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# THE SOCIO-ECONOMIC IMPACT OF *AL-HAYAT* RELIEF FOUNDATION ON MUSLIMS IN ABEOKUTA, NIGERIA

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## Abstract

Due to the nature of large financial institutions which target high-scale and complex financial transactions capable of yielding high returns, the masses are usually excluded from financial services necessitating the intervention of the informal sector, cooperatives inclusive. Moreover, the prohibition of *riba* (interest) by Islam has brought about the establishment of a number of interest-free Islamic cooperative societies one of which is *al-Hayat* Relief Foundation. Previous studies have focused on principles, practices and empowerment potentials of cooperative societies, however, none of these studies within our reach seems to have provided detailed explanation on the success or otherwise of most of the socio-economic strategies adopted by *al-Hayat* Relief Foundation in Abeokuta. Hence, this study aims at examining the impact of *Al-Hayat* Relief Foundation in enhancing the welfare and empowerment of members, and boosting their financial standing. The study investigated the possible hitches being encountered in its operations with a view to suggesting ways of improving its services. Data were sourced through key-informant interviews and the administering of questionnaires to members of the Foundation across the four branches in Abeokuta: Onikolobo, Lantoro, Kuto and Asero, while descriptive statistics was used in analysing them. Whereas the Foundation has improved the socio-economic standing of its members, there is the need to do more for the benefits to circulate among members. The concept of Islamic business ethics also needs to be properly applied by the cooperative.

**Keywords:** *Al-Hayat* Relief Foundation, Socio-economic impact, Abeokuta, Cooperative Society, Islamic business ethics.

## Introduction

Abeokuta, the location of the study, is the capital city of Ogun State, Nigeria. The Town is a nerve centre of commercial activities such as banking, cloth weaving and dyeing, trading and carving. Both modern and traditional agriculture are widely practised in the Town. Some of the prominent agricultural products include maize, cassava, yam and livestock. Due to the rocky terrain of some parts of the city, it has, for many years, been home to a number of quarry industries. Cotton weaving, pottery, and tie and dye (*Adire*) are all traditional crafts of the Abeokuta people (Aderogba *et.al*, 2012: 9-18). The City is reputed to be the capital of the tie and dye industry in Nigeria.

Abeokuta is the traditional home of the Egba people. The city is divided into Abeokuta North and South Local Government Areas. The Egba people have been traditionally divided into four, namely Egba Ake, Oke-Ona, Gbagura and Owu. Islam, Christianity and African Traditional Religion are widely practised by the residents of Abeokuta. Some Egba people had accepted Islam before migrating to Abeokuta with a bid to escaping from wars by seeking shelter under the Olumo Rock in 1830. Further, it is on record that a group of Muslims in Abeokuta met Sodeke about August 1830 asking for a piece of land on which a mosque could be erected. This goes further to show that Islam among the people of Abeokuta dated far beyond 1830. Indeed, Islam was said to have been practised for a fairly long time by individual Muslims without thinking of coming together as a community until 1841 when they secured a piece of land at Iporo for the building of a *Jumu'ah* (central) mosque in the Town (Seriki, 1986: 58-59).

Moreover, gradually, the number of Muslims increased and they decided to come together and form a community. The

formation of this community which cuts across all the four sections of Abeokuta was spear-headed by Sunmonu (Uthman) Adelokun who was said to be very energetic and active. Sunmonu was chosen to lead the newly constituted community but the position was later taken over from him with the consent of the Muslim community by Umar Salih. Umar was the first to be formally acknowledged as the Chief Imam of Abeokuta. In 1848, there were at least two mosques in the *Owu* section of the Town alone. Qur'anic schools were also established by the few learned men among them for the members of the Muslim community who were yearning for the knowledge of Arabic and the Qur'ān (Gbadamosi, 1978: 24). As time went by, Islamic organisations were introduced into the Town and people started joining them. This further attracted more people into the fold of Islam. Among the pioneering Islamic organisations were Ahmadiyyah, Ansarudeen and Nawarudeen. At present, with over 50 (fifty) Islamic organisations calling people to the path of Allah, Islam has spread to all the nooks and crannies of the Town.

