperative education and concludes that there is need for collaboration of the Islamic cooperative stakeholders, the Islamic scholars in the Islamic finance and government to attain the set goals of an Islamic ideal cooperative.

Introduction

Islam is a universal religion that teaches and contributes to every phenomenal of life¹ and this is why it is always relevant to any issue. Cooperative issue is one of the later issues which needs Islamic contribution if Muslims will tread on the divine guidance that commands them by way of Islamic jurisprudence, to know about an issue, be it spiritual or mundane, before they dabble into it². This is not to say that originally, Islam has not mentioned or commanded cooperation or cooperatives amongst a given society. Though, Islamic law has been shortchanged from the time of colonial incursion into the Muslim lands in which they abolished all Islamic patterns of doing things and introduced their unguided ideologies³, Islam can still stand firmly to wrestle them and focus on the real guidance of Allah and His Messenger (SAW).

In connection to the above, the conventional cooperative we have today was established in Britain as a result of unjust treatment of the workers then³, whereas the Islamic cooperative is commanded by Almighty Allah⁴ but not as patterned by the West and without any cause of maltreatment. Again, when they occupied Africa, they met viable cooperative cultures and customs which they also shortchanged and replaced by their own unjustifiable and fabricated cooperative ideologies. For example, they met the Nigerian people with their modes of socio-economic patterns of cooperation like; *aaro, ebese, arokodoko, owe, ajo, eesu, aradosu, owo ele, ore*, e.t.c.⁵ which Marx

and Seibel confirmed their superiority in terms of savings and patterns over the conventional cooperative activities⁶.

However, the Conventional Cooperative Societies (CCSs) which started officially in 1935 was able to achieve tremendously in terms of establishing some organizations and apex bodies to handle some vital economic as well as well-being of the members and cooperatives in general⁷. But unfortunately, these organizations and apex bodies can no longer serve the purpose for which they were established due to their disappearance, resulting from inability of the cooperative stakeholders like the State administrations, to serve, guide, advise, monitor, supervise and audit the cooperatives like before as well as the declining in the provision of cooperative education by the existing cooperative schools and colleges, among other factors⁸. It is to be reiterated that there are some Muslim members in these CCSs, holding important positions, such as chairman, secretary, treasurer, and so on and there are others who are ordinary members⁹.

Consequently, the Islamic Cooperative later emerged in the early 1990s, about 32 years ago. Though it has come to stay and grown to having Union or parent bodies across some States in Nigeria, it has not fully ceased to be prototype of the CCS¹⁰. The concern of this paper is to discuss some of the roles that the Islamic Cooperative can play so that the social and financial desires of its members can be achieved in consideration of the sustainable development of the world commission on environment that postulates the cultivation of economic and social equity in societies throughout the world, amongst its goals, ideals and value¹¹. It is against this background that the paper examines some Islamic Financial Products (IFPs) as well as some indigenous pattern of socio-economic cooperation which are resilient to achieving these sustainable development goals without derailing from the *Sharī'ah*.

Islamic Cooperative (IC) System

It is necessary that the Islamic cooperative should fulfill all socio-economic requirements commanded by *Sharī'ah* and distant itself from the prohibited issues, while carrying out the cooperative activities. This means that its formation, meetings and operations must comply with the principles of *Sharī'ah* in collective ownership, partnership, governance, administration, and mutual aid. Invariably, it should be able to support its members to fulfill their minimum (required) standard which has to do with *Farā'id*¹² (obligatory acts) and *Muḥaramāt*¹³ (forbidden acts) and high (recommended) standard which has to do with *mandūbāt*¹⁴ (recommended acts) and *makrūhāt*¹⁵ (detested acts), bearing in mind this statement of Allah:

... help ye one another in righteousness and piety, but
help ye not one another in sin and rancor. (Qur'an 5
verse 2).

Consequently, being in the Islamic cooperative societies and engaging in the cooperative activities fall under high (recommended) standard but the activities therein should be made compliant with *Sharī'ah* (Islamic law). Meanwhile, the ICSs can assist their members to achieve some minimum (required) standards like facilitating the attendance of the annual pilgrimage to Makkah (*hajj*), *Zakāh* management, and so on. The ultimate goal of an Islamic Cooperative is to produce members that are God's human projects as commanded in the Qur'an in order to raise perfected human (*insān kāmil*). More importantly, this Institution should be able to observe *maqāṣid as-Sharī'ah* (underlying intents of Islamic law) in relation to its members, which are to protect and preserve their religion or faith, lives, intellect, posterity or descendants, and wealth¹⁶.

