

## **RE-DEFINING THE FEATURES AND CLASSIFICATIONS OF COOPERATIVES USING ISLAMIC COOPERATIVE'S PARAMETER**

**Aliyu Aliyu Imam\***

### **Abstract**

The Rochdale Principles of Cooperative, an English oriented theory propounded by Rochdale Pioneers, has albeit became the adopted principles for the establishment and operations of Cooperative societies. Rochdale principles determined the features of Cooperative societies while the various existing Cooperatives culminated into different types and classifications. This is notwithstanding the fact that, Cooperative societies originated from the cultural and traditional practices of various society. The cultural and traditional features of Cooperative are deemed to have been incorporated into the Rochdale Principles. However, with the re-introduction of Islamic finance, Islamic Cooperative inclusive, no attempt has so far been made to justify the existing classifications and features of Cooperatives as determined by the Rochdale principles, despite the addition of Islamic Cooperative societies. This research therefore, through doctrinal examination of literature, re-visit the features and classifications of Cooperatives by incorporating the features of Islamic Cooperatives and identifying the additional classification of Cooperatives in a different dimension. This is to bring Islamic Cooperative Societies into the same limelight with the existing principles of cooperatives.

**Keywords:** Rochdale Pioneers, Islamic Cooperative, Features, Classifications.

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\* LLB, LLM, BL, District Judge/Magistrate, Kwara State Judiciary, Ph.D Researcher, University of Ilorin, Ilorin-Nigeria. 08064151257, [aaimam2015@gmail.com](mailto:aaimam2015@gmail.com)

## 1. Introduction

Islamic cooperative is as old as human existence on earth. It developed intrinsically through human nature and needs. It started with human discovery that no creature is created self-sufficient, as there is reason to relate with one another in almost all facet of life, for sustenance, especially, in the area of socio-finance. This assertion is legally sanctioned from the Qur'ān where Allah specifically stated that: men are created unequally and some are placed above others so that they may interrelate by employing one another.<sup>1</sup> Cooperative financing emerged from the practice of community cooperation, social integration and societal help in Nigerian societies. Various cultural and indigenous group came together with the aim to achieve a collective objective within their community and the larger society through social integration. Human and societal development however bring about savings and contribution clubs, including credit societies. Other associations aiming to protect and achieve a collective objective also evolved with distinct names, until it became a thing of recognition during the colonial era.<sup>2</sup> It has since then, continue to exist and develop into different forms as they exist today.

It is without doubt that, the way of life of some culture and communities in Nigeria complies with Sharī'ah, even before the advent of colonialist. Notable among these places are Kanem-Borno Empire, the Sokoto Caliphate and other areas later known as Northern Nigeria. Other places like Iwo, Ikirun, Ede etc. are also notable in the southern part of the country.<sup>3</sup> It is therefore plausible to conclude that Sharī'ah also guides whatever form of Cooperative that exist in these communities, at a point in time. Consequently, it was expected that the Rochdale Principles, upon which the features of Cooperative societies is hung, take cognisance of the Sharī'ah-compliant Cooperatives, known as Islamic Cooperatives. Again, the types and classifications of Cooperatives did not incorporate the uniqueness of Islamic Cooperatives. This is even notwithstanding the re-emergence of the Islamic finance, which called for the renewed agitation for sharī'ah-

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<sup>1</sup> Surah Az-Zukhruf (43): 32.

<sup>2</sup> Ayedun C.A, et. al. 'Cooperative Societies, Housing Provision and Poverty Alleviation in Nigeria' *Covenant Journal of Research in the Built Environment* (2017) 5(1) p. 74.

<sup>3</sup> Gbadamosi TGO, *The Growth of Islam among the Yorubas 1841-1908* (Longman, London 1978) p. 3.

compliant and Ethical cooperative in various circle, which has indeed achieved the coming into being of Islamic Cooperative Societies in Nigeria.

It therefore become imperative to re-visit the features and classifications of Cooperatives, to align same with the reality of the existing regime of Cooperative societies in Nigeria. In achieving the above, this paper is segmented into five parts. Apart from this introduction, the historical development of Cooperatives and Background of Islamic Cooperative is highlighted in separate parts that follows. The classifications and features of Cooperatives is then assessed using Rochdale Principles before it concludes in the last segment.

## **2. Evolution of Co-Operative and Co-Operative Societies in Nigeria**

The antecedent of cooperative societies in Nigeria is an aged one. It begin with the existence of human being on earth.<sup>4</sup> Human being are created to have natural emotion toward family members, relations and allies. This emotion and friendly bond penetrate through the family and consequently make family members to support one another in all their endeavour. As the family extend and multiplies, the bond also spread across different facet of the units that later beget the lager society.<sup>5</sup> Medieval era witnessed the habit of doing things collectively by primitive being. They work, farm, fight wars and hunt together as the need arises. They collectively impacted positively on the community, as they achieve jointly what solitary effort could not have accomplished.<sup>6</sup>

The habit of collectivity does not only ceases in the aspect socio-cultural tie, but also extend to social financing and economy. Thus, farmers usually organise themselves into groups, to decide on how best

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<sup>4</sup> Yebisi E.T, 'The Nigerian Co-operative Societies Act, 2004: A Bridge Still Far', *Journal of Humanities and Social Science* (2014) (2) 2 p. 1; Imam A. A, *Non-Interest Cooperative Societies in Nigeria: Examining the Level of Shariah Compliance Using Al-Huddah Cooperative Society as a Case Study*, (Unpublished LL.M Thesis, Islamic Law Department, University of Ilorin 2019) p.1.

<sup>5</sup> Kareem R.O, et.al, 'The impact of cooperative society on capital formation: A case study of Temidire Cooperative and Thrift Society Ijebu Ode Ogun State Nigeria', *Global Journal of Science Frontier Research* (2012) 12(11) p. 19.

<sup>6</sup> Yebisi E.T, 'The Nigerian Co-operative Societies Act, 2004: A Bridge Still Far', 1.

farming can triumph in the season, to produce more food and enable profit making in batter trade. The hunters, fishers and traders also follow the same trend for mutual benefit through collective effort. The mode of financing this collaboration is through voluntary contributions and services volunteering. This continues through the period of batter trade before colonisation and the introduction of money cowry.<sup>7</sup>

At the peak of colonisation, social finance has emerged in all cultural settings that later culminated into Nigeria. Group thrift and contribution became the order of the day. Names like *ajo*, *esusu*, *aaro* and *owe* were used in Yoruba dominance. *Isisie-ego* and *utu ummuna-oha* were heard among the Igbos while *Gayya* and *adashe* were common in the Hausa's domain.<sup>8</sup> The major reason for the adoption of the above, is to instil the habit of saving and contribution on members and also cater for the welfare of members, by supporting the needy among them through loan when the need arises.<sup>9</sup> Cooperative then continue to emerge in different dimensions. The labour clubs, contribution clubs, indigenous and traditional farmers' societies and the weavers association etc. surfaced.<sup>10</sup> Agege Planters Union (APU) was notable as the first pseudo-cooperative marketing union as at 1907. The union target was to get rid of the middlemen in cocoa trade.<sup>11</sup> Although the colonial government initially opposed the Cooperative movement, persistence and perseverance made the cooperative to achieve its objective. This then invigorate more local unions and societies to crop up in form of cooperative movement.<sup>12</sup>

The Rochdale Principles of Cooperative was adopted by the Ministry of Agriculture during the colonial Government of Sir Graeme Thomas. Then, the Cocoa Producers' Cooperative of Agege Planters' Union and

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<sup>7</sup> See Philips G, *History of Cooperative Society in Nigeria*, < <http://www.peakng.com/history-of-cooperative-society-in-nigeria/>. > Accessed last November 21<sup>st</sup> 2024.

