



Banking Structure and Riba-Interest Equation: The Case for Ta'awuni (cooperative) Finance

Farooq, Mohammad Omar¹

¹ Department of Economics and Finance, University of Bahrain

Received 14 Aug. 2019, Accepted, 2 Nov. 2019, Published 1 Dec. 2019

Abstract: This conceptual paper is provoked by two interrelated queries. (a) Did Islamic finance industry adopt the wrong banking structure by choosing commercial banking as its core structure? (b) Does riba prohibition requires nuanced understanding in case of financing in a mutually beneficial, cooperative framework?

Currently adopted banking structure fails to contribute to some imperatives: spreading ownership, shared prosperity, profit sharing beyond transaction level, and adequate risk-sharing. This paper contributes toward filling a gap by raising the issue of compatibility of commercial banking with Islamic imperatives, while dealing with the issue of riba-interest equation in the context of cooperative (Ta'awuni) banking and finance.

Keywords: Banking structure, Cooperative finance, Ta'awun, Credit union, Riba-Interest equation.

JEL Classification: G20, N35, Z12

1. Introduction

Contemporary Islamic banking and finance emerged as an alternative to conventional banking, as riba (blanketly equated with interest) is prohibited. However, the Islamic finance industry adopted exclusively the commercial banking structure of its conventional counterpart without hesitation or serious examination. One can hardly find in early Islamic literature any discussion about alternative banking structure and analysis of their relative merits. There is an alternative framework, such as credit union or credit cooperative where the depositors are also the owners, that has particular relevance to Islamic finance, if spreading ownership, an Islamic imperative, is taken seriously. While it can be argued whether cooperative finance can replace the commercial banking system in general, there is definitely a need for cooperative finance as part of the broader financial system. However, Islamic finance industry or those behind the Islamic finance movement have shown little interest in promoting or advancing cooperative finance, even only as a complementary structure.

As part of the broader discourse on mutualism (Birchall and Simmons, 2002), two interrelated issues are explored in this conceptual paper. Firstly, compared to the commercial banking structure currently adopted by Islamic banking industry the cooperative framework (ta'awun) is closer to Islamic perspective and is expected to provide better value for the stakeholders, including depositors/owners. Even if cooperative finance cannot replace Islamic banks in general, the former has a vital role to play especially toward more inclusive financial system and to spread ownership. Regarding the methodology related to this first issue the relevant features and experience of commercial banking structure and cooperative structure are delineated and then relative merits and demerits from Islamic perspective are discussed. Three particular criteria are used for comparison between commercial banks and cooperative financial institutions: control, ownership and benefits (International Labour Organization, 2013).



Secondly, one of the key Islamic prohibitions is *riba*, the motivation to avoid which is the main reason for rejecting conventional banking and pursuing Islamic finance industry as an alternative. There is an important issue related to *riba* interconnected with the first issue. Does the prohibition of *riba* apply in the same way to interest in a *ta'awuni* (cooperative) framework as it does in a commercial banking framework? Methodologically, for this aspect related to *riba* relevant *fiqhi* issues are identified and examined, adding some fresh perspective to *riba*-related discourse. Indeed, this might be the first work exploring the two interrelated issues: implications for alternative banking structure for Islamic finance and the applicability of role of *riba* in the framework of cooperative (*ta'awuni*) finance. Notably, there are robust resources on the discourse about *riba*, its prohibition and *riba* being equated with interest (Saleh, 1996; Saeed, 1996; Siddiqi, 2004). *Riba* being prohibited is not an issue here and that's why detailed discussion about is not presented. The *riba*-related issue that is among the two issues explored in this paper is whether interest (equated with *riba*) applies in the same way in a cooperative framework. Unfortunately, on this issue no prior work seems to exist. That's the gap toward this paper attempts to make a contribution.

The rest of the paper is organized as follows: Section II provides a literature survey on cooperative finance in the Muslim world; Section III deals with the discourse about cooperative finance in general; Section IV explores the Islamic perspective on interconnectedness of fairness, inclusiveness and *riba*; Section V sheds light on the compelling arguments for *ta'awun*; Section VI presents research and policy implications; the conclusion of the paper is presented in Section VII.

2. Cooperative Finance: Literature survey

Cooperative financing is not uncommon; rather, it has a long, robust history (Williams, 2007). One of the main examples in the western world and elsewhere involves credit unions. Specifically, as a non-for-profit cooperative financial institution a credit union is owned and controlled by its members/depositors, operates to facilitate thrift, provides affordable credit and more efficient financial services to the members. Similar to credit unions, there are also savings and credit cooperatives around the world that play a vital supplementary role in the financial sector.

Financial cooperatives (sometimes called credit unions or savings and credit cooperatives) take the principle of member ownership to increasingly formal levels. Cooperative financial institutions began in Europe nearly 150 years ago, and the movement has now spread around the globe, with nearly 29 million members throughout developing and transition countries. In many countries, some financial cooperatives have evolved into large, successful financial institutions (Helms, 2006).

Indeed, global expansion of credit unions has been phenomenal. According to the World Council of Credit Unions (WOCCU)'s 2017 data, in 107 countries there were 89,206 credit unions, collectively serving 260.1 million members and overseeing US\$2.1 trillion in assets, excluding some for-profit cooperative banks.

Table 1. Credit Union membership in selected countries by numbers

Country	Credit Union membership
USA	112.6 million
India	20.1 million
Canada	10.2 million
Philippines	9.9 million



Country	Credit Union membership
Brazil	9.6 million
Mexico	8.3 million
Kenya	6.8 million
Colombia	7.2 million
South Korea	5.1 million
Ecuador	4.8 million
Thailand	4.3 million
Australia	4.2 million
Ireland	3.6 million

Source: World Council of Credit Unions, Statistical Report 2017¹

Percentage-wise the distribution in terms of penetration is even more diverse.

Table 2. Credit Union membership penetration* in selected countries

Country	Credit Union membership penetration (%)
Ireland	117.0%
Gernada	97.5%
Togo	53.0%
Jamaica	52.1%
Uruguay	39.3%
Senegal	30.7%
Australia	26.3%
Colombia	21.5%
Costa Rica	20.9%
Nepal	18.9%
Kenya	24.8%
South Korea	13.6%

Source: World Council of Credit Unions, Statistical Report 2017²

*Penetration rate is calculated by dividing the total number of reported credit union members by the economically active population age 15–64 years old

¹ https://www.woccu.org/documents/2017_Statistical_Report-Revised_Nov_2018.

² https://www.woccu.org/documents/2017_Statistical_Report-Revised_Nov_2018.



