

# **Ummah Futures Halal Investment Cooperative**

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## **Ummah Futures Halal Investment Cooperative**

### **1.0 Abstract**

“Ummah Futures” is an equity-based community investment cooperative that will collect fixed monthly investments from up to 20 members of the Nur-UI-Islam Center’s Ummah (community), located in Cooper City, Florida, towards the goals of wealth creation, asset accumulation and economic brotherhood by stimulating cooperative business activities and investments according to Islamic economic and social principles. Muslims are forbidden to engage in interest or support investing in haram (Islamically unlawful) business activities (i.e. the sale of alcohol). There will be two levels of monthly investment over a 36-months period, they are: 1) \$10 per month and, 2) \$300 per month. Future funding will be derived from the increase of new memberships and the success (or lack thereof) of equity investments made by the co-op. The co-op’s initial 20 members, investing at the higher tier, will invest \$216,000 over the 36 months period and the return on the investment that the co-op will target is 5% plus the member’s principle investment. Moreover, participants in the plan will be encouraged to reinvest their earnings back into the plan.

The success of the project will be evaluated by determining (a) how many participants complete the investment program; (b) the number of new participants enrolling in the program; (c) the increase in earnings; (d) the number of new employment or contracted opportunities created for members, (e) the number of members trained in cooperative structure and Islamic economic principles, and; (f) the effect of that training in the social and economic relations of the investors.

## **2.0 Executive Summary**

Building a stronger Muslim community, economically, begins from within. Muslims are bound together spiritually by the belief in Allah as the only one worthy of worship and that Muhammad is His last messenger. It is not uncommon to see the rich and the poor, the black and the white, the Arab and the non-Arab, all praying side by side without any signs of prejudice. However, the vast diversity of the Islamic world in terms ethnicity, economic status, and national origin often creates divisions that prohibit cooperative economic engines from being revved up. Moreover, in a post-9/11 interest-ridden America, cooperative Islamic anything is feared from both inside the Muslim community and certainly in the broader community. The Ummah Futures Halal Investment Cooperative approached these challenges with a simple strategy of equity investing according to Islamic social and economic principles with the vision of creating an economic enclave similar to Little Havana in Miami, Florida. During the course of implementation of this project an economic enclave was not realized but potential that this strategy possesses lends hope for future CED vigor amongst the Muslim Ummah (community).

The Ummah Futures strategy of collecting fixed monthly investments from its members and the students of Nur-UI-Islam Academy's ninth grade economics class successfully implemented it by investing in Islamically lawful products to meet a consumption or service need of the community. Investing \$10 per month for three months yielded a

100% return on their investment. The students invested in ice cream bars purchased wholesale and sold them at retail prices after school. With the wealth they created cooperatively, at the end of Ummah Futures' demonstration project, the students purchased sporting goods and a "change of class" bell for the Academy, which supported the social wellbeing of the entire student body. Through Ummah Futures the students exhibited economic brotherhood and demonstrated that capitalism could be exercised while maintaining a social conscience. The children have paved the road to economic fortitude for the adults of the Nur-UI-Islam Academy.

### **3.0 Community Needs Assessment**

#### **3.1 Background**

In the second chapter of the Holy Qur'an, verses 275 – 280, as translated by Ali (2001), Muslims are warned not to engage in usury. The economic system in America is driven by interest (referred to as *riba* in the Holy Qur'an), which is the most common form of usury, therefore it creates a conflict for Muslims that esteem to uphold the tenets of the religion but yet endeavor to fulfill the American economic dream.

Most American investment opportunities are haram (Islamically unlawful) because companies are usually financed in part with interest-based loans or provide products or services that are not halal (Islamically lawful). For example, food establishments, hotels and airlines profit from the sale of alcohol (Mehmet, O., 1997, p. 1203).

The need extends to other communities and in fact, interest on debt has infringed on the wealth creation mechanisms of the country at large. In 2001 the fifth largest line item in the national budget was interest on debt (see Table 1). The Executive Office of the White House publication “A Citizen's Guide to the Federal Budget of the United States Government - Fiscal Year 2001”, states:

“Interest payments, primarily the result of previous budget deficits, averaged seven percent of Federal spending in the 1960s and 1970s. But, due to the large budget deficits that began in the 1980s that share quickly doubled to 15 percent in 1989. Since the budget is now in surplus, interest payments are estimated to drop to 11 percent of the budget in 2001.” That was 11% of \$2.123 trillion. (Executive Office of the President of the United States, 2001, retrieved October 3, 2003 from <http://w3.access.gpo.gov/usbudget/fy2001/guidetoc.html>).

**Table 1. Debt Held By The Public (subject to interest) - The Federal Budget 2002 - 2007**

	2002	2003	2004	2005	2006	2007
<b>In billons of dollars:</b>						
<b>Outlays</b>	2,052	2,128	2,189	2,277	2,369	2,468
<b>Receipts</b>	1,946	2,048	2,175	2,338	2,455	2,572
<b>Deficit/surplus</b>	-106	-80	-14	61	86	104
<b>Debt held by the public</b>	3,477	3,570	3,600	3,548	3,470	3,379

Clearly, Muslims and non-Muslims alike can benefit from economic alternatives that are free of the burden of interest.

### 3.2 The Nur-Ul-Islam Community

Under the advisement of Wayne Rawlins, Ummah Futures project coordinator, seventeen ninth grade students of the Nur-Ul-Islam Academy implemented a questionnaire (see Appendix 1) to their parents and relatives, which assisted in determining service and consumption needs of the respondents. The survey was comprised of 12 questions and took approximately three minutes to complete. The results of the questionnaire are outlined in the graphs and tables below:

Respondents were asked, “If the following products or services were halal (where applicable) and provided by Muslims locally, which would you most likely purchase or use? (Check all that apply).” To the surprise of this author, halal KFC was tied for the number one response (see Table 2).

**Table 2. If the following products or services were halal (where applicable) and provided by Muslims locally, which would you most likely purchase or use?**

<b>Products and Services</b>	<b>Number of Respondents</b>
Early Childhood Learning Center	5
Elderly Day Care	1
Lawn and Landscaping Service	3
Maid Service	3
Car Wash	6
Pre-Packaged Meats	3
Seafood	3
KFC	6

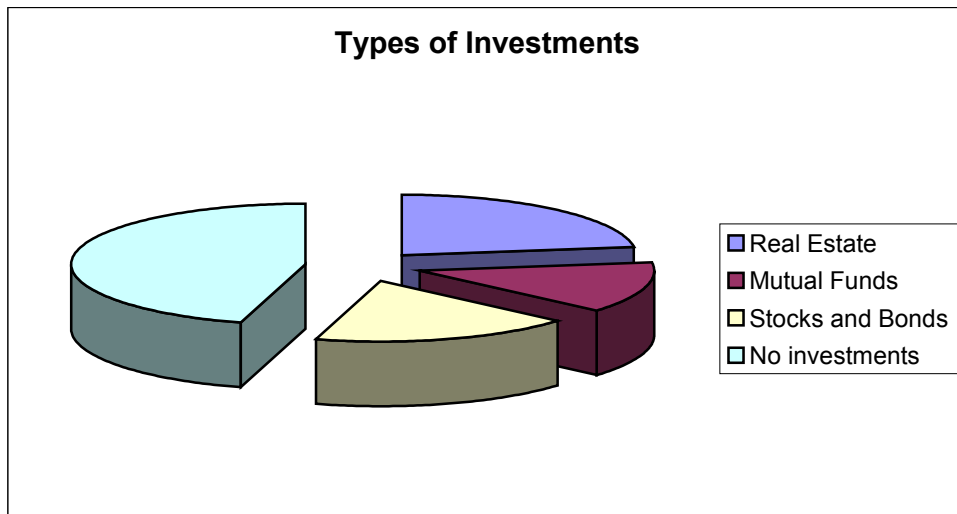


Foreign Money Exchange	1
Language Translation Service	1
Airport Shuttle Service	2