<sup>8</sup> Ayedun C.A, et. al. 'Cooperative Societies, Housing Provision and Poverty Alleviation in Nigeria' p. 74.

<sup>9</sup> *Ibid.*

<sup>10</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' *Global Journal of Social Sciences* (2014) 13 p. 2.

<sup>11</sup> Mammud Vincent Emhoedumhe, 'Repositioning Co-operative Societies in Nigerian Higher Institutions for Sustainable National Development' *Global Scientific Journal* (2019) 7(5) p. 464.

<sup>12</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' 12.

Egba Farmers' Union in the Cities of Abeokuta and Ibadan respectively were reorganised into Marketing Cooperative to drive the sale of their produce. The success of these Cooperatives was immediately replicated across Western Region of Nigeria.<sup>13</sup> The continuous wave the indigenous and traditional groups of co-operators made the colonialist mooted the idea of establishing modern cooperative movement in Nigeria. This idea started in 1933 when Sir C. K Strickland<sup>14</sup> was appointed to look into the possibility of introducing cooperative societies in the country. He had the mandate to study culture, geography and economic condition of the whole country, to propose a system of cooperative suitable for the country. After an elaborate consideration of the whole situations in all societies and the welfare of people, the report of the Strickland Committee which came out in 1934 recommended that, cooperative be established for various reasons.<sup>15</sup>

In this wise, the Strickland committee report which recommends establishment of Cooperative department was given considerable ratification with the passage into law of Cooperative Ordinance of 1935. The operation of the law saw Mr. E. F. Haigh to be appointed as the first Registrar of Cooperatives. By 1936, the Cooperative Thrift and Credit Societies (CTCS) was formed. This was then replicated throughout the Western and Eastern Region of Nigeria, as an alternative to managing household finances.<sup>16</sup> The promulgation of Cooperative Ordinance in 1935 also shifted the control of Cooperative from the Agricultural Department to the Registrar of Cooperative. The Registrar is by the Ordinance empowered to register any willing Cooperative, inspect and audit the account and activities of the existing cooperatives. The Registrar also have power to hold inquiries and settle disputes etc. arising out of Cooperative Societies operation. The Ordinance continued operation until regional government were created.

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<sup>13</sup> Chigozie Nwagbara 'Relevance of Cooperative Studies to the Nigerian Economy-A Legal Approach' *International Journal of Innovative, Legal and Political Studies* (2018) 6(2) p. 43.

<sup>14</sup> He as the former British Cooperative Registrar in India. See History of Cooperative Society in Nigeria <http://www.peakng.com> accessed last on November 21<sup>st</sup> 2024.

<sup>15</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' 21.

<sup>16</sup> Chigozie Nwagbara 'Relevance of Cooperative Studies to the Nigerian Economy-A Legal Approach' 44.

By 1952, each of the regions have her own Cooperative Department headed by different Registrars.<sup>17</sup>

Gbedun Cooperative Produce Marketing Society was the first Cooperative Society that registered under the then new dispensation. By 1940, other cooperative societies like Cooperative Produce and Marketing Union (CPMU) and the Cooperative Thrift and Credit Union (CTCU) which are secondary cooperative societies, established for the purpose of giving Advice, Loan, Grant etc. by the primary cooperatives, also emerged. This was basically because of the inability of the primary cooperative to access loan from commercial Banks. They were later properly designated as Cooperative Financing Agencies (CFAs) in the 1970s.<sup>18</sup>

The Cooperative Federation of Nigeria (CFN) was formed in 1945, but was formally registered under the auspices of Cooperative Societies Association (CSA), as the National Apex Organisation for the movement of the entire Cooperative in Nigeria. This then made all Cooperative Societies come under the umbrella of Cooperative Societies Association (CSA). Hence, the grant of cheap loans by these cooperatives, distribution of Stockfish and Tinned Milk gave rapid growth and geographical expansion of the existing Cooperatives to cover beyond the areas they previously existed. This was between the 1970s and 1980s.<sup>19</sup>

The development of cooperatives continued to progress as the favourable impact on members and the national economy became appreciable. Today, there is hardly any settings - be it local or formal - that does not have Cooperative Society to cater for their immediate needs. As a matter of fact, it was argued that, there is nearly proliferation of Cooperatives existing in all sector of the Nigerian economy. It started with the Contributions Clubs to Credit and Thrift

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<sup>17</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' 21-22; Imam A.A, *Non-Interest Cooperative Society in Nigeria: Examining the Level of Shariah Compliance Using Al-Huddah Cooperative Society as a Case Study* p. 32.

<sup>18</sup> Chigozie Nwagbara 'Relevance of Cooperative Studies to the Nigerian Economy- A Legal Approach' 44.

<sup>19</sup> Philips G, *History of Cooperative Society in Nigeria*, <http://www.peakng.com/history-of-cooperative-society-in-nigeria/>. Accessed November 21<sup>st</sup> 2024; Chigozie Nwagbara 'Relevance of Cooperative Studies to the Nigerian Economy- A Legal Approach' 44

Cooperatives before the Producers Cooperatives, Farming Cooperatives and Storage Cooperatives. The Consumer Cooperatives also sprung up and later the Trade Unions, Labour Associations, Transport Cooperatives, Marketing Cooperative, Housing Cooperative, Insurance Cooperative and Multipurpose Cooperative etc.<sup>20</sup> It is noted that, the various account of development of Cooperative in Nigeria left out imprints from the Northern Nigeria. This does not mean that Cooperative activities does not exist in the area, especially in the face of the discovery that, *gayya* and *adashe*, an offshoot of today's Rotation Savings and Contribution, were traditionally practiced. What may however accounted for this lacuna is their ignorable attitude towards modern writing, in the early days. There is therefore, dearth of literature on the accurate systematic development of Cooperatives in Nigeria, especially in the North.

Records has it that about 180 Cooperative Societies registered in the country at the end of 1943. A decade thereafter, the number rose to 500 excluding the unregistered local Cooperatives operating within the communities in various localities.<sup>21</sup> As at 2010, Nigeria has about 80,000 Cooperatives in 605 of all the 774 Local Government in Nigeria, with over 1.4 Million members across the country.<sup>22</sup> In 2023, over 30 million Nigerians is said to belong to various type of cooperative society or the other.<sup>23</sup> The historical account of cooperative development will not be totally complete without setting out the record of the counterpart Islamic Cooperative societies in Nigeria. The next section is devoted to the historical background of Islamic Cooperative Societies in Nigeria.

