

Resource Mobilization and Financial Performance of Islamic Cooperative Societies in The South Western Nigeria

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ABSTRACT

Resource mobilization is an integral part of Islamic cooperative societies through its products such as, share, savings, development levies, sales of stationeries, reserve, investment fund, zakat, sadaqah, takaful, waqf, sukuk, etc. This paper hereby examined the resource mobilization strategy as regards to its impact on the financial development of the ICSs in the south western Nigeria. Descriptive research methodology was employed in the analysis of data obtained from the randomly selected ICSs through their financial statement and their 'key informants'. Three major checks were carried out, this include; members share capital in relation to the total assets of the ICSs, growth in savings rate and loan management of the societies. The result indicated a positive asset management, growth in savings and good loan management, which jointly determined economic development of the societies in the studied area. It was therefore recommended that ICSs should explore more means of funds mobilization such as waqf, sukuk, proper financial record keeping and government regulation mechanism to enhance their socio-economic development roles.

Introduction

Traditionally, the Yorubas of the South Western Nigeria are fond of mobilizing resources for family solidarity during two occasions. Firstly, during social functions viz-a-viz, naming, marriage and funeral ceremonies. The second facet includes family mandated contributions for graduating artisan to purchase tools and apparatus as required by his/her vocational training to set him/her up for economic independence.

In recent time, the informal sector, which harbors the cooperative societies, has witnessed a paradigm and sporadic shifts in its modus-operandis, resulting in the increase in its number, spread and innovative ways of doing its activities, some of these are; its

formations along religion jurisprudence such as Islamic Cooperative Societies (ISCs), establishment of real time financial institutions, etc.

Islamic Cooperative Societies (ICSs) are prototypes of the conventional cooperatives in which they adapt the practices of the latter to Sharī'ah. However, this does make them a Sharī'ah non-compliant institution.

The availability and mobilization of resources (finance) is *sine qua non* for real social and economic emancipation and, hence, national development. Genuine economic development can only be achieved if resources are efficiently mobilized and transformed into productive activities. The development of an efficient financial system in

providing the vital link between savings and investment is thus important. Not only must there be coordination of different agencies within and among levels of government, there must also be coordination between the public and private sectors, and among the various components of the private sector (Mohamed & Lim, 2001)

There is no doubt that the cooperative system as it is today in Nigeria and throughout the world requires people with surpluses to team up for the purpose of helping one another financially through these surpluses. They use these surpluses for various financial transactions in their societies, Islamic Cooperative inclusive. This is why all ICSs do engage in transactions such as loan and trade through the surpluses they pull together. The ICSs claim they practice benevolent loan (*qarḍḥasan*), *mushārah* (partnership), *muḍarabah* (partnership by trust financing), *murābahah* (mark-up/cost). (Ajani M. A. & Adebayo R. I., 2018)

Whatever the level of savings and however large or small the nation's savings, there is legitimate concern to ensure that those savings are allocated to investment in a manner that is efficient and desirable in the social and developmental senses. Apart from having a well-coordinated financial system, the appropriate infrastructure, human capital and institutions all have to be in place.

This paper is a descriptive survey, which involves the collection of data for the purpose of describing resource mobilization strategies of the Islamic Cooperative Societies at enhancing socio-economic development of its members with specific reference to the south western part of Nigeria. The remainder of the paper is organized as follows. Section two gives a background on cooperatives movement and operations of ICSs in Nigeria and the resource mobilization mechanism of Islamic Cooperative Societies, which serves as the theoretical framework. Section three discussed the methodology of the work. Section four presents the data analysis cum discussion of findings while section five summarizes the challenges facing Islamic Cooperatives Societies and suggest ways forward.

Cooperative Movement in Nigeria

There were various indigenous modes of cooperative before the advent of the conventional system in Nigeria with the formation of the Ibadan Agricultural Society and Agege Planters Union in 1904 and 1907 respectively. This brought about some cooperative movements which later led to the registration of the first conventional cooperative society in Nigeria, the Gbedun Cooperative Produce and Marketing Society Limited in 1937 and subsequent rapid spread of the cooperative societies in Nigeria.