*Al-Hayat* Relief Foundation is one of the numerous cooperative investment and credit unions in Nigeria. It is one of the Islamic interest-free cooperative unions in the Country. The Cooperative Society was established on Saturday 15 March, 1997 with the objective of reducing, to a bearable minimum, difficulties faced by the Muslims who were forced to take loans from shylock lenders who charge exorbitant interest on their loan funds. (Azeez, 2011: 84-98). The Foundation which is registered with the Corporate Affairs Commission (CAC) has its head office in Ijebu-Ode, Ogun State, Nigeria. *Al-Hayat* also aims at championing the cause of Islamic Economic System by operating a financial system that is free of pollution or infiltration from other secular ideologies. The Foundation had expanded its tentacles to different parts of the Yoruba speaking areas of Nigeria. *Al-Hayat* could boast of 56 (fifty-six) branches covering Ogun, Lagos, Oyo, Osun, Ondo and Kwara States with approximately over 8,000 (eight thousand)

members and a solid financial base. *Al-Hayat* had four branches in Abeokuta, the State Capital of Ogun State<sup>1</sup>.

This study investigates the extent to which *Al-Hayat* Relief Foundation has assisted its members in the social and economic spheres of their lives. It also investigates the *modus operandi* of the Foundation and the socio-economic impact on its members. The paper equally examines the challenges confronting the Foundation. To that extent, key-informant interviews were conducted with some officials of the four branches (Asero, Kuto, Lantoro and Onikolobo) of the Foundation in Abeokuta. In addition, 295 (two hundred and ninety-five) copies of a questionnaire were administered on members of the Foundation across the four branches.

The paper is divided into eight sections. Aside from this section which introduces the paper, the second section examines concept of cooperative societies while the third and the fourth address evolution of cooperative societies and Islamic investment and finance cooperatives respectively. The fifth section is on the activities and products of *al-Hayat* Relief Foundation while the sixth section discusses the impact of *al-Hayat* Relief Foundation. Further, the seventh section examines the challenges confronting *al-Hayat* Relief Foundation and their remedies while the eighth section concludes the paper.

### **Concept of Cooperative Society**

The term co-operation is derived from the Latin word *co-operari*, where the word 'co' means 'with' and 'operari' means 'to work'. Thus, co-operation means working together. Therefore, those who want to work together with some common economic objective can form a society or a group where such work would be effectively carried out (Schoeman, 2006: 5). A cooperative is thus a voluntary

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<sup>1</sup> Oral Interview with Mr. Lateef Mejjgbedu, Age: 45, Account Officer, National Orientation Agency, Abeokuta, Ogun State at *al-Hayat* Secretariat, Onikolobo branch, Abeokuta on Sunday, 05 October, 2014.

association of persons who work together to promote their economic interests. It works on the principle of self-help as well as mutual help (Schoeman, 2006: 6). Nobody joins a cooperative society to earn profit, people come forward as a group, pool their individual resources, utilise them in the best possible manner, and derive some common benefit from it.

The International Co-operative Alliance, a non-governmental organisation which is the umbrella organisation for cooperatives worldwide, defines a cooperative society as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (Mande, & Lawal, 2014: 25). Moreover, the International Labour Organisation (ILO) defines a cooperative society as an association of persons who have voluntarily come together to achieve a common end and through the formation of democratically controlled organisation making equitable contributions to the capital required and accept in a fair share the risks and benefits of the business (Tchami, 2007:15). A Cooperative society is also seen as a group-based and member-owned business that can be formed for economic and social development in any sector. This means that it is a stratum of the conventional micro-financing institutions which could be described as a user-owned and a user-controlled business that distributes benefits on the basis of patronage. This description captures what is generally considered as the three primary cooperative principles namely: user ownership, user control and proportional distribution of benefits (International Co-operative Alliance, 1996: 42-44).

Cooperative societies are non-profit making financial institutions that are owned, controlled and operated by members with the aim of promoting thrift, providing credit at reasonable interest rates and some other financial services to their members (Muharrami & Hardy, 2013: 5). The interest on financial transactions and fees paid for some other financial services



constitute credit to conventional cooperative societies/ credit unions.

