



Financial Management and Succession Planning in Islamic Cooperatives

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ABSTRACT

The study examined financial management and succession in Islamic cooperatives in Nigeria through the lens of how financial governance practices and leadership continuity mechanisms affect the survival of cooperative societies. The research was spurred by the fact that, despite the growth of Islamic cooperatives as a means of financial inclusion and socioeconomic development, financial management systems and succession plans remained issues that have persisted and jeopardised their sustainability. In particular, the study examined how these societies' financial management practices affected sustainability and institutional continuity, and how succession-planning mechanisms affected leadership continuity and institutional survival. The research used a qualitative analysis of documented evidence and existing scholarly literature on cooperative operations, governance, financial practices, and succession processes within ISI cooperatives. The findings showed that good financial management (through transparent reporting, resource mobilisation, accountability, and risk management) enhanced cooperatives' resilience. At the same time, poor succession planning created vulnerabilities, such as dependence on leadership and institutional instability. The study found a need to incorporate structured succession strategies with professional financial governance to develop sustainable Islamic cooperatives and improve governance. The results offer practical implications for cooperative managers, policymakers, and regulators, highlighting the need to institutionalize financial accountability, leadership development, and knowledge-transfer mechanisms in Islamic cooperative societies.

Keywords: Islamic cooperative societies, financial management, succession planning, institutional sustainability

INTRODUCTION

Islamic cooperative societies have gained prominence as a vital institutional arrangement for financial inclusion, ethical resource mobilisation, and the socio-economic development of communities seeking alternatives to the mainstream financial system. Islamic cooperatives differ from profit-seeking financial institutions because they are based on a value-based system of mutual assistance, collective ownership, social responsibility, and Islamic principles. Islamic cooperative societies are important institutions for mobilising savings, providing sources of finance, and serving as instruments for community-based economic empowerment in Nigeria, where access to formal financial services remains uneven. Many low-income groups resort to informal financial arrangements. However, these institutions' sustainability depends not only on their capacity to mobilise financial resources but also on their internal management systems and continuity mechanisms. Salaudeen (2026).

Financial management is one of the most important pillars of Islamic cooperative societies, as well as their reputation and survival. Effective financial management requires transparent accounting, responsible resource use, efficient investment decisions, risk management, and accountability to members. In the context of Islamic cooperatives, these practices should align with contemporary financial management principles while also embodying Islamic ethical responsibilities, such as trustworthiness, fairness, and responsible stewardship. Past



research has shown that financial resource mobilisation and management skills are important factors affecting the performance and effectiveness of Islamic cooperative societies. For example, Azeez (2022) showed a strong relationship between resource mobilisation and the financial performance of Islamic cooperative societies in South Western Nigeria, and Adeyinka et al. (2022) found that Islamic cooperative societies engaged in financial intermediation through effective mobilisation and distribution of financial resources. However, concerns remain about the institutionalisation of current financial management practices and their long-term sustainability. Another key challenge to cooperative sustainability, beyond financial capacity, is succession planning. Cooperatives are member-driven institutions, and the ability to pass leadership, organisational knowledge, and institutional values from one set of leaders to another is often essential to their survival. Poorly managed succession processes can lead to leadership instability, weakened governance structures, and risks to institutional identity. Despite the significant attention the literature gives to succession in corporate organisations, few studies have focused specifically on succession mechanisms in Islamic cooperative societies. Based on evidence from cooperative studies, there is a clear link between effective succession planning and organisational resilience, as it ensures that leadership is not a function of just one individual, preserves the common values of the organisation, and lessens reliance on a single leader (Muchiri et al., 2018; Rech et al., 2023).

Thus, the financial management-succession nexus is paramount to understanding the sustainability of Islamic cooperative societies. Financial systems provide the resources needed for the institution's survival, and succession mechanisms ensure effective resource management beyond current leaders' tenure. However, the literature has mostly focused on financial performance, Sharia compliance, and socioeconomic contribution, and it has not explored in depth how financial governance practices and succession processes interact to determine institutional continuity (Adebayo & Ajani, 2021; Puspitasari et al., 2023). This gap is particularly relevant in Nigeria, where Islamic cooperative societies continue to grow despite governance and managerial issues during institutional development.

Specifically, the study seeks to achieve two objectives:

- i. examine how financial management practices influence the sustainability and institutional continuity of Islamic cooperative societies in Nigeria
- ii. analyse how succession planning mechanisms contribute to leadership continuity and the long-term survival of these institutions.

