

## A Comparative Analysis of the Programmes and Operations of Non-Formal Islamic Micro-Finance Institutions in Ogun State, Nigeria

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Vol.2, Issue 2 | July 2019

### KEYWORDS

Non-Formal Islamic  
Microfinance, Al-Hayat  
Relief Foundation, As-  
Salam Development  
Foundation, Ogun State,  
Nigeria

### ABSTRACT

This paper examined the programmes and operations of non-formal Islamic microfinance organisations in Ogun State, Nigeria, *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation. It investigated how the two organisations have fared in improving the standards of living of Muslims in the State. The paper also highlighted the areas where and how the two organisations could collaborate for greater improvements. Data were collected through participant observations and interview with Management Boards of the two organisations. Findings revealed that the maximum amount loanable in *Al-Hayat* Relief Foundation is ₦1,000,000.00, while it is ₦2,500,000.00 in *As-Salam* Development Foundation. Although a special interest-free loan of ₦20,000.00 is operated by *Al-Hayat* Relief Foundation alone to assist the poorest members of the Foundation commence micro-business. Also, *Ṣadaqah* has been fully institutionalised in both Foundations with method of collection, mode of disbursement, fund utilisation, target beneficiaries, assessment/feedback mechanisms constituting the differences between them. Findings further indicated that micro-*takāful* (micro-Islamic insurance) programme is operated by *Al-Hayat* Relief Foundation alone. *As-Salam* Development Foundation promoted economic empowerment through procurement of tricycles (popularly called *Keke Napep*) for members and non-members using the *murābahah* financing model, while the establishment of a unit microfinance bank, *Al-Hayat* Microfinance Bank Limited, by *Al-Hayat* Relief Foundation, is unparalleled. The paper concludes that both organisations could be veritable platforms for stimulating sustainable economic growth and development among Muslims in Nigeria. In order to achieve this, the study recommended strong organisational partnership and collaboration in order to further promote financial inclusion at the informal sector in the State.

### Introduction

There are pragmatic attempts in many parts of the world at islamising the financial industry. This is because Islamic finance has evolved to complement the conventional financial institutions. The

conventional financial system is still characterised by many legal and supervisory frameworks, regulations and instruments, which are only not lawful according to the *sharī'ah*, but also harm the social and economic fabrics of many societies because of the presence of the three main *sharī'ah* prohibitions-*ribā* (interest/usury), *maysir* (gambling) and *gharar* (excessive speculation). These prohibitions, according to Oyesanya (2013), are a result of Islam's concern for the moral, social and economic welfare of humanity. While there is an upsurge of volumes of materials on the islamisation of the formal financial industry through huge investments in banking, insurance and capital market, among others, little works exist on the non-formal Islamic microfinance system in this part of the world, especially those of Oyesanya (2013) and Ajani-Murtala (2016); hence, the justification for this study.

It is indisputable that fundamental elements of the conventional microfinance institutions are still embedded in Islamic microfinance system. Both, according to Obaidullah and Khan (2008), focus on developmental and social goals and advocate financial inclusion, entrepreneurship, partnership and participation of the poor. Sources of funds, however, constitute the fundamental differentiator between Islamic microfinance institutions (IMFIs) and conventional microfinance institutions (MFIs). The latter's sources for funds come mainly from foreign donors (both multilateral and national agencies), governments and the central bank. The former could get funds from religious institutions such as *waqf* (religious endowment), *zakāt* (religious tax), and other forms of charities.

Institutions and organisations that provide non-formal and informal credit and savings services, however, have been greatly supported in recent times by governments, international development organisations, non-governmental organisations and grassroots bodies as ways of empowering the most vulnerable sections of the society. The emergence and proliferation of these groups otherwise referred to as non-governmental organisations (NGOs) in Nigeria generally and Ogun State in particular indicates their relative successes in different parts of the world, especially the South Asia, Europe and the Americas (Oyesanya, 2013).

This paper examines the programmes and operations of non-formal Islamic microfinance organisations in Ogun State, *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation. The objective is to appraise Islam's general contributions to socio-economic development in the study area, while at the same time, investigate which of the two organisations has fared better in improving the standards of living among the Muslim populace, as well as areas where they could network or collaborate to further improve the standard of living of Muslims within the areas of their operation.

## Literature Review

### Concept of Islamic Microfinance

Islamic microfinance is conceptualised as the provision of micro-financial services, which are based on and governed by Islamic financial principles of prohibition of interest, avoidance of excessive speculation and promotion of profit and loss sharing among contracting parties (Allen & Overy, 2008). This definition clearly shows that Islamic microfinance is the provision of *sharī'ah*-compliant micro-financial products, such as micro-credits, micro-savings, fund transfers, micro-*takāful* (micro-insurance), etc. to the poor and the poorest segments of the society which have been financially excluded. The definition further implies that the maximisation of social benefits is the main objective of this form of microfinance. This is against the backdrop that the ethical values of Islam and the social goal of microfinance, i.e. financial inclusion led to the emergence of the practice of Islamic microfinance (Sanni, 2009).