All these categories, serving formal and informal or urban and rural sector, can be broadly categorized as financial cooperatives and their goal is to offer traditional banking services on behalf of and to a unified group. These member-owned, financial cooperatives are not only capable to offer better risk-adjusted return to the members, but also neither they contributed to the economic/financial crises nor did they perform as poorly as the commercial banks (Werner, 2013). These cooperatives do not pursue higher risks for huge profits or to try to meet the growing expectation of the investors and thereby expose themselves to unreasonable risk (Birchall, 2012; Alexopoulos and Goglio, 2016). Utilizing the concept of mutuality, they are commonly based on a number of features.

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Financial education, training and information
6. Cooperation among cooperatives
7. Concern for the community³

Furthermore, Credit unions are “not-for-profit”, as their purpose is to serve their member community, instead of seeking maximization of profit. However, they are not charities relying on donations and therefore to be solvent they must cover their expenses as well as earn some surplus, but also without being risk-seeking, they utilize reasonable opportunities for profit that can be utilized for growth and expansion of services.

More compelling argument for such cooperatives is the way they share their profit and wealth among their owner-depositors. In addition to other benefits, Delta Community Credit Union paid \$5 million “Patronage Reward” to its 17,700+ members (Pilcher, 2009).

Table 3. Dividend distribution of selected US credit unions, 2018 (in order of asset size)

Institution	Membership	Assets (in billions)	Total Dividends (in millions)
Robins Financial CU, GA	185,866	\$2.4	\$12.001 ⁴
Empower FCU, NY	172,291	\$1.6	\$3.50
Dow Chemical Employees CU	59,611	\$1.6	\$17.60
SAFE FCU, SC	118,520	\$1.0	\$1.00
First Financial of Maryland FCU	64,602	\$1.0	\$2.00
DATCU, TX	93,669	\$0.9	\$1.90
Ideal CU, MN	52,337	\$0.7	\$0.53
Sioux Falls FCU, SD	28,113	\$0.3	\$1.00
Cooperative Teachers CU, TX	6,171	\$0.1	\$0.09

Source: Credit Union Times⁵

³ Co-op (undated), “7 Principles of a Cooperative”, available at <https://co-opcreditunions.org/7-principles-of-a-cooperative/> (20 January 2018).

⁴ Robins Financial paid “Loyalty Reward” to over 97,000 members in December based on deposit balances, loan balances, and overall usage of its products and services” (DuPlessis, 2018).

⁵ <http://www.cutimes.com/2018/01/16/credit-unions-disclose-more-dividends>.



Thus, there are benefits for members from both sides. They usually earn a higher return on their deposits and in many cases receive year-end dividend, and they get a lower rate on their loans (financing), competitively as well as, often, through rebates. Indeed, cooperative financial institutions have made credit more affordable for their members (Collard and Kempson, 2005).

With such principles and features, one would think that Islamic banking and finance would have taken a closer look at various banking structures and models and adopt the one that is more relevant and beneficial to the people. Yet, Islamic banking industry exclusively chose the commercial banking framework, and for all practical purpose the advocates and vanguards of Islamic economics, finance and banking did not engage in any serious examination of the relative merits of alternative banking frameworks.⁶ Even subsequently, except for microfinance, they generally have not shown enthusiasm for cooperative finance as an alternative or at least as a complementary framework.

3. Cooperative finance in the Muslim world

While there have been scattered small-scale cooperative initiatives in the contemporary Muslim world, large-scale cooperatives became widespread in the context of the microcredit movement since 1970s. The case of Grameen Bank, the pioneering microcredit programme and institution founded by Nobel Peace Laureate Muhammad Yunus with the goal of using credit as a tool for poverty alleviation, is especially relevant to the discourse related to cooperative financing as well as the issues related to *riba*.

Grameen Bank has been a pioneering institution, the model of which has been emulated globally. But there are other major institutions, such as Bangladesh Rural Advancement Committee (BRAC),⁷ National Bank for Agriculture and Rural Development (NABARD) in India,⁸ Accion US Network,⁹ etc., serving as part of the microfinance or microcredit movement. These are cooperative institutions representing the power and relevance of cooperative finance. Notably, these are financial cooperatives geared toward economic development, and do not generally offer financial services like retail banks do.

Grameen Bank as the pioneering microcredit institution has especial relevance because it is also based on cooperative framework and emerging and growing in one of the largest Muslim-majority countries where it had to contend with the issue of *riba*. The traditional religious establishment as well as Islamic political parties were at the forefront of condemning and repudiating Grameen Bank. The main reason for the condemnation was that Grameen Bank is based on interest. As part of the *riba*-interest equation (Farooq, 2009), Grameen Bank and its activities, however beneficial, is not acceptable or tolerable from orthodox Islamic viewpoint. Viewpoint like - “The fact that GB uses interest is enough in itself to refuse the model” – is not uncommon (Zidani, 2012, 64).

Yunus has chronicled the opposition in his book *Banker for the Poor* (Yunus, 2008). After almost two decades of opposition, Islamic banks (though under the influence of Islamist groups) started having their Grameen-style, *shari’ah*-compliant microcredit programs in Bangladesh and elsewhere. It took another decade and a half for Islamic Development Bank (IDB), the multilateral institution serving the Muslim-majority countries in particular, to formally invite Dr. Yunus to attend its advisory panel,

⁶ To explore if the pioneers of the Islamic finance industry had something to share, this author contacted a number of leading figures in Islamic banking and finance, including Prof. M. Nejatullah Siddiqi and Shah Abdul Hannan (former Chairman of Islami Bank Bangladesh Limited). The responses can be summarized as following: During initial stage of the Islamic banking movement, Islamic bankers primarily came from conventional banks and decided to accept the conventional model and procedure except where it was not compliant with *Shariah*. Essentially, there was no record of any deliberation behind adopting the commercial banking framework.

⁷ <http://www.brac.net/>.

⁸ <https://www.nabard.org/>

⁹ <https://us.accion.org/>.



recognizing the pioneering relevance of him to microcredit movement (socialbusinesspedia, n.d).

The condemnation and repudiation Dr. Yunus received from the traditional Islamic establishments did not provoke him to engage in any acrimony. Rather, patiently and wisely he navigated into the uncharted territories as his visionary leadership took a small experimental project in a village to evolve into a global phenomenon touching hundreds of millions of poor people around the world. In regard to the criticism that Grameen Bank had some serious religious problems, being interest-based to be specific, he recounted his approach in his book.

... the Grameen Bank is owned by its borrowers. Many Islamic scholars tell us that under Shariah law the ban on charging interest cannot apply to Grameen where a borrower is also the owner of the bank. The purpose of the religious injunction against interest was to protect the poor from usury, but where the poor own their own bank, the interest paid is in effect paid to the company they own, and therefore to themselves (Yunus, 2008, 73, emphasis added).¹⁰

It would be of interest to learn about who are these scholars he referred to (as he does not specify any detail or provide any reference), but his explication is intriguing. Essentially, he was framing Grameen Bank as a cooperative where the participants are owners-depositors/borrowers-investors. He was also arguing that the riba-interest equation, according to the scholars he alludes to, does not apply to a cooperative framework. Is there any merit to this perspective, when dealing with riba in the context of cooperative finance? This is related to one of two important queries in this paper, explored in a later section.