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<sup>20</sup> Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' 21-22; Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' 22.

<sup>21</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' 1.

<sup>22</sup> Ibid. 26

<sup>23</sup> Atuama E, 'Over 30 Million Nigerians belong to Cooperative Societies' available at: <https://nairametrics.com/2023/04/26/over-30-million-nigerians-belong-to-cooperative-societies/> accessed last on November 21<sup>st</sup> 2024.

### 3. Historical Background of Islamic Co-Operative Societies in Nigeria

Cooperative and human existence on earth have common bearing. Starting from the creation of *Nabiy Ādam* ('*Alayhi al-salām*'), spanning through the existence of Prophet Nuh ('*Alayhi al-salām*') and all other prophets, up to the seal of the Prophets (Muhammad, *sallah Allahu 'alyhi wa-sallam*), *Sharī'ah* has been the code of conduct regulating the ramification of Muslim affairs.<sup>24</sup> Thus, all dealing that qualifies as cooperation or cooperatives, must have been influenced by *Sharī'ah* dictates. Although there appear to be dearth of literature, that report accurate and systematic account of any transaction that relate strictly to cooperative dealings before the time of Prophet Muhammad (*Sallah Allahu 'alyhi wa-salam*). The reign of Prophet Muhammad (*Sallah Allahu 'alyhi wa-salam*) however, established cooperation between one another as a way of life of Muslim Ummah. This was specifically encouraged by the Qur'ān as a directive to the Prophet (*Sallah Allahu 'alyhi wa-salam*).<sup>25</sup>

Further, the religion of Islam is practiced based on cooperation and collaboration. Preference is placed on unity and collaborative effort of *ummah* at all time. Hence, division and disunity is consequently discouraged. In a verses of Qur'ān, Allah direct Muslim 'to hold fast to the rope of Allah and be not divided among one another'.<sup>26</sup> In a Hadith reported by Abu Musa (*Roḍiya Allahu anhu*), the Prophet (*Sallah Allahu 'alyhi wa-salam*) was reported to have said that: a Muslim to another Muslim is like bricks of walls, one reinforcing the other at all time. While saying the above, the Prophet (*Sallah Allahu 'alyhi wa-salam*) then clasped his hands by interlocking his fingers.<sup>27</sup>

In line with the above, it is discovered that, the creation of men and other living creatures on earth, living together with all their endowed features depicted an image of a cooperation. Everyone is created as a non-self-sufficient being. Some human body parts were created in pairs to aid cooperation and proper functioning, opposite sexes were created

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<sup>24</sup> *Surah As-Shūrā* (42): 13.

<sup>25</sup> *Surah Al-Mā'idah* (5): 2.

<sup>26</sup> *Surah Al-'imrān* (3): 103-105.

<sup>27</sup> Muhammad Moshin Khan, *The Translation of the Meanings of Sahih Al-Bukhari* (Trans: Al-Bukhari, Muhammed Ibn Ismaiel Sahih Al-Bukhari) (Vol. I, Maktaba Dar-us-Salam, Riyadh 1997), Hadith 481, p. 301.



to live together in harmony; to cohabit and achieve procreation together. Above all, Sharī'ah made it clear that, the financial standing of individual and the desire or need to satisfy one's obligations, both religious and worldly affairs, remained unevenly distributed by Allah. This is specifically to aid working together. Those with abundant resources will require the service of those with limited resources, to discharge some of their obligations while in exchange, some benefit and means of sustenance is earned from such employment.<sup>28</sup> This is in line with the commandment of Allah that: the livelihood of this world is portioned out by Allah, where some are raised in ranks than others for those below to be employed by those above them.<sup>29</sup>

Consequently, notable accounts of cooperative during the lifetime of the Prophet (*Sallah Allahu 'alyhi wa-salam*) includes: the collaboration between the *Muhajirun* and the *Ansâr* after the *Hijra* from Makkah to Madinah,<sup>30</sup> the settlement of the aged-long dispute between the tribe of *Awz* and *Khazraj* in Madinah and the signing of peaceful collaboration and co-existence pact with the jews,<sup>31</sup> the settlement of rancour among the *Quraysh* in the cooperative spirit and the decision on how to place the black stone after the reconstruction of *Ka'abah* which made all the tribes participate.<sup>32</sup> The Prophet (*Sallah Allahu 'alyhi wa-salam*) was also reported to have commended the practice of the *Ash'ari* tribe in Madinah for their cooperative attitude while ascribing them to himself.<sup>33</sup> The practice having strong religious backing, continued to be the hallmark of Muslim in all their dominance.

In Nigeria specifically, all the areas now regarded as Northern Nigeria is known for sharī'ah compliance and practice since the golden age, through the colonial period and the post colonial time up till the present

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<sup>28</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 26.

<sup>29</sup> *Surah Al-Zukhruf* (43): 32.

<sup>30</sup> See *Surah At-Tawbah* (9): 100. See Al-Mubārakafuri S. A, *Ar-Rahiqu al-Makhtūm* (Dār al-Fikr, Beirut 1433AH) p. 133.

<sup>31</sup> Rahim A, *Islamic History* (Islamic Publication Bureau, Lagos 1987) p. 25.

<sup>32</sup> *Ibid.* p. 25.

<sup>33</sup> Al-Bukhārī Mohammad bn Isma'īl *Ṣaḥīḥ Al-Bukhārī* (Dār al-Fikr, Istanbul 1426 AH) p. 110; Mohammad Ṣalih Al-Uthaymīn *Sharhu Riḡadh as-Ṣalihūn* (Dār al-Manār, Cairo 2003) p. 233-234.

time.<sup>34</sup> Imprint of sharī‘ah practice is also notable in some southern part of the country from early days. Notable among which are *Ede*, *Ikirun*, *Iwo* and *Iseyin* etc.<sup>35</sup> Compliance with Sharī‘ah dictate in all affairs is the hallmark of Muslims communities. Cooperation (*ta’āwun*) is therefore an attribute of a Muslim community as advocated in the Qur‘ān.<sup>36</sup> In addition to *ta’āwun*, the concept of *Shārikah*, *Mudārabah*, *Qirād*, *Qard Hasan* and the likes resemble various types of cooperative.<sup>37</sup> These concepts are practiced in the Muslims communities in Nigeria. Therefore, the aged practice of these are proof of its existence.