The study addresses the following research questions:

- a. How do financial management practices influence the sustainability and continuity of Islamic cooperative societies in Nigeria?
- b. How do succession planning mechanisms contribute to the survival and institutional stability of Islamic cooperative societies in Nigeria?

The study aims to contribute to the ongoing debate on cooperative governance, based on the premise that sustainable development of the Islamic cooperative movement requires combining sound financial management with effective succession planning through a qualitative critical analysis.

LITERATURE REVIEW

Conceptual Understanding of Islamic Cooperative Societies

Islamic cooperative societies are a unique model of combining the principles of cooperative organization, which are universally recognized, with the moral, legal, and socioeconomic values of Islam. Islamic cooperatives differ from mainstream financial institutions because they are created for the well-being of the entire group, equitable participation, assistance, and sustainable socioeconomic development. In contrast, mainstream financial institutions are mainly geared toward maximising shareholders' wealth and accumulating



capital. They are based on the principles of justice, trust, accountability, transparency, and social responsibility, and they also observe Sharia provisions in financial transactions. Thus, Islamic cooperative societies are not just financial institutions but social organisations whose activities are expected to improve economic empowerment, social solidarity, and community development.

The Islamic concept of cooperative society is closely related to Ta'awun (Mutual Cooperation), Amanah (Trust), Adl (Justice), and Maslahah (Public Welfare). These principles set Islamic cooperatives apart from conventional cooperative organisations, as financial activity aims to create economic and social value without violating Islamic moral values. As a result, financial transactions avoid interest-based financing, excessive uncertainty, exploitation, and unethical investments. Instead, Islamic cooperatives promote risk sharing, equitable benefit distribution, and collective responsibility. This moral viewpoint emphasizes financial discipline, accountability, and responsible leadership, as members' resources are seen as a trust to be managed for the benefit of all members. The establishment of Islamic cooperative societies in Nigeria is linked to the rising need for Sharia-compatible financial services and community-based economic empowerment. The growth of conventional financial systems created a need for many Muslim communities for a financial system that could meet their economic and religious requirements. Adebayo and Ajani (2021) argued that establishing Islamic cooperatives in Nigeria went beyond Islamising the conventional cooperative structure. Instead, it reflected broader institutional changes in governance, accountability, organisational legitimacy, and regulatory adaptation. The authors state that the sustainability of Islamic cooperatives depends not only on Islamic principles but also on strong management systems that integrate religious duties with the needs of modern organisations.

Islamic cooperative societies are not merely an act of conformity with Islam; they also play a significant role in financial inclusion and grassroots economic development. These institutions offer financial services to people who may not have much access to traditional financial institutions through savings mobilisation, microfinancing, member support activities, and investment opportunities. Olayinka et al. (2021) stated that Islamic cooperative societies (ICS) have played a significant role in socioeconomic development in the selected states of Nigeria, using improved access to finance, enhanced entrepreneurial activities, poverty alleviation, and stronger community participation as indices. The outcomes confirmed that Islamic cooperatives serve as instruments of inclusive development, not simply as religious financial organisations.

Similar observations have been made in studies conducted elsewhere in Nigeria. Elfaki and Che Embi (2023) studied Islamic cooperatives in the member countries of the Organisation of Islamic Cooperation and found a wide range of governance frameworks, financial management practices, and institutional maturity. They found that while the principles of Islamic co-operatives were broadly similar across countries, institutional performance was strongly influenced by management capabilities, the regulatory environment, and governance quality. Similarly, Fathi et al. (2026) noted that modern Islamic cooperatives were evolving to meet new economic conditions by adopting new management systems, electronic financial services, and enhanced governance. These changes meant institutions had to continually adapt their sustainability without violating Islamic ethics. However, Islamic cooperative societies still face many problems. Many institutions have weak governance structures, limited managerial capacity, poor financial reporting, and limited technology adoption and succession planning. These 'weaknesses' indicate that Islamic values alone cannot ensure institutional sustainability. Instead, sustainability comes from balancing ethical principles with good corporate governance, financial management, and leadership development. Hence, when studying cooperative societies, religious foundations and practical organizational matters should go hand in hand.

Financial Management in Islamic Cooperative Societies

Financial management is one of the most important factors in an institution's sustainability, as each cooperative must mobilize, allocate, use, monitor, and protect financial resources. In Islamic cooperative societies, financial management is not only about technical accounting; all financial decisions must also meet economic and Islamic ethical goals. Financial resources are considered a community asset entrusted to organisational leaders; thus, organisations are responsible for transparency, accountability, prudent stewardship, and fair use.