Conventional Cooperative Societies' (CC) Activities in Nigeria

Conventional cooperative, which was officially started in Nigeria in 1937 when the first cooperative society, the Gbedun Cooperative Produce and Marketing Society Limited, named after a village near Ibadan, now in Oyo State¹⁷, Nigeria was registered, according to some reports, was originated in Britain by Robert Owen (1771 – 1858), then his follower, Dr. William King (1786 – 1865) and through the cooperative education efforts of two of them, the Rochdale Pioneers were able to bring about the cooperative ideas which became the guidelines for the present conventional cooperatives as we have today¹⁸. These CCSs have in the past achieved tremendously in their socio-economic activities since they were able to establish the following organizations and apex bodies that used to handling some vital economic as well as well-being of the members and cooperatives:

- i. Cooperative Supply Association Limited: It is the oldest cooperative apex body in Nigeria, established in 1940 to meet diverse needs of its customers in the area of grocery goods, hardware goods, building materials and farm inputs at affordable prices.
- ii. Nigeria Cooperative Colleges: Federal Cooperative College, Ibadan is the oldest cooperative institution in Nigeria. It was established in 1943 as a cooperative training centre and in 1957, it was upgraded to a college. Students have been receiving training from this college not only from Nigeria but from other West African countries like Ghana, Sierra Leone, The Gambia, e.t.c. The former Western region took up the funding of this college at the initial stage but was taken over by the Federal Government in 1976. Other colleges have been established since then.
- iii. Association of Nigeria Cooperative Exporters (ANCE): This comprises several Cooperative Produce Marketing Unions in Oyo State, Ondo, Ogun, Osun, Lagos and Ekiti States, to export good quality cocoa, coffee and palm kernels. It also produces and market livestock feeds known as ANCE feeds. It was founded in 1945.
- iv. Cooperative Federation of Nigeria (C.F.N.) was formed in 1945 and formally registered in 1967. It is national apex organization which represents the entire cooperative movement in Nigeria. All state cooperative federation and apex organizations are its members. It is the representative of Nigeria cooperatives at the international level and it promotes supports and advises cooperatives nationally. It is a member of International Cooperative Alliance (ICA) and the International Federation of Agricultural Producers (IFAP). States cooperative federations are members of CFN and they are its representatives. This enables each registered Union and Society to benefit from CFN.
- v. Cooperative Bank Plc was established in 1953 by the cooperative movement to provide for financial needs of members of cooperative societies in Nigeria. A sum of one million pounds (part of the proceeds realized on cocoa export) was approved for the taking off of the bank by the late Chief Obafemi Awolowo, the then Premier of the Western region.
- vi. Cooperative Press Limited: It was founded in 1960 solely for printing books, records and other documents needed by the cooperative societies.
- vii. Cooperative Trust Limited established in 1961 to administer all the shares of cooperative societies and unions in the cooperative bank. The bank therefore approves loans to any society or union on the recommendation of the Cooperative Trust Limited.
- viii. National Association of Cooperative Credit Unions of Nigeria (NACCUN) was formed in 1970 for the propagation and development of cooperative credit societies in Nigeria to educate both the staff and the members on how to improve the existing savings and credit cooperative especially among the lower and middle income groups.

- ix. Worldwide Insurance Company Limited: It was established in 1983 by the cooperative movements in Oyo, Ondo, Ogun and Lagos States to insure the lives and properties of members, societies, unions as well as other cooperative apex bodies.
- x. Cooperative Transport Service Limited, established in 1986 to handle haulage of goods within the cooperative movement's traders and the public in general.
- xi. Rainbow Travel Services, established in 1986 to cater for both local and international journey of cooperative societies and the people at large. Its services include travelling by air and car hire services internationally and locally respectively.
- xii. The Nigeria Cooperative Marketing Organization (NACMO) was established as a national cooperative apex in 1987. It has the goal of promoting fully integrated multi-purpose cooperatives for food productions, processing, preservation, storage and marketing and specialization in the distribution of agricultural inputs.
- xiii. Cooperative Building Society Limited came into existence in 1989 to mobilize deposits for on-lending to individuals and corporate bodies to enhance development of their own houses and to also encourage greater participation by the private sector in the housing delivery system¹⁹.

It is worrisome to observe that all the above named apex bodies and organizations are no more in existence and one can imagine the negative this has on the development of socio-economic activities of not only these Cooperative Societies, the members but all those who have been enjoying the employments provided by all these apex and organization bodies. It can be said that these CCSs have developed sustainably in the past when evaluating their socio-economic successes which also included the building of the first tallest building in Nigeria, Cocoa House in Ibadan and many more.