*Note: The proposed adult members of Ummah Futures recommended the product and service types listed in Table 2.*

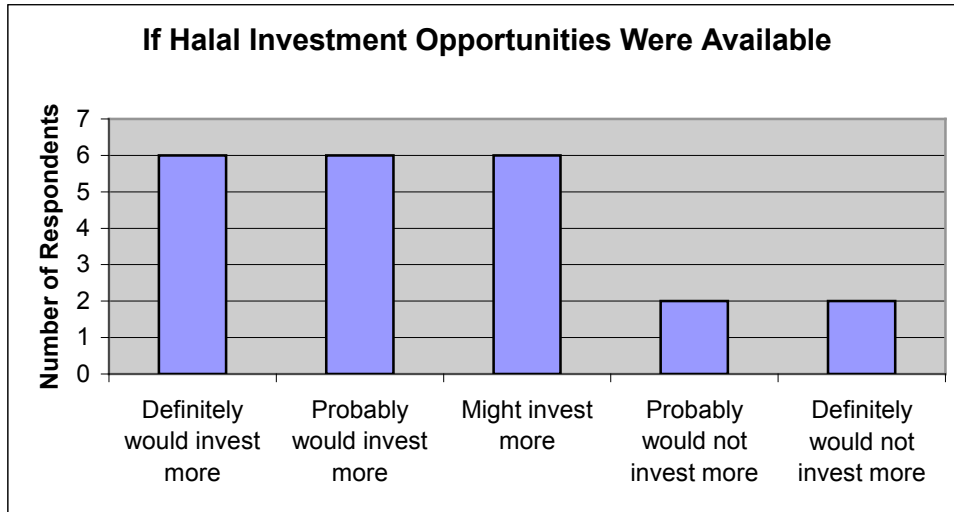
When questioned about the types of investments that the respondents presently had, nearly half stated that they no investments at all (see Chart 1). This further accentuates the need for halal investment opportunities.

**Chart 1. What types of investments do you presently have?**



Contrarily, the respondents overwhelmingly stated that they would at least consider investing more if there were halal investment opportunities (see Chart 2).

**Chart 2. If halal investment opportunities were available, would you invest more?**



### 3.3. Problem Statement

Presently there are no formal means of halal investing for the Muslim community of South Florida. The project’s theory of change is that an equity-based investment cooperative will fill a void in the American economic system by affording Muslims (and others) with affordable halal equity investment opportunities. For the Muslim community of the Nur-UI-Islam Center, Ummah Futures will foster asset accumulation, shared wealth, community empowerment and the pooling of resources, which will fuel effective CED (Whitehead, J. and Harris, C., 1999, p.295). The members of Ummah Futures will research, identify and initiate halal investment opportunities, which will serve as a catalyst for economic brotherhood.

Ummah Futures features the benefits of equity-based investing within a cooperative structure. This concept is not new in the history of Islamic financing. Participatory financing through partnerships between the provider of the capital and the user or entrepreneur (called “musharakah”) was one of the earliest forms of Islamic financing. Such financing was used widely and successfully in the Muslim world, usually for the

funding of small businesses. Divestment was the usual ultimate outcome, but this could not simply be carried out unilaterally as happens with the sale of equity in a traded stock. In this modern context the number of individuals who are in a position to provide musharakah financing is limited, although modern musharakah funding through equity market participation may have much smaller risks because of the ease of divestment (Wilson, R., 1997, p. 1325). Therefore Ummah Futures can uphold its commitment to Islamic economic principles and stimulate wealth creation, asset accumulation and economic brotherhood. The Ummah Futures individual investor potentially will realize a targeted increase in earnings of at least 5% or \$540 in addition to their principle of \$10,800 over the three-year period.

Full implementation of the project will not be without challenges. The participants of the project will be affected by the profit or loss of the co-op's investments and by the change in each member's capacity to engage in asset accumulation activities. As with most investment opportunities, the participating members will be taking a risk. If profit is not realized, there is a possibility of feelings of mistrust and dissension could result. Therefore it is essential that the members have the capacity to become informed and active participants in determining the investments that the cooperative undertakes. Additionally, the cooperative will impose strict accounting controls, monitored by a Certified Public Accountant, and will have an "Open Book" policy thus allowing members to view the co-op's financial statements upon request. Each member's earnings (or losses) will be related in the investor's personal quarterly account summary, which will be available in electronic format via a password protected web-based interface to

reduce the costs of postage and handling. Moreover, annually Ummah Futures will undergo an independent audit to further provide reassurances to its members that their investments are being handled properly.

### **3.4 Project Target Community**

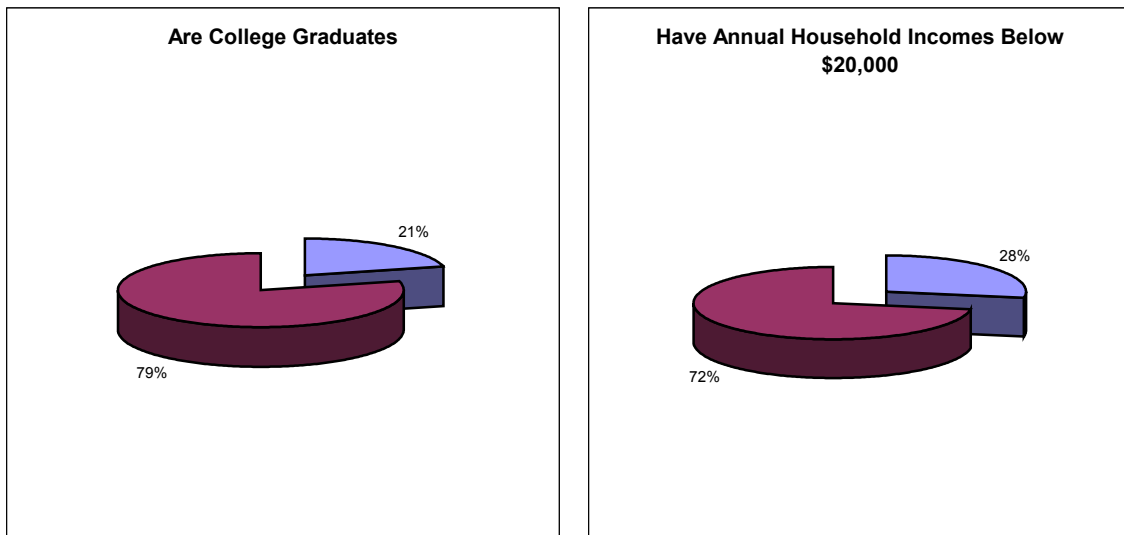
The project's target community is the 300 members congregation of the Nur-UI-Islam Center who regularly attend Jummah (the Friday Muslim congregational prayer). Ummah Futures conducted a survey of the parents and relatives of Nur-UI- Islam's ninth grade economics class to provide a sampling of the demographics of the target community. The results are as follows:

- 45% are male and 55% are female
- 50% reported being married and 32% reported being single/never married
- 59% own their primary residence
- 27% are self-employed; 18% have professional/technical jobs; 14% are managers/administrators; and 18% are students.
- 45% are between age 35-44 and another 41% are between 18-35.
- The median household income is \$40,000
- 50% of the respondents were of Middle Eastern descent
- More than 50% reported having attained a college degree or higher.