Individuals pooling their resources together towards achieving a common goal which ordinarily would have been difficult to achieve without mutual cooperation engenders economics of scale. Aside cooperatives serving as defence mechanism against the social and economic challenges of the masses, they can also represent an effective form of commercial cooperation, thereby serving as an alternative to the capitalist approach of most businesses. As a result, the cooperative, which aims to apply the social well-being of the world to a business level, is a non-profit-making service enterprise whose objective is to provide support to the members.

Every well-established cooperative society must have its own distinct characteristics. Hence, virtually all cooperative societies have their own peculiar characteristics. However, there are some general features known for most cooperative societies. We identify six of these features. First is open membership wherein no one is prevented from joining the society of their choice. Second is democratic control which stipulates that members should manage and control the society on the basis of "one member one vote" irrespective of the number of shares held by a member. Third is limited return on capital wherein it is expected to principally provide services to their members at the least cost and with little return on capital invested. Fourth, surplus earnings are shared according to patronage of members. This principle has been slightly modified to include sharing according to share contributions. This shows that although each member has only one vote and the management of the organisation does not depend on members' share, any savings or surplus generated is shared to members according to their share of contributions. Fifth, cooperative goods are traded among members at market prices. Lastly, it promotes education to members (Kareem *et al*, 2012: 5-6).

There are different types of cooperatives even though they all share the same general principles: achieving social and economic

goals. However, they differ with regard to the nature of activities they perform. These cooperatives include agricultural, industrial, services, consumer, producer, multipurpose, marketing and housing cooperative societies among others. The agricultural cooperatives engage in the production, processing, marketing and distribution of agricultural products. Industrial Cooperatives deal mainly with the manufacturing or processing of materials, agricultural or otherwise. They engage in the processes at different levels and in different sizes. One can categorise industrial cooperatives into crafts, small and medium scale societies. Among the cooperative crafts are weaving, blacksmithing and metal smelting among others. There are small scale concerns that deal in textile production, grain milling, furniture manufacturing and other similar productive activities. Services Cooperative Societies render services to their members and the general public. At least three classes of such services areas can be distinguished. One group is Marketing Cooperatives which engage in the marketing of agricultural crops, durable goods and allied matters. The second group deals mainly with financing of social and economic activities through the instrumentality of thrifts. The last cooperative society is Insurance Cooperatives which performs functions similar to that of insurance companies (Kareem *et al*, 2012: 6 ).

Furthermore, Consumer Cooperative societies protect the interest of consumers by eliminating middlemen in the process of distribution of goods and services thereby making goods available below market prices. Producers' Cooperatives protect the interest of small producers by making available crucial consumables and raw materials. Marketing Cooperatives involve in centralised marketing of products of small scale producers and manufacturers who on their own have some difficulty selling their products. Housing Cooperatives help in purchasing land and constructing houses on same to be allotted to members at a price. They may as well grant loans at low interest rates to members for the construction of their houses. A Multipurpose Cooperative Society

may integrate all aspects of cooperative activities in its programme. (Kareem *et al*, 2012: 6 ).

### **Evolution of Cooperative Societies**

The history of cooperative societies can be traced to the agricultural and industrial revolution that occurred in the 18<sup>th</sup> and 19<sup>th</sup> centuries (Kimberly & Robert, 1980: 23-25). In 1761, the Fenwick Weavers' Society came on board in Fenwick, East Ayrshire, Scotland. The society started by selling discounted oatmeal to local workers before expanding its services to include acceptance of funds as savings and granting of loans among others (Mande & Lawal, 2014: 25). In 1810, Welsh, a social reformer and Robert Owen together with his partners purchased New Lanark Mill from Owen's father-in-law. This was followed by some reforms at the Mill which included better labour standards and discounted retail shops where profits were passed on to the employees. Though Owen eventually left New-Lanark, he continued to develop some other forms of cooperative ideas and organisations. Consequently, 1828 witnessed the setting up of a print media known as the "The Co-operator" by William King with a view to promoting Owen's cooperative philosophy (Mande & Lawal, 2014: 25).