Islamic Cooperative Societies' (ICSs) Activities in Nigeria

The ICSs which began in the early 1990s have grown to having various Unions and the Departmental Cooperatives which operate in various government's parastatals. It can be said without doubt that these ICSs have not been able to utilize the potentials of the viable and resilient Islamic Financial Products that can improve and develop their socio-economic and religious activities. The members focus more on savings subscriptions in order to benefit from loans, which they claim they use for setting up businesses and other projects²⁰. *Maqāṣid as-Sharī'ah* cannot be achieved through this type of socio-economic funding, firstly, because it is not appropriate to borrow money to establish business²¹ due to some unjust transactions like lack of profit/loss sharing and risk in the part of the cooperative societies, unnecessary financial exclusion of the guarantors until the loan beneficiary refunds the loan, etc. and secondly, it drains the purse of the cooperative and denies others from benefiting from the loan or other financial benefits for some waiting periods, when anticipating the refunds of loans. Above all, it debars the cooperatives from engaging in any other businesses but in and out flows of funds from loan activities which, sometimes leads to conflicts amongst the members²². Trending the path of the CCSs in loan management, if care is not taken may lead to untimely death of these ICSs. The CCSs have everything to survive, importantly, they have recognized and government Cooperative Colleges in Nigeria where the cooperative and other economic issues are taught²³. But the ICSs can only enjoy Islamic cooperative education from various Islamic scholars who may not be competent enough to solve the cooperative and other economic issues.

Islam and Development

Islamic economists are differed in the use of the term “development. Some people among them considered it as a too value-laden and misleading term since it is understood by the Western world who introduced it as an economic catching-up process, as the standard living of the developing countries is measured by the living standard of the West. Consequently, this people believe that what the West called development is targeted at material progress without considering the spiritual dimension of Islam. This people affirmed it that Islamic golden age which has been corrupted presently can only be reversed by the revitalization of Islamic morals, and the bench mark for development can never be confined to materialistic life style of the West²⁴.

Foundation of Development from the Islamic Perspective

The foundation of everything in Islam is based on *Tawhīd* (Unity of God) which is to bear witness to the Oneness of Allah as the Only Supreme Being truly worthy of being the Object of worship and Messengership of Prophet Muhammad (SAW)²⁵. It is to be noted that *Tawhīd* was preached in Makkah for the period of 13 years and it totally brought about significant change to the Arabs. The period before the arrival of Islam in Arabia, is called *‘aṣru Jāhili* (ignorance period) when Arabs were in total darkness of civilization because they lacked the divine guidance. There barbaric attitudes were represented in their religious, social, economic and political activities²⁶. But when Islam arrived, it reformed them in all their endeavours and developed them in all facet of life. They developed spiritually, morally/ethically, socially, economically, intellectually and physically²⁷.

It is therefore necessary for any individual Muslim or organization like the ICSs to establish themselves on the principle of *Tawhīd* which successfully reformed the first generation of Islam from their uncivilized manner to a well-known civilization to the extent that the world is bearing witness to them as the founders or preservers of modern civilization which the West is claiming today. Sincerely, if the Prophet and his companions did not succeed in embarking on their migration (*Hijrah*) from Makkah to Madinah, the whole world would have remained perpetually in their perpetual ignorance, uncivilised as well as undeveloped. There are records witnessing to a sustainable development of many Islamic predecessors in the aforementioned developments²⁸ as follow:

- (i) **Spiritual Development:** It is known that majority of the Companions were spiritually corrupt before the advent of Islam. They became spiritually upright when they accepted Islam and they worked for and defended it, to the extent that Allah praised them and promised some of them with Paradise. The Glorious Qur’an called them “the Vanguard (of Islam) in the Qur’an 9 verse 100 and confirmed it that they pledged their lives and faith to support the Prophetic cause in the Qur’an 48 verse 10.
- (ii) **Moral/Ethical Development:** The Companions possessed exemplary character, kindness, humility, patience, and integrity, which are known in the Islamic history. The Qur’an confirms the Messengership of Prophet Muhammad and his Companions, as been forceful against the disbelievers but merciful among themselves in Qur'an 48:29. The Prophet also praised the moral character of his Companions.
- (iii) **Social development:** A navigation through the formation of brotherhood by both the Immigrants and the Helpers in Madinah including the crucial roles played by the Companions in establishing a just and caring society which embodied values of

- kindness, mercy, and justice in their social interactions and governance, reflect the social, governance and economic development of the Companions of the Prophet.
- (iv) **Economic Development:** The Companions who used to the economic fraudulent of the period of ignorance were in their Islamic days used to the *Sharī'ah* compliant transactions. Some of them engaged in trade and became rich in Madinah without losing their Islamic identities. This is reflected in the way they often spent generously to support the needy, finance battles, and aid in community development. The Tabuk expedition is a good example, amongst others²⁹.
 - (v) **Intellectual Development:** Muslims are encouraged to embark on intellectual reflection in the Qur'an 47:24 and of course, the Companions were known to deeply engage with its teachings. This is evident in their teaching of the Qur'an to the generation that met them and through them, the message of Islam was spread to the universe. Evidences are abound where the Prophet praised the intellectual prowess of some of his followers³⁰
 - (vi) **Physical Development:** Especially during the battles. Allah says about them: "...Allah loves those who fight in His cause in rows as though they are a [single] structure joined firmly." (Qur'an 61:4). Their bravery was also praised by the Prophet, particularly during the Battle of Badr, calling them the best of the Muslims³¹.