Co-operative Societies are among the Micro Finance Institutions (MFIs) which are owned and managed by their own members using co-operative principles (Bailey, 2001). They are autonomous association of persons who are united together voluntarily for the purpose of meeting their common economic and social needs through jointly owned and democratic controlled enterprise These economic needs include among others; maximisation of profits, enhancement of financial accessibility, harnessing skills of the members, boosting social capital, enhancing advocacy and bargaining power. Others include promoting investment, providing educational opportunities and contributing to poverty reduction (Magill 1994). The main objective of these associations is to promote economic interests and general welfare of their members by providing them with avenues for borrowing for the purpose of enhancing production and welfare (Cheruiyot et al., 2012).

Co-operative societies were established worldwide for the purpose of filling the gap left by Formal Financial Institutions (FFIs) including banks which were not ready to provide financial services to poor people (Zikalala, 2016). These institutions posit that poor people are risk borrowers who do not own collaterals such as houses, land in surveyed areas with title deeds, and other fixed assets (Zikalala, 2016). ICSs have made it possible for the poor people to access credit with reasonable rates of interest and conditions that favour themselves. Ahimbisibwe (2007) noted populations in many African countries had no access to financial services from FFIs (Kariuki and Rai, 2010). Access to financial services enables poor people to establish and manage their own small enterprises which create profits, increase working capital, and generate employment opportunities (Chandler, 2009). According to King and Levine (1997) financial development is a good predictor of future growth. Importance of ICSs over the recent decades have been realised throughout the world. It is estimated that around 760 million people in the world are members of ICSs which create 100 million jobs (Barrientos, 2008).that without ICSs and other types of MFIs, the poor would permanently remain poor. This fact is also supported by the International Finance Corporation (IFC) which found that about 60% to 69% of the

These cooperatives are not Islamic in nature and in activities since they represent the Western cooperative ideologies which are devoid of Islamic law but which many Muslims joined as members. The unIslamic nature of these conventional cooperatives and the need to engage in economic activities for economic improvements according to the Shar'ah suggest the formation or joining of one cooperative or the other by the Muslims, which they term as Islamic Cooperative Society (ICS)

Operation of the Islamic Cooperative Societies (ICSs) in Nigeria

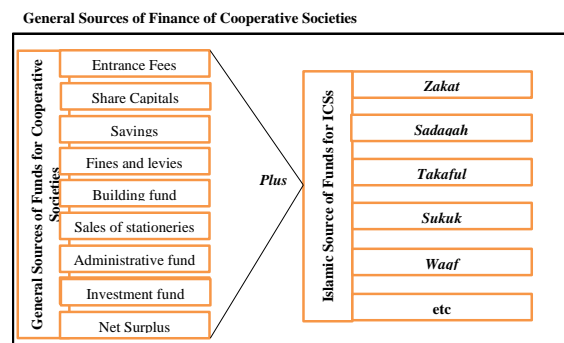
The situation of the ICS in Nigeria can be best described through the definition of Ajani which puts it as prototype of conventional cooperative in which the Muslims come together with the aim to subject the conventional cooperative practices to the dictates of Shari'ah so as to accomplish their individual and collective duties by pooling their resources together to fulfill their economic, social and cultural needs and aspiration through a jointly-owned enterprise which is controlled using the Shari'ah principles. This is based on the reality of the practices of the ICSs in Nigeria presently. It can be revealed from the above that the ICSs in Nigeria today are operating based on the system of the conventional cooperatives by subjecting the latter system to Shari'ah to a large extent. The implication of this is that while the western world invented what is known as cooperative today, the Muslim world fails to realise the need for the real Islamic cooperative.