Moreover, Rochdale Society of Equitable Pioneers which was formed on the 15<sup>th</sup> of August, 1944 is usually considered as the first cooperative enterprise that is used as a model for modern cooperative societies. A group of 28 (twenty-eight) weavers and other artisans in Rochdale, England formed the society with the aim of getting supply of basic consumer goods from source at low cost for the benefit of its members who had been adversely affected by the industrial revolution. It was reasoned that with this strategy in place, the workers would reap maximum benefit from their meagre earnings. The success of Rochdale Society of Equitable Pioneer opened a floodgate of organised cooperation as workers of different classes in various parts of the world quietly embraced the concept. Within 10 (ten) years of the Rochdale establishment, there

were over 1000 (one thousand) cooperative societies in the United Kingdom alone (Brett, 1956: 16-24).

As at 2014, the international umbrella body for cooperative societies, World Council of Credit Unions (WOCCU) had 57,000 (fifty-seven thousand) registered credit unions serving 217,000,000 (two hundred and seventeen million) people in 105 (one hundred and five) countries of the world. In the same period, the total assets of the registered credit unions was \$1,800,000,000,000 (one trillion eight hundred billion U.S Dollars) with total savings of \$1,500,000,000,000 (one trillion five hundred billion U.S Dollars) and loans of \$1,200,000,000,000 (one trillion two hundred billion U.S Dollars). The reserve for the period was \$181,000,000,000 (one hundred and eighty-one billion U.S Dollars) (WOCCU, 2015: 1).

In Nigeria, the evolution of cooperative societies can be traced to the traditional savings and loans system. By 1907, there were a number of agricultural cooperative societies spread across the Country. Among these cooperative societies was Agege Planters Union (APU) comprising 400 (four hundred) cocoa producers with the objective of sustaining cocoa as the foremost foreign exchange earner for the Country (Mande & Lawal, 2014: 27). Furthermore, towards the end of the Second World War (1914-1918) some Europeans who were resident in Lagos and its environs organised themselves into a consumer society in order to access their essential goods and commodities (Kareem *et al*, 2012: 4). The first legislative attempt towards recognising the concept of cooperative was made in 1935 by the then Colonial Administration in Nigeria as a direct result of the report of Strickland. Owing to another report from Strickland in 1936, Cooperative Thrift and Credit Societies (CTCS) were formed. The purpose of this was to promote savings culture among the low-income people. The period witnessed the registration of Gbedun Cooperative Produce Marketing Society as the first officially recognised cooperative society. The Nigerian government has since been in the fore-front of encouraging the establishment of cooperative societies. The Nigeria Cooperative Societies Association (NCSA) is the umbrella

body for all cooperative societies in the Country. (Mande & Lawal, 2014: 27).

Moreover, the number of cooperative thrift and credit societies in Nigeria grew from 5 (five) in 1952 to 94 (ninety-four) in 1962. Also, the working capital and savings of cooperative societies in the Country increased from 20% in 1952 to 52% in 1962. In addition, membership of the cooperative societies rose from 23% in 1952 to 58% in 1962. In 1984, the Federal Ministry of Economic Cooperation set up a study group with the mandate of assessing cooperatives societies and indigenous savings and credit associations in Nigeria. At that time, cooperatives in Nigeria had 1,600,000 (one million six hundred thousand) members while the membership of indigenous savings and credit associations were conservatively estimated at between 12,000,000 (twelve million) and 25,000,000 (twenty-five million) (Seibel, n.d: 3).

### **Islamic Investment and Finance Cooperatives**

Islam is a complete way of life which encompasses all aspects of the life of human beings including regulating their economic activities. In Islam, all forms of injustices including those related to trade are forbidden. Muslims are expected to submit themselves to the Islamic system otherwise known as the *Shari'ah*. The *Shari'ah* allows Muslims to constitute themselves into bodies or societies which have as their objectives, the implementation of *birr* (righteousness). This is in line with the injunction of Allah which states that:

...وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى  
الْإِثْمِ وَالْعُدْوَانِ...

