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Al-Birr: A Unique Modus Operandi for Poverty Reduction among Muslims in Ekiti State, Nigeria

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Abstract:

In Nigeria poverty is widespread and increase on daily basis. The cause of poverty has been attributed to unemployment, poor distribution of wealth, corruption, hardship inflicted by usury (interest rates), hoarding of commodities and cheating. This paper examines the impact of Al-Birr Islamic cooperative society in making life worth living for Muslims in Ekiti state. Descriptive design of the survey type was used for the study. The population for the study comprises of all members of the society in Ekiti from which 568 sample were selected using sample random sampling techniques. The questionnaire for the study was designed by the researcher and duly validated by expert from test measurement. Research question and hypothesis was answered and tested by the researcher respectively. The finding reveals that there is no significant difference in the responses of respondents on the impact of Al-Birr Islamic cooperative society in making life worth living for Muslims in Ekiti state. It is therefore recommended that, Nigerian government need to embrace Islamic financial institution as practiced by Al-Birr in its laws and programme implementation for sustainable development in Nigeria.

Keywords: Al-Birr, modus operandi, Muslims, poverty reduction, Ekiti-state

1. Introduction

In Islam, unjust, exploitative gains made in trade or business transaction is condemned severely. The Islamic mechanism for reducing poverty in the land involves enhancement of Islamic financial institutions which operate without violating the *Shari'ah* (Islamic Law) injunctions on transactions, thus, loans are granted based on a number of principles such as; *Mudarabah*, *Musharakah*, *Murabahah*, *Ijarah*, *Bay' al-salam* and *Qard al-hasanah*. *Al-Birr* (Righteousness) an Islamic Cooperative Society in Ekiti is one of the enhancements of Islamic institutions that contributed immensely to the survival of poor Muslims in Ekiti through provision of interest free loan for minimum standard of livelihood for members. Cooperative as defined by Kareem et al., (2012) is a voluntary association of people, engaging in a democratically controlled business organization, operating at cost which is owned, capitalized and controlled by patrons as users, sharing risks and benefits in proportion to their participation to achieve a common economic goal. MAMSER, (1990) sees cooperative as a firm owned, controlled and operated by a group of people for their own benefit where each member contributes equity capital, and each member has one-vote principle.

According to Fehmeen (2010), Cooperative model is much like associations and community banks except that its ownership structure does not include the poor. Economic hardship brought on people by political instability, natural disaster, conflicts, health crisis, poor wages or financial system turbulence led to the establishment of cooperative societies (Azeez & Salako, 2007). In Fajobi (2005)'s view, cooperative society is an association of persons usually of limited means who have voluntarily joined economic end through the formation of democratically controlled business organization, making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking in which members actively participate.

Cooperatives were introduced to West Africa in the 1920s even though its origin could be traced to Rochdale Society of equitable pioneers of UK, Britain around 1844 to solve the poverty problem that arises because of unfairly distribution of resources and the rise of price of goods. (Aturamu, 2003). According to Norharziah (2017), the first cooperative formed, is the Rochdale Equitable Pioneers and then, cooperative movement expands into other countries across the continent including South East Asia, West Africa and so on, with the involvement in various sectors of the economy. The growing need for credit and access to the basic necessities of life and business led to the formation of most of the cooperatives in the world (Norhaziah, 2017). The main objective is to help members solve their problems collectively instead of looking up to governments for solutions. (Aturamu, 2003). The establishment of cooperative is important to help members to obtain credit in an easy way unlike in the banking sector that need collateral requirement and complicated documents. In Nigeria, some forms of cooperative had been in existence long before the idea of cooperative societies was formalized for mutual self-help among members at the village level, particularly with the cultivation of farm land, and harvesting. The cooperative movement was formalized in 1936 (Odubanjo, 1981). Cooperative bank was founded in 1953 (Ajibefun & Daramola, 1998). According to Akanni (1986), a cooperative is formed

when at least two persons who have common problems joined together to solve such problem collectively. Based on this fact, cooperative society indicates that, there must be a group of people who are ready to work together on a mission with common goal and objectives. This mission is accomplished through specific and defined tasks. Working together is an Islamic commandment epitomised in the Qur'an thus:

And hold fast, all of you together, to the rope of Allah, and be not divided among yourselves, and remember Allah's favour on you, for you were enemies one to another but He joined your heart together, so that, by His Grace, you become brethren and you were on the brink of a pit of fire, and He saved you from it. Thus, Allah make His verses clear to you that you may be guided (Qur'an 3: 103)

The above Qur'anic verse points out the fundamental roles, blessings and operational efficiency in individuals working together as a team. Therefore, Islam approves any cooperative society with good aims that will benefit members of the community and with interest free (Azeez & Salako, 2007).