Islamic microfinance constitutes a form of finance that represents unconventional but an effective solution to financial needs of the socially and financially excluded. It focuses on activities that lack sufficient capital, but promote sustainable economic growth and development in any society. As Dhumale and Sapcanin (1999) cited in Oyesanya (2013), argue, Islamic banking and microcredit programmes may complement each other in both ideological and practical terms.

The basis for Islamic microfinance programmes and operations, however, has been traditionally located in two *Hadīths* that clearly describe Islam's multi-dimensional approach to poverty alleviation. The Prophet (SAAS) is reported to have said thus:

Narrated Ubayddullah *bn* Adl *bn* al-Khiyar: two men informed me that they went to the Prophet (SAAS) when he was at the Farewell Pilgrimage while he was distributing the *ṣadaqah* and asked him for some of it. He (the Prophet (SAAS)) looked us up and down, and seeing that we were robust, he said: "if you wish, I shall give you something, but there is nothing spare in it for a rich man or for one who is strong and able to earn a living" (Abū Dāwūd, Book 9, Ḥadīth 1629).

The second *hadīth* that underscores the essence of Islamic microfinance programme, broken down into a number of statements as to highlight the key principles, is given below:

Narrated Anas *bn* Mālik: a man of the *Ansār* came to the Prophet (SAAS) and begged from him (1). He (the Prophet (SAAS)) asked: Have you nothing in your house? He replied: Yes, a piece of cloth, a part of which we wear and a part of which we spread (on the ground), and a wooden bowl from which we drink water (2). He (the Prophet (SAAS)) said: Bring them to me. He then brought these articles to him and he (the Prophet (SAAS)) took them in his hands and asked: Who will buy these? A man said: I shall buy them for one dirham. He said twice or three times: Who will offer more than on dirham. A man said: I shall buy them for two dirhams (3). He gave these to him and took the two dirhams, and giving them to the *Ansārī*, he said: Buy food with one and hand it over to your family, and buy an axe and bring it to me (4). He then brought it to the Prophet (SAAS). The Apostle of Allah (SAAS) fixed a handle on it with his own hands (5), and said: Go, gather firewood and sell it and do not let me see you for a fortnight (6). The man went away, gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment with some of them and food with the others (7). The Apostle of Allah (SAAS) said: This is better for you than that begging should come as a spot on your face on the Day of Judgment (Al-Bukhārī).

The components of this latter *hadīth* could be seen to underscore the fundamental conditions for a successful microfinance programme. Access of the poorest among the poor to the programme; careful assessment of the financial health of the poor (enquiry blended with empathy, insistence on contribution and beneficiary stake); transformation of the unproductive assets of the poor (beneficiaries) into income-generating ones through rigorous valuation (on the basis of price discovery through auction method); involvement of the larger community in the processes; meeting the basic needs on a priority basis and investment of the surplus in a productive asset; direct investment of the programme in capacity building in a run-up to income-generation and technical assistance to the beneficiaries; commitment of the top management of the programme; technical assistance in the form of imparting requisite training to the beneficiaries for carrying out the business plan/income-generating project; monitoring through time-bound schedule and impact assessment through a feed-back mechanism; and transparent accounting of operational results and liberty to use part of the results of income to meet higher needs (Obaidullah & Khan, 2008).

Three models for Islamic microfinance institutions have been identified in literature. They are Mission (charity)-based Non-Profit model, Market-based for-Profit model and Composite model. The charity-based model involves mechanisms such as *zakāt*, *sadaqah*, *waqf* (endowment), *qarḍ hasan* (benevolent loan), *hibah* (gift/grant), *infāq* (charitable spending), etc. The Market-based model encompasses targeting the economically active poor through the provision of products like micro-savings, micro-credit, micro-leasing, micro-equity, etc. while the Composite model is the combination of the two, market-based and charity-based (Obaidullah, 2008).

According to Sanni (2009), this model is succinctly described in terms of eleven activities. These activities suggest that Islamic microfinance institutions create a *zakāt* fund with contributions from *muzakkī* (*zakāt* payer); programme facilitates *waqf* of physical assets as well as monetary assets. The physical assets are used to facilitate education and skill training. The monetary assets may be in form of cash *waqf* or ordinary *sadaqah*; programme carefully identifies the poorest of the poor and the destitute who are economically inactive and directs a part of *zakāt* towards meeting their basic necessities as grant, seeks to provide a safety net; programme provides skill training to economically inactive, utilising community-held physical assets under *waqf*; beneficiaries graduate with improved skills and managerial acumen; beneficiaries are formed into groups with mutual guarantee under the concept of *kafālah* (mutual guaranteeing); financing is provided on the basis of *qarḍ hasan* to the group and also to individuals backed by guarantee under the concept of *kafālah*; group members pay back and in turn, are provided higher levels of financing; additional guarantee against default by the group is provided by *zakāt* fund and actual defaulting accounts are paid off with *zakāt* funds; group members are encouraged to save under appropriate micro-savings schemes; and group members are encouraged to form a *Takāful* fund to provide micro-insurance against unforeseen risks and uncertainties resulting in loss of livelihood, sickness and so on (Sanni, 2009, pp.27-28).