Parallel to conventional and Islamic banking in most Muslim-majority countries, there is also the fault line between conventional and Islamic microcredit cooperatives. The orthodox argument is that just like Muslims should not be using the conventional banks, the same is the case with the conventional microfinance cooperatives. As the value of the original conventional microfinance cooperatives became widely established, there were initiatives to have Islamic microfinance cooperatives, some of which were offered directly by Islamic banks, such as Islami Bank Bangladesh Limited. In the context of this paper, the two queries about cooperatives and riba are intertwined and that's why the experience of Grameen Bank, as explained above, has especial relevance, even though there are many such cooperative microfinance institutions.

Cooperative finance also has especial relevance when business cycle is considered. Studies of economic crises have shown that cooperative financial institutions are not major contributors to any crisis. Moreover, they are resilient during downturns in the economy and provide better risk-adjusted values to their members (Chatterji et al., 2013).

Table 4 (below) provides a comparison of features among commercial, Islamic (in its current practices) and cooperative finance. Among these features are three - control, ownership and benefits – as delineated by International Labour Organization (2013). It stands out quite clearly from the comparison that the benefits of cooperative finance are closer to meeting the broader socio-economic objectives from Islamic viewpoint than either commercial or current Islamic banking framework. While Islamic banking in its current practice is distinguished from its conventional counterpart due to its Shari'ah compliance, which basically means avoidance of certain key prohibition, in terms of its identifiable benefits it is closer to conventional banking. Thus, if key broader concerns, such as shared prosperity, inclusive growth, socioeconomic fairness, are important, Islamic banking framework by itself in its current practice and scope is not meeting those concerns.

¹⁰ pdf version, without page numbers, emphasis added.

**Table 4. Comparison of features among Commercial Banking, Islamic Banking and Cooperative Finance**

Features	Commercial Banking	Islamic Banking	Cooperative Finance
Purpose	Profit for shareholders	Shari'ah-compliant Profit for shareholders	Provide inclusive, more efficient, and more equitable services for member-shareholders/community
Fairness	Can be exploitative	Can be exploitative, even under Shariah-compliant mode	Non-exploitative, seeking common welfare of the members
Orientation	Prone to speculations	Speculation is to be avoided, but while investments are to be asset-linked, they can be speculative in certain sectors	No speculation
Ownership	Shareholders, separate from the depositors	Shareholders, separate from the depositors	Members/depositor owners
Profit sharing	No profit sharing	Limited profit-sharing at the transactional level	Profit-sharing at the institutional level ¹¹
Risk-sharing	No risk-sharing with depositors	Limited risk-sharing under certain modes, mostly risk shifting/risk avoidance	Risk-sharing among the member-shareholders
Performance during crisis	Seriously vulnerable	Vulnerable	Little vulnerability
Performance measurement	Return on equity (primarily)	Return on equity (primarily, though Shariah-compliant)	Broader performance based on Stakeholder value ¹²

4. Fairness, Inclusiveness and Riba

Notably, the financial sector dominated by major banks (commercial and investment) was primarily responsible for the global financial crisis that originated in the USA and then the contagion spread globally. Cooperative finance institutions, including credit unions, were hardly affected by the contagion. Not only credit unions did not do as poorly as the commercial banks, but also they seem to expand their loan/financing programs during downturns and thus help and lead in economic recovery (Smith, 2012).

A comparative study of commercial banks and credit unions in USA during 1996-2012, covering two business cycles, including two rather steep recessions, shows two patterns: (a) Banks have recorded consistently higher overall loan delinquency compared to the credit unions; and (b) during the downturns with added economic stress, delinquency tends to be 2-3 times more compared to the credit unions (Smith, 2012).

Beyond the comparison strictly on the basis of performance, the financial cooperatives, like credit unions and others, need to be evaluated on broader performance yardsticks, as cooperatives have distinct relevance in the context of the following areas: customer value, member trust, financial diversity and social responsibility (Davies and Michie, 2013, 12). Based on these criteria, commercial

¹¹ Many credit unions offer annual bonus or distribution from net income to the member-depositors. Pitcher, Jeffrey (2009). "Dividends: A Huge Differentiator for Credit Unions", The Financial Brand, January 22, <https://thefinancial-brand.com/4348/memeber-dividends-differentiate/>.

¹² Davies and Michie, p. 7.



banking structure of either conventional banks or Islamic banks does not measure up to the relative merits of cooperative finance.

In light of the abovementioned aspects, if one considers commercial banking and credit unions (cooperative finance) as frameworks for financial services, the choice is not that unclear: financial cooperatives should be preferred. Therefore, without getting into the riba-interest issue, there are good reasons why Islamic finance industry should reconsider the commercial banking framework, at least as a major supplementary framework. But there might be a related and important issue, riba, which also should draw attention to the financial cooperative model.

Before anything else, it is important to note that the Qur'an mentions about ta'awun as a matter of injunctive principle. "... And cooperate in righteousness and piety, but do not cooperate in sin and aggression..." (2/al-Ma'ida/2) The concept of ta'awun is presented in the Qur'an in the broadest term possible, underscoring that it is relevant to anything good, positive and beneficial, and the only limitation is that people should refrain from getting involved or cooperating in anything sinful, harmful, immoral, or unjust. Thus, the potential for utilizing cooperative framework is only limited by our imagination and practical constraints. Positive emphasis on ta'awun is an important enough reason for examining the financial enterprises from Islamic perspective to explore how the industry can find a new foundation or orientation for more inclusive finance in terms of participation and ownership. Unfortunately, throughout history the Islamic overall discourse, whether legal (fiqhi) or otherwise, has little trace of ta'awun as a major theme. Even during the past couple of centuries, when cooperative movement became a major trend throughout the world, there is little reflection of that in Islamic discourse.

Regardless, as mentioned above, there is another issue, riba, that is of interest in the context of this paper. The main argument for Islamic finance industry is that, because of the riba-interest equation and conventional banking and finance is based on interest, Muslims need to have an Islamic alternative. That's Islamic banking and finance, to avoid interest and the system based on it. However, without going into the general discourse about riba-interest equation, does riba prohibition cover cooperative or ta'awuni framework? Another words, does the prohibition of riba apply to ta'awuni framework in the same way?

As ta'awun remains largely an unexplored area, there has not been any systematic study of it from Islamic perspective, nor much of the ramifications or implications have been identified, let alone being empirically studied. A cooperative is defined as "an association of, by, and for people with common problems and community of interests whose main objective is to improve the standard of living and quality of life of members by working together in the form of a voluntary and autonomous business organization within the framework of the universally accepted cooperative principles" (Mendoza and Castillo, 2006, 5). The core feature of cooperatives is mutualism and mutual benefit. This core feature is important to keep in mind as we deal with the issue of riba in this context.