***Maqasid Sharī'ah* and Sustainable Development**

Maqasid Sharī'ah has to do with the protection of public interest (*al-Maslahah*) which is of three subsections; such as necessities (*ad-Daruriyyah*), complements (*al-hajjiyyah*) and jewelry (*at-Tahsiniyyah*). Al-Ghazali divides the necessity section (*ad-daruriyyah*) into five elements which are protection of faith (*ad-din*), protection of self or soul (*an-nafs*), protection of intellect (*al-'aql*), protection of posterity (*an-nasl*) and protection of property (*al-mal*). While acknowledge the fact every Muslim and governments are duty bound to implement the contents of *Maqasid Sharī'ah*, especially the five elements suggested by Al-Ghazali, the ICSs on the other hand should take recognition of their responsibility to take good care of protection of property which has dimensions; such as protection of wealth its ownership, its acquisition and development, then preservation of wealth and damage, preservation of the circulation of wealth, and protection of wealth values³². If these are obtained in the ICSs, it is possible for the ICSs to perform above the suggested sustainable development goals of the UN.

Sustainable Development Goals of the Cooperatives

The High-level Panel of Eminent Persons on the Post-2015 Development proposed the following agendas for Sustainable Development Goals³³:

1. End poverty
2. Empower girls and women and achieve gender equality
3. Provide quality education and lifelong learning
4. Ensure healthy lives
5. Ensure food security and good nutrition
6. Achieve universal access to water and sanitation
7. Secure sustainable energy
8. Create jobs, sustainable livelihoods and equitable growth
9. Manage natural resource assets sustainably
10. Ensure good governance and effective institutions

11. Ensure stable and peaceful societies
12. Create a global enabling environment and catalyse long-term finance.

Islamic Cooperatives and the Sustainable Development Goals (SDGs)

Judging from various research works and participation in various cooperative activities, it can be confirmed that the ICSs are practicing several of these United Nations' (UN) Sustainable Development Goals (SDGs), particularly items 1 (end poverty), 8 (creation of jobs and economic growth) and 10 (good governance and effective institutions) mentioned above. For example, some of the ICSs have been helping their members and non-members in terms of socio-economic activities which are resilient to poverty alleviation, and including supporting them to execute their religious minimum and maximum standards. Some of the ICSs have established business ventures such as Takaful Group Life Insurance Scheme, *Hajj* and *Umrah* services, rental service, pure-water factory as well as land acquirement scheme for the members. Salaries are also paid to the workers in various business ventures of the Foundation. Provision of residential buildings and motors for the interested members, buying and selling of rams to members during *īdul-adhā* (Ileya festival), voluntary donation to the needy, widows, students, orphans and the family of any deceased member, engages in *'ijāra* (rental), establishment of schools and shopping complexes³⁴.

Financial and Social Roles of the ICSs for Sustainable Development of the Members

Originally, the cooperatives used to pooling their financial resources from the members. The mobilized funds are used to finance the cooperative activities. Therefore, the ICSs mobilize funds, such as share capital, savings, entrance fee, administrative fee, fines levies, building funds, sales of stationary, funds for special projects, reserve, investment funds, net surplus, profit from businesses, *Zakat*, development levy and pension scheme³⁵. They also expend the sourced funds in the areas, such as loan to members without interest to establish businesses, acquire assets as they also get funds externally in terms of donation from non-members as well as *Zakāh* which they use to solve some financial problems of the members. In a nutshell, the ICSs have introduced those who are excluded from the conventional financial institutions to the Islamic financial institution of cooperative as a result of which the members are exposed to the lawful and unlawful aspects of conventional financial institutions and ready to sacrifice their socio-economic skills to serve their respective societies. The ICSs promote and improve the economic and social interests of their members by mobilizing funds and savings from them to facilitate commerce and investment³⁶. This has allowed the members' income to increase considerably and reduced poverty rate amongst them.

Furthermore, ICSs are used to the *Sharī'ah* principles and some Islamic Financial Products (IFPs) to some extent and fostering the social cohesion including community empowerment as they assist members to meet their basic needs or start small businesses. They also promote social welfare and community self-sufficiency by sometimes, finance the hospital and school bills of members' households, they even join a member in carrying out some social ceremonies like naming ceremonies and weddings and voluntarily give the financial assistance as well from the individual purse or welfare scheme of the society. Some ICSs do slaughter animals and sell them to the members and the interested neighbouring people while others also have primary and secondary schools with students, teachers and petty item sellers. Apart from this, some ICSs do employ members and non-members in some of their businesses as some also buy commercial vehicles, motorcycles, tricycles, and so on, to both the interested members and non-members in which the profit accruable are shared as dividends to members. In order to improve the members' cooperative

awareness, some ICSs used to send their members to attend seminars and workshops organized by some consulting companies, to train the members accordingly and even to learn some skills³⁷. The ICSs have become an Islamic financial institution that distribute and circulate wealth not only amongst the members but to the non-members in their respective communities.