### Methodology

This research is a descriptive survey type. The descriptive survey method is considered most suitable to elicit necessary information about the organisations in the study through participant observation and interview with selected Management Boards' members of the organisations. Thus, internal documents, especially annual financial reports and audited accounts of the organisations obtained in the course of this research as well as observation and interview provided primary data while secondary sources were also consulted for the

conceptualisation of Islamic microfinance. Qualitative content analysis was done to ascertain the correctness of the data gathered and determine the effects of the programmes of the organisation, their challenges and ways of improving.

### **Programmes and Operations of *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation**

This sub-section explains the programmes and operations of *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation.

#### **A. *Al-Hayat* Relief Foundation**

*Al-Hayat* Relief Foundation, whose national secretariat is situated at No33, Old Ondo/Benin Road, Obalende, Ijebu-Ode, Ogun State, is designed to be a relief organisation to the Muslim *Ummah* in Nigeria, using the principles of trust, probability and economic justice (Adepoju, 2011). The establishment of the foundation, an incorporated organisation with registration number CAC/IT/18559, dates back to Saturday 15th of March, 1997 in Ijebu-Ode, Ogun State. It evolved consequent upon *da'wah* activities of Alhaji (now Dr.) Asif Olatunbosun Azeez and his research on the factors responsible for the Muslims turning their deaf ears to the prohibition of *ribā* (Azeez & Salako, 2007). The inaugural meeting of the foundation was held with six members, Mr. (now Dr.) T.A. Salako, Mr. (now late Dr.) R.I. Adepoju, Mr. (now Dr.) A.O. Azeez, Mr. Alimi Habeebullah, Mrs. Basirat Abiola Salako and Mrs. Mushrafat Omowunmi Azeez at No 3, Agbojo Street, off Oludiya, Ondo Road, Ijebu-Ode. It was in that meeting that the name "*Al-Hayat* Relief Group" with the motto "*As-Sidq Amanat*" (Truth is Trust) was unanimously agreed upon and adopted. The name was later changed to *Al-Hayat* Relief Foundation during the process of registering the organisation with the Corporate Affairs Commission, Abuja. The main objectives of the foundation as enunciated by Salako (2009) are:

1. championing the course of Islamic economic system;
2. giving out financial relief to registered members on interest-free basis;
3. carrying out welfare services on members;
4. carrying out different schemes beneficial to members;
5. observing the pillars of Islam; and propagating the religion of Islam through *da'wah* and financial assistance to the needy.

With the high increase in its membership, the Foundation saw the need to establish branches; and the first branch at Idomowo was inaugurated in 2003. The number of branches of the Foundation, as at the time of this research, is eighty-two (82) with membership strength of more than sixteen thousand cutting across Ogun, Lagos, Osun, Oyo, Ondo and Kwara states of the federation.

#### **An Overview of Programmes and Operations of *Al-Hayat* Relief Foundation**

This sub-section analyses the operations of the various schemes of *Al-Hayat* Relief Foundation.

##### **i. Interest-Free Loan Scheme**

This scheme entails giving out loans to registered members on interest-free basis for productive uses. The credit facility ranges between fifty thousand naira (₦50,000) and one million naira (₦1,000,000). However, some criteria are attached to this scheme. Azeez and Salako (2007) maintain that (i) registered members must be regular and punctual at monthly meetings; (ii) have minimum membership stay of six months and (iii) have a share unit of two thousand five hundred. Repayment of loan(s) usually covers a period of twenty (20) and thirty (30) months. However, it is noteworthy that members are given double of what they have in their savings account.

##### **ii. Self-Development Scheme**

This scheme is designed primarily to help the poorest of the poor kick-start a petty business/trade. The programme has two basic imperatives- helping members take care of some urgent needs and assisting the poorest of the poor members take off with small business. However, some conditions, which reflect under the normal interest-free loan scheme, are also attached to this scheme. Azeez and Salako (2007) maintain that (i) registered members must be regular and punctual at monthly meetings; (ii) have minimum membership stay of six months and (iii) have a share unit of two thousand five hundred. It is imperative to note that, according to Adepoju (2012), this scheme was meant to be collateral-free credit facility, but expediency and exigency made the foundation to attach these conditions. Repayment of loan is usually ten (10) months.

##### **iii. (*Takāful*) Insurance Scheme**

The Foundation operates a five-year compulsory Group Life Insurance Policy. The scheme is centrally administered by the National *Takāful* Committee of the National Executive Council of the foundation. It covers death. Every member pays premium of one thousand naira annually and twenty thousand naira

(₦20,000) is earmarked for indemnity for the first year, thirty thousand naira (₦30,000) the second year, forty thousand naira (₦40,000) the third year, fifty thousand naira (₦50,000) the fourth year and sixty thousand naira (₦60,000) the fifth year (Adepoju, 2012). He notes further that the scheme will be terminated after the fifth year before the commencement of another one. It is important to state that the premiums generated from this scheme are invested in *Halāl*-based investments to guarantee the payment of indemnity(ies) to deserving members. The need to float such an institution has been stressed by contemporary Islamic financial analysts- Fisher and Taylor (2000), Ismail (2000), Hafiz (2004) and Patel (2008).