Izaty et al. (2024) found that Islamic financial management differs from conventional financial management

because it includes moral considerations alongside financial ones. Organisational decisions should foster fairness, social justice, and responsible resource use, not just maximize profit. Thus, in Islamic cooperatives, financial success is judged by both economic performance and ethical compliance. This duality requires managers to be not only technically competent in finance but also well-versed in Islamic governance principles. Several empirical studies indicate that good financial management is a key factor in good cooperative performance. Azeez (2022) found that resource mobilisation significantly affected the financial performance of Islamic cooperative societies in South Western Nigeria. Co-operatives that could attract more financial resources were better equipped to provide loans, investment activities, and welfare to members. Also, Adeyinka et al. (2022) found that Islamic cooperative societies promoted financial intermediation in Ife East Local Government Area by mobilising savings and allocating financial resources to productive activities. They found that financial management directly affected institutional effectiveness and member satisfaction.

However, the literature also shows that resource mobilisation cannot be the sole answer to financial sustainability. Limited institutional development still stems from weak accounting systems, poor financial reporting, ineffective budgeting practices, and a lack of monitoring mechanisms. Munfariha and Mukhlisin (2024) argued that financial reporting transparency is one of the strongest bases for accountability, as members can oversee effectively only when reliable financial information is available. Likewise, Janah et al. (2024) noted that financial management is a crucial facet of Islamic savings and loan cooperatives operating on the Qardhul Hasan financing approach and cannot function without it if the organization is to maintain its credibility.

Risk management has also become integral to financial sustainability. Khotib et al. (2025) showed that Islamic financial institutions with good risk management were more financially resilient and stable. Similarly, Sari and Widhyasti (2025) found that effective risk handling in sharia cooperatives leads to improved financial performance. Overall, these findings indicated that financial risks must be identified and managed proactively, not reacted to during a financial crisis, for financial management to be sustainable.

Digital transformation is also gaining traction in the financial management of Islamic cooperatives. In a study by Zen et al. (2024), implementing digital financial reporting systems enhanced the accuracy, transparency, and efficiency of financial reporting and management in Islamic boarding school cooperatives. Digital technology integration thus has the potential to enhance accountability and better financial decision-making.

However, debate remains about the extent to which current financial management practices adequately support institutional continuity. The literature has focused on a company's financial performance indicators, not on how effectively financial governance facilitates leadership transition and organisational succession. Thus, financial management has often been treated as a standalone managerial process rather than an essential element of institutional sustainability.

Succession Planning and Institutional Continuity in Cooperatives

Succession planning is a proactive organisational process that helps institutions identify, prepare, develop, and transition to future leaders to ensure continuity of governance, organisational knowledge, and institutional values. Succession planning becomes even more relevant in cooperative organisations, where institutional legitimacy is closely linked to members' confidence, democratic participation, and the maintenance of collective identity. In contrast to conventional corporations, where ownership often ensures continuity, cooperative organisations rely heavily on good governance mechanisms to ensure institutions continue to function through leadership change.

Although strategically valuable, succession planning has received far less research attention in cooperative research than financial management. Muchiri et al. (2018) showed that leadership preparation, institutional commitment, organisational structures, and employee development were key elements of successful succession planning. Cooperatives with no formal succession arrangements had high leadership turnover, suffered from operational problems, and lost institutional effectiveness. It is also important to remember that succession is



not necessarily a replacement of organisational leaders, as Rech et al. (2023) claimed. Instead, succession is a broader institutional process of preserving organisational culture, transferring institutional memory, and maintaining continuity in strategic direction. This view is more relevant to Islamic cooperatives, where leadership transfer must ensure not only continuity of financial performance but also Islamic ethical values, governance principles, and member trust.

Leadership succession in Islamic cooperative societies is another challenge, as the next generation of leaders must have managerial skills, religious knowledge, and moral responsibility. In studying management's role in the success of Islamic cooperatives, Laeheem (2023) found that leadership quality, organizational structures, and governance effectiveness influence management success in Islamic cooperatives. Similarly, Hasanah (2025) found that implementing social and religious values in the administration of Islamic boarding school cooperatives improved management in the boarding house. The results indicate that succession planning in Islamic cooperatives goes beyond merely administrative skills and moves towards value preservation and ethical leadership.