Further, there are various indications in the tradition of Northern Nigeria that suggest long practice of Islamic Cooperative in the region especially in Kanem-Borno empire, sokoto caliphate and other areas that now constitute Northern Nigeria. For example, the Sayfawa ruler of the then Kanem-Borno usually grant prominent Islamic scholars ‘Charter of Privilege’ known as *mahram*. The charter is a document recognising spiritual service of the scholars to the community and in return lessen their civic responsibilities such as payment of tax or tribute, community contributions and services etc. The objective of the charter is to reach a cooperation or agreement that ensure scholars’ concentration on the spiritual guidance of the community.<sup>38</sup> This objective coincides with community cooperation for welfarism which is an indication of cooperative. Other traditional cooperative element can be seen in the practice of *gayya* farming (Cooperative or Communal Labour)<sup>39</sup> and *jingina* (Hausa) or *sofa* (Nupe) which means bonded labour, but later metamorphosed to pawning of children and

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<sup>34</sup> Anderson JND, *Islamic Law in Africa* (Frank Cass, London 1978) pp. 171-172; Yushau Sodiq, ‘A History of Islamic Law in Nigeria: Past and Present’ *Islamic Studies* (1992) 31(1) p. 222.

<sup>35</sup> Yushau Sodiq, ‘A History of Islamic Law in Nigeria: Past and Present’, p. 222; Gbadamosi TGO, *The Growth of Islam among the Yorubas 1841-1908*, p. 3.

<sup>36</sup> Surah Al-Māidah (5): 2.

<sup>37</sup> See El-Gamal M.A, *Financial Transactions in Islamic Finance* (Trans. of Dr. Wahbah Az-Zuhayli’s *Al- Fiqh al- Islāmīy Wa-addilatuh ‘Islamic Jurisprudence and its Proofs’*)( Vol. 1, Dar al-Fikr, Damascus 2002) pp. 155-168 and 307-346; Ayub M, *Understanding Islamic Finance* (John Wiley & Sons Ltd., England 2007) pp. 367-379 and 445-531.

<sup>38</sup> See Maimudu Barman’s Mutmaina and Adam Moh’d Ajri, ‘Meaning and Origin of Al-Mahram’ *Al-Mahram Journal* (n.d.) IX (English) p. 21.

<sup>39</sup> Alahira H. A, ‘The Pre-Colonial Mode of Production and Labour Organisation among the Berom of Jos Plateau in Northern Nigeria’ *International Journal of Humanities and Social Science (IJHSS)* (2014) 3(1) p. 89.

relatives for debt of exorbitant colonial tax, being consequence of forced labour during the colonial era.<sup>40</sup> This is apart from the culture where a prospective husband and his friends would jointly cultivate land for the brides family as a show of respect and love in consideration of the proposed matrimony.<sup>41</sup> All these are apparent forms of cooperative indigenous to Northern Nigeria in the early days.

Record on literature of the formal cooperatives in Nigeria started in the early twentieth century. There is minimal literature, on informal cooperatives that complied with sharī'ah before colonisation, during colonisation and even after independence. There is though an indication from cooperatives activities during colonial rule that, some Cooperative have many Muslims as members but could not be termed as Islamic because it was based on western ideology.<sup>42</sup> Literature agreed that, Islamic Cooperative Societies or Islamic Cooperative took off in Nigeria since 1990s.<sup>43</sup> Meanwhile, it also appeared on record that Onipasan Oreetebi, a non-religious cooperative organisation sometimes in 1985 changed her practice from interest based to interest free.<sup>44</sup> The Global Financial Meltdown (GFM) in the year 2000s which have positive impact in favour of the Muslims also contribute to the proliferation of Islamic financial institutions, including Islamic

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<sup>40</sup> Kohnert Dirk, 'The Transformation of Rural Labour Systems in Colonial and Post Colonial Northern Nigeria' *Journal of Peasant Studies* (1986) 14(4) p. 261.

<sup>41</sup> Asuamah K. Y, 'Organisation of Gayya Groups for Farming: Possible Solution to Labour Bottleneck During the Labour Peak Period' *Samura Agricultural Newsletter* (1977) 19(2) pp. 94-96; Maigari Ishaku Abba and Andrew Shalom Kuga, 'An Analysis of Pre-Colonial Agriculture in Tangale-Waja Area' *Gombe Journal of Historical* (2021) 1(2) pp. 85-86.

<sup>42</sup> Ajani M.A.A and Adebayo R. Ibrahim, 'An Examination of The Sources and Expenditure of Funds in the Islamic Cooperative Societies in Nigeria' *Ilorin Journal of Religious Studies* (2018) 8(2) p. 36.

<sup>43</sup> Ajani M.A, *An Assessment of Islamic Cooperative Societies in Nigeria* (Unpublished Ph.D. Thesis, Department of Religions, University of Ilorin, 2016) 5; Adebayo R. Ibrahim and Ajani M.A.A, 'Islamising Cooperative Societies in Nigeria: Issues at Stake' *Ar-Raniry International Journal of Islamic Studies* (2016) 3(2) 287; Ajani M.A.A and Adebayo R. Ibrahim, 'An Examination of The Sources and Expenditure of Funds in the Islamic Cooperative Societies in Nigeria' 36-37.

<sup>44</sup> See Adegbite Tajudeen Adejare and Shittu Saheed Akande 'The Impact of Interest Free Co-operative Society on Human Capital Development in Oyo State, Nigeria' *World Wide Journal of Multidisciplinary Research and Development* (2017) 3(3) p. 66.

Cooperatives.<sup>45</sup> Islamic cooperatives continued to multiply, as the need to meet the social-economic needs of Muslims, without compromising Islamic religious inclination continue to emerge.<sup>46</sup>

It is posited that, the proposition that Islamic Cooperative Societies started in the 1990s and early 2000s could not be totally correct. The lack of record of any group or organisations that boast of sharī'ah compliance, in the aspect of cooperative in the golden age in all the areas later known as Nigeria, cannot dispel the fact that, sharī'ah flourishes in certain part of the country without any restriction or limitation. It is accordingly incorrect to state that, the sharī'ah that was practiced in these areas does not include or accommodate the aspect of cooperative. The lack of record could be as a result of their informal dealing and lack Western writing Skills. The weakness in documentation cannot be taken as a denial of existence. It is therefore argued that, just like the Islamic Finance, the current demand for the formal Islamic Cooperatives which started since the 1990s is better tagged as its re-emergence,<sup>47</sup> hence, cooperative and sharī'ah practice have an aged history in the Northern Nigeria.

Against the foregoing, the description of Islamic Cooperative as a prototype<sup>48</sup> or conversion of conventional cooperative into what complies with sharī'ah<sup>49</sup> betrayed the historical antecedent of Islamic Cooperative. The western influence and dominance, made the interest based cooperative prevail and popular over the local groups and

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<sup>45</sup> Abdulqadir Ibrahim Abikan, 'Regulatory Response to the Impact of the Global Financial Meltdown on Islamic Finance in Nigeria' *Kampala International University Law Journal* (2011) 28(4) 99-104.

<sup>46</sup> Sikirullahi B, 'Islamic Financial Products as Alternative to Ribā in Cooperative Sector in Nigeria' *Journal of Islamic Banking and Finance* (2012) 29(4) pp. 81-112.

