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FINANCIAL PERFORMANCE OF UNIVERSITY OF IBADAN MUSLIM STAFF COOPERATIVE, INVESTMENTS AND CREDIT SOCIETY LIMITED

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ABSTRACT

Business enterprise whether for profit or not-for-profit organization must make an income that will cover its costs. Its performance will dictate its survival and growth. Therefore, the study was designed to examine the financial statements of the University of Ibadan Muslim Staff Cooperative, Investments and credit Society limited. (UIMSCICS) with a view to measuring its performance using CAMEL (Capital, Asset, Management, Efficiency and Liquidity). Common Size Statement is also used to do structural analysis of the audited financial statement of the society. The study reveals that the strength of the society is in its management and interest free loans. Its cost of sales is too high (93.7% in 2018). Its capital adequacy, total investment to total assets and net surplus are on the increase but the latter is increasing at a reducing rate. The society does not have non-performing loans. This should be maintained for it makes the quality of its assets very good. The society should find alternative ways of investing their idle funds to generate more income for its members.

Keywords: Performance, University of Ibadan, Muslim Staff Cooperative, CAMEL, Common-Size Statement.

Introduction

Cooperation from which cooperative is coined means any form of two or more persons working together to achieve some aims. Such working together may be a formalised or an informal basis, economic or non-economic in nature. A cooperative society is, therefore, an association of people usually of limited means, who have voluntarily joined together to achieve a common economic goal and through the formation of a democratically controlled business organisation making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking cooperative. Okeefee (1971) in his book stated that "A cooperative thrift and credit society is a voluntary association of individuals, united by a common bond who have joined together in order to encourage each other to save regularly part of their earnings and provide themselves with credit at a reasonable rate of interest. This definition is true of all cooperative societies with the exception of a very few Islamic cooperative societies established recently. Cooperative thrift and credit societies are forms of assistance and help usually given by a group in rotation among themselves to improve the economic and social well-being of their members in particular and that of the public in general.

It is difficult if not impossible to name all the cooperative societies in Nigeria today. Virtually all of them adapted cooperative principles from the one written in 1844 by Rochadale. There are many variants of cooperative societies. What is common is that virtually all of them charge a reasonable interest say, 3% on the loans given to their members.

The general consensus from the available literature is that the formal financial institutions are not coping adequately with the financial needs of the small-scale business owners. Hence, the need for cooperative societies for the provision of funds for small-scale businesses and for raising the members' standards of living. In fact, they could not meet the stringent conditions of banks.

Conceptual Framework

Evolution and development of the cooperative society in Nigeria

Before the cooperative was established, there were many forms of cooperative society among the people but with so many disadvantages. Nevertheless, the first successful cooperative society is Rochadale Equitable Pioneer in 1844. The Thrift and Credit Cooperative Society started in 19th century due to the poor financing ability of the peasant farmers. Raifers Fredrick (1818-1888) reacted to the farmers' suffering and poverty and offered to alleviate their problems. He discovered that there were lean years of semi-starvation and that a peasant farmer must learn to help himself and that he could never do so until he had cleared his debt and started afresh with some new sources of capital. However, none of the farmers had anything he could offer as security for a loan. Few had even a personal character, which could give much confidence to lender. Raifers mobilised the villagers and persuaded them to go surety for one another because he was of the opinion that not all were dishonest or careless. The villagers too realised that the failure of one meant a loss to all. Raifffeisen first organized the rich within the community and set up a common fund lent to the farmers without interest. This soon died away because no interest was paid on the loan. He then organised the peasant farmers to contribute funds and lend it to themselves at a reasonable interest rate. This started the birth of cooperative thrift and credit society. Okeefe (1971) traced the evolution of cooperative in Nigeria and noted that it has been a part of our culture for a long time ago. "Esusu" is part of Yoruba culture and existed in 1843 .According to Ajayi Crowther, there was a sort of small rotating credit association among the Egba. He noted that "Esusu" was used for contribution. The associations differ in size from place to place within Nigeria, from few people in some places to several hundred in other areas with different qualification for membership such as sex, age, locality and occupations.

In fact, Nigerians have been practising cooperative society informally. The Yoruba in the western part of Nigeria call it "*esusu*"; the Igbo name it "*etutu*" while the Hausa call it *"adashi"*. Other names by which it is known are Isusu (West Indies), Susu or Osusu (Ibo&Efik), Dashi (Nupe), Asun (Ishan) etc. It is a wide-spread indigenous system of thrift and credit. Under this informal setting, they only pay service charges. The service charge can come in various forms. The service charge may be that one of the daily or weekly contributions may be used. The Cooperative Thrift and Credit Society resembles the Esusu in that it is based on regular contributions from each member. It differs from it, in that the contributions are not necessarily uniform. The Cooperative Thrift and Credit Society is not self-terminating, but has an indefinite life. Instead of every member getting his hand in strict rotation at a time he may not really need the capital, the funds of the society are used to make loans to any member who is in need of money at any time for productive purposes.

By 1926, the Department of Agriculture started to organise cocoa farmer around Abeokuta and Ibadan in Western Nigeria to sell their cocoa cooperatively. The formation of cocoa sales association soon spread through the Western provinces. The Government of Nigeria was encouraged because of the development of the farmers' cooperative to arrange for Mr. C.F Strickland for a tour of inspection to be carried out for 3 months. At the end of his tour, he strongly recommended the introduction of cooperative into Nigeria and his report formed the commission of Nigeria co-operative movement today. He drafted a proposed ordinance and regulations which were accepted and implemented. The Registrar, Mr. E.F.G. Haig studied and modified the Indian cooperative societies law for use in Nigeria. He later re-organised the cocoa farmers' societies. The Cooperative Societies Ordinance No. 39 of 1939 was assented to in the name of the King of England on the 3rd day of December, 1935 and the regulations came into force on 6th day of February, 1936. With the introduction of the Cooperative Societies Law, many marketing societies were registered, the first being Gbedun near Ibadan in 1937. Late Chief Akinpelu Obisesan was torchbearer of Cooperative Produce Marketing Society Limited. Four Cooperative Cocoa Marketing Unions were registered. A period of expansion followed. The marketing unions federated to form the association of Nigeria Cooperative exporters in 1945. It acted as a financial intermediary between the unions and the Bank of British West Africa.