Governance continuity is also critical to institutional strengthening. Puspitasari et al. (2023) concluded that effective management functions were a significant factor for strengthening institutions in Islamic cooperative organisations, as was Sharia compliance. Likewise, Wisandani et al. (2025) stated that sharia-based management performance improved institutional resilience and strengthened cooperative sustainability. Together, these studies suggest that succession planning is more than a routine administrative process and should be viewed as a governance strategy.

Theoretical Perspectives

This study is anchored on three theories, namely stewardship theory, institutional theory, and social capital theory, as it tackles the issue of financial governance and succession sustainability in Islamic cooperative societies comprehensively.

Stewardship theory assumes that organizational leaders can be responsible stewards of shared resources, not just look after their own interests. Stewardship theory also aligns with Islamic concepts of Amanah and accountability: leaders are expected to act responsibly on behalf of the collective in relation to cooperatively used resources. Hence, financial management and succession planning become complementary forms of stewardship that ensure institutional sustainability.

Institutional theory examines how formal rules, governance systems, cultural values, and social norms influence organisational behaviour. Islamic cooperative societies operate within cooperative laws, Islamic jurisprudence, community norms, and professional management standards. Puspitasari et al. (2023) found that institutional strengthening required effective management functions and consistent Sharia compliance to support institutional theory's central assumptions. Social capital theory can also help explain the role of trust, co-operation, member participation, and collective relationships in organisational success. According to Saz Gil et al. (2021), social capital bolsters cooperative resilience by fostering trust, participation, and collaborative decision-making. However, overreliance on informal trust, without governance mechanisms, can create organisational weaknesses. Financial accountability and succession planning therefore relate to social capital and institutionalise trust through formal organisational structures. No single theory captures the interplay between financial governance and succession sustainability; rather, each offers valuable insight. Stewardship theory emphasises leadership behaviour, institutional theory emphasises institutional structures, and social capital theory emphasises member relationships. This study combines these viewpoints to give a more holistic picture of the relationship between financial management and succession in determining the sustainability of institutions in Islamic cooperative societies.

Empirical Gaps and Contribution of the Study

The literature reviewed shows significant strides in understanding Islamic cooperative governance, financial management, institutional performance, and socioeconomic contributions. However, research is still patchy. Financial management literature has focused mainly on resource mobilisation, accounting systems, financial



reporting, risk management, and institutional performance. In contrast, succession studies have largely focused on leadership continuity in traditional cooperative organisations, overlooking the distinct governance context of Islamic cooperatives.

In addition, existing research has tended to focus on two separate phenomena: financial management and succession planning. Although financial governance systems and leadership continuity are clearly interdependent, little research has examined their relationship. Financial management supports organisational stability, accountability, and institutional credibility, and succession planning for effective leadership transitions helps maintain these. Analysing these governance aspects separately reduces insight into the overall factors that drive cooperative sustainability.

The other major constraint relates to the Nigerian context. The study of Islamic cooperatives in Nigeria has gained significant knowledge from studies conducted by Adebayo and Ajani (2021), Adeyinka et al. (2022), Azeez (2022), and Olayinka et al. (2021); however, little attention has been given to understanding the influence of financial governance on succession sustainability within Islamic cooperatives. Leadership continuity has been relatively under-researched compared with other areas of financial inclusion, cooperative performance, and resource mobilisation.

This work thus adds to the literature by integrating financial management and succession planning into a single governance framework to analyse Islamic cooperative sustainability. The study does not view financial governance and leadership continuity as separate factors, but as interdependent institutional mechanisms that together contribute to long-term organisational resilience. Through a critical synthesis of evidence from Nigerian and international scholarship, the study contributes to understanding how Islamic cooperatives enhance financial accountability, preserve institutional knowledge, groom future leaders, and ensure sustainable organisational continuity in an increasingly complex economic environment.

Methodology: Research Approach and Analytical Procedure

This study used qualitative research, and the methodological approach is described as a qualitative narrative/documentary review because it relies exclusively on existing literature and documents to critically examine the relationship between financial management and succession sustainability in Islamic cooperative societies in Nigeria. A qualitative orientation was deemed suitable as the study aimed to gain insight into institutional processes, governance arrangements, experiences of change in institutional leadership, and values within institutions that may impact the continuity of cooperative institutions. Qualitative research, unlike quantitative research that focuses on relationships between pre-specified variables, allows a deeper understanding of the meanings, experiences, and realities of organisational practices. Hence, this study investigated the impact of financial management systems and succession arrangements on the sustainability and resilience of Islamic co-operative societies. The study identified and adopted several methods, using a case study approach and Islamic cooperative societies in Nigeria as the institutional context. Cooperative sustainability is shaped by many financial, leadership, member relationship, and ethical factors; therefore, this design was chosen. Using a case study approach, the study explored these interrelated aspects in their actual organisational setting, rather than as separate entities of financial management and succession. The study gathered evidence from documented experiences of Islamic cooperative societies in Nigeria and other cooperative experiences that provided comparative evidence on governance, financial practice, and institutional continuity.