Unlike in Islam where the issue of cooperative is discussed in the Qur'an, the effects of unchecked economic competition of individualism, colonisation and exploitation, industrial revolution, the agricultural revolution, e.t.c. on a number of people who worked desperately for long hours in miserable condition, but earned inadequate wages to sustain themselves in the late eighteenth and early nineteenth centuries, occasioned the idea of conventional cooperative movement. Every cooperative society's operation in Nigeria is based on the 1990 bye-law of Nigeria cooperative societies which spells out the objectives of the societies. Parts of the objectives are: to promote economic interest of the members by giving loan, to promote the economic performance of members by giving necessary advice and other productivity of members in their respective profession. Others include, to design together measures based on cooperative principles and to encourage in members the spirit and practice of thrift, mutual help and self-help. Membership rights are granted to anyone who joins a cooperative society upon his admission just like in the conventional cooperative. The new and every member will subscribe to share and savings funds and other special or prescribed funds. The cooperatives engage in businesses and investment accordingly in which dividends are given to the subscribers at the Annual General Meetings (AGMs). Likewise, any interested member can request for loan which he/she pays back instalmentally without interest. In a nutshell, the cooperatives mobilise funds for their activities and expend such funds on loan given to members, investment, for operational expenses and deposit the cash balance as a deposit in the society's bank account. They also make surpluses

on maintenance levy, fines, dividends received on investments they have in other places, income from other viable projects like farming, small scale businesses, and donation to the societies during the AGM. Administratively, the executive committee of the ICSs consists of a chairman, vice chairman, secretary, assistance secretary, financial secretary, treasurer, Public Relation Officer (PRO), welfare officer, social officer, e.t.c. The executive meets at the agreed upon period like once in a month, e.t.c. while the general meetings also take place as agreed upon by the members. There may also be emergency meetings. The AGM also takes place at the end of each financial year. Ajani and Adebayo (2018) opined that the issue of Islamic Cooperative in Nigeria presently should be discussed based on ijti'ah (independent judgment in a legal question, based on interpretation and application of the four fundamentals) before any blame can be made against it

An Overview of Funds Mobilization of the Islamic Cooperative Societies (ICSs)

Funds mobilization for cooperative societies is an essential ingredient for the general existence and continuity of its financial obligations to its members. Every cooperative society commences its activities from zero capital. This is why the founders deliberate on issues such as capital mobilisation and directions to which it is expended. Two sources are identified; these are the general or common source and the Islamic source. The general sources, though common to all cooperative societies but are Islamic in application thus their inclusion into the ICSs as reviewed by Ajani & Adebayo (2018), these are; Entrance Fees, Share Capitals, Savings, Fines and levies, Building fund, Sales of stationeries, Administrative fund, Funds for special projects, Reserve, Investment fund, Net surplus, etc Ajani & Adebayo (2018). However, the Islamic sources in addition to the common sources include *Zakat*, *Sadaqah*, *Takaful*, *Waqf*, *Sukuk*, etc. An overview of the above sources is summarized below, thus;



Source: Azeez, 2019

- a. **Entrance Fees:** These are non-refundable fees paid by intending members on their wish to join

the cooperative. Every society gives forms and some necessary documents like pay-in-slip, society's constitution, personal passbook and so on. The payment of this money by a new member makes him/her to be legitimately and formally a partner in the society. It can be compared with the purchase of registration form in some establishments. Failure to register members through these fees will socially and economically affect the society.

- b. **Share Capitals:** Every member must subscribe to this accordingly, which is payable once or instalmentally at every sitting. In some cooperative society, the share capital held by members form a percentage proportional to the required obtainable loan, i.e. a member who wishes to obtain a loan of hundred thousand may be asked to have up to 10% as his/her share capital. This fund is generally used to conduct businesses in the society and the profit generated is also shared at the AGM in consideration of the capital capacity of each member. Other forms of savings encourage by the cooperatives are special/target saving which members subscribe to, to fund children's school fees, medical treatment, *hajj* operation, *īdul-Kabīr* or *'īdul-Fiṭr* festivals among the Muslims.
- c. **Savings:** Savings are also given priority because they are used for borrowing money from the cooperative, and that is why each member is more eager to make vast subscription for savings so that he/she will have access to huge loan when there is need. In the majority of the cooperatives, any interested member gets as twice as his/her savings contribution while few of them grant triple of the interested member's savings contribution. In the meantime, a very few cooperatives grant loans to the interested member in consideration of both his/her shares and savings subscriptions.
- d. **Fines and Levies:** These funds are collected from any member of the cooperative societies who violates one rule or the other of the cooperative. The fines or levies are mostly placed on any member who comes late to the meeting or absent him/herself from such meeting or other obligation as enshrined in the cooperatives' constitution or directed by the cooperatives' authority in its deliberation which is ratified by the general house. The rates chargeable on various offences also vary in the cooperatives. The justification for these fines and levies is based on the fact that it serves as means of curbing the members from misbehaving (*ḥaddudhar'in*).
- e. **Building Fund:** It is a refundable fixed fund payable by each member of the cooperatives. It