#### iv. Children School Fee Scheme

The Foundation operates this scheme among its members. The members are encouraged to save monthly (as target savings) any convenient amount towards the first term resumption of their ward(s) or child(ren) (Azeez & Salako, 2007).

#### v. *Ileya* Scheme

The organisation operates an *Ileya* target savings scheme to enable members prepare for *'idal-Adha* expenses without much stress. This programme, however, has two components. The first is that members save and have access to their savings and additional loan grant during *Ileya* period. The second component entails the foundation buying rams, sheep or cows (which are objects of celebration during *Ileya*) for members after which they will repay once the festivities of *Ileya* are over. In addition, the scheme provides other items such as groundnut oil, rice, chickens, and other consumables solely for *Ileya* festival. The two components, it must be noted, do not attract interest.

#### vi. *Zakāt* and *Sadaqah* Scheme

The Foundation also operates *zakāt* and *sadaqah* scheme which is coordinated by the National Executive Council through its National Executive Committee on *Zakāt* and *Sadaqah*. This scheme, which was introduced during the 2007/2008 financial year, has as its fundamental objective establishment of a virile and sustainable institution of *zakāt* and *sadaqah* which would be a model for the world (Zakat and Sadaqah Committee, 2008). The scheme, however, has two components; collection and distribution of *zakāt* and *sadaqah* to deserving Muslims (members and non-members) and annual *iftār* for the rural dwellers. It is noteworthy that the accruals of this scheme are shared between the National Executive Council and Branch Executive Committees at ratio 40:60.

#### vii. Business/Investment Scheme

*Al-Hayat* Relief Foundation thrives on business/investment right from its inception. The business policy of the foundation is based on the Islamic basic channels of *Mushārahah* (Equity Partnership), *Mudārahah* (Capital Trust), *Murābahah* (Cost-plus Sale), etc. *Mushārahah* is an active partnership where partners are financiers of the business and therefore share from profits or loss of the transactions. *Mudārahah* is also a partnership type where a partner/some partners is/are the financier(s) and the other partner(s) entrepreneur(s). *Murābahah* is a less risky partnership model where purchases are made by one partner to the other, with the understanding that the other partner pays later, the cost of the item and a fixed but negotiable profit. The foundation, it must be noted, has hugely invested in this latter business model. The accruals from these businesses are shared between parties (members and the Foundation) on proportionally agreed ratios (Azeez & Salako, 2007). However, the society had consolidated its investment potentials by registering its business units-*Al-Hayat* Golden Heritage Ventures and *Al-Hayat* Golden Heritage Limited under the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2004. Therefore, sachet water factory, *Al-Hayat* rental services, *Al-Hayat* Golden Estate and *Al-Hayat* Microfinance Bank Limited are subsidiaries of the business unit of the foundation.

#### B. *As-Salam* Development Foundation

The organisation, *As-Salam* Development Foundation with registration number CAC/IT/27658, emerged from the scheme, *As-Salam* Multipurpose Loan and Savings Scheme (*As-Salam* Development Foundation's Secretariat Report, 2012). It is aimed at reducing poverty and promoting economic empowerment of the Muslim populace in Nigeria through microfinancing policies and programmes. The organisation was established on the 15th of September, 1999. The idea to float this interest-free microfinance organisation was mooted by Mr. (now Dr.) Jimoh W. Owoyele and was embraced by the duo, Mr. Manzoor Apenna Lawal and Mr. Ibrahim Aderogba Mayale-Eke. This was necessitated by the lack of financial resources and strong aversion to the interest-based credit facilities promoted by conventional banks. The initiative was also introduced to their wives, Mrs Fawziyyah O. Lawal, Mrs Idayah Mayale-Eke and Mrs Shakirah Owoyele and Mr. Ahmad Abdullahi (Al-Fatia), Mubarak Anafi and Tajudeen Owodunni. These personalities, according to the 2009/2010 Secretariat Report of the Foundation, are the founding members.

The vision of the Foundation, is to become the frontier for engendering non-interest cash-flow and

fund accessibility among members in order to partake in nation-building, as well as, ensuring members' economic freedom and the larger public. The national secretariat of this organization is located at 13B, Bonojo Street, Ijebu-Ode, Ogun State. The main objectives of the Foundation as contained in the 2009/2010 Secretariat Report are to foster the development of Islamic economic and social values; to foster unity and cooperation of members in the spirit of Islamic brotherhood; to consolidate the practice of Islamic microfinancing; and to render other humanitarian and selfless services to members and the Muslim community at large. These objectives are further broadened in the Foundation's constitution thus:

1. to empower members with economic-based products at very affordable prices;
2. to loan members diverse funds for developmental purposes on interest-free basis; and
3. to initiate and implement diverse schemes beneficial to members (p.2).

With increase in membership, the Foundation felt the need to establish branches, and the first branch was Idepo/Idiaba inaugurated in 2009. At the time of this study, the Foundation has eleven branches, in Ogun and Lagos States, with membership strength of over eight hundred.