<sup>47</sup> See El-Gamal M.A, *Overview Of Islamic Finance* (Office of the Institutional Affairs, USA 2006) p. 3; Abikan I.A and Bin Jaffar Z, 'Islamic Financial Services: The Way Forward for the Financial Regulatory Authorities' *University of Ilorin Law Journal* (2006) 1 p. 147.

<sup>48</sup> Ajani M.A.A and Adebayo R. Ibrahim, 'An Examination of The Sources and Expenditure of Funds in the Islamic Cooperative Societies in Nigeria', p. 36.

<sup>49</sup> Norhaziah Nawai and Zurina Shafii 'Understanding Islamic Cooperatives Mechanisms for the Accessibility Promotion Of Islamic Finance in Malaysia' *Journal of Islamic Philanthropy and Social Finance* (2017) 1 (1) p. 5; Aminu Abdulrahman and Abdul Fattah Abdul Ganiy and Murtala Sirajo, 'An Appraisal of the Impact of Islamic Co-operative Societies on Social-Economic Development in Some Selected States in Nigeria' *International Journal of Islamic Business Management* (2021) 5(1) p. 36.

organisations that engages in cooperative activities. Formal Cooperatives grew more in the southern Nigeria due to the fact that, the social organisation is more fitted in their indigenous value system compared to the North.<sup>50</sup> Giving the fact that Muslims still represent the majority of citizens and inhabitant of Nigeria, the quest for formal cooperative societies that complies with shari'ah became constant and continuous. Almost all facet of work place and trade sectors now have their cooperative society with counterpart Islamic cooperative. The level at which Islamic cooperative is growing in Nigeria is alarming. The above historical account should therefore have influence on the various types of existing Cooperatives and their varying features. The next section examines the features and classifications of Islamic Cooperative societies in Nigeria.

#### **4. Types and Features of Cooperative Societies**

The various ways and modes cooperative societies evolved determine their distinct types and characteristics. Traditional cooperative societies are found commonly operating Rotation Savings and Contributions. Government employee and workers of various sector subscribed to Savings and Credit Union, while Business owners maintained cooperative association that will foster their business activities in different form. It may be by a way of marketing association, producers societies, farmers group, housing cooperatives, consumer association etc.<sup>51</sup> The major criteria that determine the type of Cooperative society is the object of the formation and the nature of the work of the members.<sup>52</sup> With regard to the features of the cooperatives, although the pioneer principles, known as Rochdale Principles,<sup>53</sup> still remained the guiding criteria for many cooperatives, the initial and working objective of the formation of every cooperative stands as the primary factor determining the features and the forms of cooperative. The fact that cooperatives are now popular with business activities has not displaced the initial social help initiative that evolve

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<sup>50</sup> See Adegbite Tajudeen Adejare and Shittu Saheed Akande, 'The Impact of Interest Free Co-operative Society on Human Capital Development in Oyo State, Nigeria' 66.

<sup>51</sup> S. A. Bello and Olufemi Abifarin 'An Explanatory Survey of Cooperative Societies Law in Nigeria' *Journal of Commercial and Contemporary Law* (2014) 4, p. 43.

<sup>52</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 19.

<sup>53</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* (University of Wisconsin-Extension, n.p. 2004) pp. 8-9.

early cooperative societies. Most cooperative societies now engage in business activities to foster their objectives, thereby moving cooperative far away from only social-help initiative and self-help organisation to non-rigid business oriented society.

It is noted that, cultural and traditional associations through which cooperative organisations evolved, still exist in various societies up till today. For example, rotation savings and contribution is being practiced both among the elite and non-elite without any formal organisation. The culture of *mada-mada*<sup>54</sup> is still extant among some cultures in Nigeria. It was therefore expected that, such practices are represented in literature while discussing the features and types of cooperative societies. Further, the Sharī'ah-compliant forms of cooperative ought to also feature in literature under the discussion of types and features of cooperatives. This section therefore set out various types of cooperative in their distinctive classifications and adumbrate on the features of cooperative societies based on Rochdale principles. It further incorporate the Islamic forms of cooperative and social cum self-help factor as part of the primary variable determining the types and feature of cooperative societies.

### **3.1. Types of Cooperative**

There are various types of Cooperative societies. Each of the types is characterised with certain objective and goal that drives the cooperative establishment. For example, the Agege Planters Association was organised by farmers to limit and or expel the exploitation of middle men and to arrange how their products can reach market at preferred price.<sup>55</sup> The object of the association is solely to favour the farmers in their production and marketing strategy. The cooperative is therefore a Producer and Marketing Cooperative. On the other hand, the Abeokuta Catholic Teachers Association was organised to afford members an

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<sup>54</sup> Mada-mada is form of savings or contribution made to the seller of an item on duration basis (be it daily, based on market days, monthly etc.) to purchase a specific item, whether on credit or based on systematic advance payment. See Khalid Ishola Bello, 'A Critique of Local Business Practices in Ilorin: The Islamic Economics Paradigm' *Islamic University Multidisciplinary Journal* (2019) 6 (5) pp. 126-127.

<sup>55</sup> See Philips G, *History of Cooperative Society in Nigeria* <http://www.peakng.com/history-of-cooperative-society-in-nigeria/>. Accessed 21 August 2024.

avenue for thrift and soft loan.<sup>56</sup> It is therefore a type of Credit Cooperative. Sometimes, cooperative may have more than one objective, thereby co-joining different characteristics. This is described as Multi-purpose cooperative. It is a form of cooperative that combine the characteristics of more than two types of Cooperative. Consequently, the various types of cooperatives can be discussed under different classification.

Some cooperative are objective based, while other are based on united struggle or to aid business functions or its market. The following are the classifications of cooperatives which highlighted and discussed the various types of cooperatives societies.

#### **i. Objective Based Cooperative**

These are Cooperatives that are centralized with the objective of their creation. Their name is suggestive of the rationale for their establishment. Although the underlying aim of such cooperative may sometimes be denoted through its name, it is usually provided in the Bye-laws in the case of formal and registered cooperatives. The purpose a cooperative is created to serve depend on the object of its creation and the individual reason(s) for joining the organisation. Rotation Savings and Credit Unions, Credit and Thrift Cooperative and Multipurpose Cooperative belong to this category.

Rotation Savings and Credit Union is a form of cooperative that encourage members to save funds, with the primary purpose of availing some member of the cooperative the bulk of the contribution at a specific time and within a scheduled period of the collective contribution. The collector of the cumulative fund is held to have taken credit from other members, which is payable through further contribution as scheduled. Other members will also be entitle to collect the cumulative fund in rotation, until all the members collect an amount equal to the total amount contributed. This will mark the end of the scheduled contribution. The process may be repeated as may be agreed by members.<sup>57</sup>

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<sup>56</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 19.