is meant to procure permanent office/residential building(s) for the cooperative. Every member must pay it as it is being designed by each society. Whether or not the office is built during the membership, the total amount contributed to building fund purse by a person who is ejected or wishes to leave the cooperative will be given to him because he is no more in the society as a person and as a shareholder in that building and the cooperative at large. Since the fund is based on partnership, its legality cannot be contested.

- f. **Sales of Stationeries:** This fund is generated through the sale of loan form or bond, documents used to pay-in money into the cooperatives' account and other documents. The fund collected from the sale of stationeries is used to produce same stationeries as replacement when those in use are exhausted. This fund (loan form and bond) has been criticized by some Islamic cooperatives, most especially the, both of which are being alleged to be usurious because the intended loanee has to buy form before the loan can be granted. According to the critics, money paid for these documents is interest paid over the principal. It is obvious that these documents usually contain information about the intended loanee. These include the loanee's financial status and the amount of loan, among others. In other words, the documents serve as record in respect of the ICSs and the loanee and consequently, Islam requires the Muslims to keep adequate record of financial transactions among themselves (Qur'an 2 verse 282). It is therefore necessary to produce these documents because of those who will soon need them in the cooperative. The sale of these documents is permitted simply because the sale service has been rendered by the cooperative to the intended loanee who must pay for the service accordingly. That notwithstanding, the profit margin between the cost production and the amount being sold is expected to be within the dictate of Islamic economic principles. Furthermore, the commercial bank in which the cooperative funds are kept will make some charges in respect of the loan against the cooperative's account, not against individual of the cooperative.
- g. **Administrative Fund:** This must be subscribed for at every sitting. It is used to manage the cooperatives. The rate varies based on the viability of the society. It is also a nonrefundable fee. The legality of collecting this fund from members rests on the fact that administration needs to be financed independently and should not be financed through other specific funds. If this fund is condemned, then the cooperative will be administered using both savings and

share funds, the situation which may lead to the collapse of the cooperative. Consequently, corruption may set in if the administrative fund is not defined since the money used to carry out an administrative duty is most of the times not measurable. This fund is among the funds used to service the bank charges, transportation, payment of allowances to the members charged with certain responsibility and so on.

- h. **Reserve:** This fund is created by some societies by deducting certain percentage of the annual profit generated for keep by the cooperatives concerned for certain projects. It is also kept to solve liquidation problem, e.t.c. Some even deduct certain percentage from member's share/savings funds and keep it in reserve or investment based on decision of the cooperative.
- i. **Investment fund:** Some cooperative societies in Yorubaland call for investment subscription funds from their members. For example, a cooperative may wish to establish an educational institution or financial institution and asks its members to contribute, as an investment, towards such project while some deduct certain percentage of members' share subscription for investment based on joint decision of the society. Sometimes, the issue of investment is contained in the society's constitution. It needs to be mentioned that the investment fund is meant for the benefit of members in the case of Islamic cooperative societies. For instance, Al-Hayat Relief Foundation contributed ₦30million in 2013 to establish Al-Hayat Microfinance Bank Ltd. The bank is function well using Islamic bank product (Azeez, 2018).
- j. **Net surplus:** This is the excess fund got at the annual financial year which is based on the excess of income over expenditure. This is calculated based on the administrative and other funds like fines and levies, entrance fees, stationeries and so on. It is the total income from these funds, less the total expenditure. The net surplus is not expected to be included among the profits to be shared as dividends to the members during the Annual General Meetings (AGMs) to avoid economic ambiguity which is condemned in Islam. Consequently, some of the remnants of the net surplus are recurrent.
- k. **Zakat and Sadaqah:** *Zakat* as the third pillar of Islam refers to an obligatory alms giving by the rich to the poor and the needy. It is so important that it was mentioned over 30 times in the holy Quran. According to the Quran, "... Allah has made it obligatory for them to pay alms (*Zakat*) from their properties which is to be taken from the wealthy among them and given to the poor".