The researcher used secondary data from peer-reviewed journal articles, academic publications, and documented empirical studies on Islamic cooperative operations, financial management, governance structures, and succession planning. The researcher selected sources for their relevance to the study objectives and their contribution to understanding the sustainability issues faced by Islamic cooperative institutions. The studies examined focus on financial resource mobilisation, financial accountability, Sharia-based management practices, leadership development, and cooperative governance.

Transparent Search and Selection Procedure



To conduct a transparent search and selection process for a literature review on financial management and succession planning in Islamic cooperatives, the author follows a systematic approach inspired by the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework. This ensures objectivity, reproducibility, and rigor.

Here is the step-by-step protocol designed for this study:

Conceptual Framework & Scope

Before searching, the author clearly defined the core concepts to set strict boundaries for included literature.

Islamic Cooperatives (Takaful/Baitul Maal wat Tamwil - BMT): Organisations operating on Islamic principles (Shariah compliance, risk-sharing, prohibition of *Riba* (usury), *Gharar* (uncertainty), and *Maysir* (gambling)).

Financial Management: Capital structure, liquidity management, accounting practices, and distribution of surplus (*surplus takaful* or dividends).

Succession Planning: Leadership transition, governance continuity, talent development, and Shariah board rotations.

Literature Search Strategy

The researcher maintains transparency by documenting exact search strings and databases so other researchers can replicate the results.

Targeted Academic Databases

- Scopus / Web of Science (For high-impact, peer-reviewed global literature)
- Google Scholar (To capture grey literature, regional journals, and institutional reports)
- Dimensions / Lens.org (For open-access mapping)
- Islamic-specific repositories (ISRA International Journal of Islamic Finance, journals by the Islamic Development Bank (IsDB))

Boolean Search Strings

The research construct strings pair for the study uses core domains with Boolean operators (AND, OR, * for wildcards).

("Islamic cooperative*" OR "Koperasi" OR "BMT" OR "Baitul Maal" OR "Takaful")

AND

("financial management" OR "capital structure" OR "liquidity" OR "governance")

AND

("succession planning" OR "leadership transition" OR "talent management" OR "continuity")

Inclusion and Exclusion Criteria

The researcher then establishes rigid rules before reading the papers to eliminate bias.



Criteria	Inclusion Criteria	Exclusion Criteria
Study Type	Peer-reviewed journal articles, conference papers, academic book chapters, and authoritative institutional reports.	Editorials, opinion pieces, blog posts, or non-academic book reviews.
Language	English, Arabic, and Bahasa Melayu/Indonesia (crucial for Islamic cooperative literature).	All other languages unless high-quality translations are available.
Focus	Must explicitly link Islamic cooperative frameworks to either financial management, governance, or succession planning.	General conventional cooperative studies, or broad Islamic finance studies with no cooperative/governance focus.
Timeline	Typically, the last 10–15 years to ensure contemporary relevance to evolving Shariah governance codes.	Outdated regulatory frameworks unless utilized for historical context.

Selection Procedure (The Screening Pipeline)

The researcher documents their selection flow to show how they narrowed down their initial pool of papers.

Identification: Run the search strings across selected databases and export all citations to a reference manager (Mendeley, Zotero).

Deduplication: Automatically remove duplicate records across databases using our reference manager application

Title & Abstract Screening: Review titles and abstracts against the inclusion criteria. Discard papers that are clearly off-topic (studies on conventional agricultural cooperatives).

Full-Text Assessment: The researcher reads the full text of the remaining papers to verify they contain meaningful insights or empirical data regarding financial health or governance transitions in Islamic cooperative setups.

Final Synthesis Pool: The resulting papers form the researcher's definitive dataset for review.

Data Extraction & Quality Appraisal

For the selected papers, the researcher created a spreadsheet in Excel to extract consistent data points transparently:

- Study Metadata: Author, Year, Country of focus (Malaysia, Nigeria, Indonesia, Saudi Arabia).
- Methodology: Qualitative (case studies, Shariah audits) vs. Quantitative (financial ratios, survey data).
- Key Findings (Financial): What are the unique capital constraints or asset-liability management issues found in these cooperatives?
- Key Findings (Succession): How do they manage the dual layers of governance (management board vs. Shariah supervisory board)?