<sup>57</sup> See Abdul-Yakeen M.A et.al ' Empirical Study of the Proximity of Rotating Savings and Credit Associations to Islamic Financing in Ilorin Metropolis', p. 41-42; Noah Yusuf and Gafar T. Ijaiya and Muftau A. Ijaiya, 'Informal Financial Institutions

This is exemplified as follows: Twelve individuals formed an association to be contributing N1,000,000:00K (One Million Naira) each on monthly basis for 12 consecutive months. The total amount contributed every month will stand at N12,000,000:00K and N144,000,000:00K for the whole 12 months. Each contributing member is therefore entitled to the credit of N12,000,000:00K after the monthly contribution, and this will be rotated equally among all members as scheduled, until all the twelve members collect N12,000,000:00K each monthly, which equates the cumulative amount contributed by all members for the whole duration.

Credit and Thrift Cooperatives are established to avail members an avenue to get cheap loan without any requirement of rigid documentation and collaterals. Members also use the cooperative as their saving bank, to keep their fund, increase same with more savings until it reach an amount that can cater for the objective of the saving. The fund saved by various members is released as credit for other members pending the time of return before the saving member demand for it. Usually, except in Islamic Cooperatives (where only administrative fees is sometimes paid), both the Saving member and Creditors of the cooperative paid certain amount to the cooperative or manager, in form of interest and or fees, for the purpose of running the affairs of the cooperative.<sup>58</sup> In the case of Multi-purpose cooperative, a conglomeration of various objectives constitutes the purpose a cooperative is established to serve. A single cooperative will have the objective of giving members loan, accept savings, allow rotation saving and credit facility, avail members opportunity to buy goods at discounted amount and see to other welfare of her members.<sup>59</sup> This is the most common type of cooperative nowadays.

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and Poverty Reduction in the Formal Sector in Offa Town, Kwara State: A Case Study of Rotating Savings and Credit Associations (ROSCAS)' *Journal of Social Science*, p. 76-77.

<sup>58</sup> Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' p. 21; Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 22.

<sup>59</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 22.



## **ii. Cooperatives Based on United Struggle for Economic or Policy Advantage**

United workforce in government establishments, private sectors and towards the leader by any section of the public have yielded positive result in favour of the aspiration and yearning of the concerned workforce. The existence of a structure to execute the objective of the workforce led to the establishment of certain cooperative societies. These includes various Trade Unions, Labour Associations and Youth Groups etc. They are basically organised to seek for economic advantage from the government or sometimes, advocate for or oppose government policy that affect them.<sup>60</sup>

The Labour associations like the Nigerian Union of Teachers, the Nigeria Labour Congress, Trade Union Association, Academic Staff Unions of Universities, Non-Academic Staff Unions etc. come under this heading. These associations are usually not for business purpose. Their objective is usually, to come together as one and advocate for the welfare and better conditions of their members. This is a form of cooperative with a distinctly defined objectives. These kind of associations sometimes, organise and establish another cooperative that will cater for the socio-economic activities of members.<sup>61</sup>

## **iii. Business Oriented Cooperative**

Cooperatives that are established by business owners fall under this category. The distinguished characteristics of these types of cooperative is that, the rational for the establishment of the organisation is based on business initiative of participating members; for the advancement of profit and expansion of the business activities in such locality. In this regard, Consumer Cooperative, Producers Cooperative and Marketing Cooperative are chief among the business oriented cooperatives.

Consumer Cooperative societies are organised to remove the practice of middlemen from their transactions. Goods are therefore purchased from the market in bulk and sold to members of the cooperative at a

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<sup>60</sup> George O. et. al., 'Trade Unions and Unionism in Nigeria: A Historical Perspective' *Research in World Economy* (2012) 3 (2) p. 69.

<sup>61</sup> See Ibid; [www.nlcng.org/nlc-history/#](http://www.nlcng.org/nlc-history/#); <https://asuu.org.ng>; [https://en.wikipedia.org/wiki/Nigeria\\_Union\\_of\\_Teachers](https://en.wikipedia.org/wiki/Nigeria_Union_of_Teachers). Accessed last on November 26<sup>th</sup> 2024.

discounted amount. For non-members of the cooperatives, the goods are sold at market value. The profit realised are shared among the members in form of dividend, according to the purchased ratio of individual from the cooperative.<sup>62</sup>

Producers Cooperative Societies are established to protect small scale producers. Here, goods are produced by members of the cooperative at their houses or common place, the tools and or raw materials for the production haven been supplied by the cooperative. The cumulative output of the production is then collected by the cooperative and sold in the market at wholesale rate. Profit is shared among the members considering the proportion of goods supplied.<sup>63</sup>

Marketing Cooperative Societies are forms of cooperative that organise business activities for its members in the same manner and pattern of Consumer and Producers Cooperatives. The only dividing factor is the marketing aspect of the cooperative. Members' goods are kept by the cooperative in her warehouse, until the market is ready for it, after studying the market strategy and circumstance, goods is then sold on behalf of the members at wholesale. The profit is also distributed in the proportion of goods supplied to the cooperative.<sup>64</sup>

#### **iv. Religious Inclination or Ethically Sensitive Cooperative**

The consideration for the establishment or joining a particular cooperative may be tied to religious belief. Although, Cooperative societies are developed through cultural inclination, this is however not unrelated to the religion of each locality or settings. Conventional cooperatives are more open and accommodate various religious belief, unlike some ethical cooperative that adopt the basic principles of certain religion or the other. Notable cooperatives that can be mentioned under this classification are the Islamic Cooperative and Non-Interest Cooperatives that are non-Islamic.

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<sup>62</sup> Chigozie Nwagbara 'Relevance of Cooperative Studies to the Nigerian Economy-A Legal Approach', 43.

<sup>63</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 22.

<sup>64</sup> Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' p. 21.

Islamic Cooperative is described as a cooperative that adopt the basic principle of Sharī'ah of not dealing in *ribā*, *gharar*, *maysir* and other prohibitive element in contract. This essentially differentiate it with other cooperative that does not have consideration for sharī'ah principles, or any ethically defined rules that prohibit interest alongside other element.<sup>65</sup> There are also Non-Interest Cooperative which are not necessarily sharī'ah-compliant. The major ethics is to eschew interest based transactions.

On the other side is the conventional cooperative. Such cooperative does not consider the prohibition of interest and other prohibitive element in sharī'ah as paramount. In fact, interest remained the hallmark of the business of conventional cooperative. This type of cooperative are the most popular in our society of today.<sup>66</sup>

#### **v. Employment, Work or Service Based Cooperative**

The collaboration of employees, workers or service providers of any particular sector, with the result of having a cooperation to foster their objective, will result in a cooperative that is restricted to such work, employment or service ideology. Most of the recent cooperatives in work places, both private and public sector and the cooperative established by unskilled labourers belong to this classification. There is Farmers' Cooperative, Transport Cooperative, Storage Cooperative and Labour Cooperative among others in this category. Farmers' Cooperative Societies are formed by small scale agriculturist. The objective is to get the benefit of large sale farming after co-opting together. The cooperative provides help for improved method of cultivation, in form of large scale farming tools like tractors, threshers, harvesters etc. This will benefit the farmers by reducing the cost of input in farming process and affect the output positively.<sup>67</sup>

Some cooperatives are also established to provide transportation to members. This may be in form of transportation services, welfare bus or creating avenue for members to acquire their own personal

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<sup>65</sup> Abdul-Yakeen M.A et.al ' Empirical Study of the Proximity of Rotating Savings and Credit Associations to Islamic Financing in Ilorin Metropolis', p. 42.