Cooperative Thrift and Loan Societies

This was firstly established by the Roman Catholic Teachers in Abeokuta in 1940. It was designed for salary earners. The members made regular thrift savings during the whole period of their employment and other savings for special purposes if they wished, such as for school fees, vacation leave etc. Loans were repaid by monthly installments while regular saving continue so that the members' capital steadily accumulated against his retirement and old age .

Cooperative societies in an Islamic economy

Although Islam encourages cooperation, the conventional cooperative societies are not acceptable in Islam. One major reason for the unacceptability of the conventional cooperative is the existence of interest. Members are provided with loans at a reasonable rate of interest. The Islamic economic system prohibits interest, simple and compound. Interest is forbidden by the three major religions. Islam, Christianity and Judaism based on the injunctions of God in the scriptures. For instance, the Holy Quran Q2:275-279 prohibits all forms of interest. In Christianity, interest is forbidden (Exodus 22:25&Levitcus 25:35-37). Judaism frowned at it as contained in the Bible.

Cooperative societies can be organised in a non-interest way. There have been a very few Islamic cooperative societies which give their members loans without an interest. They buy land, buildings, foodstuffs etc and the profit realised from the commercial transactions are given as dividends to members. Many members have become landowners and landlords or landladies through the activities of cooperative societies. University of Ibadan Muslim cooperative society which was established in January, 2002 is an example. Many of its members have acquired different assets through its activities. Islamic cooperative societies can make use of all the Islamic financial products and services discussed extensively in this thesis. Such products include *mudārabah* (combination of entrepreneurship and capital), *mushārakah* (partnership)-based certificates ,*wakālah* (agency) treasury certificates, *ijārah* (leasing), *Ijārah wal–'iqtinā'* (hire purchase) , *istisnā' sukūk* (Islamic bonds for manufacturing/construction), *salam* sale (advance payment), *murābahah* (cost + mark-up) and *musāwamah* (haggling) . Qardu hasan (good loan or interest-free loan) can be given out to members by Islamic cooperative societies. Members can be made to pay only the service charge.

Sometimes, people venture into small borrowing when they have pressing needs which must be satisfied. Such pressing needs include sickness, accidents among others. Whether ready money is at hand or not, their needs must be met. The next is to turn to moneylenders who wear unsympathetic outlook and do not care for the borrowers. In this situation, Islam wants lender to be merciful to the borrowers by giving them an interest free loan. They are also enjoined to give them respite if they are not able to pay as and when due. It is allowed in Islam to give loan without interest. What is forbidden is loan with interest no matter how small the interest is. This is in line with Q2:275 and others, which go against it. The other arrangement mentioned in the *Qur'ān* to assist the needy is to give loan without any returns in terms of interest or profit. The financier takes back his only capital without any reduction or increase in his capital. This is greatly encouraged in the *Qur'ān* (Q2:245, Q5:12, Q57:11, Q57:18, Q64:17, Q73:20 etc) "Who is he that will lend to Allah a goodly loan so that He may multiply it to him many times..."Q2 ; 245. This type of loan is called *qard ḥasan. Qard* means loan while *ḥasan* means good. Therefore, *Qard ḥasan* expresses the spirit of co-operation (*ta'awwun*) and brotherhood (*ukhuwah*). An account can be created for this purpose.When the account is created many conscious Muslims and good people would deposit part of their cash or earnings into this account for giving free loans to underprivileged people. Such funds should not be squandered, embezzled, or used in an inefficient way. Efforts should be made by the managers of the funds to make sure that beneficiaries pay back the loans to give other people the opportunity of benefiting from such good loans. There must be a monitoring committee that will be in charge of overseeing the activities of the fund users in order to make sure that funds taken are used for the purposes for which they are given. The manager of the funds must be people of integrity. They must be people whose characters are not in doubt. From the Islamic perspective, the oneness and fear of Allah as exemplified by the Prophet (PBOH) and his companions could assist in the area of character building. Therefore, the managers of the funds should fear Allah, maintain justice, be patient and tolerate insults to some extent. Nevertheless, they must be firm, sincere and accommodating if they really want to succeed. They should see themselves as trustees who will not only give their accounts of their stewardship in this world but also they are accountable to Allah on the Day of Judgment of everything they did in this world. The managers and beneficiaries must see one another as one family. If this arrangement is used, poverty will be eradicated from the Nigerian environment in no distance time.

The repayment period may or may not be specified for this type of loan. When giving this type of loans, the society may ask for a guarantor or a collateral security in order to be sure of collecting their funds back from the client or his guarantor or the proceeds realised from the sale of collateral security. The society charges its administrative expenses incurred in the processing of the application. The loan may be paid in full or over a period. Benevolent loan generates enthusiasm amongst the people for religion and acts as a form of insurance. This is when resources are transferred from situations when household are well off to those that are really in need of assistance.

Zakat collected can also be used to assist the vulnerable poor based on the injunction of Allah in the Quran (9:60). This will improve their standards of living. Islamic cooperative societies can engage themselves in so many programmes. They buy land, building, cars etc and give them to their members at an affordable price .It may be in the form of *murābahah* (cost + mark-up), *ijārah* (leasing), *Ijārah wal–'lqtinā'* (hire purchase), *mushārakah* (partnership)-based certificates, etc. The members may be allowed to repay it installmentally. Narrated Abu Hurayrah (R.A) The Prophet (PBUH) said, "whoever takes the money of the people with the intention of repaying it, Allah will repay it on his behalf, (i.e. Allah will assist him to get a way to pay it), and whoever takes it in order to spoil it, then Allah will spoil him".