### **An Overview of Programmes and Operations of As-Salam Development Foundation**

This sub-section analyses the operations of the various schemes of *As-Salam* Development Foundation.

#### **i. Interest-Free Loan Scheme**

The Foundation operates an interest-free loan scheme, which entails giving out loans to registered members on interest-free basis for productive uses. This credit facility ranges between fifty thousand naira (₦50,000) and two million five hundred thousand naira (₦2,500,000). However, some criteria are attached to this scheme. The Foundation's By-law shows that (i) registered members must be regular and punctual at monthly meetings; (ii) have minimum membership stay of six months; (iii) have a share unit of two thousand five hundred (₦2,500); save for six consecutive months; and avoid lumping (lodging a large sum of money in savings account at a stretch) in his/her savings. Repayment of loan(s) usually covers a period of fifteen (15) months. It is noteworthy that the Foundation attaches prominence to monthly savings, which often attracts penalty/fine for failure to fulfil. However, members are given double of what they have in their savings account.

#### **ii. Long Term Investment Scheme**

This programme entails compulsory subscription of five thousand-naira (₦5,000) minimum for a long-term savings. The scheme is a five-year investment plan. The funds, however, are managed by the National Executive Council through a standing committee, Long-Term Investment Committee. These funds are invested in *halāl*-based businesses.

#### **iii. Zakāt and Sadaqah Scheme**

The Foundation also operates *zakāt* and *sadaqah* scheme which is coordinated by the National Executive Council through its *Zakāt* and *Sadaqah* Committee. This scheme, which was introduced during the 2009/2010 financial year, has as its primary objective, the re-invigoration of sustainable institution of *zakāt* and *sadaqah* which would be used to carry out its humanitarian and selfless programmes for members and non-members in an attempt at poverty alleviation.

#### **iv. Target Savings Scheme**

The organisation operates a target savings scheme for important capital projects and economic empowerment of its members. This scheme is centrally administered by the National Executive Council through its National Business Committee. However, some conditions are attached to this scheme. They include (i) intending member of the target savings scheme must have spent six months in the Foundation; (ii) he/she must specify what he/she wants to use the target savings for at the time of application; (iii) he/she must also state the amount he/she wants to target; (iv) he/she must save for the scheme for seven consecutive months and give two months' notice to the business committee before he/she will be entitled to the target savings benefit(s); (v) his/her contribution(s) to the target savings be given to him/her after the two months' notice; (vi) he/she will repay the added amount to his/her contribution(s) in five installments without profit rate; (vii) a member seeking target savings must have robust shares and savings in his/her main account with the foundation; (viii) his/her attendance at meetings must be satisfactory; and (ix) the maximum target shall be one million naira only (₦1,000,000:00).

#### **v. Ileya Scheme**

The organisation operates an *Ileya* target savings scheme to enable its members prepare for '*idal-Adhā* expenses without much stress. This programme, however, has two components. The first is that members save and have access to their savings during *Ileya* period. The second component entails the foundation buying rams, sheep or cows (which are objects of celebration during *Ileya*) for members after which they will re-pay once the *Ileya* festivities are over. The two components do not attract interest.

**vi. Poverty Alleviation (Transport) Scheme**

This *Murābahah*-based scheme entails purchasing *okada* (motorcycle), *kekeMufu* (tricycle) and commercial vehicles for members after they must have been subscribing to this scheme. The only difference between this scheme and target savings lies in the fact that the former does not attract profit, but the latter does. However, such profit rate is negotiable.

**vii. Business/Investment Scheme**

*As-Salam* Development Foundation relies majorly on business/investment since it does not receive or charge interest. The investment programme of the foundation is based on the Islamic basic channels of *Mushārahah* (Equity Partnership), *Mudārabah* (Capital Trust), *Murābahah* (Mark-up Sale), etc. *Mushārahah* is an active partnership where partners are the financiers of their business and therefore share from profits of loss results of the transactions. *Mudārabah* is also a partnership type where a partner/some partners is/are the financier(s) and the other partner(s) entrepreneur(s). *Murābahah* is a less risky partnership model where purchases are made by one partner to the other, with the understanding that the other partner pays later, the cost of the item and a fixed but negotiable profit. The foundation, it must be noted, has hugely invested in this asset-financing business model, *Murābahah*. The accruals from these businesses are shared between parties (members and the foundation) on proportionally agreed ratios. However, the society had boosted its investment potentials by registering its business unit-*As-Salam* Development Enterprise under the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2004.

**Comparative Analysis of Programmes and Operations of *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation**

Findings from interviews and observational techniques revealed that many programmes and operations run through *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation. The fact that the two organisations are located in the same geo-political zone of Ogun state, Ijebu, might be one of the reasons for this similarity. Programmes such as interest-free micro-credits, savings, shares, *Ileya* (*ʿid al-aḏḏha*) target savings, development levy, *zakāh* and *ṣadaqah*, business channels, among others, are embarked on by both organisations with slight differences in their operations and the approaches or models adopted, explanations of which are presented below.