Riba, as presented in the Qur'an, involves *zulm* (injustice, exploitation) and is a life-ruining process. Anyone reading about riba in the Qur'an cannot but recognize the sternness against riba (2/al-Baqara/275). The Qur'an also is categorical against doubling and multiplying the principal in a predatory manner, which often results into the borrowers being trapped and ending up selling themselves into slavery (Saeed, 1996; Sookhdheo, 2008). In our contemporary time, debt bondage is a widespread phenomenon (Anti-Slavery International, 1997), which is often contributed by the financial system itself (Hermanutz, 2018). It is no wonder that in regard to all the things that have been categorically and explicitly prohibited in the Qur'an, the harshest pronouncement is in the case of riba, as God warned the riba-enamored exploiters who do not give up owed riba to get ready for war (2/al-Baqara/278-279).



Riba is not like any other prohibition. It is a practice that is abominable and most horrendous, as it exposes weak and vulnerable people to life-ruining experience and consequence. Thus, it is with utmost seriousness that Muslims would avoid riba and cherish a riba-free society, for themselves and for the humanity. The commercial banking framework hardly affords that, as the modern banking system as part of an economic system with extreme concentration of wealth and power, is systematically related to sustaining the debt culture and facilitating transfer of the wealth to the rich (Hodgson, 2013; Mosley, 2015).

Riba is generally defined as any stipulated or predetermined additional amount over the principal in a transaction of loan or debt. A few important dimensions of riba are as following.

- a. It involves two separate, distinct parties: One borrower and one lender. Thus, one cannot lend to oneself and violate the prohibition of riba.
- b. Riba inherently involves harm to and/or exploitation of at least one party, usually the borrower.
- c. Riba is usually a predatory system, which is set up and functions to serve the interest of an advantaged party, while harming, trapping or ruining the disadvantaged party, as explained earlier.

None of these three things applies to a ta'awuni framework.

- a. A ta'awun (cooperative) is mutual, member-based, group ownership, where the members finance each other. Every member is a joint owner and thus all financings, even to individual members, are based on mutuality and a form of self-financing.
- b. A ta'awun (cooperative) does not involve harm to and/or exploitation of any party, as there is no separate borrower or lender.

A ta'awun (cooperative) is inherently and structurally meant for mutual benefit.

- c. Just these three aspects are sufficient to establish the case that riba does not apply to a ta'awuni framework. But let us add a few other, important aspects.
 - a. The Qur'an asserts that the purpose of the existence of the Muslim Ummah (community) is not for itself, but for the mankind. "You are best of community created for the humanity ..." (3/Ale Imran/110)

Thus, an Islamic system and framework must be as broadly inclusive as possible. A Ta'awuni framework serves the people better and more substantively by vesting their ownership in the enterprise.

- b. The Qur'an makes the clarion call that Muslims are to stand for justice/fairness. "O you who have believed, be persistently standing firm in justice, witnesses for God, even if it be against yourselves or parents and relatives; whether one is rich or poor ..." (4/Ale Imran/135)

Vesting ownership in people in a financial system serves the cause of justice better in a ta'awuni framework than in commercial banking framework. Also, not being "for profit", cooperatives are motivated by the desire to mutually benefit the members of the group (Vittorio, et al., 2009).

Spreading of ownership and wealth is pivotal to human empowerment. The Qur'an sets the principle that wealth should not be circulated among a privileged few. Wealth "... may not (merely) make a circuit between the wealthy among you ..." (59/Al-Hashr/7). A ta'awun framework facilitates better and wider circulation of wealth and resources compared to commercial banking framework. Furthermore, the proponents of Islamic economics and finance have been consistently idealizing profit-loss sharing and risk-sharing in contrast with riba. But they are narrowly focused on the transaction or contract-level profit-loss sharing (PLS).



As evidenced by the general performance of cooperative financial institutions during normal economic times as well as economic downturns, a ta'awuni framework is better able to capture the benefits of profit-loss- as well as risk-sharing at an institutional as well as systemic level. The implication of transaction level PLS is important from the narrow focus of Shari'ah compliance, a prohibition-driven enterprise. However, the real impact of the transaction level for the depositors/customers involved is minimal, when compared to sharing of profit at the institutional level. Based on the experience of cooperative finance, unlike conventional or Islamic commercial banking, depositors/owners benefit in terms of profit not just from the transaction level, but also from the institutional level distributions.

- c. The Qur'an also makes it categorically clear that the prohibition of riba is related to *zulum* (injustice, exploitation). *La tazlimun wa la tuzlamun* (Don't wrong and don't be wronged; 2/al-Baqara/279) In understanding and defining riba, *zulum* must be understood and defined so that the implications of riba are illuminated (Farooq, 2012). The prohibition of riba is integrally related to the issue of *zulum*, as, for example, intoxicating effect is integrally related to the prohibition of intoxicants (*khamr*). If something does not intoxicate, it is not covered by the relevant prohibition. Similarly, if something is now known or prevalent as intoxicating, but a new preparation is possible without the intoxicating effect, it may become permissible. That's what we learn from an illustrative *athar* (report that reaches only a companion of the Prophet) from Imam Malik's *Muwatta*.

... [W]hen Umar ibn al-Khattab went to ash-Sham, the people of ash-Sham complained to him about the bad air of their land and its heaviness. They said, "Only this drink helps." Umar said, "Drink this honey preparation." They said, "Honey does not help us." A man from the people of that land said, "Can we give you something of this drink which does not intoxicate?" He said, "Yes." They cooked it until two-thirds of it evaporated and one-third of it remained. Then they brought it to Umar. Umar put his finger in it and then lifted his head and extended it. He said, "This is fruit juice concentrated by boiling. This is like the distillation with which you smear the camel's scabs." Umar ordered them to drink it. Ubada ibn as-Samit said to him, "You have made it *halal*, by God!" Umar said, "No, by God! O God! I will not make anything *halal* for them which you have made *haram* for them! I will not make anything *haram* for them which you have made *halal* for them".¹³

- d. Just like riba is prohibited, the Qur'an exhorts the believers to cooperate (seek cooperative framework) in anything good, virtuous and beneficial. Thus, ta'awun should be taken as a command, not merely as recommendation. As illustrated in the example of Umar al-Khattab, the second of the Rightly-Guided Caliphs, if a drink is not intoxicating and if an alternative non-intoxicating preparation is possible, then it is not an intoxicant. Similarly as the Qur'an and Sunnah present riba prohibition in connection with *zulum*, while frameworks are possible that, instead of being exploitative or harmful to at least one party, can be mutually beneficial, especially with clear commandment in the Qur'an about ta'awun (cooperation), there is room for more nuanced understanding and application of the concept of riba.

All these points lead us to view ta'awun as a framework not just positively, but also to view application of riba too in a different perspective beyond the transactional or contract level definition. Of course, those who define or approach riba mechanically or legalistically do object.