On a national level as documented in a study conducted by the Council on American-Islamic Relations, "The Mosque in America: A National Portrait" (2001), 21% of

Muslims attending mosques are college graduates and 28% have household incomes below \$20,000.

**Charts 3 and 4. National Study by the Council on American-Islamic Relations**



**3.5 Project Goals**

The goals for Ummah Futures are as follows:

## 1. Wealth Creation

In order to monitor the progress that Ummah Futures is making towards the achievement of this goal is by providing its investors with personal quarterly account summaries that will detail the earnings (or losses) accumulated.

## 2. Asset Accumulation

The ongoing analysis of the investment opportunities and the securing of equity stakes in new and existing businesses will monitor asset accumulation.

## 3. A Spirit of Economic Brotherhood

The number of referrals made that result in new memberships will be the monitoring tool to gauge economic brotherhood. Moreover, the brotherhood extends to the number of new jobs or business opportunities created by the Ummah Futures Halal Investment Cooperative.

**Table 3. Goals and Objectives**

<b>Goals</b>	<b>Objectives</b>
I. Wealth creation	1.1 Train 20 members in co-op structure
	1.2 Collect monthly investments
	1.3 Increase value of members equity by 5%
II. Asset Accumulation	2.1 Identify halal investments
	2.2 To invest in a co-op business
III. Spirit of Economic Brotherhood	3.1 Create employment/contracted opportunities
	3.2 Increase the membership
	3.3 Membership retention

### 3.6 Project Objectives

The objectives for each of the project's goals are as follow:

#### Goal I Wealth Creation

Objective 1.1 Train 20 members of the Ummah in cooperative structure and Islamic economic principles in the first year.

Step 1.1.1 Train core group of five members in cooperative structure and Islamic economic principles.

Step 1.1.2 Request that each member of the core group recruit three new members (20 total).

Step 1.1.3 Host training with the 15 new members.

Resources: The capacity of the Ummah Futures Halal Investment Cooperative coordinator is such that the training can be provided without cost. The Nur-UI-Islam Center has adequate space to host the training.

Objective 1.2 Collect monthly investments from 20 members of the Ummah for 36 months.

Step 1.2.1 Prepare a operating agreement that outlines the guidelines for member's participation.

Step 1.2.2 Collect initial investments and signed operating agreements from the five core members.

Step 1.2.3 Open credit union account.

Step 1.2.4 Contract with Certified Public Accountant to maintain financial records, prepare financial statements, and issue member's quarterly statement of earnings.

Step 1.2.5 Begin collecting investments and signed member's agreements from the 15 new members that are referred by core group.

Resources: Ummah Futures will identify a Certified Public Accountant that is a member of the Ummah. Additionally, we will seek to establish an account and relationship with a credit union where investors will be able to make their monthly investments directly at the credit union, on-line, or at an ATM.

Objective 1.3 Increase the value of each member's equity investment by 5% by the end of the second year.

Step 1.3.1 Solicit business plans from members for equity investment ideas.

Step 1.3.2 Review and analyze business plans for viability and probability for success.

Step 1.3.3 Have members vote on investment ideas that are rated the highest in viability and probability for success.

Step 1.3.4 Initiate, promote, and monitor business development.



Resources: The members of Ummah Futures will be responsible for the analysis of investment opportunities and to increase the likelihood that investors will increase their earnings.

Goal II      Asset Accumulation

Objective 2.1 Identify cooperative halal investment opportunities within the first six months.

Step 2.1.1      Solicit halal investment ideas and business plans from the members of Ummah Futures.

Step 2.1.2      Review and analyze the investment proposals for viability and adherence to Islamic social and economic principles.

Resources: The members of Ummah Futures will be responsible for the analysis of investment opportunities and their adherence to Islamic social and economic principles as well cooperative structure.

Objective 2.2 To initiate or invest in a cooperative business that provides goods or services consumed by the Ummah within the first year.

Step 2.2.1      Business plans identified in 2.1.2 will be voted on by the membership to determine the first business that Ummah Futures invests in.

Resources: The members of Ummah Futures will be responsible for the analysis of investment opportunities and the project coordinator will provide technical assistance and monitoring of the new business.

Goal III      A Spirit of Economic Brotherhood

Objective 3.1 Create three employment and/or contracted opportunities for Ummah Futures members in a business owned by or financed by the cooperative in the first year.

Step 3.1.1      After initiating the capital investment in the selected business (see Step 2.2.1), if needed, the membership will work with the business owner/manager to fill the employment and/or contracted needs of the business with members of Ummah Futures.

Resources: Within the Ummah there are workforce development needs. Ummah Futures will identify the skill sets of its members and match them with employment and business start-up opportunities that development from the cooperatives investment activities.

Objective 3.2 Increase the number of members by 100% in the first year through referrals made by founding members.

Step 3.2.1      The founding five members must first identify 15 new members.

Step 3.2.2 Each of the 20 members will be encourage to refer at least one more new member.

Resources: Existing members of Ummah Futures will be responsible for identifying and referring new members. To maintain the integrity of the cooperative, new members will only be sought through the referrals of existing members.

Objective 3.3 Retain 70% of the members over the 36-month investment period.

Step 3.3.1 Members will be provided with quarterly electronic updates on their earnings.

Step 3.3.2 Community building exercises will be held to increase interest and participation.

Step 3.3.3 Businesses selected for equity investments will be provided with technical assistance to increase the likelihood for economic success, which will contribute to member retention rates.

Resources: Islamic culture brings Muslims together at least once a week for the Friday congregational prayer. The founding members of Ummah Futures regularly pray their daily morning and night prayer together in the Masjid (Muslim house of worship). Therefore, there already exists a religious brotherhood and extending that relationship to economic brotherhood will assist in retaining members in the cooperative.

### **3.7 Anticipated Problems in Accomplishing Project Objective**

The problems that could prevent the project from meeting its objectives are the following:

1. Diversity – The Ummah is often divided by ethnicity, language, and class, which is totally contrary to the teachings of Muhammad but nevertheless exists.
2. Accountability – The fiscal management of Ummah Futures is paramount. Investors need to be informed and active participants in understanding and reviewing financial records.
3. Intimidation – Many law-abiding Muslims are scared that their investments may be viewed as having some “terrorist” connection as the government has seized assets of several Islamic organizations, sometimes just on suspicion alone.

## **4.0 Project Design**

### **4.1 Program**

Collectively, the Ummah has the capacity and the resources to make modest monthly investments to a community cooperative that identify equity-based investments in businesses that provide products and services that are consumed by the Ummah. Additional investment opportunities may include real estate or other halal holdings. Monthly investments will be in two tiers: 1) \$10 per month for 36 months, and 2) \$300 per month for 36 months. The lower tier provides an investment and capacity building

opportunity for children and those whose means are extremely limited but desire to be a part of the Ummah's asset accumulation activities. The higher tier provides the cooperative with a substantial infusion of monthly investment income and the investor with a greater equity share.