...Help one another in righteousness and piety but do not assist each other in sin and enmity... (Q5:2 )

In keeping to the dictates of the *Shari'ah*, Muslims are expected to shun *ribā* in their transactions. *Ribā* comprises three features, namely: the involvement of excess or surplus over and above the loan capital, the condition of the transaction on the payment of predetermined surplus, and the determination of the surplus over and above the capital or the principal in relation to time (Encyclopaedia of Seerah, 1986: 2: 250-251). This is strictly prohibited in Islam as it is considered unjustified enrichment and unfair monetary advantage without a counter value. Majority of the Islamic jurists are unanimous on the point that Islam unequivocally prohibits *ribā*. The prohibition order covers all excesses over the principal. Qur'anic *ayāt* and prophetic traditions attest to this fact. For instance, Allah says in the Qur'ān that:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا الرِّبَا أَضْعَافًا  
مُضَاعَفَةً وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُفْلِحُونَ

O you who believe: Devour not usury doubled and multiplied but fear Allah that you may (really) prosper. (Q3: 130).

Allah again says:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي  
يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا  
الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ  
جَاءَهُ مَوْعِظَةٌ مِّن رَّبِّهِ فَانْتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ  
إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا  
خَالِدُونَ يَمْحَقُ اللَّهُ الرِّبَا وَيُرِي الصَّدَقَاتِ وَاللَّهُ لَا  
يُحِبُّ كُلَّ كَفَّارٍ أَثِيمٍ

Those who devour *ribā* will not stand except as stands one whom Satan by his touch has driven to madness. That is because they say: "Trade is like

*ribā*, but Allah has permitted trade and forbidden *ribā*. Those who after receiving direction from their Lord, desist, shall be pardoned for the past, their case is for Allah (to judge). But those who repeat (the offence) are companions of the fire. They will abide therein (forever). Allah will deprive *ribā* of all blessings, but will give increase for deeds of charity. For He loves not creatures ungrateful and wicked (Q2:275-276).

Regarding the subject matter, the Prophet (S) is reported to have said:

اجْتَنِبُوا السَّبْعَ الْمُؤَيِّدَاتِ قَالُوا يَا رَسُولَ اللَّهِ  
 وَمَا هُنَّ قَالَ الشِّرْكَ بِاللَّهِ وَالسَّحْرُ وَقَتْلُ النَّفْسِ  
 الَّتِي حَرَّمَ اللَّهُ إِلَّا بِالْحَقِّ وَأَكْلُ الرِّبَا وَأَكْلُ مَالِ  
 الْيَتِيمِ وَالتَّوَلَّى يَوْمَ الرَّحْفِ وَقَدْفَ الْمُحْصَنَاتِ  
 الْمُؤْمِنَاتِ الْعَافِلَاتِ.

Keep away from seven fatalities. They (companions) asked, and what are they O Messenger of Allah? He replied: Associating partners with Allah, magic, taking of life that Allah has made sacred except with a just cause (e.g. passing of judgment or war), consuming the wealth of *ar-ribā*, consuming the wealth of the orphan, fleeing from the battle and accusing innocent chaste believing woman (of adultery or fornication) (Zubaidi, 1994: 577).

In addition, he also says:

لَعَنَ اللَّهُ آكِلَ الرِّبَا وَمُوكِلَهُ وَشَاهِدَهُ وَكَاتِبَهُ

Allah has cursed the devourer of *ribā*, the giver, its witness and the scribe that writes it down ('Īsā, 1994: 3:129).

Islamic financial cooperatives are very similar to non-Islamic cooperatives. However, religious leaders are consulted about *Shari'ah* compliance of the products and services offered to members. Islamic Investment and Finance Cooperatives (IIFC) are meant to combine Islamic and credit union principles (Muharrami & Hardy, 2013: 23). Hence, they prohibit interest-based transactions and emphasise members' investments by offering opportunities to purchase shares in the establishment. Credits are made available to members through equity investments wherein profits and losses are shared according to pre-agreed ratio of profit or level of investment in case of loss. There is also the granting of interest-free loans to interested members for consumption smoothening. Financial contracts are, as a matter of compulsion, detailed with regards to the specific product/service being bought or sold. This is because the activities detested by Islam such as gambling, piggery and alcoholics among others cannot be financed by Islamic interest-free financial institutions, credit unions inclusive (Muharrami & Hardy, 2013: 23).