A review of the interest-free loan administration suggests that the minimum and maximum loanable amount, conditions attached to such loans and the

maximum duration of repayment are the main differences between the two microfinance organisations. Investigations revealed further that while the minimum loanable amount in both organisations is concomitant with the minimum amount an applicant has in his/her savings, the maximum amount in *Al-Hayat* Relief Foundation is ₦1,000,000.00, while it is ₦2,500,000.00 in *As-Salam* Development Foundation. The duration of repayment of interest-free loan in *Al-Hayat* is twenty (20) months for an amount that is not greater than ₦200,000.00 and thirty (30) months for any amount that is above ₦200,000.00, whereas, the duration for repayment of any loanable amount in *As-Salam* is fifteen (15) months. Of equal importance also is the special interest-free loan of ₦20,000.00, self-development loan, which is operated in *Al-Hayat* Relief Foundation alone. The special loan is intended to assist the poorest members of the organisation to kick-start petty business activities and maximum repayment period is ten (10) months. Table 1A and 1B below give statistics of loans disbursed by these organisations in the last five years.

**Table 1A: Annual Loan Disbursement in *Al-Hayat* Relief Foundation**

S/N	Financial Year	Normal Loan In ₦	Self-Development Loan in ₦	Sub-Total in ₦
1	2017/2018	869,392,750.00	12,551,000.00	881,943,750.00
2	2016/2017	808,544,460.00	15,982,000.00	824,558,235.00
3	2015/2016	647,817,185.00	15,910,110.00	663,727,295.00
4	2014/2015	576,327,445.00	14,921,900.00	591,249,345.00
5	2013/2014	500,904,050.00	16,195,400.00	517,259,450.00

Source: Computed by the authors from the Annual Financial Statement of the Foundation 2013-2018

**Table 1B: Annual Loan Disbursement in *As-Salam* Development Foundation**

S/N	Financial Year	Loan in ₦	Sub-Total in ₦
1	2017/2018	72,646,543.24	
2	2016/2017	46,661,145.42	
3	2015/2016	31,975,707.78	
4	2014/2015	24,868,182.78	
5	2013/2014	16,665,900.00	

Source: Computed by the authors from Annual Financial Statement of the Foundation 2013-2018

Table 1A and 1B above present sets of loans that were disbursed by *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation between 2013 and 2018 financial years. It is evident from these tables that the former, *Al-Hayat*, is more financially vibrant than the latter, *As-Salam*. This difference might be attributed to the membership strength and

duration of repayment in *Al-Hayat* Relief Foundation. Although it could be argued that *As-Salam* Development Foundation is more flexible for it allows those wish to obtain a loan of more than a million naira. This flexibility is most likely to strengthen financial inclusion among its members and the larger Muslim populace.

Furthermore, a critical examination of the manuals of operations of the two organisations indicates that *takāful* (Islamic insurance) programme is operated by *Al-Hayat* Relief Foundation alone. The Foundation operates this five-year compulsory insurance policy to assist relatives of a member who may be deceased within this period. The scheme covers death only and is centrally administered by the National *Takāful* Committee, a committee of the National Executive Council of the Foundation. As earlier stated, every member contributes a premium of one thousand naira (₦1,000) annually and twenty thousand naira (₦20,000) is earmarked for indemnity for the first year, thirty thousand naira (₦30,000) the second year, forty thousand naira (₦40,000) the third year, fifty thousand naira (₦50,000) the fourth year and sixty thousand naira (₦60,000) the fifth year (Adepoju, 2012). Adepoju (2012) notes further that the scheme will be terminated after the fifth year before the commencement of another 5-year plan.

**Table 2: Takāful Funds in Al-Hayat Relief Foundation**

S/N	Financial Year	Takāful Premiums in ₦	Takāful Indemnity Paid in ₦
1	2017/2018	47,499,830.00	3,510,000.00
2	2016/2017	37,642,060.00	2,480,000.00
3	2015/2016	25,597,560.00	1,340,000.00
4	2014/2015	15,926,560.00	760,000.00
5	2013/2014	7,256,660.00	280,000.00

Source: Compiled by the authors from the Annual Financial Accounts of the Foundation 2013-2018

Table 2 above shows the statistical breakdown of the all premiums (mutual contributions) made by the members of *Al-Hayat* Relief Foundation between 2013/2014 and 2017/2018 financial years. At the end of the 2<sup>nd</sup> phase (of five years) of the scheme in 2017/2018 financial, available records revealed that one hundred and twelve members died and indemnities of the sum of eight million, three hundred and seventy thousand naira only (₦8,370,000.00) were paid to the relations of these deceased members within the period under review.

In addition, the two bodies operate a number of target savings programmes ranging from children’s school scheme, *Ileya* savings, *Hajj* and *Umrah*, etc. A critique of these schemes indicates that there is no difference in them as they are meant to cater for

special needs of members, who have chosen to subscribe to the scheme for special purposes. Once those purposes have been met, the schemes are terminated with a view to commencing another round. This set of programmes could be likened to the fixed deposit products operated by conventional financial institutions. It is imperative to state that *Al-Hayat* Relief Foundation has suspended the *Hajj* and *Umrah* scheme after recording losses in three consecutive years, while *As-Salam* Development Foundation is yet to commence the *Hajj* and *Umrah* scheme.