Some prominent Islamic economists, such as Mohammed Nejatullah Siddiqi, who uphold the riba-interest equation, quite predictably and understandably have a different view. In an online discussion on this topic, he observed:

¹³ Imam Malik, *Muwatta*, Book 42, Number 14, available at <https://sunnah.com/urn/416240> (accessed 20 January 2018); In the printed version, #1570.



Scholars have allowed only management and account keeping charges. Anything else will violate Islamic norm. The norm is: No guaranteed return to loan. If your suggestion is accepted, interest will enter from the back door. Once in, it will permeate the whole system. The entire Islamic vision is rooted in sharing risk not shifting.¹⁴

While from orthodox viewpoint, such arguments seem to be valid, it fails to take into consideration that ta'awun is an entirely different framework, where the essence of riba does not exist.

There are alternative views, as articulated by Mohammad Fadel, countering Siddiqi's argument:

Even under classical rules, provided that the only people who receive loans from the credit union are its own members, the fact that interest is charged should not be a problem because any excess that is received by the credit union beyond its costs is returned, pro rata, to its members. Moreover, the mark up could, if an Islamic credit union is concerned, be split off as a fee for credit insurance designed to make up for credit losses and thereby segregated from the deposits and loans of the credit union. The jurists have long distinguished between cooperative ventures and commercial transactions, the former being arrangements intended to provide help to one another in a fashion that does not seek gain, and the latter where each party is trying to achieve gain.¹⁵

In explaining the distinction made by the jurists between cooperative (non-commercial) and commercial transactions, Fadel refers to rulings from Muwatta Malik.¹⁶ While in Islamic legal discourse distinctions are made between commercial (profit-oriented) and non-commercial (non-for-profit) intent, the same distinction is lost in the orthodox position regarding riba. That's because riba is defined formulaically and legalistically.

More importantly, if risk sharing is important, and indeed from Islamic perspective it is, ta'awun framework better addresses the concerns related to riba. Cooperative framework is a risk-sharing framework, while Islamic finance, as practiced and validated as Shari'ah compliant by the contemporary Shariah scholars, is hardly a risk-sharing framework, especially with the minuscule share of PLS in Islamic banks' portfolios. What is prevalent in Islamic finance industry is risk-transfer/risk-shifting or even risk-avoidance mode (Mirakhor, 2014; Hasan, 2014).

Contemporary Islamic banking and finance, based on the orthodox understanding of riba, corroborates that mechanically defining riba rhetorically may work okay, but in reality it can produce almost a mimicry of the conventional finance (Khan, 2015). If risk-sharing is of fundamental importance from an Islamic viewpoint, it is vitally important that beyond the transaction-level focus of contemporary Islamic finance, banking framework beyond commercial banking is seriously re-examined.

Although ta'awun framework has not been adequately explored in classical Islamic discourse, there are ideas and positions that allow cooperation to be viewed differently. Fadel mentions:

Shatibi (d. 1388 AD) has an interesting fatwa in which he exempts certain exchanges that are not profit seeking -- he calls them 'customary exchanges among people in accordance with their habits of living together' -- from the rules of riba. These include partnerships for the production of milk

¹⁴ Siddiqi shared these comments on the theme of this paper that was discussed on IEF-Review discussion forum (2017, 26 May), available at <https://groups.yahoo.com/neo/groups/IEF-Review/conversations/messages/2990> (accessed 20 January 2018).

¹⁵ Fadel, M. (2017, 2 June), available at <https://groups.yahoo.com/neo/groups/IEF-Review/conversations/messages/3000> (accessed 20 January 2018).

¹⁶ Muwatta Malik, Book 31, #31.23.55, <https://sunnah.com/urn/413680>.



and cheese that would involve the unequal exchange of ribawi commodities.¹⁷

Mutuality, the essence of cooperative structure, has been highlighted in the contemporary Islamic finance discourse by Mahmoud El Gamal. In explaining the problem of divergence of risk preferences of the shareholders and the investment account holders in Islamic banks, Gamal (2007) mentions: “A natural solution to this problem is for Islamic banks to adopt a mutual corporate structure ... [M]utuality in intermediation of credit and risk can assist significantly in implementing the substance of Shariah as well as its forms, including the financial empowerment of Islamic financial customers (be they Muslims or otherwise) to face the domination of Islamic finance by international financial behemoths” (El Gamal, 2007).

Notably, there are limitations of cooperative framework (New Economics Foundation, undated), and it may not universally address all the problems and challenges in a financial system, unless, of course, a society embraces cooperation as its primary framework. Among the most important limitations as part of the existing systems are: (a) Access to capital, as it is not as appealing to investors who are seeking higher profit with higher risk; (b) Limited resources to attract more competent executives/managers; (c) Limitation of scale; and so on (Ratner, 2010). While many of these limitations are applicable to very small, local cooperatives, it is possible to overcome most of these limitations, which is a fact reflected in the widespread global presence of the cooperatives in business as well as banking and finance.

There are some interests in Islamic credit unions, which has prompted the World Council of Credit Unions (2013) to come up with a manual for Islamic credit unions. A 2013 IMF working paper lays out the case for greater suitability of cooperative structure for Islamic banking and finance.

Cooperative banks—including notably local credit unions—and Islamic banks are among those financial institutions that are generally more distant from “speculative” financial markets, and that survived the crisis with comparatively little strain; those that got into difficulties did so mainly because of “old fashioned” credit risk, not market risk or liquidity risk. Therefore, they are worth considering as alternatives to conventional commercial banks (Al-Muharrami and Hardy, 2013, 3).

5. Compelling benefits of Ta’awun

Traditional Islamic approach to banking and finance is focused on the fiqh of ownership (who owns and takes risk), but lacks the dynamism and aspiration to spread ownership, which is a key to wealth accumulation and countering concentration of wealth. Spreading ownership (Howard, 1999) through various ways, including the mutuals – both in finance and business – should be an important priority from Islamic perspective, but the very commercial framework for Islamic banking and finance is not conducive for spreading ownership.

In this context, the Qur’an has the important principle pertaining to anti-concentration of wealth, to prevent circulation of wealth being limited to a privileged few (59/al-Hashr/7). Unfortunately, Muslims have hardly taken this verse into consideration in shaping their approach and mindset in regard to the concentration of wealth and consequent inequality, rather extreme inequality, that now grips the world (Ibrahim, et al., 2014). The commercial banking structure is not just not conducive to achieve the goal of anti-concentration mentioned in 59:7, but also in reality probably the biggest facilitator toward

¹⁷ Fadel, M. (2017, 16 April), available at <https://groups.yahoo.com/neo/groups/IEF-Review/conversations/messages/2978> (accessed 20 January 2018). He further adds: “Shatibi’s fatwa can be found in a collection called ‘al-hadiqa al-mustaqilla al-nadra fi’l-fatawa al-sadira ‘an ‘ulama’ al-hadra.’ The collection is in Arabic, however, and not translated. The Arabic expression is something like, “‘ala ma yata’shar al-nas bihi.” An example of such a cooperative arrangement which entails technical riba is a group of travelers who pool their provisions into a common pool, and then eat together, without any kind of accounting to ensure equality of exchange.” See <https://groups.yahoo.com/neo/groups/IEF-Review/conversations/messages/3179> (accessed 20 January 2018).



global concentration of wealth.