The WOCCU has developed a number of Islamic financial products to be utilised by IIFC. These financial products include: *Mudārabah* (trustee project financing), *Murābahah* (cost-plus financing) and *Ijārah* (lease financing). Islamic cooperatives are also encouraged to reinvest a portion of their profits into community development initiatives. The issue of calculating *zakāh* (alms due) on the savings of members for onward transfer to the larger society has also been underscored (Al-Muharrami & Hardy, 2013: 23). A financial instrument which is taken for granted is *Qard* (interest-free loan). Each of the mentioned financial instruments is expected to be utilised by the IIFC as follows:

*Mudārabah* is a contract entered into between two parties in which one of them provides the working capital while the other provides the labour with the profit earned shared among the two parties in a pre-determined ratio. In the event of loss, the financing party loses its capital while the managerial client loses his/her reward for labour (Isma'īl, 1997: 3:49). *Murābahah* denotes a contractual agreement between two parties (seller and buyer) for



the sale of a good or commodity from the seller to the buyer at its original price plus a specified mark-up or a certain percentage over and above the previous price as profit to the seller (Fahmy & Sarkar, 2000: 70-71). One of the conditions of this contract is that the buyer must be made to know the original price of the product including all the expenses made on it. These would be included in the original price before an additional mark-up can be applied to it. This mark-up may be determined through mutual consent by parties. It should be noted that *Murābahah* contract can only exist when the original cost of the item can be established. (Usmani, 1999: 1:103).

*Ijārah* is the situation where a particular item is leased out to another. This is usually the “transfer of ownership of a legitimate and a well defined usufruct for a specific period against a specific return” (Fahmey & Sarkar, 2000: 80). In utilising *Ijārah* as a means of modern financing, it starts by the parties involved, negotiating the contract for a future date on the condition that the leased asset be first delivered to the client. The client might be employed as an agent (*wakīl*) to help purchase the item to be leased. The relationship at this level is that of a principal and his agent. After delivering the item, the contract of *Ijārah* will be signed by both parties (Usmani, 1999: 2:20-21). As such, all costs in respect of the purchase, safe delivery and *Sharī'ah*-compliant insurance on the item will be borne by the financing body and not the client. After the delivery of the asset, the lessee will be held responsible for loss, misuse or negligence caused to the asset. He/She will despite all that, not be held responsible for any of these when it is beyond his/her control (Usmani, 1999: 2:23)

*Qard* is the transfer of a specific amount of wealth from one party to another with a promise that the latter (debtor) will restore only the borrowed fund to the former (creditor) in full whenever he/she demands for it. An exception to this is when they both agree on a specific date of return. (Fahmy & Sarkar, 2000: 83-84).

## Activities and Products of *Al-Hayat* Relief Foundation

For a member to derive benefit from *Al-Hayat* Relief Foundation, such a person must be a law abiding member of the Foundation. The terms and conditions of the Foundation include regular saving of members to the Foundation's account, payment of annual subscription to the Foundation, regular attendance at meetings, ability to get dependable sureties while applying for loans, and ability to repay the loans and use it appropriately. It should also be pointed out that, the Foundation largely maintains a fair system of operation because all members enjoy equal rights irrespective of their cadre<sup>2</sup>.

*Al-Hayat* Relief Foundation has a number of schemes and policies. The schemes and policies of the Foundation include: Interest Free Loan, Self-Development Scheme, Benevolent Loan, Share Capital, Business, *Takāful*/Insurance Scheme, *Ileya* Scheme, *Zakāh* and *Sadaqah* Scheme, and *Hajj* and *'Umrah* Scheme. All members are expected to acquire a share capital in the Foundation. Profits generated from the business transactions of the Foundation are usually shared among shareholders and they are also determinant factors for the approval and securing of loans or equity investment. The Self-Development Scheme is designed to take care of some urgent needs and provide seed capital for micro-businesses of members. The seed capital ranges between N10,000 (ten thousand naira) and N20,000 (twenty thousand naira). Beneficiaries of this scheme are expected to refund the interest-free loan within a period of 10 (ten) months. Interest-free loans are also extended to members who are allowed to collect twice the amount of their savings with the Foundation. The loan is refunded in instalments within a period of 20 (twenty) to 30 (thirty) months. Members can only enjoy this benefit after six (6) months of their membership.

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<sup>2</sup> Oral Interview with Mr. Adesina Abdu Semiu, Age: 43yrs, Trader, at al-Hayat Secretariat, Asero branch on Sunday 19 October, 2014.