Indigenous Modes of Cooperation and ICSs for Sustainable Development

There are some indigenous modes of socio-economic cooperation that are suitable for the sustainable development of the ICSs. For example, *aaro*, *ebese*, *arokodoko*, and *owe* are social aspect of cooperation among the Yorubas while *ajo*, *eesu*, *aradosu*, and *ore* are the economic aspect. *Aaro* is a farming system where one or two people work on their farms in turns. In *ebese*, friends and families work for each other on the farms or to construct buildings or prepare other materials for an occasion, while in *arokodoko*, people work for each other on their respective farms which are very close to each other, the arrangement is that work is done in one's farm in the morning and in another's farm in the afternoon. *Owe* however has to do with a club in which a member invites his colleagues to work for him or on the farm of his prospective in-laws as a service in order to get their daughter married³⁸. These are types of social cooperatives that can bring love, peace, harmony and tranquility to the community. The ICSs can modify and practice these types of indigenous cooperative activities better, to actualize some aspects of sustainable development goals of the UN, amongst themselves as well as with the communities they belong to.

Other indigenous modes of cooperation are *ajo*, *eesu*. These have to do with the economic aspects of cooperation in Yorubaland. *Ajo* is a type of monetary contributions among members of a given community. It can be organized weekly, fortnightly or monthly. The members here agree to contribute certain uniform amount of money, to be lump-sum distributed to members, one after the other based on the appointed and agreed upon period, weekly, monthly or fortnightly. Another mode is *eesu* or *esusu* which is similar to *ajo* but with little differences. It is organized by the close associates who understand themselves much more³⁹. Some ICSs like Olohunsogo An-Najah Fisabilil-Lah Islamic Cooperative, Ibadan, Oyo State is using *ajo* as an economic strategy to make members attend the meetings and to use the money collected to settle some affected members' debts.

Sustainable Development and Challenges of the ICSs

There are numerous socio-economic challenges facing the ICSs presently, not to talk of the sustainable development goals introduced by the UN. Here are some of these challenges:

1. Lack of Proper awareness or understanding of Islamic finance

Presently, there is no official avenue through which the members of the ICSs can tap the knowledge of Islamic cooperative and the Islamic financial Products and their proper application, after about 32 years of the commencement of the ICS in Nigeria⁴⁰. In conventional cooperative, a cooperative college, where the cooperative education and other necessary ingredients of cooperative are taught was established in 1943, soon after the formation of the first registered conventional cooperative in 1937, just 6 years after. The ICSs today use their discretions in managing their specific cooperatives or they consult different scholars who may not be experts in the Islamic economic systems, Islamic law or IFPs and their respective applications.

2. Lack of Cooperative Synergy among the Existing ICSs to form/join Unions

Experience reveals that most of the ICSs do not want to associate themselves with other ones or the available Cooperative Unions in their States. An example of this is the union membership of the National Council for Islamic Credit and Savings Scheme (NACICASS) Free-Interest Multipurpose Cooperative Union Limited, Ibadan, Oyo State. Though the Union is trying to unite other micro cooperative societies, many of the ICSs in Oyo State are yet to join the Union⁴¹. It is also doubtful whether or not the Islamic Cooperative Union bodies are existing in several States of Nigeria. If Unions are well formed, the ICSs can easily be given audience, listened to, participate and engage in the activities of the international bodies handling the issues of cooperative societies like the International Cooperative Alliance (ICA) and International Labour Organisation (ILO).

3. Regular *Sharī'ah* Supervisory Board

The non-existence of a regular supervisory board with the *Sharī'ah* experts to monitor the activities of the ICSs is a big challenge. This body, if established can enhance the performances of the ICSs to obtain a maximum level of sustainable development goals of the UN in compliance to the *Sharī'ah*.

4. Access to Capital or Fund

It is obvious that the present economic situation in the country will also affect the ICSs performances. Most importantly, the funds mobilization from the members will be too low while refunds of already engaged money, either in terms of loans or investments will be highly affected. Consequently, most businesses are collapsing as many more are almost in liquidation. The Departmental Cooperative Societies are also involved in these economic calamities, since the members' contributions are deducted from the source and the salaries can no longer sufficient for feeding, accommodation and other basic things needed to survive. The ICSs are from the beginning, not enjoying any monetary service from the governments⁴².

5. Registration

There are many more ICSs that have not registered officially with the government. This may affect the strength of the ICSs. This is because there is strength in number and the more the number the more the recognition and power of the associations, which may lead to creation of more formidable Islamic Cooperative Unions of different socio-economic experiences and experts that can force the government to treat the ICSs fairly.

