

Local Business Practices in Kaiama: An Assessment from Islamic Perspective

Suleiman IBRAHIM

Department of Islamic,
Christian and Comparative Religious Studies
Kwara State University, Malete
P.M.B 1530, Ilorin, Kwara State
ibrahimsuleiman1989@gmail.com
+2348032839853

Abstract

The Islamic economic system has continued to gain ground and to play a substantial role in the world economy. The system which aims to combine religion with economic pursuit has attracted the interest of many conscious Muslims. The people of Kaiama are predominantly Muslims majority of whom are merchants. They have various practices in carrying out their economic activities. It is the aim of this paper therefore, to examine the business practices in Kaiama Local Government Area and to pinpoint their areas and level of conformity and vice-versa with Islamic law. This work, given its nature is empirical and the use of questionnaire, interview and personal observations were adopted for data collection. The practice of Laatana and Odokore Kena were found to conform with Mudarabah and Islamic cooperative system respectively. Agbaale which could be likened to future trade is in dissonance with Islamic teaching.

Introduction

From time immemorial, it has never been possible for man to divorce himself from economy. Islam, being a faith that caters for all aspects of human life, realizes this phenomenon; hence, among other things, it makes economic transactions lawful. However, in order to make these transactions devoid of oppression and injustice, Islam forbids all sorts of unjust transactions such as *Riba* (interest), *Gharar* (uncertainties) and similar others. Thus, the syndrome of interest-free economy and the practice of other transactions in a just manner came into being. The Islamic economy became established with prophetic condemnation of *Riba* and other unjust transactions as prevalent in the *Jahiliyyah* period. Islamic economic system did not expose the Muslim world to any economic decline. Rather prosperity remained the order of the day as history abounds with numerous examples.¹

There is no doubt that quite a number of things might be ascribed to Islam and named or tagged “Islamic” whereas they are, in their real sense far away from Islam. Hence, the thrust of this work is to carry out a critical examination of the local business practices in Kaiama Local Government Area in order to determine whether they are in line with the Islamic principles or otherwise. The specific objectives include the following:

1. Identifying the economic practices in Kaiama Local Government Area
2. Reviewing the Islamic economic principles
3. Comparing the economic practices in Kaiama Local Government Area with the Islamic economic principles.

Local Business Practices in Kaiama

Kaiama is a local government area in Kwara State, Nigeria. Her headquarter is in the town of Kaiama. Business activities thrive well in Kaiama Local Government. This is due largely to the conducive environment created by all institutions of transformation. Agriculture is the main stay of the economy of the people and the principal cash crops include yam, yam flour, cassava and other produce. There are other enterprises like thrifts and cooperatives, shea butter, future trade advance sales, saw milling, international trade, commerce and a host of others. Kaiama market attracts people from far and near due to its central location.

Kaiama produces all varieties of foodstuff and other wares produced by the teeming population of farmers and artisans which attract traders from all over the country. Kaiama runs regular market days on Thursdays and Saturdays. Most of the men in Kaiama are farmers while the women sell out the farm produce. Yet, there are some who are civil servants while others are politicians. The major occupations of the people can be studied under the following perspectives:

Bubana (Farming): It is the major economic activity in Kaiama local government. Farming in Kaiama encompasses cultivation of land for farming and rearing of animals for domestic uses as well as for sale. However, farming in the area is majorly based on human labour as no mechanized farming is in existence yet. Furthermore, there are three systems of farming in Kaiama which are: individual farming, joint farming, and partnership.

Bubana ndoo (Individual Farming): This is the first system of farming whereby, the farmer solely owns the capital, enjoys the profit and bears the loss as well. In this system of farming,