Brief Literature Review

Literature survey puts forward many views on the rule of cooperative society whether it is interest-based or interest free. Poverty alleviation permeates all the works on cooperative societies (Godwin, 2011; Kareem, 2012, 2016, 2017). Some researchers concentrate on the potential impacts of cooperative on agriculture and small-scale businesses (Ohen et al, 2018; Agbo 2009 ;Agbo, 2010; Andrew, 1995; Inya et al 2014). Some other researchers focus on efficiency, credit delivery of cooperative, empowerment of women customer's satisfaction (Mustapha et al 2015; Oseni et al 2012; Orolugbade 2011). The needs and challenges of cooperative were the focus of some researchers (Agbo 2009; Adeyemo & Bemire 2005; Dogarawa 2005; Agbetunde 2007).

Statement of Problem

While different studies have examined cooperatives particularly their effects on poverty and economic empowerment using interviews and questionnaire to collect data, limited attention has been given to the use of CAMEL and common-size. Statement to assess the performance of cooperative societies. It is not on record that any research has been carried out on the UIMSCICS using CAMEL and Common-Size statement as they are used in this study on the said cooperative. Many researchers have also not explored the use of the said two models to analyze financial statements of the cooperative. This is the gap the study fills.

Objectives of the Study

The study was designed to examine the financial statement of University of Ibadan Muslim Staff Cooperative, Investment and Credit Society Limited with a view to measuring its performance using CAMEL.

Other specific objectives include:

- To examine cooperatives from an Islamic perspective;
- To do structural analysis of the audited financial statement using Common-Size statement

Theoretical Framework

For this research, Performance Theory developed by Schechner in 1988 has been adopted as the theoretical framework. The basis for its adoption is its relevance in accounting for the relationship that exist between organization and performance. The theory indicates that an organization is established to achieve specific goals; its performance will indicate whether or not it has achieved its target. To know how effective and efficient an organization is, there is need to measure its performance over a period of time using a number of indicators such as CAMEL and Common-Size statement.

Research Methodology

This section introduces all the procedures in carrying out the research in this study. It states research design, data collection methods and data analysis.

Research Design

Research design employed in this work is survey which utilizes only quantitative approach. The design is preferred because it is the only way to study situation which cannot be done through experiment (Heinmen, 2001). This was also justified for this study because the objective was to provide a systematic description that is factual and accurate as much as possible.

Data Collection Method

Secondary data was used in this study. Five years audited financial statements of the cooperative (2014 – 2018) were used. Items of the same kind were collected to make possible the calculations of relevant ratios that give clue to the performance of the cooperative. The statement of financial position (balance sheet) and a statement of activities (operating statement) were examined critically. The balance sheet (income statement) of the cooperative for a period of five years (i.e. 2014 – 2018) and its balance sheet for the same period were used in carrying out the assessment of its performance.

Data Analysis

The operational efficiency of the cooperative is examined through CAMEL (Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality and Liquidity). CAMEL model is basically a ratio-based model for evaluating performance. It considers working and operational parameters of cooperative credit society to define the performance (Kambhammetu, 2012). The study also employed the use of common-size statement to do structural analysis of the audited financial statement of the society. It is used to determine the percentage which a single account item represents of a group. This is done by making total assets 100 percent. Each item is then expressed as a percentage of the total assets. In the same vein, each item in the income statement is expressed as a percentage of net sales which is also set at 100 percent. Through this analysis, the capital structure of the cooperative is well known. It is also possible to know the mix of assets the cooperative uses and the extent of its assets that were financed by current liabilities, long term liabilities and member's equity. This analytical tool can give the proportion of cash to current assets or cash to total assets. This analysis can make a user of financial statement understand better the liquidity position of the cooperative. As regards income statement, common-size analysis relates the level of each revenue and expense to the level of sale.

Significance of the Study

The importance of financial statement is shown through this work particularly when measuring productivity, viability and profitability of the society. It can also assist decision-makers i.e. (its executive) to take correct decisions. Other cooperative societies can also learn lessons from the way their costs and operating expenses are reduced to a bare minimum. This afford them the high level of profit declared. Researchers and students can also learn from the way CAMEL and Common-Size Statements are applied to this organization. They may also use the same model when carrying out researches on other profit or not-for- profit organization. Our analyses indicate areas of mismanagement and potential danger. Examining common size statements and financial ratios provides management, members and creditors a glimpse of the cooperative's strength and weaknesses.

Scope of the Study

The work is only on the absolute accounting figures as reported in the financial statements of the financial statement of the cooperative. Although it cannot give full understanding of the cooperative's performance, it can assist to a large extent in identifying the financial strengths and weaknesses of the society. This is because finance is key when it comes to organization's survival and growth.

Limitation of the Study

Being confined to only the financial statement, the study suffers the limitations inherent in the financial reports. The study does not give room for inter firm comparison as it covers only University of Ibadan Muslim Cooperative.

Data Analysis

Two main financial statements are used in our analysis – the statement of financial position (balance sheet) and a statement of activities (operating statement). The balance sheet states the co-operative assets, liabilities and member's equity as a particular date. Member's equity is the difference between assets and liabilities.