Ogunbado (2011) has emphasized that *Zakat* and *Sadaqah* are among the mechanisms which Islam has put in to a place to eradicate poverty in a society.

Ahmed, Fuadah and Kalsom (2015) equally studied the contributions of Al-hayat Relief Foundation on poverty alleviation through *Zakat* and *Sadaqah* scheme and concluded that it's a unique and divine source of funds mobilization which plays an important role by acting as intermediary between *Zakat* payers and *Zakat* recipients towards providing welfare succor to the poor and needy members of the cooperative society.

- l. **Takaful:** This is an Islamic mode of insurance that stands to mitigate individual or corporate risk. Al-hayat Relief foundation, in the work of Azeez (2017) virtually explored as a source of funds mobilization through group life insurance. The foundation operates a *Takaful* group life insurance scheme that is centrally administered by its National Executives Council (NEC). After the expiration of the plan, every participant in the scheme not only gets their contributions back but also shares from the profit accruing from the investment. This was in addition to having shared in the agony of their brothers/sisters who died during the duration of the plan and having indemnified them.
- m. **Waqf:** According to Haneef (2013) as cited by Aliyu, (2019), it is defined as an asset endowed for the sake of Allah in perpetuity, the income generated from it to be used for various purposes that have socio-economic and religious benefit to the beneficiaries. There are two types of *waqf*; family and public.
- n. **Sukuk:** This refers to financial securities, notes or certificates that are structured to comply with Sharia principles. Simply put, *Sukuk* are Islamic bond products. (Abubakar & Ogunbado, 2016; Ogunbado, 2019). A general principle for Islamic finance is that transactions should be directly related to productive economic activities and are prohibited from involving speculation or taking unnecessary risk. In particular, there are three fundamental prohibition namely, *riba* (usury or interest), *maysir* (gambling or speculation) and *gharar* (unnecessary risk)

Research Methodology

The empirical nature of this research work enables it to conduct a descriptive analysis of some selected ICSs in the south western parts of Nigeria, which includes four states such as Lagos, Ogun, Osun, and

Oyo. A simple random sampling technique was adopted to select four ICS at one per state. Prominent among the sampled subjects are Al-Hayat Relief Foundation, Ijebu Ode, Ogun State, MSSN Al-Amanah, Islamic Coop Union, Osogbo, Osun State, national Council of Islamic Credit and Savings Schemes (NACICASS), Ibadan, Oyo State, Here and Beyond (H&B) Savings Group, Epe, Lagos State.

Secondary data were used for the study while financial ratios was used to measure the performances of ICSs in the study area, 4 key informants' (to represent each ICSs per state) were selected to guide and provide necessary information on each ICS.

Results and Discussion

1. Resource Mobilization and its Socio-Economic Impacts

The major concern of this study is the assessment of the ICSs resource mobilization and its impact on the socio economic development of its members, the societies, and the nation in general. It is noteworthy at this junction that the ICSs perform similar financial roles like the conventional co-operatives societies with the exception that it forbids interest collection hence all its financial obligations are in line with Sha'ria and Islamic tenets. What these ICSs have been able to mop-up (mobilized) through their schemes is assumed to be the total assets of the societies. It is to be mentioned that while the sources of fund must be lawful, the area to which it is expended should also be lawful. The sources include, Savings, Fines and levies, Building fund, Sales of stationeries, Administrative fund, Funds for special projects, Investment fund, Net surplus, *Takaful*, *Zakat* and *Sadaqah* Scheme, etc.