Some Islamic Financial Products for the Sustainable Development of the ICSs

There is no doubt that there are many resilient IFPs that are practicable in the cooperatives. For example, there is *al-muzāra'ah* (sharecropping contract), *al-muḍārabah* (partnership by trust financing), *mushārah* *mutanāqishah* (diminishing partnership), *'ijārah* (lease or lending), *murābaḥah* (Mark Up/Cost plus sale), *musāwamah*, *salam*, *istiṣnā'* and *qarḍ ḥasan*. Few of these IFPs and their possible application in the ICSs will be discussed to facilitate the sustainable development goals of the UN, as follow:

Al-Muzāra'ah (sharecropping contract)

It can be concluded that in *al-muzāra'ah* and *al-muḍārabah*, Islam recognises the factors of production as a recognition of successful cooperation of each factor like land, labour, capital and management, even though these factors are not mentioned directly by early Islamic scholars in their books. In *al-muzāra'ah* for example, the land belongs to somebody and another person

cultivates it and two of them benefit from its gain. Islam will even intervene when one partner oppresses another in the dealings as well as when the partners or one of them derails from the dictates of *Sharī'ah* in any of these economic components⁴³. The ICSs can engage in *al-muzāra'ah*, in which the land can be bought, hired or by means of *waqf* (endowment), agricultural experts amongst the members of the ICSs can cultivate it and manage it on behalf of the cooperative society, as labours who are entitled to wages for their efforts. Profit made from this farming will constitute dividend for every member at the end of the financial years. The ICSs can as well engage in *al-muzāra'ah* without the involvement of the members, if there are no experts amongst them. It is also better if the ICSs are formed as Islamic Agricultural Cooperative Societies (IACSs), which according to our investigation and knowledge, no ICS is presently operating *al-muzāra'ah*.

This product can also be operated, using *al-muḍārabah* product. In this case, the ICS will produce every material; land, capital and engage agricultural experts and at the end of the harvest, the profit will be shared based on the agreed ratio. If the ICSs can engage and succeed in *al-muzāra'ah*, they can successfully, not only remove their members as well as non-members from the vicious poverty but also ensure their food security with good health and nutrition, as well as provide jobs, sustainable livelihoods and equitable growth which lead to a stable and peaceful society.

***Mushārah Mutanāqishah* (diminishing partnership)**

This is another IFP that may also facilitate some of the sustainable development goals of the UN in the ICSs. In this product, a property is jointly owned by two parties, the financier and the client. The aim in this type of partnership is to make the client to take over the ownership of such property jointly bought by both the financier and the client. Both the parties contribute capital to purchase the property but the financier's share is gradually bought by the client. This is done by dividing the financier's share into a number of units and it is equally understood that the client will buy these units one by one periodically. This makes the client's shares to increase and those of the financier to be reduced to zero unit and thus the full ownership of the property goes to the client at the end⁴⁴.

There are two ingredients that must be taken care of. Firstly, partnership should be in accordance with the permissible rules in *Sharī'ah* and secondly, units should be purchased gradually by the client after entering into a promise to that effect because price of the unit cannot be fixed at the stage of promise. In this case, the financier may agree to sell the unit based on the current value of the business at the time of purchasing the goods or unit may be bided at first which may be sold at the rate higher than the offered rate⁴⁵.

According to this concept and the Islamic Cooperative Society (ICS), there will be financier, which is the Islamic Cooperative Society (ICS) and a client, who is a member of the ICS. Both of them can either participate in the joint ownership of a property or equipment, or in a joint commercial enterprise. The ICS is expected to have larger share while the interested member in any of the projects is expected to have a little share. The two shares are combined and used to get the required project for the client. However, the ICS's share is further divided into a number of units and it is understood that the client will purchase the units of the ICS's share one by one periodically, thus increasing his own share until all the units of the ICS's shares are purchased by him and the ownership of the property or the equipment or the commercial enterprise is transferred to him. This project can be used to develop house scheme, transportation, and businesses for the members of the ICSs⁴⁶.

Al-Murābahah (Mark Up/Cost Plus Sale) and Musāwamah

Murābahah is a kind of sale where the seller discloses the cost of commodity he incurred and sells it to another person by adding some profit on the cost of the commodity. What makes it different from the simple sale called *musāwamah* is that *musāwamah* is a bargaining sale without disclosure of the cost of commodity and there is cash payment whereas in the *murābahah*, the price of the commodity is mentioned, with profit added to it and the payment is differed (*murābahah mu'ajjalah*). The *murābahah* contract is guided by the conditions placed by *Sharī'ah* therefore it is a profit-oriented sale and not interest-based one⁴⁷.