Table 1: INCOME STATEMENT UI MUSLIM COOPERATIVE SOCIETY N'million					
Year	**2018**	**2017**	**2016**	**2015**	**2014**
Sales	25.60	20.16	18.55	19.49	15.55
Cost of Sales	23.99	17.62	17.01	16.35	14.14
Gross Profit	**1.61**	**2.54**	**1.54**	**3.14**	**1.41**
Other Operating Revenue	1.92	0.15	-	-	0.13
Total Operating Revenue	**3.53**	**2.69**	**1.54**	**3.14**	**1.54**
Expenses:					
Administrative Expense	(0.14)	(0.12)	(0.12)	(0.20)	(0.08)
Operating Expense	(0.83)	(0.70)	(0.49)	(0.38)	(0.35)
Net Operating Income	**2.57**	**1.88**	**0.94**	**2.56**	**1.11**
Other Revenues (Expenses):	-	-	-	-	-
Interest Income	-	-	-	-	-
Other Income	4.73	2.57	2.77	3.29	2.17
Interest Expense	-	-	-	-	-
Other Expenses	(2.25)	(0.34)	(0.39)	(1.62)	(0.28)
Bank Charges	(0.13)	(0.09)	(0.13)	(0.41)	(0.42)
NET SURPLUS	**4.92**	**4.02**	**3.18**	**3.82**	**2.58**

Source: Author's Calculated Data

The operating statement (income statement, *table 1*) reveals the co-operative performance from 2014 to 2018. It reports revenue from sales, services and other incomes received. It also includes various cost, cost of goods sold, general and administrative expenses. The interest expense and interest income element of the income statement is nil as the co-operative is run on Islamic tenets.

Table 2: BALANCE SHEET UI MUSLIM COOPERATIVE SOCIETY
N'million

	2018	2017	2016	2015	2014
CURRENT ASSET:					
CASH & EQUIVALENT	41.18	34.00	10.48	50.10	32.16
ACCOUNT RECEIVABLES	22.03	16.46	43.17	0.28	1.65
INVENTORIES	4.20	4.74	1.13	1.40	-
OTHER CURRENT ASSETS	85.26	110.27	88.22	68.88	69.09
TOTAL CURRENT ASSETS	**152.67**	**165.48**	**143.01**	**120.65**	**102.91**
INVESTMENT:					
OTHER COOPERATIVES	0.13	-	-	-	-
OTHER BUSINESS	21.50	7.00	6.50	5.01	-
OTHER INVESTMENTS	14.09	3.21	3.19	2.44	-
TOTAL INVESTMENT	**35.72**	**10.21**	**9.69**	**7.45**	**-**
NET PLANT, PROPERTY AND EQUIPMENT	1.95	1.85	1.76	1.74	1.44
TOTAL ASSETS	**190.34**	**177.54**	**154.47**	**129.85**	**104.35**
LIABILTIES AND MEMBERS EQUITY					
CURRENT LIABILITIES:					
INVESTMENT FUND	22.01	17.72	15.40	13.11	10.92
TRADE PAYABLES	-	-	-	-	-
LONG-TERM LIABILITIES	140.07	129.78	120.05	101.66	86.49
TOTAL LIABILITIES	**162.08**	**147.50**	**135.44**	**114.77**	**97.41**
FINANCED BY					
SHARE CAPITAL	11.73	7.61	7.55	7.26	5.20
RESERVES	16.53	22.43	11.47	7.82	1.74
TOTAL MEMBERS EQUITY	**28.26**	**30.04**	**19.02**	**15.08**	**6.94**
TOTAL LIABILITIES AND EQUITY	**190.34**	**177.54**	**154.47**	**129.85**	**104.35**

Source: Author's Calculated Data

The balance sheet of the cooperative society is shown in table 2. It shows the co-operative's assets, liabilities and member's equity from 2014 to 2018.

Table 3: COMMON SIZE INCOME STATEMENT UI MUSLIM COOPERATIVE SOCIETY (%)

Year	2018	2017	2016	2015	2014
Sales	100.00	100.00	100.00	100.00	100.00
Cost of Sales	93.70	87.39	91.69	83.90	90.91
Gross Profit	**6.30**	**12.61**	**8.31**	**16.10**	**9.09**
Other Operating Revenue	7.50	0.74	-	-	0.82
Total Operating Revenue	**13.80**	**13.36**	**8.31**	**16.10**	**9.91**
Expenses:					
Administrative Expense	0.54	0.57	0.65	1.03	0.50
Operating Expense	3.24	3.45	2.61	1.93	2.28
Net Operating Income	**10.03**	**9.33**	**5.05**	**13.14**	**7.13**
Other Revenues (Expenses):					
Interest Income	-	-	-	-	-
Other Income	18.49	12.74	14.94	16.87	13.96
Interest Expense	-	-	-	-	-
Other Expenses	8.80	1.68	2.13	8.30	1.80
Bank Charges	0.51	0.46	0.73	2.11	2.72
Net Surplus	**19.21**	**19.93**	**17.13**	**19.60**	**16.58**

Source: Author's Calculated Data

Table 4: COMMON SIZE BALANCE SHEET UI MUSLIM COOPERATIVE SOCIETY (%)	2018	2017	2016	2015	2014
CURRENT ASSET:					
CASH & EQUIVALENT	21.64	19.15	6.79	38.58	30.82
ACCOUNT RECEIVABLES	11.57	9.27	27.95	0.22	1.58
INVENTORIES	2.21	2.67	0.73	1.08	-
OTHER CURRENT ASSETS	44.79	62.11	57.12	53.04	66.22
TOTAL CURRENT ASSETS	**80.21**	**93.20**	**92.58**	**92.92**	**98.62**
INVESTMENT:					
OTHER COOPERATIVES	0.07	-	-	-	-
OTHER BUSINESS	11.30	3.94	4.21	3.86	-
OTHER INVESTMENTS	7.40	1.81	2.07	1.88	-
TOTAL INVESTMENT	**18.77**	**5.75**	**6.28**	**5.74**	**-**
NET PLANT, PROPERTY AND EQUIPMENT	1.02	1.04	1.14	1.34	1.38
TOTAL ASSETS	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
LIABILTIES AND MEMBERS EQUITY					
CURRENT LIABILITIES:					
INVESTMENT FUND	11.56	9.98	9.97	10.10	10.46
TRADE PAYABLES	-	-	-	-	-
LONG-TERM LIABILITIES	73.59	73.10	77.72	78.29	82.89
TOTAL LIABILITIES	**85.15**	**83.08**	**87.69**	**88.39**	**93.35**
FINANCED BY					
SHARE CAPITAL	6.16	4.28	4.89	5.59	4.98
RESERVES	8.68	12.64	7.42	6.02	1.67
TOTAL MEMBERS EQUITY	**14.85**	**16.92**	**12.31**	**11.61**	**6.65**
TOTAL LIABILITIES AND EQUITY	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Author's Calculated Data