2. Islamic Cooperative Societies

According to Norhaziah (2017), Islamic cooperative society is a conversion of conventional cooperative through an approach that is in line with *Shari'ah*. The establishment of Islamic cooperative is basically using the concept of *Shirkah Mufawadah* in which all parties involved contribute fund in the same portion as well as equally participate in managing the organization and the profit and loss are shared among the members. In the practice of cooperatives, no one is allowed to inject bigger amount of fund and receive bigger portion of profit as compared to the others (Kospin, 2009 quoted from Norhaziah 2017). The basic principle of Islamic cooperative is on strong cooperation among members. Members' annual general meeting is the highest consultative forum in which all strategic decisions are made. Each member has equal vote and opportunity to express idea and opinion (Irfan Beik & Indah Purnamasari, 2011). Buchori in Norhaziah (2017), identifies six major characteristics of Islamic cooperative to include:

- Acknowledging members' ownership right on business capital
- Interest-free transactions are allowed
- Institution of zakat, infaq, *sadaqah* and *wakaf* is functioning well
- Admitting profit-oriented motive as long as Shari'ah principles are strictly followed
- Acknowledging freedom of business and economic endeavours and
- Acknowledging common rights.

2.1. Historical Background of Al-Birr Islamic Society in Ekiti

Al-Birr Islamic cooperative society in Ekiti was established on 12th May, 2002 by the Muslim Students Society of Nigeria (MSSN), Ekiti State Area Unit in order to increase the access of Islamic finance to members who are farmers, low-middle income government servants, and those who need financial enhancement (Al-Birr, 2018). The need to make Islam easy for people putting into practice what they believe and profess by providing an enabling environment for economic empowerment and sustainable development in the *halal* (permissible) way.

Al-Birr Islamic cooperative society is an ethical cooperative society operating an interest free financial savings, loan and investment system. The Society is registered with the Ekiti State Ministry of Commerce, Industry and Cooperative with registration number 2870 (Al-Birr, 2004). The Society operates and funded through members' share, savings and loan facilities, investment fund and charitable (*awqaf*) fund.

2.2. Aims and Objectives of the Society

The aims and objectives of the society are to promote Islamic social and economic interest of members, most especially:

- To promote cooperative spirit devoured of usury (interest rate) on loans among members
- To encourage the development of the cooperative investment fund
- To make available to members opportunity to engage in *halal* (legal) business
- To make available to members the supply of goods and services within the limit of *Shari'ah*
- To eradicate economic hardship and oppression of Muslims through interest of conventional cooperatives and banks
- To observe all the pillars of Islam; in line with the Qur'anic verse that says: "Enter into the fold of Islam whole heartedly". Therefore, it is part of the aims of the society to promote the observance of all the pillars of Islam like *Salat*, *Zakat*, *Sawm* and *Hajj* among members. Members are enjoined continuously to uphold all the pillars of Islam in its totality.

2.3. System or Scheme Operated by the Society

Al-Birr Islamic Cooperative Society has a number of schemes purely among members. They are:

- Interest Free loan
- Self -development savings
- Investment shares fund
- Fixed deposit
- Ileya (Id-al Adha) fund
- Hajj (Pilgrimage) fund
- Pension fund

2.3.1. Interest Free Loan

This entails giving loan to members on interest free basis. To qualify for loan, one must be a registered member of Al-Birr, punctual at monthly meetings and must have savings and must have been in the society for at least six months.

2.3.2. Self - Development Savings

Each member shall be eligible to hold a monthly saving of their capacity, but it is mandatory for a member to contribute at least a minimum of one thousand Naira (#1,000) monthly.