A trailblazing 2011 study (Glattfelder, 2012) shedding precious light on the wealth concentration and ownership structure is illuminating. In this study three Swiss system theorists looked at 43,060 transnational corporations and their interlocking ownerships (Upbin, 2011). Some of the notable findings are:

- a. There is a “dominant core of 147 firms ... each of these 147 own interlocking stakes of one another and together they control 40% of the wealth in the network. A total of 737 control 80% of it all.” (Upbin, 2011).
- b. The dataset “is dominated by banks, institutional investors and mutual funds that don’t always have much in the way of control over assets” (Upbin, 2011), and thus effectively lack adequate link to the real economy.
- c. Top 50 of the 147 dominant firms consist of almost 40 financial institutions (Coghlan and MacKenzie, 2011).

These findings indicate the concentrated power of the financial sector as part of increasing financialization in the recent decades (Palley, 2013). Commercial banking structure not only contributes toward concentration of wealth and power, but also works against spreading ownership. While there are no similar study of concentration of ownership in Islamic finance industry, preliminary studies regarding the initial patrons of this industry and interlocking ownership suggest that it might be just mirroring the global trend of concentration (Farooq, et al., 2019). Thus, Islamic finance industry’s choice of commercial banking structure might have much deeper and more profound implications than has been recognized and studied so far.

A legitimate question might arise that comparing the suitability of commercial or collaborative banking is a valid issue and at certain scale the collaborative framework seems to have some key relevance from Islamic viewpoint; however, the other related issue in this paper is whether the prohibition of interest (equated with *riba*) applies to *ta’awuni* framework. The very reason Islamic banking has been justified and advocated is because of the *riba*-interest equation and thus ensure avoidance of *riba* or interest. However, when commercial banking structure is evaluated in a broader perspective, the very framework is inconsistent with other key Qur’anic principles, and thus the issue of *riba* and its relevance to the discourse cannot be easily brushed aside.

Regardless, even if one would like to separate the issue of collaborative finance and the issue of *riba*, mutuals and cooperatives in finance and business are particularly relevant in this context as keys to sharing both profit and risk beyond transactions, as they are for spreading ownership and wealth through the objective of achieving “stakeholder value”, instead of narrowly focused “shareholder value” (Davies and Michie, 2013). A summary of comparison of conventional banking, Islamic banking and cooperative finance as presented in Table 4 earlier strengthens the case for taking a closer look at cooperative banking and finance in the Muslim world.

While this paper is focused on collaborative finance, there is an emerging paradigm of collaboration or cooperation in general that is taking the discourse about collaboration to a whole new level, where, beyond collaborative business, finance or banking, the focus is on collaboration economy – “a model where the private, public, and civil sectors collaborate for prosperity that can last in perpetuity” (Lowitt, 2013). A subtheme of collaboration economy is Co-opetition, where the best of the spirit of competition and cooperation come together for a better common outcome for the broader society (Cygler et al., 2018). The big idea in a trailblazing work on Co-opetition is encapsulated as follows: “Co-opetition combines the advantages of both competition and cooperation into a new and dynamic framework to



generate more profit and turn things in your favor by changing the business environment that directly affects your company.”

However, besides the unbridled profit-motive, the prevalent “mindset” can be debilitating to consider and embrace revolutionary changes. Given the holistic nature of existential problem the humanity faces, the quicker we awaken to the vital importance of the paradigm of Co-opetition is better.

For many centuries, Muslim societies, instead of leading the civilization and the fields of knowledge, have been trying to keep their boats afloat taking the cue from the modern West. Thus, it is not altogether unexpected that when they borrowed the banking structure, it was only what was prevalent, but not considering and evaluating its choices based on any critical and substantive analysis. That also explains, why even though ta’awun is an injunctive Qur’anic prescription, in the field of Islamic economics, banking or finance it has not explored or contributed anything substantive on the theme of cooperation, and the new paradigms, such as Co-opetition, is yet to be even acknowledged in the relevant Islamic discourse.

6. Research and policy implications

This conceptual paper focuses on the issue of cooperative framework as an alternative or supplement to contemporary commercial banking structure adopted by Islamic finance industry. While there is a robust literature on both cooperative business and finance, the advocates and promoters of Islamic banking and finance have not broadened their interest in the cooperative framework, except for microfinance and poverty alleviation. More research and works are needed from within the Muslim world in this direction.

Policywise, the issue of inclusive finance is often emphasized and it is argued that Islamic finance is a more inclusive option as there is a sizable segment of Muslim population that does not engage in conventional banking because of interest. This is a valid point, as the traditionally conservative Muslims have been wary of the interest-based conventional banking and shunning banking services. However, there is the flipside as well.

There are now studies showing that Islamic finance industry might be reaching the limit for its demand in the Muslim world at merely 25% of the banking population. According to Global Islamic Finance Report (2017, 43-45), “a number of countries where IBF has one-fifth or more domestic market share have been experiencing slowdown in IBF ... [N]o more than 25% of the bankable Muslims are either interested in or are tapped by Islamic financial institutions. This implies that Islamic banks and financial institutions world-wide are chasing a pool of 100 million Muslim customers.”

One of the key factors is that there are still vast majority of Muslims in Muslim-majority countries who are not strongly persuaded by the Islamicness of Islamic banks. This entire issue can be potentially better addressed through cooperative financial institutions, where, as articulated in this paper, the issue of riba or interest may not arise. Thus, credit unions or credit operatives can be introduced, where no transactions related to anything prohibited (haram) in itself is allowed, including riba. But as articulated and explained in this paper, the case of riba does not apply to ta’awun framework.

Islamic banking and finance is still at a crossroad to chart its future course. Whether it will continue to be on the path of merely being Shari’ah-compliant (prohibition-driven), disconnected from the broader positive aspirations of Islam and society, or find ways to harmonize the cutting-edge ideas of our time such as “collaboration economy” with the time-tested principles and values, like ta’awun, and fostering it systematically, that remains to be seen. Accumulated body of knowledge clearly indicates that modern financial system, especially dominated by the trend of financialization, needs much more fresh and original thinking and perspective.



For example, what are constraints or rationales for converting Islamic banks into cooperative financial institutions and integrating depositors into the ownership structure as well? Further research is needed to identify relevant challenges, and if there are no major or fundamental constraints but reluctance to move in this direction, then it would indicate that from the structural perspective the industry is an appendage of the global financial system without fundamental interest in broader aspirations of Islam and society.