the farmer employs labourers who work for him for a period of one year before payment of wages. Usually, in Kaiama the labourers are immigrants from Benin Republic which is the neighbouring country. More so, the payment of wages is in three different forms. Firstly, it can come in form of cash whereby an agreement is made on the arrival of the labourer that he will be paid certain amount of money after he has worked for a period of one year. However, if a laborer could not work up to a year, as a result of illness or for any other genuine reason he will be paid half of the amount initially agreed on provided he worked up to six months and above; but if it is below six months, he will not be given anything. Secondly, it may be inform of buying the labourer a motorcycle (*Bajaj*). This is the most common form of payment whereby an agreement is made on his arrival i.e before he starts working that at the end of one year, the farmer will buy him a motorcycle either new or fairly used; based on the agreement. However, if he could not work for a complete year then the farmer may decide to give him certain amount of money as it pleases him since the initial agreement was to buy him a motorcycle. Lastly, it can come inform of exchange of service with farm produce. This is a situation whereby the labourer is interested in farming but he does not have the varieties of farm produce and the land to farm. He has to work for the farmer for a period of one year while the farmer gives him any variety of farm produce agreed upon in return. The quality and quantity of the farm produce to be paid is based on mutual agreement. It must be pointed out that the agreement between the farmers and the labourers are made verbally without any necessary documentation which eventually attract conflict and at the end lead to court cases.

Okakoana wa bubaa (joint farming): This is the second system of farming in Kaiama otherwise known as family farming. A family farm is a farm owned and operated by a family. Like other family business and real estate, ownership often passes to the next generation by inheritance. In this system of farming employment of labourers is less required as the farm is owned and managed by a large number of people within the family set up.

Odakennena ke wa bubao (Dormant partnership): The third system of farming in Kaiama is through dormant partnership. Dormant partnership is a kind of partnership, where one partner gives money to the other for investing in a commercial enterprise. The investment comes from the first partner who is called *gbeke odaake gbene* (owner of capital) while the management and work is an exclusive responsibility of the other, who is called *gbeke wa odaakenne* (manager) and the profit generated are shared in a pre determined ratio. This is a situation

whereby a city dweller who has interest to invest in farming but lacks the ability and skill decides to go into partnership with a poor farmer who possesses the skill and ability to farm but lacks the capital. Therefore, the capital comes from the city dweller while the well-being of the farm becomes the responsibility of the poor farmer and the profits are shared based on mutual agreement. This system is mostly explored by civil servants as well as politicians. Finally, it must be noted that the (owner of the capital) can come from any part of the world. It is not necessary that he/she must be a native of Kaiama before he can engage in this kind of partnership. In point of fact, there are people from as far as Benin Republic who are successfully involved in this kind of partnership.

Kinkiian yanaozin (yam flour business): This is another major economic activity in Kaiama local government. Yam flour business is mainly carried out by women in Kaiama and it is done in three ways: The first is the buying of raw yam, processing it to yam flour and selling it back. The second method is that of buying the finished good (yam flour) at cheaper rate from the villagers and storing it until the commodity is scarce in the market before disposing it out at a higher price. The third method is by advance payment popularly known as *agbaale*. This is a situation whereby a farmer who is not financially fit, decides to collect an amount that is lesser than the original market price in advance from a business woman but the commodity is to be delivered after certain period of time afterwards.²

These are the three major ways through which the women in Kaiama benefit from the farm produce. This business is done individually as well as corporately.

Oziin (local industries): These are the local industries before the advent of modern technology. The local industries include: shea butter making, soap making, blacksmithing, pottery etc.

Nosimuna (shea butter): It is locally manufactured oil which is majorly produced in Kaiama and Baruten Local Government Areas of Kwara State. Shea butter making is one of the major economic activities in Kaiama and produced locally by women. Unlike those days whereby stones are used in grinding the shea nut before processing it in to shea butter, in the present time, grinding machines are being used. Shea butter is used in preparing all kind of meals. Also shea butter is used for lamping before the advent of kerosene, it is used as body cream and lastly it is used for preparing herbal medicine.³In point of fact, people travel all the way

from the Republic of Benin to buy shea nut in Kaiama. The city dwellers request for its production from the villagers on a large scale for commercial purposes in the urban city.