*Zakat* and *Ṣadaqah* programme features prominently as one of the cardinal schemes of both Foundation. While the institution of *Zakat* has not been adequately embraced by members of these organisations owing to the general assumption that they have not been able to meet the conditions for the payment of *Zakat* as prescribed by *Sharī’ah*, *Ṣadaqah*, on the other hand, has been fully institutionalised in the two Foundations. The method of collection, mode of disbursement, fund utilisation, target beneficiaries, assessment/feedback mechanisms for the effective and efficient administration of the programme are some of the differences that characterise the two organisations.

**Table 3: Collection and Disbursement of Ṣadaqah Funds in Al-Hayat Relief Foundation**

S/N	Financial Year	Ṣadaqah Funds in ₦	Ṣadaqah Funds 0.05% of Business Profit in ₦	Sub-Total in ₦	Ṣadaqah Disbursed in ₦
1	2017/2018	3,503,760.00	900,900.49	4,404,660.49	Not Available
2	2016/2017	3,186,797.90	877,333.89	4,064,131.79	Not Available
3	2015/2016	2,494,054.00	885,065.09	3,379,119.09	Not Available
4	2014/2015	1,799,422.00	811,818.76	2,611,240.76	Not Available
5	2013/2014	1,068,884.00	-	1,068,884.00	Not Available

Source: Compiled by the authors from the Annual Financial Accounts of the Foundation 2013-2018

While the target beneficiaries of this scheme in *Al-Hayat* spread across the eight categories of people encapsulated in Q9:60, with much emphasis on members and non-members who have health, economic and educational challenges, *As-Salam*, according to the National President of the Foundation, Mr. Manzoor A. Lawal, does not have implementable policy guidelines on the utilisation of proceeds of the *Ṣadaqah*. In addition, *Al-Hayat* is utilising the proceeds from *Ṣadaqah* to carry out its corporate social responsibility (CSR), while also popularising the scheme through its annual *Iftar* programme. The *Iftar* programme has served as a catalyst for the revitalisation of socio-economic and religious obligations among the Muslims not only in Ogun State, but also the southwest region.



Of equal importance is the mechanism put in place to get feedbacks from beneficiaries of the *Şadaqah* scheme and the assessment of the fund utilisation in *Al-Hayat* that are non-existent in *As-Salam*. The reason for this might partly be attributed to the fact that *As-Salam* Development Foundation has not been making judicious use of the proceeds of *Şadaqah* as there is no single record of the utilisation of the fund at its national secretariat. Members of *As-Salam* have not also indicated that they had benefited from the scheme. Meanwhile, available records abound in *Al-Hayat* to suggest that a proportional higher percentage of the vulnerable members and non-members had benefited from the scheme.

*Al-Hayat* Relief Foundation, consequently, has an effective method of *Şadaqah* collection such that the contributions from members are channelled to a central pool from its various branches. The pool of funds is managed by the National Executive Council through a standing committee headed by its National Missionary. There is no such effective coordination in the collection of *Şadaqah* in *As-Salam* Development Foundation as the collection is tied to obtainment of loan; it is collected at the point of loan disbursement.

*As-Salam* Development Foundation has prided itself as an indispensable promoter of economic empowerment initiatives through procurement of tricycles (popularly called *Keke Napep*) for members and non-members using the *murābaħa* financing model. The beneficiaries are expected to pay back the capital and the mark-up profit in equal instalments on a mutually agreed upon period of time. This organisation has equally established a strong institutional partnership with the Ogun State government and the transport unions coordinating the operations of these tricycles in order to eliminate the bureaucratic bottlenecks and exploitative tendencies that are associated with daily ticketing in the sub-sector. *Al-Hayat* Relief Foundation, on the other hand, though indirectly invested in this kind of business through its branches' business committees using this same *murābaħa* financing model, but allow respective beneficiaries of the scheme to relate with designated government agencies and operators.

**Table 4A: Business Funds in *Al-Hayat* Relief Foundation**

S/N	Financial Year	Business Funds in ₦	Profit Generated in ₦
1	2017/2018	183,512,180.70	18,018,009.31
2	2016/2017	158,203,642.72	17,546,690.26
3	2015/2016	127,845,391.50	17,701,301.77
4	2014/2015	102,457,589.83	16,236,371.17
5	2013/2014	84,122,740.83	10,447,103.33

Source: Compiled by the authors from the Annual Financial Accounts of the Foundation 2013-2018

**Table 4B: Business Funds in *As-Salam* Development Foundation**

S/N	Financial Year	Business Funds in ₦	Profit Generated in ₦
1	2017/2018	8,758,862.00	893,830.34
2	2016/2017		
3	2015/2016		
4	2014/2015		
5	2013/2014		

Source: Compiled by the authors from the Annual Financial Accounts of the Foundation 2013-2018

Managing non-formal microfinance institutions like these requires that sound financial regulations and prudential mechanisms must be put in place in order to engender transparency and accountability in the operations. The two bodies, therefore, annually present their financial records to members of the organisations and the public. However, according to interviews conducted for the National Executive Council Officers and results of observations made, *Al-Hayat* Relief Foundation has a very robust and highly sophisticated accounting process that has continued to contribute to the prevention and detection of potential frauds among the accounting officers and general members of the Foundation. Although the submission and the presentation of accounts of various branches are centrally coordinated through the National Audit Committee, such accounts must have been systematically and painstakingly audited by the branches' internal auditors through the institutional supports of both the branch treasurers and the financial secretaries. It is instructive to note that all these accounting procedures are facilitated by a robust account software, which was developed by the National Audit Committee. The accounting process in *As-Salam* Development Foundation, however, is still characterised by the traditional method of manual computation with its debilitating effects on efficiency, effectiveness and total disclosures.