Islamic banking and finance is already constrained by the lack of an economic system that reflects Islamic values and parameters. By constraining itself further in terms of the structure, Islamic finance industry has shown little interest so far in embracing and promoting the Islamic injunction of ta'awun.

7. Conclusions

In this conceptual paper we explore the concept of ta'awun and its suitability for Islamic economy and finance. Islamic finance industry adopted the commercial banking structure through which it offers Islamic financial services and products. The focus is entirely on the product or contract level. Beyond the institutional level, the industry so far lacks a financial system or an economy that is also based on Islamic norms and parameters and it is a fact that the industry did not seem to have done the due diligence in adopting the commercial banking structure, or at least subsequently broadening its scope by extending services through cooperative structures, such as credit unions based on Islamic imperatives.

It is quite obvious that ta'awun should be the primary focus for building the system of finance, business and economy. If Islamic financial services that are offered by the contemporary Islamic finance industry are in a cooperative framework, it would be more inclusive and more beneficial for the people, and more consistent with Islamic imperatives (Ghosh, 2016).

Another aspect discussed in this paper is that the prohibition of riba, as a framework for zulm (injustice and exploitation), simply does not apply to ta'awun, and therefore, there are strong grounds to make the case that financing and resource sharing/allocation in a cooperative among member-owners, such as credit unions, saving and credit cooperatives, or cases like Grameen Bank, may not violate the prohibition of riba.¹⁸ Instead of resorting to mechanical or legalistic definition of riba, which leads to merely prohibition-driven shari'ah compliance, this nuanced perspective can open up more possibilities or flexibilities to design the financial system and institutions as well as facilitate transactions in accordance with Islamic norms, parameters and aspirations to serve the Muslims and the humanity.

While the issue may remain whether the entire financial system can be on cooperative basis or not, the need and relevance of cooperative finance as a vital part of the overall system is undeniable.

¹⁸ While there is room and need to scrutinize the ownership structure of Grameen Bank, the underlying principle involving application of riba in ta'awuni framework is still relevant.



References

- Alexopoulos, Y. and Goglio, S. (2016), "Financial Cooperatives: Problems and Challenges in the Post-Crisis Era", *Journal of Rural Cooperation*, Vol. 39 No. 1, pp. 34-47.
- Al-Muharrami, S. and Hardy, D. (2013), "Cooperative and Islamic Banks: What can they learn from each other?" International Monetary Fund Working Paper WP/13/184, available at <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Cooperative-and-Islamic-Banks-What-can-they-Learn-from-Each-Other-40888> (accessed 25 January 2018).
- Anti-Slavery International (1997), *Enslaved Peoples in the 1990s: Indigenous Peoples, Debt Bondage and Human Rights*, IWGIA, Copenhagen, Denmark.
- Birchall, J. (2012, 5 November), "What financial cooperatives can teach the big banks", Geneva, Switzerland: ILO, available at http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_192406/lang--en/index.htm/ (accessed 27 January 2018).
- Birchall, J. and Simmons, R. (2002), "Member participation in mutual: a theoretical model", in Birchall, J. (ed.), *The New Mutualism in Public Policy*, Routledge, New York, pp. 202-225.
- Brandenburger, A.M. and Nalebuff, B.J. (1996), *Co-Opetition. 1. A Revolutionary Mindset That Combines Competition and Cooperation. 2. The Game Theory Strategy That's Changing the Game of Business*, Doubleday: New York, NY.
- Chatterji, A., Luo, J. and Seamans, R. (2013), "Too Legit to quit?: Banks vs. Credit Unions after the Financial Crisis", available at https://www.hbs.edu/faculty/conferences/2013-paulrlawrence/Documents/ChatterjiLuoSeamans_TooLegitToQuit_May2nd2013.pdf (accessed 23 April 2019).
- Coghlan, A. and MacKenzie, D. (2011, 19 October), "Revealed – the capitalist network that runs the world", *New Scientist*, available at <https://www.newscientist.com/article/mg21228354-500-revealed-the-capitalist-network-that-runs-the-world/> (accessed 21 January 2018).
- Collard, Sharon and Kempson, Elaine (2005), *Affordable Credit: The Way Forward*, Policy Press.
- Cygler, J., Sroka, W., Solesvik, M. and Debkowska, K. (2018), "Benefits and Drawbacks of Coopetition: The Roles of Scope and Durability in Coopetitive Relationship", *Sustainability*, Vol. 10 No. 8, pp. 1-25.
- Davies, W. and Michie, J. (2013), "Measuring Mutuality, Indicators for Financial Mutuals", Centre for Mutual & Employee-owned Business, University of Oxford, available at <http://www.financialmutuals.org/files/files/KEL-15444.pdf> (accessed 20 January 2018).
- DuPlessis, J. (2018, 16 January), "Credit Unions Disclose More Dividends", *Credit Union Times*, available at <http://www.cutimes.com/2018/01/16/credit-unions-disclose-more-dividends> (accessed 20 January 2018).
- El Gamal, M. (2007), "Mutuality as an antidote to Rent-Seeking Shari'a-Arbitrage in Islamic Finance", *Thunderbird International Business Review*, Vol. 49 No. 2, pp. 187-202.
- El Gamal, M. (2006), "A Call for Mutuality in Islamic Finance: Corporate Form in Islamic Financial Intermediation", presentation made at Harvard Islamic Finance Forum, April 22, available at <http://www.ruf.rice.edu/~elgamal/files/mutucall.pdf> (accessed 20 March 2019).
- Farooq, M. O. (2009), "The Riba-Interest Equation: Reexamination of the Traditional Arguments", *Global Journal of Finance and Economics*, Vol. 6 No. 2, pp. 99-111.