Mosoro kenna (soap making): This is another local venture whereby soap are produced. In Kaiama, this industry is operated by women and the soap is used for bathing as well as for washing of cloth. This is what some women do for a living. Basically, they are produced based on request as explained above⁴

Siaa kena (blacksmithing): This is one of the major indigenous industries in Kaiama where all kinds of farm tools and implements such as hoe, axe, knife, digger, cutlass, shotgun, e.t.c are manufactured. This industry also serves as places of worship before the advent of Islam in Kaiama. For example, oaths are taken in these places by perpetrators. This industry is operated strictly by men and production is mostly based on request.⁵

Orobona (pottery): Another local industry in Kaiama is moulding of pot which is majorly operated by women. These pots are mould with clay. There are varieties of pots and they are used for cooking, storing of food, growing of plants, for preparing herbs etc.⁶

Agbaale (future trade): It is a contract between two parties to buy or sell specified assets of prescribed quality for a price agreed upon and payable promptly while delivery is kept in view till a future date. This is another major economic practice in Kaiama. For instance, a farmer may decide to sell his yam farm immediately after planting even before germination, or he collects certain amount of money from the buyer, with the agreement to deliver the commodity after the harvest. Also a hunter or a fisher man can collect money in advance before going for hunting or fishing. However, in most cases, such agreement is not written down.⁷

Odokonre kena (thrift and co-operative societies): It is an organization formed by a group of volunteers to serve their own needs. Each member of the group has equal rights on operational decisions and the profits are shared equally among members. Cooperatives include non-profit community organizations and contributions made by petty traders.

According to Engineer Suleiman Abdulmumeen, there are over 100 thrifts and co-operatives societies in Kaiama Local Government Area. All the co-operative societies operate with

interest except the Local Government Staff Co-operative Society which operates interest-free system.⁸

Assessment of the Economic Practices Vis-a-Vis Islamic Jurisprudence

Allah, in His noble book, the Quran, and the Prophet (SAW) through his *Sunnah* (prophetic tradition), pointed out the rulings on economic transactions. Allah says:

... but Allah has permitted trade ... (Q2:275)

There is no blame upon you for seeking bounty from your Lord (during hajj)... (Q2:198)

The Prophet (SAW) said:

The seller and the buyer have the right to keep or return goods as long as they have not parted. If both parties seek the truth and point out the defects and qualities (of the goods), then they will be blessed in their transaction. But if they tell lies or hide something, then the blessing of their transaction will be destroyed (Bukhari and Muslim).⁹

Islam encourages striving for one's need and as such it never forbids investing so long as it does not in any form negate the Islamic teachings. There are a number of financial products which Islam has and through which investment could be carried out without interest and other forms of unjust practices. Below are some of these products through which Muslims can invest:

Musharakah

Musharakah (joint partnership) is a derivation of the word *Shirkah* or *Sharikah*. These two terms literally mean incorporation, company, partnership etc. Technically, they are defined as a situation whereby two or more people jointly own a particular property whether through inheritance or by gathering wealth together in order to invest it through trading or manufacturing.²¹ Generally speaking, *Musharakah* is a type of contract where two or more persons invest capital or combine services in a joint commercial venture. It is aimed at achieving economic goals which might not be effectively attained without joint effort.

The legality of *Musharakah* is established both in the Quran and Sunnah. Allah says:

If they be more than that, they are partners in one third (of the legacy). (Q4:12)

And verily, many partners oppress one and other, except those who believe and do righteous deeds, and they are few (Q38:24).

In the Sunnah, there are many *Ahadith* regarding this issue. Some of them are:

From Ibn Umar, the Prophet (SAW) said: "one who freed his share of his slave it becomes obligatory on him to free the whole of him. If he has wealth the same value to the price of the slave, he (slave) will be valued fairly, and pay his partners their shares, and give way to freed slave."¹⁰

From Abu Hurairah, the Prophet (SAW) said: "Allah, the Most High said: I am third of the two partners, if one of them does not deceive the other. When one of them deceives his brother I depart from them".¹¹

It must be said that cooperative society practiced in Kaiama in its entirety is based on this concept. This is because every member of the society has come in partnership with others in order to invest his capital so as to better his economic lot. Hence, all the business that the cooperatives society is doing is on *Musharakah* basis where every member is considered a partner and would be liable to the accruing profit on a given proportion based on his capital.

Moreover, other practices of Kaiama people that fit in here are joint farming and yam flour business since they operate mostly in partnership basis.