2.3.3. Investment Funds

The term "Islamic investment funds" means a joint pool where in the members/investors contribute their surplus money for the purpose of investment to earn *halal* profits in strict conformity with the precepts of Islamic law. The society operates this scheme among members. Each member holds shares in the investment fund. The fund is invested in the manner permitted by Islamic Commercial Law to earn *halal* profit. Under investment partnership, the society partners with the following members and corporate bodies:

- Zeem Global Publications, Ibadan, Oyo State
- Al-Eeman Ventures Ibadan, Oyo State
- Amikayble & Sons, Ado-Ekiti, Ekiti State
- GoodBand Nigeria Limited, Aisegba Ekiti, Ekiti State.

2.3.4. Fixed Deposit Scheme

The association operates a Group Life Insurance Policy Compulsory on all registered members. This scheme covers death and permanent physical disability.

2.3.5. Ileya Scheme

The society operates *Ileya* scheme to enable members prepare for *Id-al Adha* expenses without much stress.

2.3.6. Hajj Deposit/ Fund

Among the schemes operated by the society is the deposit for *hajj* to enable member perform pilgrimage to Makkah and to help him fulfil the fifth pillar of Islam.

2.3.7. Pension Schemes/Fund

Pension schemes operated by the society is savings for retirement. The deposit enables members to prepare adequately for retirement so that they can live a sustainable life after retirement.

2.4. Mode of Financing

Al-Birr Islamic Cooperative Society participates or provide financing for its members' projects or assets acquisition in various forms under the principles of profit sharing.

2.4.1. Musharakah

In the context of business and trade. It means a joint enterprise in which all the partner shares the profit or loss of the joint venture.

2.4.2. Mudarabah

A partnership in which the investment comes from the first partner who is called "Rabbulmal" while the management and work is an exclusive responsibility of the other who is called "Mudarib".

2.5. Basic Principles of Musharakah and Mudarabah

- Mudarabah means to participate in a business and in case of Musharakah, sharing in the assets of the business to the extent of the ratio of financing
- The financier/investor share the loss incurred by the business to the extent of his financing
- The ratio of profit is determined on mutual consent, which may be different from the ratio of investment
- The loss suffered by each partner must be exactly in the proportion of his investment
- The investor and the cooperative can play either of the two roles stated below
- An investor only
- An investor and employee of the business at the same time i.e. the investor earn a "salary" from the business as an employee
- The partners i.e. cooperative and individual[s] are owners of the business and do not earn salaries but int share profit.
- The cooperative can earn salary on the day-to-day management of clients' account.

2.6. Diminishing Musharakah

In this concept, financier and his client participate either in the joint ownership of a property or an equipment or in a joint commercial enterprise. The share of the financier is further divided into number of units and it is understood that

the client will purchase the units of the share of the financier are purchased by him so as to make him the sole owner of the property or the commercial enterprise as the case may be.

2.6.1. Ingredients of the Arrangement

- To create joint ownership in the property
- Giving the share of the financier to the client on rent
- Promise from the client to purchase the units of share of the financier
- Actual purchase of the units at different stages
- Adjustment of the rental according to the remaining share of the financier in the property.

3. Murabahah

It is a commodity funds, if a seller agrees with his purchaser to provide him a specific commodity on a certain profit added to his cost. A cost plus profit concept. Basic Features of *Murabahah* includes:

- *Murabahah* is not a loan given on interest. It is the sales of a commodity for a deferred price which includes and agreed profit added to the cost
- *Murabahah* should fulfill all the conditions necessary for a valid sale
- *Murabahah* is only used where the client needs fund to actually purchase some commodities not merely advancing loan
- The financier must have owned the commodity before he sees it to his client

3.1. Challenges of Islamic Mode of Financing

- Risk of Loss: The *Musharakah/Mudarabah* arrangement can likely result to losses in the business to the financial institution [cooperative] and passed on depositor [member]
- Lack of proper study of the feasibility of the proposed business for which fund are needed. Profitable *Musharakah* are expected to give more return than the interest-based loans. Because the actual profit is supposed to be distributed between the client and cooperative
- Dishonesty: dishonest clients may not pay any return to the financiers saying that the business did not earn any profit. Every engagement will be enquired into [on the Day of reckoning] "Grievously hateful is it in the sight of Allah that ye say that which ye do not". There are three distinguishing features of a hypocrite:
 - When he speaks, he tells a lie
 - When he promises, he backs out; and
 - When he is given something in trust, he breaches the trust.