Similar to this is the Benevolent Loan which was introduced to cater for salary earning members who may need to meet some urgent financial obligations due to place of work financial challenges with the agreement that they would pay back the principal only when their situations improve<sup>3</sup>.

The Business Scheme is meant to provide for the basic needs of members with a view to improving their standards of living. The scheme is a profitable programme which requires the intending buyer to produce about 30% of total cost of the goods as commitment fee while the Foundation provides the remaining percentage with an agreed cost-plus which serves as profit to the Foundation<sup>4</sup>. The credit is to be repaid in 5 (five) to 10 (ten) months under the principle of *Murābahah* (*Al-Hayat*, 2012: 8-11). Moreover, *Mushārahah* is practised when members with business ideas and some capital seek funding from *al-Hayat*. After carrying out feasibility studies, the Foundation may inject some capital into the business. A reasonable number of members have benefited from this, thus, improving their standards of living.

Members of *al-Hayat* subscribe to an Islamic Insurance (*takāful*) scheme. The policy which is renewable every 5 (five) years is meant to grant aid to the family of deceased members. However, in case there are no casualties, the participating members will receive their investment back with profit or otherwise<sup>5</sup>. The *Ileya* Scheme is about members voluntarily contributing a part of their income towards 'īd *al-Adhā* and thereafter receiving double their contributions to celebrate the annual festival. Similar to that is the *Hajj* and 'Umrah Scheme wherein members save towards performing *Hajj* (pilgrimage) and 'Umrah (lesser *Hajj*) (*Al-Hayat*, 2012, pp. 8-11).

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<sup>3</sup> *Ibid*

<sup>4</sup> Mejjigbedu, *Op. Cit.*, 2014

<sup>5</sup> Oral Interview with Mr Agbaje Waheed, Age: 48yrs, Trader and President, Lantoro Branch, at *al-Hayat* Secretariat, Lantoro Branch on Sunday, 05 October, 2014.

## Impact of Al-Hayat Relief Foundation on Members

Majority of the respondents (60%) claimed to have benefitted from the Foundation's relief services. Of the beneficiaries, 26% of them benefitted once from the Foundation while 19% benefitted twice and 11% benefitted three times while 1% benefitted four or five times. However, 42% of the respondents were not specific on the number of times they have benefitted from the Foundation. This means that the credit programmes of *al-Hayat* is generally of benefit to its members albeit in varying degrees. These members have utilised their credit facilities for a number of social and economic matters which include education (18%), business activities (25%), agriculture (9%) housing projects and rents (13%), debt servicing and other consumables (2%). Others were not specific on the utilisation of their loans. As regards whether the respondents were able to expend the credit facility in accordance with their initial objective of applying for it, 60% of respondents confirmed that they actually spent the loan on what they intended to use it for. However, 17% of respondents failed to use the loan for the purpose it was meant for while others declined to comment. On whether there was any noticeable increase in income as a result of *al-Hayat's* financial responsiveness, majority of respondents (61%) believed that their level of income increased through benefits received from it while only 11% disagreed, although others were not responsive.

Moreover, a good number of respondents (50%) as against a small fraction of them (27%) believed that strategies utilised in socio-economic support of its members is capable of addressing the multi-dimensional socio-economic challenges in the society. They hold that the impact is more felt in the area of loan facility (40%), savings/share/insurance scheme (13%), human capacity development (3%), acquisition of goods and commodities (1%) and equitable distribution of *Zakāh* and *Sadaqah* (2%) to deserving members. Other respondents (40%) were not responsive on the issue in question. Generally, there is the feeling by the respondents (86%) that the operations of the Foundation have been successful in improving the standard of living of the members although very few of them (1%) disagreed with the assertion while some (12%) decided to keep hold

their pace on the issue. Majority of the respondents (56%) attested to the fact that the Foundation has impacted positively on their lives. This is then a pointer to the fact that the cooperative society had impacted positively on the lives of its members.