<sup>66</sup> Bello S. A and Abifarin O, 'An Explanatory Survey of Cooperative Societies Law in Nigeria', p. 43.

<sup>67</sup> Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' p. 21.

transportation, through the joint effort of all members of the cooperative. This type of cooperative is called Transport Cooperative Societies.<sup>68</sup> Another form of service based cooperative is the Storage Cooperative Societies. The cooperative provide members with storage facilities of both perishable and non-perishable items at a discounted amount. The grading and distribution services are sometimes also provided. This is to aid smooth commercialisation of farm produce and control prices of good against the haste sale of product due to lack of storage facility.<sup>69</sup>

#### **vi. Cooperatives Organised to Acquire Social Amenities**

What accounted for the establishment of a cooperative society sometimes, may be lack of certain social amenities. The discovery by the society that the Government cannot provide for all, is a ground breaking for collaboration to provide for such facility through the aid of cooperative. This will ordinarily result into an objective based typical cooperative. The fact that it is to solve certain social amenities deficiency, transform it into this category. Here, there is Housing Cooperative, Insurance Cooperative, Credit Cooperative and the likes. Some cooperative are organised for the basic reason of providing houses for her members. The Housing Cooperative Societies will therefore buy land in bulk and sold same to the members at reduced rate, compared to market value. Construction materials are also purchased in bulk and sold to members at cheaper rate to encourage individual members own their houses without much stress. In deserving circumstance, loan is also advanced to augment the facilities provided by the cooperatives.<sup>70</sup>

In Insurance Cooperative Societies, the cooperative concludes a deal with different insurance companies to obtain their policies at lower premium on a group insurance. By this, members risk is minimised and the policy is made accessible at discounted premium.<sup>71</sup> Credit

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<sup>68</sup> *Ibid.* p. 21-22.

<sup>69</sup> *Ibid.* p. 22.

<sup>70</sup> Chigozie Nwagbara 'Relevance of Cooperative Studies to the Nigerian Economy-A Legal Approach', 42; Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' p. 21.

<sup>71</sup> Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' p. 21.

Cooperative Societies on the other hand, provides financial help to members through production of loans at reduced interest rate. The rigidity of documentation and collaterals is done away with, to make it easier and accessible.<sup>72</sup>

Notwithstanding the differentiation in the mode of organisation and operation of different types and forms of cooperative societies, there exist certain features that underlie every cooperative societies. Features of cooperative societies is therefore discussed in the next section.

### **B. Features of Cooperative Societies**

The chief characteristic element in Cooperative societies is the mutual cooperation and understanding that constitute its basis. That, in essence, justified the name cooperative. Traditional cooperative are known with features that includes: simplicity, self-help, mutual cooperation, targeted mutual benefit, equality and freewill participation among others. The establishment of Cooperative societies through Rochdale Pioneers, called for the adoption of the principles set out to guide the early cooperative as the *modus operandi* for all cooperatives. The principles includes: open and voluntary membership; any consumer was free to join, and there are no restrictions to sex, race or social status; democratic control of one man, one vote; political and religious neutrality, limited interest on capital, cash trading at market price, all sale were made at prevailing prices for cash only, patronage dividends proportional to their purchases, and the regular education of their members.<sup>73</sup>

Cooperatives that exist within Muslim domain traditionally, have the characteristic features that makes it sharī'ah-compliant. That is, it does not deal in *ribā*, *gharar* or *maysir* nor engage in any sharī'ah prohibited transactions. In contemporary time, sharī'ah-compliant cooperatives are popular with the name; Interest Free Cooperative, Islamic Cooperative, Non-Interest Cooperative or Ethical Cooperative. All the names suggest the basic feature of a strict regulated association, ethically bound to abide by certain principles that are faith oriented. This in essence is another feature that underline cooperative societies.

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<sup>72</sup> Ibid.

<sup>73</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 20.

It is noted that, there are Non-Interest cooperative which are not shari'ah-compliant, but are solely not engaging in interest.

Although, cooperative nowadays favour venturing into business than the aspect of social help or social financing where it originally evolved, the element of social engineering and social interaction of the cooperative still operate as one of its important feature. In this regard, where cooperative serve as a medium of financial intermediation; aiding and supporting business activities among members co-operators, such is a feature that has become common for most cooperatives in recent time, which must be highlighted separately. Thus, it stands apart from the major operating element of social cum financial aid of cooperative, which is the primary feature, the *fons et origo* of all other features in cooperative societies.

According to the principles adopted in 1995 by the International Cooperative Alliance, the following are the basic features of cooperative applicable worldwide.<sup>74</sup>

#### **i. Voluntary and Open Membership**

Cooperative societies are organisations that allow voluntary participation by members. Its membership is open to all, without any form of discrimination in term of sex, race, gender, political affiliation or religious denomination. The only underlining factor for joining this kind of voluntary group is the willingness to accept membership responsibilities and abide by the rules and regulation of the society.<sup>75</sup>

While participation in all cooperatives must be a voluntary act, membership may not at all time be open to all considering various types of cooperative societies. There are cooperative societies that are created to foster certain objectives for specific category of persons, membership of such organisation may be limited but open to those specific category of persons. For example, Farmers Cooperative could only be open for all farmers not traders, while Judiciary Staffs Cooperative is only open to members of the Judiciary. Likewise, Unilorin Staff Cooperative is only open to the staffs of the institution.

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<sup>74</sup> Kareem R.O, et.al, 'The Impact of Co-operative Society on Capital Formation (A Case Study Of Temidire Co-operative and Thirft- Society, Ijebu-Ode Ogun State, Nigeria)' pp. 20-21.

<sup>75</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* p. 9.

From another paradigm, joining Islamic cooperatives is voluntary, but only open for all that are willing to abide by the rules and principles guiding their operations. A contributor in such cooperative cannot complain that he is not being awarded interest while transacting with or through the cooperative.<sup>76</sup>

## **ii. Democratic Member Control**

Cooperative Societies are a form of democratic organization. The control of the society is in the hand of the members who actively participate in setting policies and making decisions. There are elected representatives among the members to superintend the affairs of the cooperatives; make initial decisions and consider members opinion through equal vote of one man one vote. They are equally accountable to all members in the affairs of the cooperative.<sup>77</sup>

Experts are sometimes consulted where need arises. The recommendations and decisions of cooperative experts or such other expert consulted is subject to the ratification of members, whether unanimously or decided by a democratic vote. Leaders and representatives of the cooperative itself are selected through a democratic process as may be provided by the Bye-Laws of the cooperative.