2. Financial Performance Analysis of the ICSs

This section analyzed the performance of the ICSs as a proxy for their development. Three major checks were carried out, this include; members share capital in relation to the total assets of the ICSs, growth in savings rate and loan management of the societies, since its basic economic welfare goal is to bring succor to its members through granting of benevolent loan (*qard hassan*).

2.1. Members' Share of Capital as a Determinant of the Performance of ICSs

The first major yardstick for determining the performance of ICS in this paper is the share subscription of the members viz-a-viz the cooperative's to assets. It is so significant as it determines financial liquidity, size and returns on investment, volume of business profit and quality of assets of ICSs. It also serves as continuous collateral for granting loan to members. This is because shares are long term sources of finance and represent unit

of ownership in ICSs. Ratios of shares were computed using:

Ratio of members' share =

$$\frac{\text{Total Shares of Members}}{\text{Total Assets}} \times 100$$

Table 1: Ratio of Total Assets to Members Shares of Capital

	Al-Hayat Relief Foundation, Ogun State	MSSN Al-Amanah, Osun State	NACICA, Oyo State	H&B, Lagos State	Total
Total shares of members	374,081,148	32,343,011	11,915,200	18,520,561	436,859,920
Total Assets	11,603,613,339	1,183,430,110	407,012,889	754,338,013	13,948,394,351
Total Share/Assets Ratio	3%	3%	3%	2.5%	3%

Author's Computation, 2019

Results of members' shares indicated that the ICSs maintain capital ratios with H&B maintaining the lowest possible value of 2.5%. Other had 3%, which forms the average share to asset ratio, this value is adjudged to be a good indicator of financial performance. ICSs in the south western part of Nigeria had an optimum working capital that enabled them to operate smoothly and successfully which was an indication of good financial performance. In a similar study, Joseph (2014) as cited by Goodluck A. Mmari1 & Lebitso C. Thinyane (2019) noted that if an enterprise has an adequate working capital, it will be able to carry on its affairs without any financial stringency. It will also be able to cover losses and unforeseen emergencies without creating any disaster.

2.2. Growth in Savings Volume for the ICSs

The second indicator that used to determine financial performance of ICSs is growth of volume of savings. This is very important because, according to Goodluck & Lebisto (2019) it is the basket where they can draw funds for the purpose of providing benevolent loans (*qardu hassan*) to their members. Savings is an integral part of the development yardstick for the ICSs resource mobilization efforts. It also affects the amount of loan an individual member of ICSs can access. Every loanee is entitled to twice of his savings. Therefore, growth in savings of an individual member determines financial capacity of each member as well as the whole group.

The overall examined sources were summed up for the four ICSs to measure the ratio of volume of savings. Growth of volumes of savings in the study area was computed using the equation
 Growth in Savings =

$$\frac{TS_t - TS_{t-i}}{S \cdot TS_{t-i}} \times 100$$

Where: TS_t = Total Savings for the Current Year and TS_{t-i} = Total Savings for Previous Year

Table 2: Savings Growth of the ICSs

Name of ICS	TS _t (₦'000)	TS _{t-i} (₦'000)	Rate of Growth in Savings (%)
Al-Hayat Relief Foundation, Ogun	474,081,255	255,786,000	85%
MSSN Al-Amanah, Osun	176,916,708	117,407,891	51%
NACICASS, Oyo	59,093,002	51,921,665	14%
H&B, Lagos	68,605,233	34,336,110	100%
Total	778,696,198	459,451,666	69%

Source: Author's Computation, 2019

The table presented the savings growth of the ICSs, the overall growth rate for the savings which serves as a means through which the ICSs were able to fund loans advancement to members indicated an average growth rate of 69%. This implies that members increased their savings rate by 69% over the previous year's saving volume. It is a good indication of resource mobilization for all the ICSs in the study area, hence, they encouraged members to save more over the previous year's saving. Individual ICS's position showed that H&B, Al-Hayat, MSSN Al-Amanah mobilized more funds in the current year over and above the previous year to the tune of 100%, 85% and 51% respectively while NACICASS recorded lowest saving mobilization for the current year, this was partly attributed to their ongoing special fund mobilization towards the actualization of the establishment of Baytul Mal Microfinance Bank.