3.2. Statement of the Problem

The problem of poverty which engendered the introduction of microfinance schemes by the Nigerian Government at all levels are seen as a succour to the plight of the poor. However, the usury bearing type of microfinance which has proven effective in several countries of the world are not effective among Muslims because of the added interest that is seriously prohibited in Islam and disallow right thinking Muslim to benefit from the scheme. This study therefore, aim at investigating the impact of *Al-Birr* Islamic Cooperative Society in making life worth living for Muslims in Ekiti state.

3.3. Purpose of the Research work

The work is intended to show-case the activities of *Al-Birr* and recommend for Nigerian Government the need to embrace Islamic financial institution as practiced by *Al-Birr* in its laws and programme implementation for sustainable development in Nigeria.

4. Methods of Research

The design for this study was survey. A total of 568 members were drawn from *Al-Birr* Islamic Cooperative Society in Ekiti comprising male and female. The researcher used the *Al-Birr: A Unique Modus Operandis for Poverty Reduction among Muslims in Ekiti* Questionnaire (AUMOPRMEQ) to collect data for the study. The face validity of the research instrument was done by first subjecting it to the critique of experts in Faculty of Education, Ekiti State University (EKSU) before being used for the study. Data analysis was guided by the research question and hypothesis. The simple percentage statistical method was used in the result analysis. Chi-square test statistic was used for postulating hypothesis tested at $P=0.05$ level of significance.

4.1. Research Question

What type of impact does *Al-Birr* Islamic Cooperative Society has on the standard of living of Muslims in Ekiti

4.2. Research Hypothesis

In an attempt to find solution to the stated problem of the study, the following hypothesis will be tested statistically.

There is no significant difference in the responses of members of *Al-Birr* Islamic Cooperative Society who are Muslims on her impact in reducing poverty among them.

5. Findings and Discussions

Research questions were answered using percentages. The findings with respect to research questions were presented in tables and discussions. The postulated hypothesis was tested using chi-square test. The following shows the number of responses and their percentages.

- Research Question 1: What type of impact does *Al-Birr* Islamic Cooperative Society has on the improvement of standard of living of Muslims in the state?

	Positive impact	Percentage %	Negative impact	Percentage %	Total
Male	300	98.4%	05	1.6%	305
Female	260	98.9%	03	1.1%	263
Total	560	98.6%	08	1.4%	568

Table 1: Impact of *Al-Birr* Islamic Cooperative Society in Improving the Standard of Living of Muslims

5.1. Discussion

Table 1 above shows that 98.6 percent (560) of the respondents disposed that *Al-Birr* Islamic Cooperative Society Impact positively towards them while 1.4 percent (08) believe that it has negative impact on them. It implies that majority of the respondents disposed positive attitude to poverty reduction of the society, and thus proved that *Al-Birr* Islamic Cooperative Society is a unique modus operandi for poverty reduction among Muslims in Ekiti State.

5.2. Hypothesis Testing

There is no significant difference in the responses of Members of *Al-Birr* Islamic Cooperative Society who are Muslims on her positive impact in reducing poverty among them.

	Positive impact	Negative impact	Total	Df	X ² Cri	X ² Cal	Result
Male	300	05	305	1	3.84	0.25	Significant
Female	260	03	263				

Table 2: Summary of Impact of *Al-Birr* Islamic Cooperative Society on Improvement of Standard of Living of Muslims

The result in the table above showed that the Chi-square critical value is greater than the chi-square calculated value. Therefore, the null hypothesis is accepted. This shows that, there is no significant difference in the responses of members of *Al-Birr* Islamic Cooperative Society who are Muslims on her impact in reducing poverty among them. This result further proved that *Al-Birr* Islamic Cooperative Society is a unique modus operandi for poverty reduction among Muslims in Ekiti State.

6. Conclusion and Recommendations

This study found no significant difference in *Al-Birr* Islamic Cooperative Society as a modus operandi for poverty reduction in Ekiti State. The study therefore, recommend for Nigerian Government the need to embrace Islamic financial institution as practiced by *Al-Birr* in its laws and programme implementation for sustainable development in Nigeria. In order to find solution to the challenges of *Al-Birr*, a well-designed system of auditing should be implemented where by the accounts of all the clients are fully maintained and properly controlled and punitive steps be taken against clients on the ground of misconduct, dishonesty or negligence most especially finance clients whose integrity is beyond doubts. It will help setting good precedents in the Society and induce others to follow suit and the account of the business be maintained with cooperative

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