- Farooq, M. O. (2019), "Rent-seeking behaviour and zulm (injustice/exploitation) beyond riba-interest equation", *ISRA International Journal of Islamic Finance*, Vol. 11, No. 1, pp. 110-123.
- Farooq, M., Meer, F. and Iqbal, B. (2019). "Inequality, Concentration of Wealth and Ownership of Islamic Banks: Some Pertinent Issues", *International Journal of Ethics and Systems*, Vol. 35, No. 3, 444-465.
- Fountain, W. (2012), *The New Emerging Credit Union World: Theory, Process, Practice – Cases and Applications*, Authorhouse.
- Ghosh, P. (2016, 26 February), "Newly Chartered Islamic Credit Union to Offer No-Interest Loans", *American Banker*, available at <https://www.americanbanker.com/news/newly-chartered-islamic-credit-union-to-offer-no-interest-loans> (accessed 20 January 2018).
- Glattfelder, J. (2013), *Decoding Complexity: Uncovering Patterns in Economic Networks*, Springer, Berlin, Germany.
- Hasan, Z. (2014), "Risk sharing versus risk transfer in Islamic finance", INCEIF The Centre For Research in Islamic Finance Kuala Lumpur, available at https://mpr.a.ub.uni-muenchen.de/62826/1/MPRA_paper_62826.pdf (accessed 20 April 2019).
- Helms, B. (2006), *Access for All: Building Inclusive Financial Systems*, World Bank Publications, Washington, DC.
- Hodgson, Graham (2012), "Banking, Finance and Income Inequality", *PositiveMoney*, available at <https://positivemoney.org/wp-content/uploads/2013/10/Banking-Finance-and-Income-Inequality.pdf> (accessed 20 April 2019).
- Hermanutz, Derryl (2018), *The Road of Debt Bondage: How Banks Create Unpayable Debt*, CreatSpace Independent Publishing.
- Howard, Ted (1999), "Ownership matters", *Yes magazine*, March 31, available at <https://www.yesmagazine.org/issues/economics-as-if-life-matters/776> (accessed 20 April 2019).
- Ibrahim, A., Elestrash, R. and Farooq, M. (2014), "Hoarding versus circulation of wealth from the perspective of maqasid al-Shari'ah", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 7 No. 1, pp. 6-21.
- International Labour Organization (2013), "Resilience in a downturn: The Power of Financial Cooperatives", Geneva, available at https://www.ilo.org/empent/Publications/WCMS_207768/lang--en/index.htm (accessed 20 April 2019).
- Islahi, A. A. (2009), Review of Greuning, H. and Iqbal, Z.'s *Risk Analysis for Islamic Banks*, JKAU: *Islamic Economics*, Vol. 22 No. 1, pp. 197-204.
- Khan, F. (2015), *Islamic Banking in Pakistan: Shariah-compliant finance and the quest to make Pakistan more Islamic*, Routledge, New York, NY.
- Lowitt, E. (2013), *The Collaboration Economy: How to Meet Business, Social and Environmental Needs and Gain Competitive Advantage*, Wiley, Hoboken.
- Mendoza, E. and Castillo, E. (Eds) (2006), *The Path to the Success of Cooperatives*, The University of the Philippines Press, Quezon City, Philippines.
- Mirakhor, A. (2014), "Foundations of risk-sharing finance: An Islamic view", in Lewis, K. Ariff, M. and Mohamad, S. (eds), *Risk and Regulation in Islamic Banking*, Edward Elgar, UK.



- Mosley, Ivo (2015, April 2), "Bank Robbery: Inequality and the Banking System", Positive Money, Available at <https://positivemoney.org/2015/04/bank-robbery-inequality-banking-system/>.
- New Economics Foundation (undated), "Credit Unions: International Evidence", available at https://neweconomics.org/uploads/files/10a4037e9ad23a9909_o7m6bqci7.pdf (accessed 20 April 2019).
- Palley, T. (2013), *Financialization: The Economics of Finance Capital Formation*, Palgrave Macmillan, New York, NY.
- Pilcher, J. (2009, 22 January), "Dividends: A Huge Differentiator for Credit Unions", The Financial Brand, available at <https://thefinancialbrand.com/4348/memeber-dividends-differentiate/> (accessed 25 January 2018).
- Ratner, C. (2012), *Cooperation, Community, and Co-Ops in a Global Era*, Springer, New York, NY.
- Saeed, A. (1996), *Islamic Banking and Interest: A Study of the Prohibition of Riba and Its Contemporary Interpretation*, E.J. Brill, New York, NY, p. 22, quoting Al-Tabari, *Al-Jami al-Bayan fi Tafsir al Qur'an*, Vol. IV, Dar al-Ma'rifa, Beirut p. 59.
- Saleh, N. (1996), *Unlawful Gain and Legitimate Profit in Islamic Law: Riba, Gharar and Islamic Banking*, Cambridge University Press, Cambridge, UK.
- Siddiqi, M. N. (2004), *Riba, Bank Interest, and The Rationale of Its Prohibition*, Islamic Development Bank, Visiting Scholars Research Series, Jeddah, Saudi Arabia.
- Smith, D. (2012), "Commercial Lending During the Crisis: Credit Unions vs. Banks, Filene Research Institute", available 15 https://filene.org/assets/pdf-reports/268_Commercial_Lending.pdf (accessed 15 January 2018).
- Socialbusinesspedia. (2016, March 15), Professor Yunus advises Islamic Development Bank, available at <http://socialbusinesspedia.com/news/details/278> (accessed 27 January 2018).
- Sookhdeo, P. (2008), *Understanding Shari'a Finance: The Muslim Challenge to Western Economics*, Isaac Publishing, McLean, VA.
- Sultan, H. and Syed, A. (2016), "Reimagining takaful: a new model for social banking", in Ali, S. N. and Nisar, S. (eds.) *Takaful and Islamic Cooperative Finance: Challenges and Opportunities*, Edward Elgar, Cheltenham, UK.
- Upbin, B. (2011, 22 October), "The 147 Companies That Control Everything", Forbes, available at <https://www.forbes.com/sites/bruceupbin/2011/10/22/the-147-companies-that-control-everything/#66d716805105> (accessed 20 January 2018).
- Vhfcu.org (undated), "What is a Credit Union", available at <http://www.vhfcu.org/home.html> (accessed 20 January 2018).
- Vittorio, B., Carretta, A. and Schwizer, P. (2009) (Eds), *Cooperative Banking: Innovations and Developments*, Palgrave-Macmillan, New York.
- Werner, Richard (2013), "Can Credit Unions Create Credit? An Analytical Evaluation of a Potential Obstacle to Enhanced Performance by Credit Unions", Manville, Graham and Greatbanks, Richard (eds.), *Third Sector Performance: Management and Finance in Not-for-profit and Social Enterprises*, Gower Publishing, pp. 27-50.
- Williams, R. (2007), *The Cooperative Movement: Globalization from Below*, Ashgate Publishing, Burlington, Vermont.



- World Council of Credit Unions (2013), “Islamic Finance Manual: Operating Policies and Procedures of Credit Unions”, available at https://www.woccu.org/documents/WORLD_COUNCIL_Islamic_Finance_Manual (accessed 15 January 2018).
- World Council of Credit Unions (2008), “Supporting Credit Union Development in Afghanistan: An Overview of Issues Important to The Development of Shari`a Compliant Cooperative Finance”, World Council of Credit Unions Research Monograph, Madison, WI, July, available at <https://www.microfinancegateway.org/sites/default/files/mfg-en-case-study-supporting-credit-union-development-in-afghanistan-an-overview-of-issues-important-to-the-development-of-sharia-compliant-cooperative-finance-jan-2008.pdf> (accessed 20 April 2019).
- Yunus, M. (2008), *Banker to The Poor: Micro-Lending and the Battle Against World Poverty*, Public Affairs, New York.
- Zidani, M. E. (2012), *An Islamic Analysis of the Grameen Bank*, Baraka, France.