Table 3 and table 4 shows the common size analysis of the income statement and balance sheet respectively. The income statement common size analysis shows the proportion of the sales that is absorbed by various cost and expenses incurred by the co-operative. From the table, it can be deduced that Net surplus as a percentage of sales increased from 17.13% in 2016 to 19.21% in 2018. The common size analysis shows how liquid the co-operative society is. From table 4, it could be seen that the co-operative liquid asset (cash) as a percentage of total asset rose from 6.79% in 2016 to over 21% in 2018. The co-operative asset is financed majorly by the member's ordinary savings which on the average is over 70% for the 5 year period 2014 to 2018.

Summarily, the mix of asset the co-operative used to conduct its operation for the 5 year period on the average was over 88% for current asset,11% for investment and about 1% for fixed asset. This was majorly financed by members' ordinary savings which stood at over 75% on the average. This was followed by trade payables which stood at over 10% on the average. The balance was financed by share capital and reserves.

Ratio Analysis

The operational efficiency of the co-operative credit society is examined through the CAMEL (Capital Adequacy, Asset Quality, Management Efficiency, Earnings Quality and Liquidity).

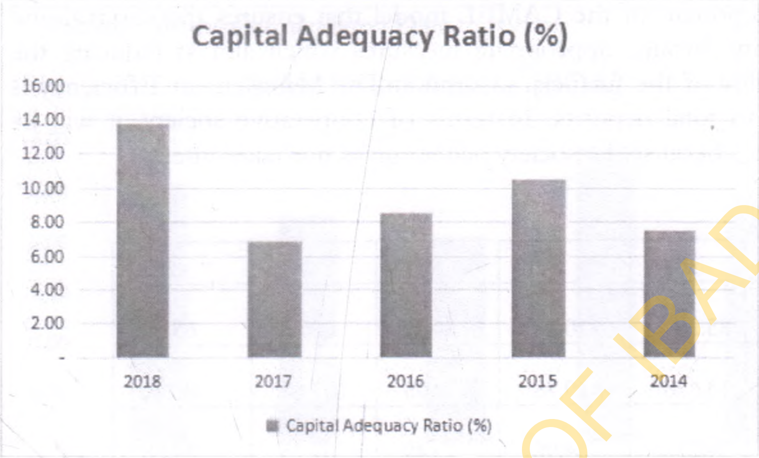
CAMEL Model is basically a ratio-based model for evaluating performance. It considers working and operational parameters of co-operative credit society to define the performance.

Capital Adequacy Ratio:

Table 5: Capital Adequacy Ratio UI Muslim Cooperative Society

Year	**2018**	**2017**	**2016**	**2015**	**2014**
Net Capital Funds (N'm)	11.73	7.61	7.55	7.26	5.20
Risk Weighted Assets (N'm)	85.26	110.27	88.22	68.88	69.09
Capital Adequacy Ratio (%)	13.76	6.90	8.56	10.54	7.52
Mean	9.46				
SD	2.48				

Source: Author's Calculated Data



Assets Quality:

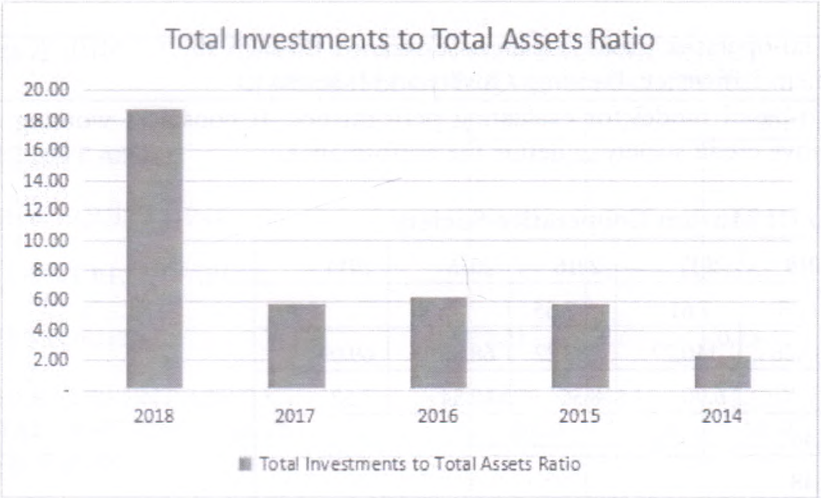
Assets Quality is an important element in measuring the performance of the assets. Asset quality signifies the degree of financial strengths and risks, mainly loans and investments. Under CAMEL Model of analysis, the asset quality ratios command significant recognition. Some of the important assets quality ratios are adopted for analyzing the data of UI Muslim cooperative Society Ltd are as follows:

1. Net Non-Performing Assets to Total Assets Ratio: A non-performing asset (NPA) refers to a classification for loans or advances that are in default or are in arrears on scheduled payments of principal or interest. In most cases, debt is classified as nonperforming when loan payments have not been made for a period of 90 days. For UI Muslim cooperative Society Ltd, this ratio is nil as there is no non-performing asset for this society.
2. Total Investments to Total Assets Ratio:

Table 6: Total Investments to Total Assets Ratio

Year	2018	2017	2016	2015	2014
Total Investment	35.72	10.21	9.69	7.45	2.44
Total Assets	190.34	177.54	154.47	129.85	104.35
Total Investments to Total Assets Ratio	18.77	5.75	6.28	5.74	2.34
Mean	7.77				
SD	5.67				

Source: Author's Calculated Data



MANAGEMENT EFFICIENCY

Management efficiency is another vital component of the CAMEL model that ensures the survival and growth. It is useful to improve productivity through appropriate measures which aim at reducing the operating cost and improving the profitability of the financial institution The Management Efficiency is calculated on the basis of total advances to total deposits. In terms of cooperative society, it will be calculated as Total Loans to member's savings because the society neither gives nor takes interest.