In Islamic cooperative, leaders of the Cooperative are selected through a distinct committee (called *shūrah*) rather than elected. Expert's decision is not subject to ratification of members. Rather, the decision of members through the selected representatives must pass through the table of the experts, who must sanction the operation before enforcement. The case of Sharī'ah Advisory Council or Sharī'ah-Compliant Committee of an Islamic cooperative is a good example in this regard.<sup>78</sup>

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<sup>76</sup> Norhaziah Nawai and Zurina Shafii 'Understanding Islamic Cooperatives Mechanisms for the Accessibility Promotion Of Islamic Finance in Malaysia' p. 6.

<sup>77</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* p. 9.

<sup>78</sup> Mohd Rodzi Ahmad and Al-Hassan Al-Aidaros, 'The Need Of Independent Shariah Members in Islamic Cooperative Banks: An Empirical Study of Professional Accountants in Malaysia' *International Review of Management and Business Research* (2015) 4(1) p. 113.

### **iii. Member Economic Participation**

Economic contribution in various cooperative settings is the very essence of what determine membership. The bulk of the contribution in term of capital is the common and ‘indissoluble’ property of the cooperative, while savings remained with the cooperative temporarily until it is called to use by the contributor. Compensation is sometimes paid on the subscribed capital strictly to subscribers and surplus incurred is usually allocated to setting up reserves, development of the cooperatives, benefitting members in proportion to the use of the cooperative and supporting other activities as may be approved by the cooperatives among others.<sup>79</sup>

It must be indicated that traditional cooperatives accommodate service delivery participation rather than economic contribution by members. This in fact delineate the cultural emergence of cooperation in traditional settings. Again, the Sharī‘ah understanding of cooperation goes beyond economic and financial intermingling, rather, collaboration and partnership both in terms of economic contribution, service delivery and credit worthiness is recognized as constituting major forms of cooperative participation.<sup>80</sup>

### **iv. Autonomous and Independence**

Cooperative societies are autonomous association controlled solely by members through their elected representatives. The association is independent of control and influence of other organisation, government or any of its agencies. Although there are regulations and laws that subject cooperative to certain ministry of government, such is just to ensure efficiency of the cooperative rather than dabbling into the affairs and dealings of the cooperative, except in rare occasions for the benefit of the members and creditors of the cooperative.<sup>81</sup>

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<sup>79</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* p. 9.

<sup>80</sup> Aminu Abdulrahman and Abdul Fattah Abdul Ganiy and Murtala Sirajo, ‘An Appraisal of the Impact of Islamic Co-operative Societies on Social-Economic Development in Some Selected States in Nigeria’ *International Journal of Islamic Business Management* (2021) 5(1) p. 37.

<sup>81</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* p. 9.



Cooperative sometimes do have relationship with other organisations, whether private or governmental institution, such relationship which is controlled by agreement is compelled either to raise fund from external sources or claim any benefit accruing to members of the cooperative, in a manner that will ensure democratic control of the cooperative and maintain her autonomy.<sup>82</sup> Islamic cooperative also key into this feature.<sup>83</sup>

#### **v. Education, Training and Information**

Part of the priority of the cooperative is to ensure education, training, sensitization and render due information to her members. Elected/Selected representatives, managers and employees are strengthened through education and trainings to aid effective contribution to the development of the cooperative. Information on the nature of the cooperative, their business and the benefit available for members are made public, to sensitise members and the general public of the cooperative viability and encourage intending members willing to join the cooperative. Opinion leaders are also informed of the cooperative operation, nature and benefits.<sup>84</sup> Islamic Cooperative also prioritize knowledge in all dealing to the extent that, *jahala* (ignorance) in transaction also constitute *gharar* which can invalidate a contract. What is more, transactions are only allowed with free mutual consent in Shari'ah,<sup>85</sup> the major constituent of which is knowledge.

#### **vi. Total Cooperation**

The primary purpose of every cooperative is the collaboration to achieve mutual benefit. Total cooperation is therefore inevitable among members of the cooperatives. Cooperative movement is only effectively strengthened through working together of all structure of

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<sup>82</sup> Ismail M.I, Bnt Hasan R and Alhabshi S.M, ' Shariah Governance Framework for Islamic Co-Operatives as an Integral Social Institution in Malaysia' *Intellectual Discourse* (2016), pp. 488-495.

<sup>83</sup> *Ibid.*

<sup>84</sup> Rowland A. Effiom 'Impact of Cooperative Societies in National Development and the Nigerian Economy' p. 19.

<sup>85</sup> *Surah An-Nisa'* (4): 29.

the cooperative from the local, through the national and regional up to the international level. Islamic cooperative is not an exception to this.<sup>86</sup>

#### v. Concern for Community

Members of the cooperatives who are usually from the same community are the primary target of the cooperative societies. The immediate need of the members is provided through cooperative movement while working for the sustainable development of the community through member's development and policies agreeable to members.<sup>87</sup> Islamic cooperative is more fitted into this feature. Part of the overall objective of cooperative from Shari'ah perspective is for the overall benefit of the community. Hence, the verse: *...help ye one another in righteousness and piety, but help not one another in sin and transgression...*<sup>88</sup> This is in addition to the concept of *Shārikah*, *Mudārabah*, *Qirād*, *Qard Hasan* etc. that are similar to various types of cooperative.<sup>89</sup>

### 5. Conclusion

This paper identifies that Islamic cooperatives is usually omitted in the consideration of the Cooperative principles that determined the features and classification of cooperatives. This is not unrelated to the available history of cooperatives which omitted the Islamic cooperative societies as one of the practice rooted in Muslims dominated populace. The recent writings on the formal cooperative societies though identified Islamic Cooperative with its distinct characteristics and features, this work has identified it within the Rochdale Principles of Cooperative. Islamic Cooperative is therefore sometimes fitted into the principle

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<sup>86</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* p. 9; Shefi'u Kolawole Badamasi and Aliyu Dahiru Muhammad, 'Islamic Cooperative in Nigeria: An Untapped Economic Development Tool' available at < [https://d1wqtxts1xzle7.cloudfront.net/53711876/Islamic\\_Co-operative\\_in\\_Nigeria- An\\_Untapped\\_Economic\\_Development\\_Tool- formatted-libre.pdf?14988198819857](https://d1wqtxts1xzle7.cloudfront.net/53711876/Islamic_Co-operative_in_Nigeria- An_Untapped_Economic_Development_Tool- formatted-libre.pdf?14988198819857)> pp. 8-9.

<sup>87</sup> Kimberly A Zueli and Robert Cropp, *Cooperatives: Principles and Practices in the 21<sup>st</sup> Century* p. 9.

<sup>88</sup> *Surah Al-Mā'idah* (5): 2.

<sup>89</sup> El-Gamal M.A, *Financial Transactions in Islamic Finance* pp. 155-168 and 307-346; Ayub M, *Understanding Islamic Finance* pp. 367-379 and 445-531.

while it sometimes operates as exception to same. This therefore dispel the categorisation of Islamic cooperative as a prototype of conventional cooperative with Islamic principles. Islamic Cooperative is a unique and distinct organisation that has its principle rooted in the doctrine of Shari'ah, which deserve separate recognition of its special features and its peculiar characteristics.