## **4.2 Literature Review**

In an effort to engage in wealth creation and asset accumulation activities, Muslims in South Florida, aspiring to uphold the pillars of Islam, find it quite difficult to do so with regards to investing. Finding halal (Islamically lawful) investment opportunities is challenging as most companies engage in some sort of haram (Islamically unlawful) activities or financed by interest-ridden loans. In a literature review of any Islamic subject matter, one must begin with The Holy Qur'an, which Muslims believe was written (in Arabic) by Allah (God). Moreover, the references for this literature review are based on The Holy Qur'an translated in English by Ali (2001). Chapra (2000) provides the appropriate framework for this literature review as related below:

“An unavoidable question, therefore, is whether it is really necessary to have Islamic economics when conventional economics is already there in a highly developed form. This question acquires particular significance because the subject matter of both disciplines is nearly the same: allocation and distribution of scarce resources among their infinite uses. The justification would be there only if the effort to develop Islamic economics is directed toward the realization of a purpose that cannot be realized by the analysis developed by conventional economics. The need would be all the more acute if the set of variables employed for the analysis is broader, and the mechanisms and method to be used for the allocation and distribution of resources are also different.” (Chapra, M.U., 2000, p.2)

Beyond Chapra's analysis, none of the books or articles reviewed applied a cooperative structure within a community economic development framework to practically address the issue of wealth creation and asset accumulation in America, while adhering to Islamic economic and social principles. Nadeau and Thompson (1996), albeit not within an Islamic context, clearly demonstrate how cooperatives can draw on the skills and expertise of its members to CED. Visser and McIntosh (1998) critiqued the history of usury, Wilson (1997) addressed the ethics of Islamic financing where he outlines Islamic participatory financing, which supports the concept of a community investment cooperative, Dar and Presley (1999) stresses a shift to empirical Western economics principles in Islamic economics where Islamic social and economic principles would be compromised, and Ahmed (2000) suggests that many contemporaries believe it is virtually impossible to have a riba-free (interest-free) economy, whereas Ummah Futures adheres to the fundamental principles of Islamic economics but optimizes the features of cooperative structure in a community economic development framework.

#### **4.2.1 Background Theory**

Ummah Futures has been conceptualized to impact investing behaviors amongst Muslims in South Florida. Whitehead and Harris (1999) identify the role that cooperatives can play in empowering communities. In theory, a community investment cooperative, operated according to Islamic economic and social principles, will stimulate equity-based investing and economic brotherhood amongst participating members of the South Florida Muslim community. If Muslims are provided with halal investment opportunities, they

will invest more. Furthermore, those participating in the cooperative will have an equity share in a business and will be more likely to purchase the goods or services of that business versus a competitive company, which will result in increased earnings, asset accumulation, wealth creation and a spirit of economic brotherhood.

#### **4.2.2 Prior Art and Design**

An electronic search of the Opportunities Industrialization Centers of America (OIC) archives at Temple University Libraries (2003) and in the book written by Sullivan (1969) uncovered OIC's 10-36 Plan, which called for participants to invest \$10 per month for 36 months within the context of a community investment cooperative. Ummah Futures also features the benefits of equity-based investing within a cooperative structure. This concept, in part, is not new in the history of Islamic financing. Wilson (1997) explains how participatory financing through partnerships between the providers of the capital and the user or entrepreneur (called "musharakah") was one of the earliest forms of Islamic financing. Such financing was used widely and successfully in the Muslim world, usually for the funding of small businesses. Therefore, Ummah Futures, through cooperative structure and participatory financing, can favorably impact investing behaviors amongst Muslims in South Florida while allowing their commitment to Islamic economic principles to be upheld thus stimulating wealth creation, asset accumulation and economic brotherhood.

#### **4.2.3 Discussion**

As Dar and Presley (1999) explain, Western literature on economics has been well developed and Islamic economic literature has been developed in isolation. Ummah Futures does not discount Western literature but takes the best of Western cooperative structure, as defined by Whitehead and Harris (1999) as a means of fostering asset accumulation, shared wealth, community empowerment and the pooling of resources, integrates it with fundamental Islamic economic principles.

The idea of compromising Islamic principles for the more “developed” empirical Western economic literature, as implied by Dar and Presley (1999), will be discarded from the approach used to implement Ummah Futures, which seeks to maintain adherence to Islamic economic principles. Moreover, religious beliefs should not be discarded from economic research. Rosser (1993) stresses the role of belief in economic theorizing and Iannaccone, Stark and Finke (1998) suggest that there is a role that religion plays in empirical Western economic research, which supports the adherence to Islamic fundamental economic beliefs in the design of community economic development strategies.

Two research questions, relating to the subject matter of Ummah Futures, that warrant further investigation, include the following:

1. What would be the impact of Islamic economic strategies within the empirical Western economic system?



2. Can economic enclaves, as seen with “Chinatown” or “Little Havana” in Miami, be an effective strategy for implementing Islamic economic principles and the development of wealth creation systems and asset accumulation amongst Muslims?

### **4.3 Participants**

The project targeted 20 members of the Ummah of the Nur-UI-Islam Center and the students of the Nur-UI-Islam Academy’s ninth grade economics class. The center and academy are co-located on the same grounds in the community of Cooper City, Florida. Interested parties from outside of the Nur-UI-Islam Center that are referred by members of Ummah Futures will also be considered for membership. Participants of the Ummah Futures Halal Investment Cooperative collectively invest a fixed amount each month towards a goal of asset accumulation by initiating or investing in existing cooperative business activities and other viable halal investments.

### **4.4 The Community’s Role**

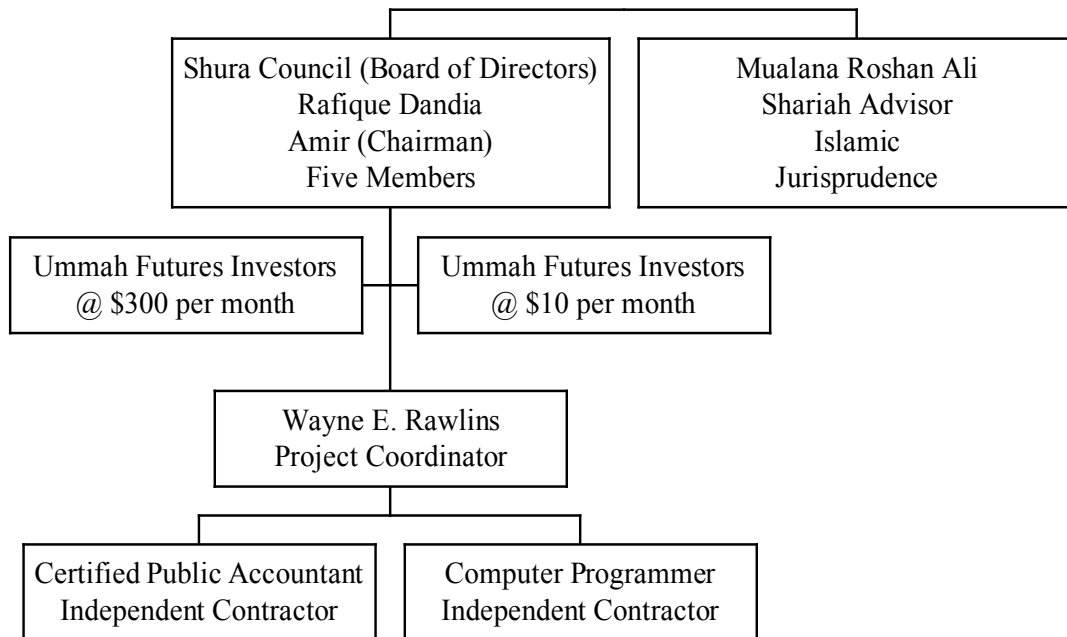
As the owners, managers and consumers of Ummah Futures, the Ummah’s role is to uphold the principles of Islamic economics, which gives primary importance to moral values, human brotherhood, and socio-economic justice and does not rely primarily on either the state or the market for realizing its vision. It relies rather on the cooperative roles of values and institutions, market, families, society, and the state, to ensure the realization of its vision of ensuring the well being of all. It puts great emphasis on social change through a reform of the individual and his or her society, without which the

market and the state could both perpetuate inequities. The Muslim community has tremendous purchasing power but nearly all of the community's income leaves the community not generating wealth or any means of community asset accumulation.