Table 7: Total Loans to member's savings

Year	2018	2017	2016	2015	2014
Total Loans	85.26	110.27	88.22	68.88	69.09
Member Savings	132.78	129.78	120.05	101.66	86.49
Total Loans to Total Members Savings	64.21	84.96	73.49	67.75	79.88
Mean					74.06
SD					7.61

Source: Author's Calculated Data

Earnings Quality

The Earning Quality determines the profitability and ability to earn consistently. The evaluation of profitability performance of the co-operative society is made using some widely used indicators of measuring organization performance. The financial ratio analysis provides a method for assessing the financial strength and weakness of the firm using information found in its financial statement. It explains the sustainability and growth in earnings in the future. It is assessed on the basis of the following ratios:

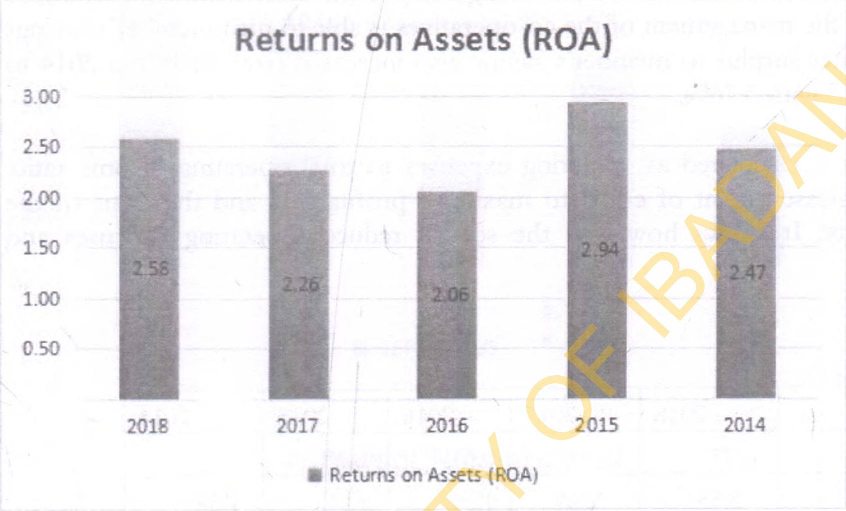
1. Return on Asset (ROA);
2. Return of Member's saving;
3. Operating Efficiency Ratio;
4. Percentage growth in net profit

Return on Asset (ROA): This is calculated as Net profit as a percentage of total assets.

Table 8: Return on Asset (ROA)

Year	2018	2017	2016	2015	2014
NET SURPLUS	4.92	4.02	3.18	3.82	2.58
Total Assets	190.34	177.54	154.47	129.85	104.35
Returns on Assets (ROA)	2.58	2.26	2.06	2.94	2.47
Mean	2.46				
SD	0.30				

Source: Author's Calculated Data



Over the period 2014 to 2018, the co-operative society made net surplus all through the years. The Return on Assets has been increasing over the years with an average ROA of 2.46% for the 5 years. The Return on Asset (ROA) primarily indicates efficiency in the manner the co-operatives society management converts assets into net earnings.

Return of Member's saving: This is calculated as Net profit to total savings.

Table 9: **Return of Member's saving**

Year	2018	2017	2016	2015	2014
NET SURPLUS	4.92	4.02	3.18	3.82	2.58
Member Savings	132.78	129.78	120.05	101.66	86.49
Returns on Members Savings	3.70	3.10	2.65	3.76	2.98
Mean	3.24				
SD	0.43				

Source: Author's Calculated Data

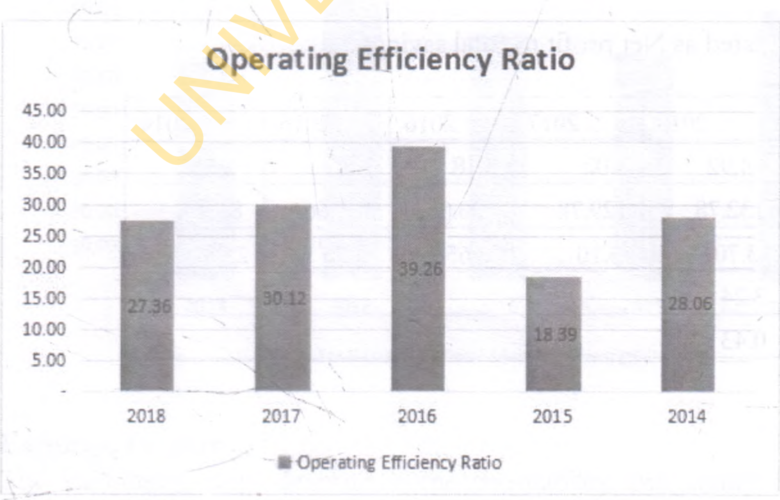
The Return on members' savings which measures the percentage return on each naira of customer's savings. It indicated how effectively the management of the co-operatives is able to turn member's savings into net earnings. The ratio of the net surplus to member's saving also increased from 2.98% in 2014 to 3.7% in 2018 reaching it peak in 2015 with 3.76%.

Operating Efficiency Ratio: This is calculated as operating expenses to total operating income ratio. Operating Efficiency Ratio is the measurement of effort to maximize profitability and the value of the member's investment in the society. It shows how well the society reduces operating expenses and increases productivity.