2.3. Loan Default Ratio

The third indicator that was used to assess financial performance of the ICSs in the study area is loan default. It debars other members from having access to loan. Running after debtors attracts stressful efforts and additional cost to the loan management and has serious negative effect on financial performance of any cooperative society. As an interest-free cooperative society, we measure and monitor the extent of non-payment or defaults happening in a loan portfolio. If the ratio is high, it usually affects all other key areas of the ICSs and hence the reasons for being assessed. Loan default in this wise was computed thus:

Loan Default Ratio =

**Total Loan Default X 100
 Total Loan Portfolio**

Globally, healthy situation in loan portfolio for Cooperative societies according to World Council of Credit (WOCCU) (2009) as quoted by Goodluck & Lebisto (2019), default ratio should not exceed 5%. From the table presented below, it shows that ICSs in the study area managed to control loan default to less than 0.55%.

Table 3. Performance of ICSs in terms of loan default

Year	Loan Default (LD)	Total Loans (TL)	LD/TD
Al-Hayat Relief Foundation, Ogun	35,915,896	1,201,716,001	3%
MSSN Al-Amanah, Osun	9,240,506	344,786,011	3%
NACICASS, Oyo	2,782,022	113,118,830	2%
H&B, Lagos	3,170,590	169,088,336	2%
Total	51,109,014	1,828,709,178	3%

Author's Computation, 2019

Note: LD = Loan Default; TL = Total Loans

Further investigation from the key informants concerning factors behind this achievement revealed that all the members of ICSs in the study area have a common characteristic, which is Islam that encourages repayment of debt, i.e. it reduces the chances of loan default and delinquencies. The results of this analysis show that ICSs in the study area were experiencing good performance in terms of loan repayment.

Conclusion

The availability and mobilization of resources (finance) is sine qua non for real social and economic emancipation and, hence, national development. Genuine economic development can only be achieved if resources are efficiently mobilized and transformed into productive activities. The development of an efficient financial system in providing the vital link between savings and investment is thus important. Islamic Cooperative Society (ICS) is made up of group of people (members) who come together with the purpose of providing financial service and other welfare schemes, in line with Sha'ria jurisprudence. The ICSs perform similar financial roles like the conventional co-operatives societies with the exception that it forbids interest (riba) bearing instrument either from or to its members and that the sources of fund must be lawful, the area to which it is expended should also be lawful.

The researcher explored all the avenues via which the ICSs mobilized funds such as: Savings, Fines and levies, Building fund, Sales of stationeries, Administrative fund, Funds for special projects, Investment fund, Net surplus, *Takaful*, *Zakat* and *Sadaqah*, etc.

The result of the performance of the ICSs in the study area revealed that the ICSs maintained an optimum working capital which enabled them to operate smoothly. That is, they managed their members' share capital efficiently. Fund mobilization in the forms of Total savings growth showed that there was an increase in the savings rate over the previous year's savings. It was also found that performance of ICSs in terms of member's loan repayment default or non-repayment was optimum. This is because the level of loan default measured by the bad debt for the period of study did not exceed 3% of the total loan. The overall explanation to this analysis is that ICSs members' funds are well mobilized, managed and utilized.

The study noted that the majority of the examined Islamic cooperative societies based their funds mobilization sources on the conventional cooperatives with the exemption of Al-Hayat Relief Foundation which had an additional source such as *Takaful*, *Zakat* and *Sadaqah*.

Recommendations

It is therefore recommended that Islamic Cooperatives Societies in the study area should further explore additional means of funds mobilization such as *Waqf*, *Sukuk*, etc to further achieve its full socio-economic development potentials and welfare delivery to its members and the nation in general. In addition, all the ICSs should come together under an umbrella for cross fertilization of ideas as well as bridging the gap of financial isolations

Documentation and proper financial record keeping is also essential for development of the ICSs as Islam requires the Muslims to keep adequate record of financial transactions among themselves (Qur'an 2 verse 282).

Government should provide regulation mechanism for the operations of ICSs so as to compliment the fund mobilization efforts of the ICSs.

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