Murābahah is widely used by the Islamic financial institutions like Islamic Cooperative societies for short, medium or long term finance. It can be used in the cooperative societies for consumer financing to purchase household goods, project financing, contract financing, working capital financing, asset financing, import financing, commodity financing and others. The cooperative societies can use it to procure some consumable and other goods for their members by adding some reasonable profit over the cost of such goods based on the pre-agreed ratio and the members refund the money in installments. The profits accruable on the *murābahah* contracts will be divided in prorate method by the members at the end of the term. Several *murābahah* transactions may take place before the end of the year. The cooperative societies can also engage in this type of contract externally, to develop the cooperative and promote the economy of the members.

Istiṣnā' and Salam Contracts

In *bay' istiṣnā'*, a request is made by one party (a client, which may be ICS) from the other who is a manufacturer to produce certain commodity based on his/its wish. The manufacturer is to produce while the client pays for the whole cost or price including the profit. Should the client provide raw materials for the production then the contract becomes leasing not *istiṣnā'*⁴⁸. The legality of *istiṣnā'* is confirmed by the *ḥadīth* recorded by Bukhari under a chapter in his book titled: “*Seeking the help of a carpenter or a manufacturer to prepare a wooden pulpit and (building) a mosque*” as follows:

From Sahl (R.A.) who reported that Allah's Apostle (S.A.W.) sent somebody to a woman, telling her, “Order your slave (who is a) carpenter, to prepare a wooden pulpit for me that I will sit on”.⁴⁹

Consequently, *bay' As-Salam* is an opposite of *murābahah*, in that, in *salam*, advance payment is made on the purchased goods which are to be delivered in future whereas in *murābahah* goods are delivered in advance and the payment is deferred. According to Shaybatul Ḥamd. *Salam* is a sale associated with the deferment of supply of goods and advance payment of the price. He says further that others called it *salaf* because of the advance payment of capital as it is also called *salam* because the cost of the goods is paid instantly (to the seller), whereas ‘*salaf*’ is universal because it is also used for *qard* (loan) and therefore every *salam* is *salaf* and every *salaf* is not *salam*⁵⁰.

Both of these contracts can be operated by the ICSs, at their own level, at least to equip the trade of their members and construct houses for them so that they make refund based on the mode of payment in the respective modes of finance, knowing fully well that the profit accrued from the contracts will still be shared by the members at the agreed stipulated period. The cooperatives can also extend their transactions in *salam* and *istiṣnā'* to the public and individual. The ICSs can

construct roads, hospitals, equipment and other public utilities of which they hand them over after the payment which can be in form of levies like toll gate fees, or charges of which they get their profit from the business. But honestly speaking, the operations of these sales may be too expensive for the ICSs to carry out some big or large projects. But operation of both of them can enhance the sustainable development of the ICSs, members, as well as the public. Whatever the case, these IFPs can earn the ICSs and members most of the sustainable development goals of the UN.

Zakāt and Waqf

The ICSs can successfully engage in *Zakāt* collection and distribution, either within themselves or as agents working for its activities. However, the products from *Zakāt* should be disposed as commanded by Allah and His Messenger and should be exercised according to *Sharī'ah*. This type of ritual and mode of compulsory act of worship had in the past solved the socio-economic problems of the Muslim community during the reign of Umar Bin Abdul Aziz,⁵¹ and it can still work positively so, if managed well. *Waqf*, which means endowment, can also be made use by the ICSs. Presently, there are some ICSs that have schools, hostels in the tertiary institutions, shops and so on, where they employ workers and pay them salaries as well. There are other ICSs who extend their generosity to the widows, orphans and vulnerable in their different societies, to some extent. This can be expanded if there is a robust economic system in the country⁵².

Conclusion

The Islamic Cooperative system has produced some Islamic Cooperative Societies (ICSs) for many reasons, one of which is to avoid unlawful transactions like *ribā* (interest), which is rampant in our society today. This Islamic cooperative system started in the mid-1992 and has grown to having Departmental cooperative societies and parent bodies/unions. These ICSs started as prototypes of the Conventional Cooperative system, since some Muslims were members of one Conventional Cooperative or the other before they were guided to form or join their respective ICSs presently. The ICSs mobilise funds for their operations and use those funds for loan which the members use to serve their socio-economic needs. Consequently, their focus on loans for business creation has limited their potential to fully utilize Islamic financial principles, which emphasize shared risk and profit/loss sharing. However, the societies also practice some Islamic Financial Products (IFPs) which only further expose them to Islamic economic system, to some extent. As for the CCSs in Nigeria, they have a long history of contributing significantly to socio-economic development through various initiatives, such as the Cooperative Bank, Cooperative Press, the Cooperative Federation of Nigeria, and so on. Despite these remarkable achievements, their impact has diminished with the dissolution of many apex bodies and institutions that once fostered substantial growth.