While focusing on the specific roles of *Al-Hayat* Relief Foundation at reducing poverty, the study shows that, to a large extent, the strategies employed by the Foundation is having positive influence at reducing poverty among its members through granting of loans, provision of plots of land, which are located in housing estates, at affordable prices, provision of household commodities on credit, capacity building for the members and donation to the needy among others. The benefits received by members cannot be over-emphasised as the Foundation also sells food stuffs as well as home appliances to members at cost price and receive payments for such in instalments<sup>6</sup>.

### **Challenges Confronting *al-Hayat* and their Remedies**

Although *al-Hayat* has engaged in activities and introduced financial products that have impacted positively in its membership, the Foundation has a number of challenges. The challenges include inadequate capital and savings of the Foundation, poor loan repayment attitude of members and inability of the Foundation to have adequate branches for the benefit of prospective members. The Foundation also has some challenges with its banks. There were instances where the amounts paid by clients to the Foundation's accounts were not credited into its bank account<sup>7</sup>.

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<sup>6</sup> Oral Interview with Mr. Bafunsho Moshood. Age 40yrs. Accounting Officer, National Security of Civil Defence Commission. Abeokuta Ogun State and Chairman Business Committee of *Al-Hayat*, Lantoro Branch at al-Hayat Secretariat, Lantoro Branch on Sunday, 05 October, 2014.

<sup>7</sup> Oral Interview with Mr. Moshood Mansuur. Age 42yrs. Managing Director, Ibn masud Akinbola Links & Services Ltd, Sagamu, Ogun State at *al-Hayat* Secretariat, Kuto branch on Sunday, 26 October, 2014.

It is crystal clear that though the Foundation offers benefits to members, the nature and the time of receiving the benefit differ even when the applications for it were done at the same time. As a result, the Foundation has not been able to meet the immediate needs of some of its members. Therefore, there is a need for the Foundation to re-strategise and make its facilities more accessible to its members. It would also be desirable for the Foundation to encourage its members to increase their savings and contributions to the organisation. Besides, there is a need to make the Foundation more accessible to other members of the public by having more branches well-coordinated by trained personnel in Islamic finance so as to reduce the risks associated with its operation.

Further, there are instances where the principle of *Murābahah* were not adhered to in the process of executing the contract, especially in the aspect of disclosing the original/purchasing prices of goods and communities. This situation is dangerous as lack of compliance with any of the conditions of *Murābahah* could lead to dealing in *ribā* since a thin line exists between the two. There is, therefore, the need to have a Council of Experts whose duty would be to guide on the proper implementation of the products of Islamic finance.

### **Conclusion**

In conclusion, while the Foundation tries its best at reducing the socio-economic hardship of members, there is still evidence that there are many people yearning to benefit from its programmes, underscoring the need for the Foundation to create more branches. It is glaring that while the Foundation devises many projects/programmes to meet its members' demand, there are still some gaps yet to be filled, especially in the area of responsiveness and strict adherence to the rules of Islamic finance. The fact however remains that the Foundation had different strategies designed to alleviate poverty among members but while attempting to achieve these strategies, it encountered some challenges which were yet to be overcome. The Foundation should, therefore, make

all efforts to find lasting solution to the identified challenges. Also, in order to really contribute meaningfully to the socio-economic development of members, the Foundation needs collective support of all stakeholders in the society. Based on the above the paper, therefore, recommends the following:

- i) The Foundation should develop and implement more plans/strategies and measures that would enhance its operations and help promote its members welfare towards greater socio-economic development.
- ii) The Foundation should invest in human capital development through facilitating vocational training programmes and granting of equity loans for the purchase of working tools for trained members.
- iii) Members need to demonstrate an appreciable level of commitment by paying up their loans and dues promptly.
- iv) The executive of the association should be flexible in the implementation of policies but should not compromise the integrity and reputation of the Foundation in order to satisfy some members.
- v) *Al-Hayat* needs to approach banks for the installation of Point of Sales (POS) machines near its centres to reduce the stress of members and facilitate payments.
- vi) Furthermore, the Foundation should strive to create more branches for the benefit of Muslims aspiring to join it.
- vii) Finally, experts in Islamic finance should be consulted for professional guidance while officers of the Foundation should be trained on the ethics and proper operation of Islamic finance.

With these measures in place, the Foundation would be better positioned to further contribute to the socio-economic development of its members and the society at large.

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