#### 4.5 Host Organization

The host organization for the project is Ummah Futures International, LLC, a State of Florida for profit limited liability company. The organization was developed in part for the development, implementation, and sustainability of this project. Wayne E. Rawlins serves as the project coordinator and as a member of the LLC. The organizational chart for Ummah Futures Halal Investment Cooperative is below:

**Chart 5. Ummah Futures Halal Investment Cooperative**



## **4.6 Method**

Cooperatives foster asset accumulation, shared wealth, community empowerment and the pooling of resources (Whitehead, J. and Harris, C. 1999, p. 295). Moreover, cooperatives allow for the building assets from within while creating employment and business opportunities for their members.

Community cooperatives also create training opportunities for their members in cooperative membership and specifics of a particular skill. Members participating in the co-op can learn about entrepreneurship, customer service skills, democratic management and control and financial literacy (Whitehead, J. and Harris, C., 1999, p. 301). Furthermore, community cooperatives can survive the challenges of globalization by building on the assets existing in the community and creating wealth from within.

Collectively, the Ummah has the capacity and the resources to make modest monthly investments to a community cooperative that can identify equity-based investments in businesses that provide products and services that are consumed by the Ummah (and the broader community) as well as other viable investment opportunities.

Ummah Futures will collaborate with Nur-Ul-Islam Academy's ninth grade economics class to establish a capacity building mechanism for the young people of the community to learn about investing.

Furthermore, the cooperative will seek to satisfy its own procurement needs by purchasing goods and services first from businesses owned by its members and secondly, from other cooperatives.

#### **4.7 Products and Outputs**

Ummah Futures will initiate or invest exclusively in halal business activities upon the evaluation and subsequent approval from its voting members. Only business plans submitted by members of Ummah Futures will receive consideration for equity-based investment capital. Some of the preliminary investment ideas include establishing a halal slaughter house to meet the food consumption needs of the community, land purchases with the intent of developing housing financed without interest, and the purchase of foreign currency (particularly the “Euro”) for the purposes of liquidity and short-term wealth creation. The students of the ninth grades of the Nur-UI-Islam Academy decided to invest in and sell ice cream after school.

For the members of Ummah Futures, the project will generate the following:

- Increased earning potential
- Increased savings on goods and services consumed
- Contribution to the social and economic well being of the Ummah

## **5.0 Project Implementation**

The Ummah Futures project was implemented at the youth level but is still being developed for adults. The Nur-UI-Islam Academy ninth grade economics class, taught by Sister Nihema Khan, implemented the project. After submitting the abstract of the project to Sister Nihema, she forwarded it to Mr. Kem Hussein, the Academy's principal.

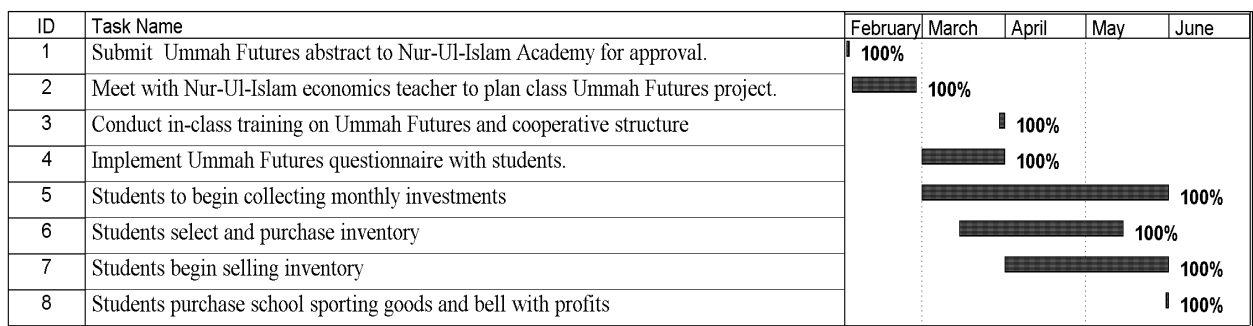
Without objection, Mr. Hussein approved Ummah Futures with the condition that the profits be donated to the school. Sister Nihema related the principal's approval to the Ummah Futures project coordinator Wayne Rawlins. Rawlins and Kahn met to discuss the next steps in implementation. Two class sessions were planned where Rawlins led the class in an overview of Ummah Futures and the basics of cooperative structure. The second session involved strategic planning as to what products or services the cooperative would sell and who in the class would be the president, vice president and treasurer. Moreover, the class was given an assignment to have Ummah Futures questionnaires completed by their parents and relatives, which would assist Mr. Rawlins in the overall marketing strategy of the project.

The children elected to sell ice cream after school one day a week. One of the students related that her father knew where to buy ice cream wholesale. The following week the youth began to contribute \$10 each and committed to contributing at that level for the next two months as well. Their goal was to buy sporting goods and a school bell with their profits.

After the first day’s sales effort proved successful, they students decided to sell twice a week. Each student had an opportunity to participate in selling consistent with a worker’s cooperative structure. All of the students maintained their contributions over the three-month period. The class succeeded in obtaining its goal.

The implementation plan in the form of a MS Project Gantt is below:

**Chart 6. Ummah Futures Gantt Chart for Youth Implementation**



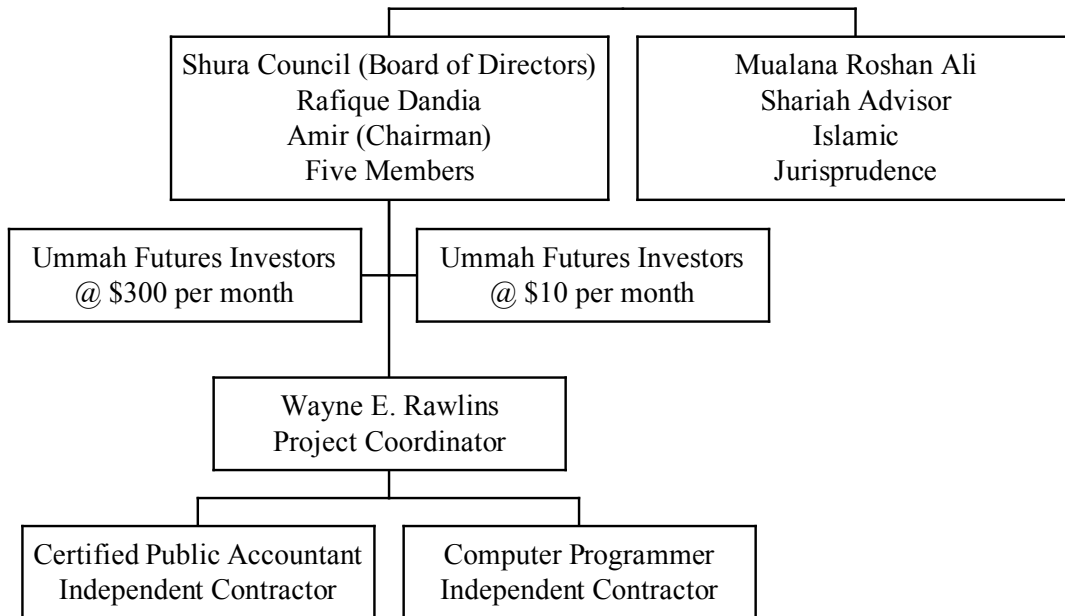
### 5.1 Staffing Pattern

Initially the volunteer project coordinator will be the sole staff member. Additionally, a certified public accountant (CPA) and a computer programmer will be contracted. The CPA will be responsible for establishing and maintaining Ummah Futures’ accounting system. The computer programmer will develop the web-based interface for the end-user and a “back-office”, also on the web, for the management and administration of Ummah Futures.