Table 10: Operating Efficiency Ratio

Year	2018	2017	2016	2015	2014
Operating Expense	0.97	0.81	0.61	0.58	0.43
Operating Income	3.53	2.69	1.54	3.14	1.54
Operating Efficiency Ratio	27.36	30.12	39.26	18.39	28.06
Mean	28.64				
SD	6.66				

Source: Author's Calculated Data



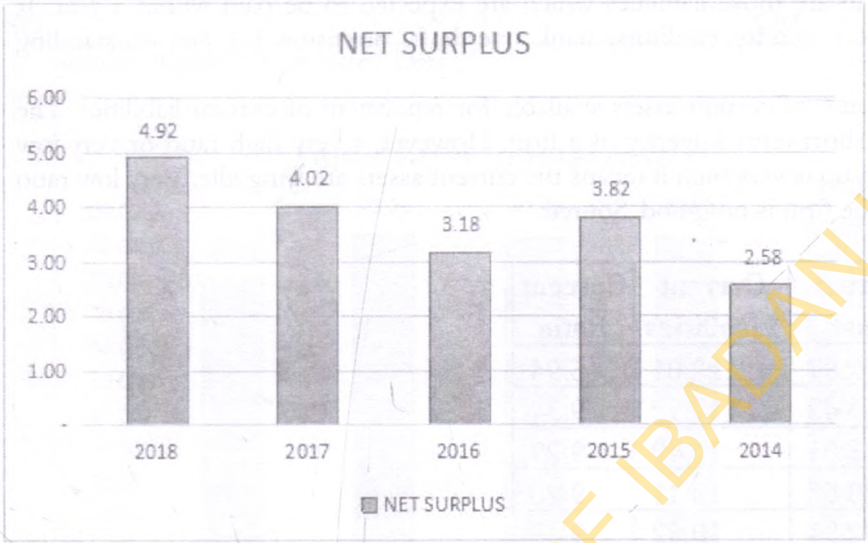
This ratio has been on the decline over the years from fluctuating over the years with an average of 28.64% in the 5 year analysis reaching it peak at 39.26% in 2016 and lowest of 18.39% in 2015. This is an indication that the percentage of operating expense to total operating income is on the decline. Hence, the co-operative society is more efficient in its use of its operating income.

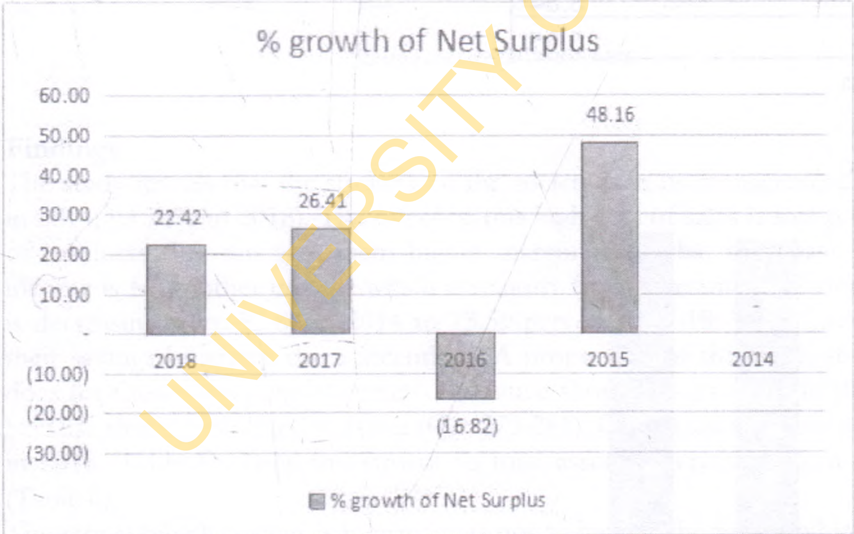
Percentage growth in net profit

Table 11: Percentage growth in net profit

Year	2018	2017	2016	2015	2014
NET SURPLUS	4.92	4.02	3.18	3.82	2.58
% growth of Net Surplus	22.42	26.41	(16.82)	48.16	-
Mean	16.03				
SD	22.43				

Source: Author's Calculated Data





Liquidity Ratio

Liquidity ratio measures the ability of the co-operative society to fulfil short-term commitments with liquid assets. These ratios compare assets that can be converted to cash quickly to fund maturing short-term obligations. Two most commonly used measures of liquidity are the current ratio and quick ratio also known as acid-test ratio. These ratios measure the ability of a company to pay off its short-term liabilities when they fall due. The liquidity ratios are a result of dividing cash and other liquid assets by the short-term borrowings and current liabilities. They show the number of times the short-term debt obligations are covered by the cash and liquid assets.

If the value is greater than 1, it means the short-term obligations are fully covered. Generally, the higher the liquidity ratios are, the higher the margin of safety that the company possesses to meet its current liabilities. Liquidity ratios greater than 1 indicate that the company is in good financial health and it is less likely fall into financial difficulties.

Current Ratio: Current ratio is a ratio between current assets and current liabilities of a firm for a particular period. This ratio establishes a relationship between current assets and current liabilities. The objective of computing this ratio is to measure the ability of the firm to meet its short term liability. It compares the current assets and current liabilities of the firm. This ratio is calculated as under:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

Current Assets are those assets which can be converted into cash within a short period i.e. not exceeding one year. It includes the following: cash in hand, cash at bank, bill receivables, short term investment, sundry debtors, stock and prepaid expenses.

Current liabilities on the other hand are those liabilities which are expected to be paid within a year. It includes the following: bill payables, sundry creditors, bank overdraft, provision for tax, outstanding expenses.