Mudarabah

Mudarabah (dormant partnership) is a concept that involves two parties whereby one provides capital to the other who in turn provides the needed managerial skills to invest while the ensuing profit or loss would be shared between the two as mutually agreed.¹² Since it is not everyone who has capital that is an expert in investment and not every expert has the cash required for investment. Allah therefore legalizes *Mudarabah*. There are verses of the Holy Qur'an and prophetic traditions that legalises *Mudarabah* contract. For example, the Qur'an says:

...Others travelling through land seeking Allah's bounty... (Q.23:20)

And a *Hadith* that says:

When our leader Abbas ibn Abdal-Mutallib gives his property to some-one for Mudarabah, he stipulated conditions for his partner not to bring the capital throughout sea; and not to bring within the capital crossing a valley;

and not buys livestock with the capital; if his partner violates the conditions, he should guarantee the loss occurred. These conditions name been brought to the attention of Prophet Muhammad (SAW) and he approved them¹³

Mudarabah had been practiced before the Prophet received the first revelation and he did not raise any objection against the practice.

Conditions on *Mudarabah*:

Mudarabah is accepted as permissible among all the jurists.¹⁴ However, there are some conditions attached to it, which include:

- i. *Mudarabah* may comprise Non-Muslim, but *Mudarib* (the working partner) has to be a Muslim, so that business dealings shall be *Shariah* compliant.
- ii. The share of each party in the profit should be clearly defined in definite ratio or percentage. However, the loss of the business should be the responsibility of the *Rabul-mal*, provided such loss is not due to the manager's negligence or violation of specified conditions.
- iii. *Mudarib* cannot, without the consent of *Rabul-mal* (owner of the capital), lend money to anyone.
- iv. *Mudarib* is authorized to do anything, which is normally done in the course of business. However, if he wants to have an extra ordinary work, which is beyond the normal routine of the trades, he cannot do so without expressed permission from *Rabul mal*.
- v. *Mudarib* is not authorized to keep another *Mudarib* or partner, or mix his own investment in that particular *Mudarabah* without the consent of *Rabul –mal*.¹⁵

Islam confirms the legality of *mudarabah* contract as practiced by the people of Kaiama. However, in the practice of Kaiama people, the share of each party in the profit and loss sharing is not clearly defined in definite ratio or percentage. Also, in most cases the *mudarib* mix his own investment with the *mudarabah* contract as against the teachings of Islam.

Istisna^c

Istisna^c ordinary means request for manufacture. Jurisprudentially, it is defined as a request for production of a particular thing in a particular way.¹⁶ *Istisna^c* is a sale transaction where a commodity is transacted before it comes into existence. It is an order to a manufacturer to

manufacture a specific commodity for the buyer. The manufacturer uses his own material to manufacture the required goods.¹⁷

Scholars argue that *Istisna^c* is permissible since it is a combination of two modes of contract that are permissible. It is the combination of *Salam* (advance payment) which is also a kind of contract on an advance produce and *Ijarah* (lease contract) which also involves engaging another person in a labour in lieu of a payable wage.¹⁸

Conditions for *Al-Istisna^c*:

- i. The object must be precisely determined both in its essence and quality. In other words, it is a condition in *Istisna^c* contract to state in the clearest of terms, the type, quality and all the specifications required, because is a condition that the sold commodity must be known, to avoid ignorance.
- ii. The recommended manufactured goods should be things that people customarily deal with, in the field of manufacture. Otherwise the contract of *Istisna^c* is invalid.
- iii. The time of delivery must be specified.
- iv. The materials should be supplied by the maker; if they are supplied by the buyer the contract is *Ijarah*, not *Istisna^c*
- v. It is also a condition that the place of delivery should be specified, that is if the commodity needs loading or transportation expenses.¹⁹

Each of the parties involved in *Istisna^c* has the right to turn down the contract before its maturity. The manufacturer can also sell the manufactured goods to another buyer provided it has not been presented to the client since the contract made was not on the particular item manufactured.²⁰

Therefore, it must be noted that the client is not under any obligation to buy the required item after the production, if it does not meet his taste or satisfaction.

Most of the local industries in Kaiama operates based on request for manufacture similar to the Islamic principle of *Istisna^c*. In the practice of Kaiama people, the kind of goods to be manufacture, quality and quantity of the goods as well as the date of delivery are clearly defined before manufacturing of the goods. However, in most cases the buyer pay for the

goods before manufacturing which is resulting to *Gharar* (uncertainty) as against the Islamic teaching.

