

## Islamic Cooperative Finance – Lessons from Indian and Western Models

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### Abstract

*Despite enormous growth of Islamic finance in the last four decades, its focus remains on the Islamic prohibitions. Islamic shari'ah based finance has not been fully successful in its focus on Islamic prohibition of interest. The cooperative movement in Europe had a backing of the Catholic Church because the principles of cooperatives resonate well with the social and economic policies of the Church. In fact, the principles of cooperatives are also perfectly compatible with the Islamic principles of risk sharing and mutual help.*

*Though Islamic finance should reach out to every section of global society, a focus on Muslim countries shows that about 44 percent of their people live below poverty line. The World Bank data on poverty indicates alarming rates of poverty in the countries where substantial Muslim population lives. It is imperative now that Islamic finance should focus on downtrodden sections of the society for which a set of financial cooperatives and a modified version of micro-insurance would be more effective. A cooperative model takes care of many things such as microfinance, financial inclusion, and risk sharing. The present paper is divided into six sections, overview of cooperatives from India and Western models, role of Islamic finance, Cooperatives and Takaful for risk management, section four presents a viable Islamic cooperative model by taking lesson from Indian and Western cooperatives and also by offering them Islam-specific features that they may find beneficial, Section five highlights possible challenges in implementing cooperative models in different economic settings and section six offers recommendations and conclusion.*

**Keywords:** Islamic Cooperative, Takaful, risk sharing, Shari'ah, financial inclusion)

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