The current ratio indicates the amount of current assets available for repayment of current liabilities. The higher the ratio, the greater is the short-term solvency of a firm. However, a very high ratio or very low ratio is a matter of concern. If the ratio is very high it means the current assets are lying idle. Very low ratio means the short-term solvency of the firm is not good. Source:

Year	Current Asset	Current Liabilities	Current Ratio
2018	152.67	22.01	6.94
2017	165.48	17.72	9.34
2016	143.01	15.40	9.29
2015	120.65	13.11	9.20
2014	102.91	10.92	9.43
Mean			8.84
SD			0.95

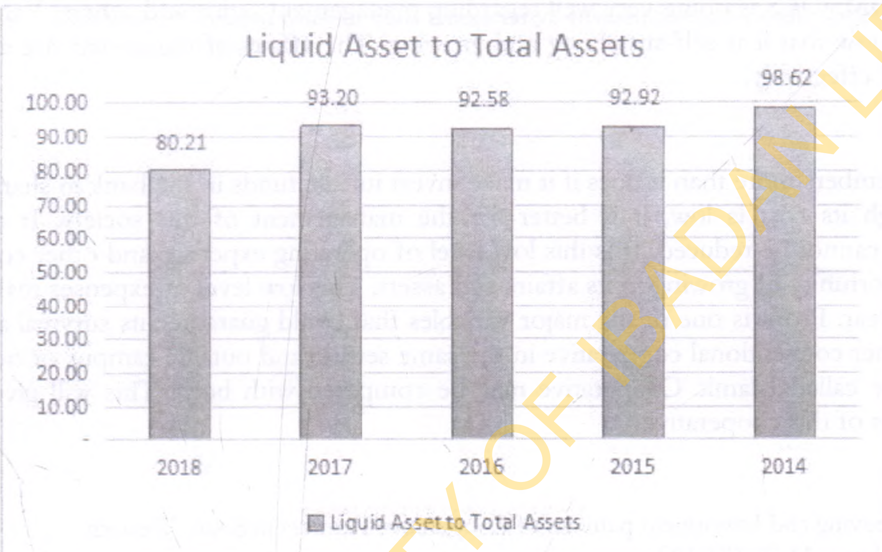
Source: Author's Calculated Data

It is clear from the above calculations that the current ratio is very high. This indicates that current assets are lay idle. Although there was a drastic drop in the current ratio between 2071 and 2018. We cannot say that the cooperative society is having good solvency. Hence steps have to be initiated to increase the sales as well as stabilize liquidity of the society. During the year 2018 the current ratio was not good. The current assets are far more than the current liabilities. However, during the year 2017 there was great improvement in the liquidity position of the society. It is concluded that the overall Liquidity of the Cooperative society has to be increased and the management has to improve its current ratio and current responsibility position.

Liquid Asset to Total asset

Year	2018	2017	2016	2015	2014
Current Assets	152.67	165.48	143.01	120.65	102.91
Total Assets	190.34	177.54	154.47	129.85	104.35
Liquid Asset to Total Assets	80.21	93.20	92.58	92.92	98.62
Mean			91.51		
SD			6.07		

Source: Author's Calculated Data



Findings

The study reveals that the strength of the society is in its management. Cost of sales is very high (90.91% in 2014, 93.70% in 2018). The effect of this high cost of sales is low profit. The management should think of products that can give them higher margin than what they have now. (Table 1-3). Majority of the income is from other income which is majorly from investment. Savings as a percentage of its total assets is decreasing from 82.89 in 2014 to 73.59 percent in 2018. They should encourage members to increase their savings by giving them incentives. A proportion of the profit should be given to their savings as it does for those who patronize the cooperative shop. This proportion should not be in the form of interest because this is prohibited in Islam (Q2: 275-281). Capital adequacy is increasing from 7.52 in 2014 to 13.76 in 2018 (Table 5). Total investment to total asset is increasing from 2.34% in 2014 to 18.77% in 2018 (Table 6).

The rate at which savings is increasing is not as high as the rate at which total assets are increasing. Hence, savings to total assets ratio falls for the five year period. Cooperative should work on creating incentives that will encourage members to increase their savings. The cooperative does not have non-performing loans. They should maintain it. This also makes the quality of its assets to be very good. Total loan does not attract interest while member's savings does not attract interest because it is an Islamic cooperative. The loan given to members is far less than the savings. The excess, since it does not attract interest should be invested in shariah compliant products to generate more income than what is obtainable now.

The return on assets has been increasing from 2014 to 2018 with an average of 2.46% for the 5 years (Table 8). The ratio of the net surplus to member's savings also increased from 2.98% in 2014 to 3.7% in 2018 reaching its peak in 2015. Operating efficiency is high. This shows the society was able to reduce its expenses (Table 10). Net surplus is growing at a reducing rate. The cooperative should find alternative channels where they can invest their idle funds (Table 11). The society is very liquid. The benchmark for current ratio is 2 to 1. The benchmark for current ratio is 2 to 1. But it has an average of 8.84 to 1 which is too much high. Liquid assets to total assets is very high. This means the society is too much liquid. It should find a way of using idle funds by investing it in shariah compliant investments to generate more income than it is realizing now.

Conclusion

The society has been able to prove that cooperative can survive without charging interest. It has shown that it is a reality in the sense that it is growing and self-sustaining. It is a society that is able to assist not only its members but University of Ibadan itself. This is shown in its money yet to be remitted to the society by the University. The amount is fifteen million, seven hundred and seventy-three thousand, four hundred and forty-six naira, sixty- eight kobo (#15,773,446.68) as at 2017 as contained in its Annual Accounts. There are many cooperatives in the University and outside the campus; it is in its class. This is because it gives people loan without interest and yet it is able to give its members robust dividend and souvenirs every year as contained in its annual reports.

Our analysis illustrates that UIMSCICS is doing very well regarding management ratios and others. Values obtained from our analysis show that it is self-sustaining and growing. The affairs of the society are also being managed efficiently and effectively.

Recommendation

UIMSCICS can benefit its members more than it does if it make invest its idle funds in the bank in shariah compliant products. Although its cost is low, it is better for the management of this society. It can maintain its level of cost if it cannot be reduced. It is this low level of operating expenses and other costs that gives the society the opportunity of growing in its affairs and assets. This low level of expenses makes its profit grow from year to year. Profit is one of the major variables that could guarantee its survival and growth. Cooperative with either conventional cooperative in the same setting and outside campus or non-interest cooperative otherwise called Islamic Cooperative may be compared with both. This will give a clear view of the contributions of this cooperative

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