Salam

Salam (advance payment): It is defined as a sale contract in which the payment is advanced and the goods delayed. In other words, it is the sale of a commodity whose payment is made in advance.²¹ The legality of this concept is established in the Qur'an and Sunnah. Allah says:

Oh you who believe! When you contract a debt for a fixed period, write it down ... (Q2:282)

Similarly, the Prophet said:

*Whoever pays money in advance for dates (to be delivered later) should pay it for known specified weight and measure (for the dates).*²²

Scholars agree, based on the above *Hadith*, on the permissibility of contracting *Salam* on things that can be measured or weighed but differ on other articles of merchandise and animals. The majority of them are of the view that it is also permissible on the articles that have exact descriptions.²³

Conditions to be fulfilled by a *Salam* contract include:

- i. The quantity and type of the subject of sale must be determined, with all its specifications.
- ii. It is only the goods whose quality and quantity can be exactly specified that can be sold through *Salam* contract.
- iii. The payment should not be displayed otherwise it will be tantamount to the sale of debt against a debt which is prohibited
- iv. The price should be made on currency.
- v. The time of delivery must be fixed.
- vi. The commodity sold on the basis of *Salam* should not, according to majority of scholars, be delivered on the spot.²⁴

This is similar to the practice of future trade or advance sales being practiced in Kaiama. Since people involved in production might at a particular point in time need some money either for their personal use or for facilitating the production exercise before its final readiness, it is

allowed that they sell their produce in advance instead of going for a loan that will attract interest.

Usually this type of contract is peculiar to farmers who needed money for growing crops. The *shari'ah* has allowed them to sell the agricultural products on advance payments. However, it must be pointed out that in the practice of the people of Kaiama, agreements are being made verbally in such transactions without any necessary documentation contrary to the Islamic teachings on *Bai' us Salam*. Since Allah says:

Oh you who believe! When you contract a debt for a fixed period, write it down... (Q2:282)

Conclusion

Allah in His infinite Mercy legalized economic transaction among other things. Allah says: “there is no blame upon you for seeking bounty from your Lord (during Hajj)...” (Q2:198). However, in order to make these transactions devoid of oppression and injustice of all forms, Allah in His noble book laid down rules and regulations that guide each transaction. Thus, this work appraised the principle and practice of local business in kaiama and Islamic economic systems. It also explained the basic principles of Islamic economics and the application of same in the economic practice of Kaiama people.

Attempt had been made at examining the major economic practices in Kaiama vis-a-vis the extent to which the Islamic economic principles have been complied with. The study reveals that the level of conformity with the Islamic jurisprudence as far as economic practices are concerned is largely up to expectation. Yet, areas of violation shall be clearly pointed out as recommendation for possible amendment.

Recommendations

After careful examination and observations there is also need to proffer some recommendations on certain important issues which will serve as way forward:

- Farmers should endeavor to adopt proper documentation of agreements and transactions in order to be just and to avoid any dispute.
- The share of each party in *mudarabah* contract should be clearly defined in definite ratio or percentage. However, the loss of the business should be the responsibility of the *Rabbul-*

Mal, provided such loss is not due to the manager's negligence or violation of specified conditions.

- It is worth recommending that the government should provide necessary infrastructure to enhance productions and marketing. The government should endeavor to assist in giving financial assistance to farmers to enable them to introduce mechanize farming.
- Furthermore, the government should provide agricultural extension services to create awareness and enlighten the farmers on the effective methods of storage to avoid poor production and marketing.
- More so, All Farmers' Association of Nigeria (AFAN), Kaiama chapter should endeavor to have cooperative society where farmers can easily access loan instead of involving in future transactions that may require interest. They should also try to enact a law to guide fixing of market price of commodities.
- The youth should be enlightened to correct their erroneous impression on agriculture and to encourage them to engage in farming. White kola job should not be the only focus of the youth.
- Islamic preachers should adequately create more awareness and enlighten the Muslim populace to apply Islamic economic system in their various businesses.
- Finally, the areas of economic practices not covered by this research work should be looked in to by other researchers.

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