The job description for the project coordinator is as follows:

- Oversees all programmatic and fiscal activities to insure that objectives, set forth by the Shura Council, are accomplished according to Islamic social and economic principles.
- Supervises independent contractors in the administration of Ummah Futures.
- Prepares and coordinates analyses and reports involving resource allocation, revenue projections, and development for Ummah Futures.
- Develops protocols and policies for the administration of Ummah Futures.
- Develops recommendations concerning present and future investment opportunities.
- Coordinates the preparation of status reports and conducts follow-up studies to review the impact of investment decisions, development and resource utilization; and makes recommendations on the continuation or termination of investments.
- Serves as liaison with governmental and non-governmental entities as it concerns Ummah Futures.
- Provides technical assistance and serves as a liaison to businesses where Ummah Futures has an equity position in management and administration issues.
- Supervises Ummah Futures' cooperative structure training programs and coordination of community events.
- Performs other related duties as required.

**Chart 7. Ummah Futures Halal Investment Cooperative**



## 5.2 Budget

There was a tremendous advantage to implementing the project through the Nur-Ul-Islam Academy. The in-kind services provided allowed for very little cash expenditures on behalf of the cooperative, which included:

- Teacher supervision
- Display booth for point of sales
- School office kept investments and income in school safe
- Freezer usage for ice cream storage
- Classroom space for cooperative structure training
- Utilities
- Use of tax-exempt status



**Table 4. Ummah Futures Halal Investment Cooperative Youth Budget**

<b>Ummah Futures Halal Investment Cooperative Budget From March 1, 2004 - May 31, 2004</b>	
17 Ummah Futures Members @ \$10/mth	510
Sales Revenues from New Business	510
<b>TOTAL REVENUES</b>	<b>1,020</b>
<b>EXPENSES:</b>	
Inventory	510
<b>TOTAL EXPENSES</b>	<b>510</b>
<b>Earnings Before Income Taxes</b>	<b>510</b>
<b>Income Tax</b>	<b>0</b>
<b>Net Income</b>	<b>510</b>

## **6.0 Monitoring/Evaluation**

### **6.1 Performance Indicators**

The success of the project will be evaluated by determining (a) how many participants complete the investment program; (b) the number of new participants enrolling in the program; (c) the increase in earnings; (d) the number of new employment or contracted opportunities created for members, (e) the number of members trained in cooperative structure and Islamic economic principles, and; (f) the effect of that training in the social and economic relations of the investors.

The table below lists the project's goals and objectives and their outcomes.

**Table 5. Goals, Objectives, and Outcomes**

<b>Goals</b>	<b>Objectives</b>	<b>Completion Date</b>	<b>Performance Indicators</b>	<b>Comments</b>
<b>I. Wealth creation</b>	1.1 Train 20 members in co-op structure	March 4, 2004	Application of co-op principles by all 17 students	Five presentations for adults were held in South Florida and Indianapolis
	1.2 Collect monthly investments	March 9, 2004	All 17 students contributed \$10 per mth for 3 mths	Although five presentations were held for adults, none resulted in investments being initiated
	1.3 Increase value of members equity by 5%	Not completed	The class of 17 students did not expand	
<b>II. Asset Accumulation</b>	2.1 Identify halal investments	March 16, 2004	Students agreed to sell ice cream.	Profits were donated to the school to buy sporting goods for physical education and a change of class bell.
	2.2 To invest in a co-op business	March 18, 2004	All 17 students were equity investors	The students cooperatively agreed to invest in ice cream.
<b>III. Spirit of Economic Brotherhood</b>	3.1 Create employment/contracted opportunities	May 31, 2004	All 17 students had an opportunity to sell the ice	The students not only received the benefit of economic

			cream they invested in.	brotherhood, they felt that the contributed to the overall wellbeing of the Academy.
	3.2 Increase the membership	Not completed	No new students added	
	3.3 Membership retention	May 31, 2004	All 17 students completed the 3 month investment schedule	

## 6.2 Management Information System (MIS)

The primary MIS tools for Ummah Futures are as follows:

1. LLC Maker and Kit
2. Web-based Interface (restricted to Ummah Futures members)
3. Web-based “Back Office” (restricted to Ummah Futures management)
4. Quick Books

LLC Maker and Kit software provides templates for developing legal organizing documents and a manual for most operational documentation for a limited liability company. LLC Maker has a feature that allows for state-specific documents, which will assist in the scaling up of Ummah Futures across America.

The web-based interface will allow members of Ummah Futures password protected access to their most recent account statement; the ability to make monthly investments on-line; access to general information about business development and cooperative structure; and, Ummah Futures updates.

The “back office” will allow the management of Ummah Futures password protected access to client files; investment analyses, and trends; financial ratios and statements; and, monitoring and evaluation tools.

Quick Books will serve as the accounting software for Ummah Futures, thus generating all of the necessary auditable financial statements.

### **6.3 Evaluation Plan and Reporting**

The evaluation of the CED project “Ummah Futures” will provide useful information for the participants and future investors in determining the success of the project, in the decisions made as the project is being implemented, and how it can be improved.

Ummah Futures has been conceptualized to impact investing behaviors amongst Muslims in South Florida. The basis for the project is rooted in the fact that Muslims are forbidden to engage in interest or support investing in haram (Islamically unlawful) business activities (i.e. the sale of alcohol). The economic system in America is driven by interest, referred to as *riba* in Ali’s (2001) translation of the Holy Qur’an, which is the most

common form of usury, therefore it creates a conflict for Muslims that esteem to uphold the tenets of the religion but yet endeavor to fulfill the American economic dream.

Most American investment opportunities are haram because companies are usually financed in part with interest-based loans or provide products or services that are not halal (Islamically lawful). For example, food establishments, hotels and airlines profit from the sale of alcohol (Mehmet, O., 1997, p. 1203).

Therefore, the hypothesis is that a community investment cooperative, operated according to Islamic economic and social principles, will stimulate equity-based investing and economic brotherhood amongst participating members of the South Florida Muslim community. The assumptions are as follows:

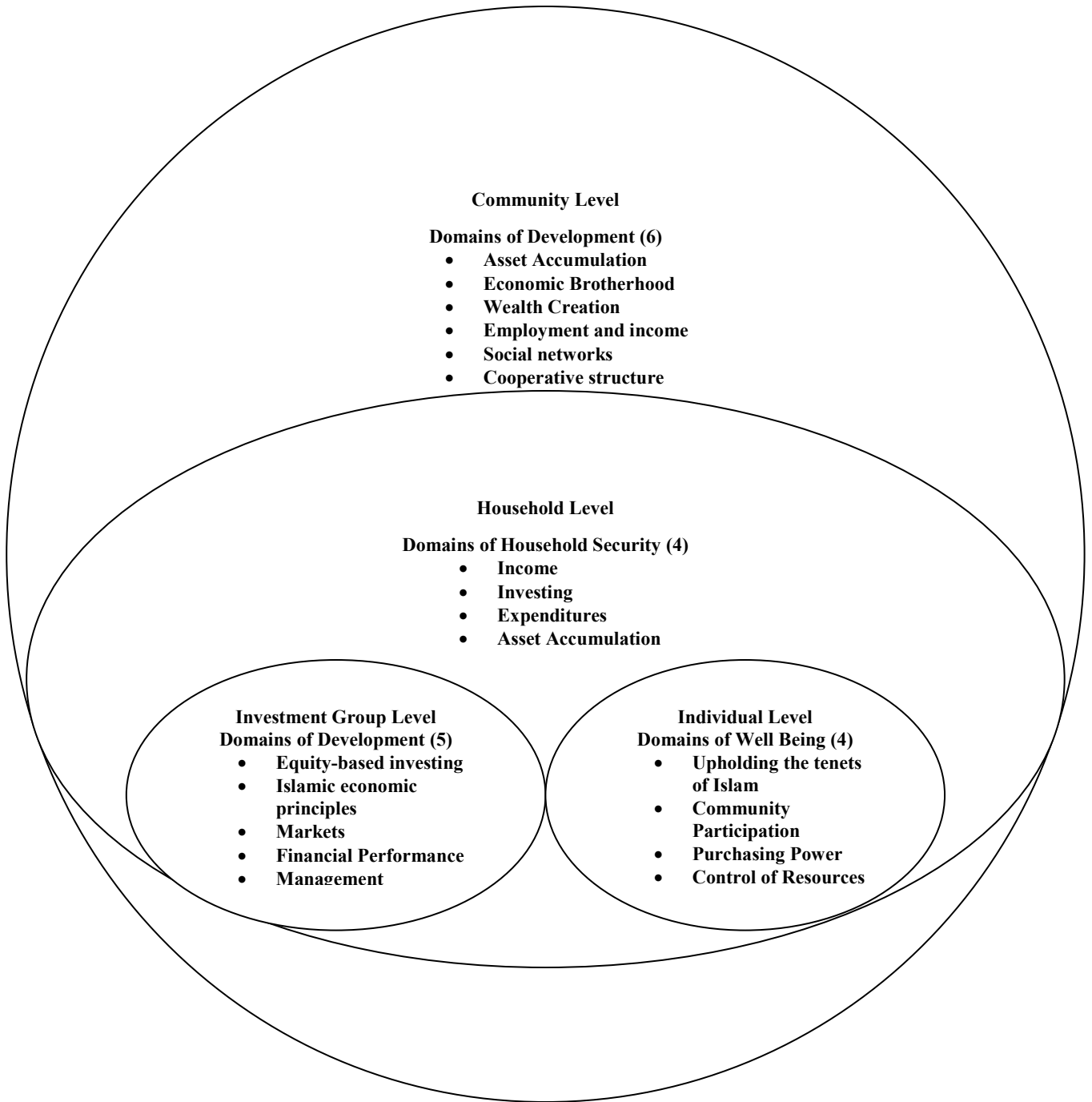
1. If Muslims are provided with halal investment opportunities, they will invest more.
2. If those participating in the cooperative have equity share in a business, they are more likely to purchase the goods or services of that business versus a competitive company, which will contribute to increased earnings, asset accumulation, wealth creation and a spirit of economic brotherhood.

The primary objectives of the project, which are the basis for the evaluation, are as follows:

1. Wealth Creation
2. Asset Accumulation
3. Establishing a Spirit of Economic Brotherhood

## 6.4 Ummah Futures Conceptual Framework

### Levels of Domains of Impact



The conceptual framework for the CED project “Ummah Futures”, as displayed above, is based on the AIMS conceptual framework, which places the family/household at the center of the analysis (The SEEP Network, 2004, retrieved April 10, 2005 from <http://www.microfinancegateway.org/content/article/detail/2408/>)

## **7.0 Sustainability Plan**

### **7.1 Field Observations**

Field observations of the businesses selected for Ummah Futures investment funding will be conducted weekly for the first month of operation. During the second month, visits will be made bi-weekly. For the following four months, visits will be conducted monthly and quarterly thereafter.

### **7.2 Sustainability Elements**

The greatest challenge as it relates to the sustainability of Ummah Futures will be the success of its equity-based investments. Failure to produce an increase in earnings for its members will result in dissention and an inability to attract new members.

### **7.3 Institutional Plan**

Ummah Futures is solely dependent on the monthly investments of its members and the subsequent success (or lack thereof) of its equity-based investments. Futuristically,

Ummah Futures seeks to replicate the project in other localities in Florida, throughout the United States and in Muslim countries around the world.

Based on the results of this project, Ummah Futures will seek replication in Islamic schools as was done at the Nur-UI-Islam Academy. Building a foundation among young Muslim will create an awareness and appreciation for halal investing at an early age. Moreover, success with the children can be leveraged to encourage parents to become engaged cooperative investing. The success of the in-school program could also be an avenue for establishing investment clubs for youth outside of the school environment.

With Ummah Futures, launching the youth version of the project was relatively easy. Integrating the cooperative concepts into an existing economics curriculum is a natural fit. In the case of Nur-UI-Islam, the students not only experienced running a business but they became vested in the overall wellbeing of the entire student body by purchasing sporting goods that could be used by all.

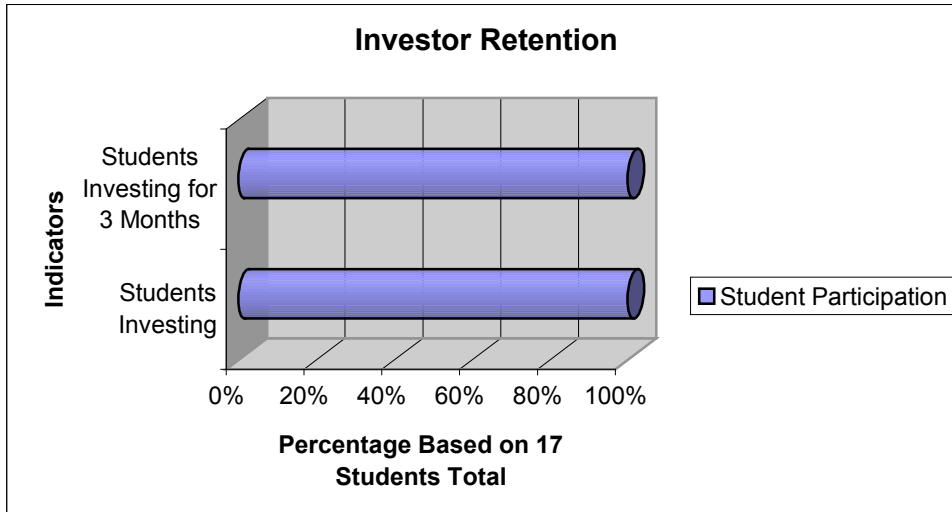
#### **7.4 Findings**

The youth of the 9<sup>th</sup> grade economics class of the Nur-UI-Islam Academy implemented the Ummah Futures Halal Investment Cooperative. Seventeen students successfully invested \$10 per month for three months. The students collectively purchased ice cream bars wholesale at a cost of \$.50 per bar and sold them retail for \$1.00 per bar. Each student shared the responsibility of manning the booth, which was available twice a week after school. The students sold out their inventory, double their investment, and