One other major programme that clearly distinguishes *Al-Hayat* Relief Foundation from *As-Salam* Development is the establishment of a unit microfinance bank, *Al-Hayat* Microfinance Bank Limited. The Microfinance Bank Limited was incorporated on the 27th of August, 2013 and commenced operations on the 3rd of February, 2014. The Bank with a Registration Company Number RC1137627 has been granted the operational approval/license by the Central Bank of Nigeria (CBN) to operate a Unit-Based Microfinance Bank in Ijebu-Ode Local Government Area of Ogun State, Nigeria. The Registered Address is No 22, Ibadan Road, Ijebu-Ode, Ogun State along the axis comparable to the popular Central Business District, Abuja. The Bank is the product of attempts to actualise the principles and frameworks of the

Islamic economic and financial system embodied in the activities of *Al-Hayat* Relief Foundation. The philosophy of this financial institution is rooted in the belief that economic growth and development needs be promoted and sustained through the financial inclusion of the active poor. While the total unaudited assets of the Bank as of November, 2018 were put at ₦260,184,005, the unaudited total liabilities were ₦233,528,883 within the same period (Raheem, 2018). The Bank's customer base is ten thousand, two hundred and sixty-nine within the period under review (Raheem, 2018). Table 5 below presents a statistical growth of this bank within four years of its existence:

**Table 5: Financial Position of Al-Hayat Microfinance Bank Limited**

Assets	Cash & Its Equivalent ₦	Loans & Advances to Customers ₦	Other Assets ₦	Investment ₦	Property & Equipment ₦	Total Assets ₦
Aug. 2018 Unaudited	64,018,854	155,742,819	13,137,503	23,000,000	4,284,829	260,184,005
2017	45,559,055	115,390,164	12,208,246	1,386,000	2,599,858	177,143,323
2016	65,443,680	83,492,119	4,815,871	1,434,990	3,253,740	158,440,400
2015	26,839,201	59,164,247	7,105,390	1,506,700	4,265,082	98,880,620
2014	35,770,250	32,288,123	7,892,768	---	5,436,774	81,387,915

Source: Raheem (2018, p. 15)

*As-Salam* Development Foundation, from all the available records, however, does not have such a formal microfinance bank initiative.

### Conclusion and Recommendations

This paper has undertaken a comparative study of the programmes and operations of non-formal Islamic microfinance institutions in Ogun State, *Al-Hayat* Relief Foundation and *As-Salam* Development Foundation. Theoretical and conceptual analyses of concept of microfinance system vis-à-vis the Islamic microfinance theory were presented. Similarly, the economic empowerment programmes of the two institutions in this study were critically examined. Furthermore, a detailed analysis of the similarities and the differences between the two organisations was presented. The paper concludes that, despite the relative short time of existence, the organisations have contributed tremendously to the social and economic growth of Ogun State, deepened and strengthened the critical informal sector where a vast majority of their members are found while at the same time, a sustainable financial inclusion in the light of *Shari'ah* among the Muslims has been greatly promoted. Going forward, this paper recommends the following:

1. A strong organisational partnership and collaboration needs to be established with a

view to further promoting financial inclusion at the informal sector: it is essential that Islamic financial institutions synergise to address common financial challenges and focus on poverty alleviation as organizations working to achieve the same or similar set objectives. This will further enable financial inclusion across level and enhance their potentials as poverty alleviation institutions;

2. It is expedient for the foundations/organisations to float an institution that shall be empowered and with definite manpower capacity for project identification and feasibility studies on some economically-viable projects to boost its investment drive;
3. There is the need to replicate this pragmatic initiative in other Muslim communities in Nigeria in order to economically empower members of the Muslim *Ummah*, while strengthening the financial inclusion programmes of the government;
4. Both organisations should redouble their efforts at keeping adequate records for research purposes and posterity;
5. While the cooperative insurance scheme should be replicated by *As-Salam* Development Foundation, *Al-Hayat* Relief Foundation should emulate the transport scheme of *As-Salam*;
6. While *Al-Hayat* Relief Foundation should develop a more robust and less complex accounting software, *As-Salam* Development Foundation should migrate to an automated accounting system;
7. Both organisations should synergise towards reducing the rate of double membership status of their members as there are strong indications members of these organisations have dual membership status; and
8. The two organisations should allow more Muslims to benefit from their different programmes in order to further promote financial inclusion among the Muslim populace in Nigeria.

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