Furthermore, there are various Islamic Financial Products (IFPs) that offer unique opportunities for the ICSs to contribute toward sustainable development goals. These include *al-muzāra'ah*, *al-muḍārabah*, *mushārah mutanāqishah*, *'ijārah*, *murābahah*, *salam*, and *istiṣnā'*. All these are aligned with the values of cooperation, fairness, and ethical profit-sharing, providing robust models for socio-economic empowerment within cooperative frameworks. Through contracts like *al-muzāra'ah* and *mushārah mutanāqishah*, ICSs can enhance food security, provide stable incomes, and reduce poverty by leveraging land and resources collaboratively. Additionally, IFPs such as *murābahah* can finance household, commercial, and project needs, supporting growth without reliance on interest-based transactions. ICSs also have potential to expand into *waqf* and *Zakāt*-based activities, strengthening community welfare through endowments and charitable

distributions. By applying these *Shari'ah*-compliant financing structures, ICSs can contribute to achieving broader UN sustainable development goals, particularly those focusing on poverty reduction, equitable growth, food security, and access to essential services. If well-executed, Islamic Cooperative Societies stand to be pivotal players in fostering sustainable, inclusive development within the Muslim community and beyond.

The ICSs can as well offer a valuable, indigenous-oriented approach to sustainable development by integrating IFPs with indigenous cooperative practices. Through mechanisms like *ajo*, *eesu*, and *al-muzāra'ah*, they can foster socio-economic growth, poverty alleviation, and financial inclusion among their members and communities. Although there are challenges facing the ICSs presently but they can still manage some of the IFPs and indigenous modes of socio-economic mechanism that are financially manageable for now since the socio-economic situation is generally critical for everyone in Nigeria, while staying truly with the Islamic socio-economic ethics.

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11. Cooperatives and the Sustainable Development Goals: A Contribution to the Post – 2015 Development Debate, A policy Brief Sustainable%20Development%20for%20Cooperative%201247ilo.pdf
12. *Farā'īd* is the plural of *farḍ* which means prescribed, compulsory or obligatory acts. Majority of the scholars opine that *wājib* which also means obligatory is a synonym of *farḍ*. *Farḍ* therefore means any act required to be necessarily performed whose neglect makes one a sinner. Example of this is the five daily prayers. *Farā'īd* is also used for inheritance in Islām.

13. *Muḥaramāt*is the plural of *muḥaram*. It is also called *Ḥarām*which means forbidden or prohibition. It is any act required to be inevitably and obligatorily renounced. Example of this is consumption of alcohol, murder, e.t.c.
14. *Mandubāt*is the plural of *Mandūb* which means recommended. It is defined as any act that is voluntarily required to be done or any act whose performance is rewardable but whose neglect is not punishable. Examples of this is marriage, decent labour, e.t.c. *Mandubā*taugments*fard* and it is also called *sunnah* (action of the Prophet), *ṭaṭawwu'* (voluntary services), *mustaḥab* (desirable act), *Iḥsān* (meritorious service), e.t.c.
15. *Makruhāt* is the plural of *makrūh* which means detested or hateful. It is any act required to be voluntarily renounced and whose performance is not praiseworthy but whose neglect is praiseworthy. Example of this is too much question. Also see Zaydān Abdul-Karīm, “*Uṣūl Ad-Da'wah*, (Lebanon: Al-Resalah Publishing House, 1996), 74 – 75.
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22. It can be observed that in almost all the ICSs' annual financial reports, the savings columns which are meant for loan activities, always carry much more funds released for loans, either for businesses or other transactions compared to the funds released for other transactions and most of the deficits in debt columns are as a result of inability of the members to refund loans. This equally leads to conflicts, especially when other members are waiting to benefit from loan which they are denied due to paucity of funds, resulting from purse draining through loan.
23. Example of the cooperative college is the Federal cooperative college, Eleyele in Ibadan, Oyo State, Nigeria. There are other ones, this in exclusion of some Universities and other tertiary institutions offering the cooperative as a course or degree course, even up to the Ph.D. level. Faculty of Management Sciences in the National Open University of Nigeria is an example of awarding degree in cooperative. There is none where the Islamic cooperative is being learnt.
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29. During the Tabuk Expedition, the Prophet (SAW) asked the Companions to contribute for the battle in which the Companions displayed the level of their faith and economic commitment to the cause of Allah. It was an economic competition emanated from deepness of each Companion's faith. See
30. Sunan Ibn Majah, Hadith 409.
31. Sahih al-Bukhari, Hadith 3992.
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34. See Ajani, M.A.A. (2016). An Assessment of Islamic Cooperative Societies 4 – 48, where some ICSs like Maasha-Allah Society of Nigeria, Oyo, Oyo State, Al-Hayat Relief Foundation, Ijebu-Ode, Ogun State, Taqwallah Savings and Investment Society, Ibadan, Oyo State were examined to assess their contributions towards the socio-economic development of their members and non-members.
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40. The first ICS in Nigeria, is Maasha-Allah Society of Nigeria, Oyo, Oyo State. It was established on the 17th of May, 1992. See M.A.A. Ajani, An Assessment of Islamic Cooperative Societies.
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