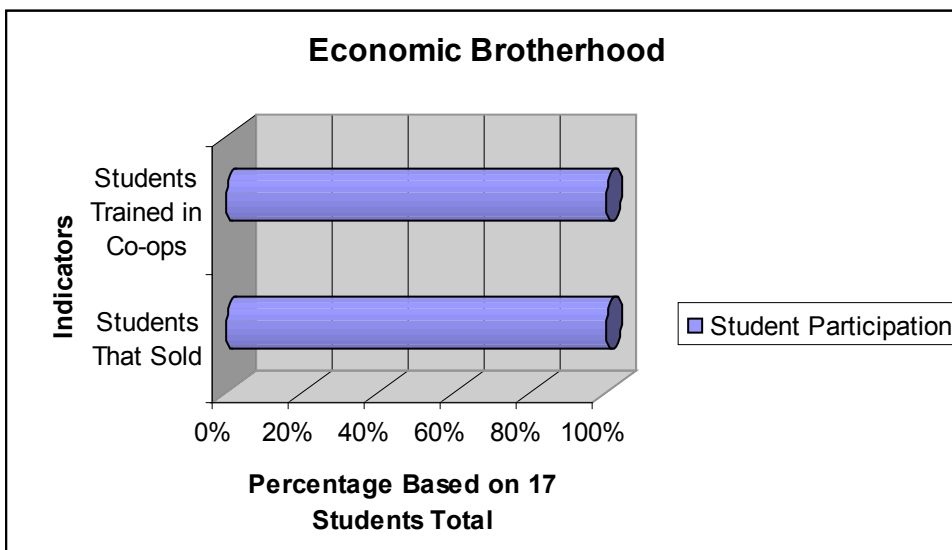


purchased sporting goods for the Academy's physical education program as well as a bell that is used to signify the changing of class periods.

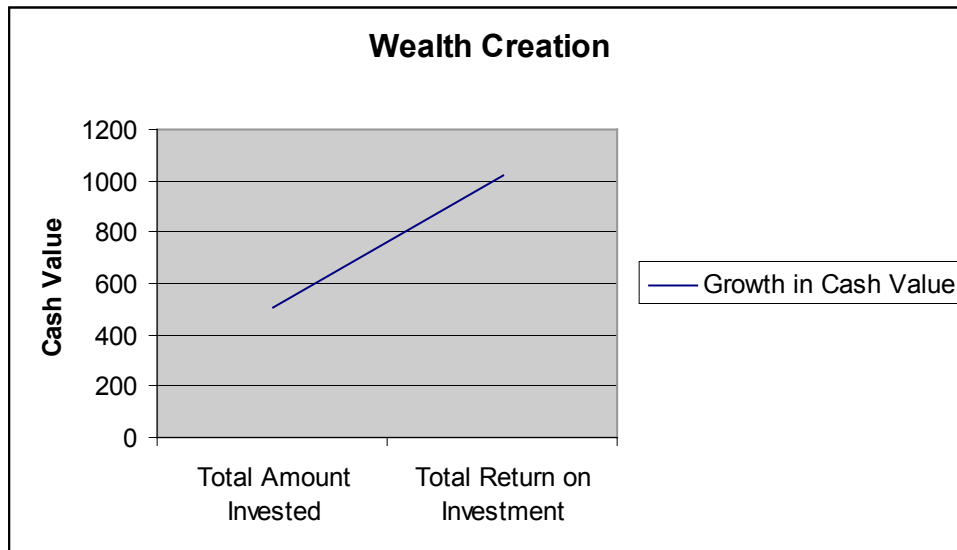
**Chart 8. Investor Retention**



**Chart 9. Economic Brotherhood**



**Chart 10. Wealth Creation**



The \$300 per member investment level of Ummah Futures was not been realized at the time of this evaluation. There are several factors that prohibited the implementation of the higher tier. Those factors are:

1. Time. The prospective adult members of Ummah Futures were very anxious to implement the project initially. However, the project was in its infancy and needed several additional components to be developed. As time elapsed, interest and motivation in the project wavered.
2. Transient members. Two of the initial five members moved to other states due to their former employers downsizing thus forcing them to seek other employment elsewhere. Moreover, the volunteer project coordinator was often away on business both domestically and internationally.

3. Level of Commitment. The majority of the proposed founding members simply wanted to invest money with out actively participating in a cooperative structure. In fact, two of the members ultimately invested in a real estate scheme at a level of \$10,000 per investor.

## **8.0 Conclusion**

The potential of Ummah Futures is tremendous. The children of the ninth grade economics class at the Nur-UI-Islam Academy demonstrated quite simply how cooperative halal investing could be used to meet a consumption need in their school community. Future development of this project will be nurtured with the youth at its core and the success of their investments will be used to leverage investment opportunities for their parents as well. Moreover, Islamic social and economic principles can be embedded in a capitalistic society without compromise while fostering a spirit of economic brotherhood and social responsibility that capitalism sorely needs.

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# **Ummah *Futures***

**THIS SURVEY IS INTENDED TO ASSIST THE UMMAH FUTURES INVESTMENT COOPERATIVE DETERMINE THE LEVEL AND TYPE OF SERVICES CONSUMED BY THE SOUTH FLORIDA UMMAH.**

**THE SURVEY IS COMPRISED OF 12 QUESTIONS AND WILL TAKE APPROXIMATELY THREE MINUTES TO COMPLETE.**

**YOUR PARTICIPATION IS GREATLY APPRECIATED, AS IT WILL ASSIST UMMAH FUTURES IN DEVELOPING HALAL (ISLAMICALLY LAWFUL) PRODUCTS AND SERVICES FOR THE MUSLIM COMMUNITY.**

## **INSTRUCTIONS:**

**PLEASE SELECT THE MOST APPROPRIATE RESPONSE FOR EACH QUESTION ON THE FOLLOWING PAGES BY CHECKING THE CIRCLE NEXT TO YOUR CHOICE.**

- 1. If the following products or services were halal (where applicable) and provided by Muslims locally, which would you most likely purchase or use (check all that apply)?**

- Early Childhood Learning Center (Child Care)**
- Elderly Day Care**
- Lawn and Landscaping Service**
- Maid Service**
- Car Wash**
- Pre-Packaged Meats (Wholesale and Retail)**
- Seafood (Wholesale and Retail)**
- KFC**
- Foreign Money Exchange**
- Language Translation Service**
- Airport Shuttle Service**

- 2. What type of investments do you presently have (check all that apply)?**

- Real Estate**
- Mutual Funds**
- Stocks and Bonds**

- Other \_\_\_\_\_
- I have no investments at this time

**3. If there were halal investment opportunities available to you locally, how likely is it that you would increase your level of investing?**

- I definitely would invest more
- I probably would invest more
- I might invest more
- I probably would not invest more
- I definitely would not invest more

**4. Do any of your children participate in any savings programs or investment clubs?**

- Yes
- No
- I do not have any children

**5. Do you own your primary residence?**

- Yes
- No

**6. What is your gender?**

- Male
- Female

**7. Which most closely fits your occupation?**

- Self-employed
- Professional/technical
- Manager/administrator
- Marketing/sales
- Clerical
- Craftsman
- Service Worker
- Homemaker
- Retired
- Not employed
- Student

**8. What is your age?**

- Under 18
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65 or older

**9. What is your marital status?**

- Married
- Single, never married
- Single, divorced/separated
- Single, widowed
- Other \_\_\_\_\_

**10. What is your annual household income?**

- Less than \$10,000
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$74,999
- \$75,000 or more

**11. How would you describe yourself ethnically?**

- African Descent
- Asian Descent
- Caribbean Descent
- European Descent
- Latino/Latina
- Middle Eastern Descent
- Native American
- Other \_\_\_\_\_

**12. What is the highest level of education that you have completed?**

- Some high school or less
- High school graduate
- Some college or other post-high school
- College, university or technical school graduate
- Post-graduate work (master's, doctorate, other)