The data were analysed using thematic analysis, which involved systematically identifying, classifying, and interpreting recurring patterns in the reviewed literature. The study objectives formed the basis for the two major thematic categories used in the analysis. The first theme focused on financial management practices and their impact on institutional sustainability, covering resource mobilisation, financial reporting, accountability mechanisms, investment decisions, and risk management. The second theme was succession sustainability,



examining leadership preparation, knowledge transfer, governance continuity, preservation of institutional values, and mechanisms to ensure effective transitions between generations of cooperative leaders.

The selected thematic areas were analyzed critically through comparative analysis and synthesis of arguments from selected scholars. This process enabled the study to capture the inter-agreement, theoretical tensions, methodological constraints, and disagreements in the existing literature. The analysis did not simply summarise prior results, but assessed scholars' interpretations of the link between financial governance and institutional continuity in cooperative organisations.

The methodological process ensured that the findings remained directly related to the research objectives and provided an understanding of the governance challenges affecting the sustainability of Islamic cooperatives. The qualitative analysis approach used in this study allowed the institutional and contextual aspects of financial management and succession to be understood, which numerical measurement might not sufficiently explain. Accordingly, it added theoretical and practical understanding of the organisational resilience of Islamic cooperative societies in relation to financial governance and succession arrangements.

Results: Qualitative Findings on Financial Management and Succession Sustainability in Islamic Cooperative Societies in Nigeria

The qualitative analysis yielded two broad themes reflecting the study's aims: financial management practices as a means of institutional sustainability and succession planning as a means of cooperative continuation. The results showed that the sustainability of Islamic cooperative societies depended not only on their ability to mobilise financial resources but also on governance systems that preserve Islamic cooperative values, institutional knowledge, and leadership capacity.

Financial Management Practices and Institutional Sustainability

The results showed that good financial management remains an important factor in driving the operational strength and sustainability of Islamic cooperative societies. The evidence reviewed showed that successful Islamic cooperatives were characterised by transparency in financial practices, efficient resource mobilisation, proper reporting systems, and responsible allocation of members' contributions. Findings from Azeez (2022) indicated a strong relationship between resource mobilisation and the financial performance of Islamic cooperative societies, as resource capacity helped satisfy members' economic needs and ensured the societies' stability. However, the analysis also found that financial issues continued to impede institutional development in many Islamic cooperatives. Some cooperatives struggled to achieve long-term sustainability because of weak accounting systems, poor financial monitoring, and a lack of managerial skills. Adebayo and Ajani (2021) argued that the establishment of Islamic cooperative societies in Nigeria has been characterised by governance and institutional adaptability challenges, suggesting that the process has not been successful in terms of organisational performance despite their religious affiliation.

The results also indicated that Islamic financial management needs to combine technical skills with ethical obligations. Decisions in Islamic cooperatives were expected to be based on accountability, fairness, and trustworthiness. Izaty et al. (2024) highlighted that Sharia-based financial management is more than traditional financial management; it also includes moral responsibilities related to resource use. This indicated that financial sustainability required managerial efficiency as well as compliance with Islamic ethical principles. The evidence also emphasised that risk management and financial reporting play a crucial role in enhancing cooperatives' resilience. Khotib et al. (2025) and Munfariha & Mukhlisin (2024) showed a positive link between effective reporting and risk management practices and transparency and institutional credibility. However, the study noted that many Islamic cooperative societies had yet to establish a proper financial system with the expertise needed to support future expansion and leadership succession.

Succession Planning and Cooperative Continuity

The second major finding was that succession planning was critical yet poorly developed in Islamic cooperative sustainability. The study found that many cooperative institutions relied on experienced founders



or long-serving leaders, so their continuity is at stake when leadership changes without systematic preparation. Leadership renewal, preserving institutional knowledge, and maintaining organisational values have been linked to effective succession mechanisms. Muchiri et al. (2018) noted that leadership preparation, organisational commitment, and deliberate transition strategies all play key roles in the success of cooperative institutions. Likewise, Rech et al. (2023) identified succession discussions as key to cooperative sustainability, as succession did not mean just an administrative change of leadership; it also meant keeping the collective identity alive.

The results showed that succession in Islamic cooperatives required other factors, as the leader should maintain economic goals and Islamic values. Leadership change thus demanded people with managerial ability, knowledge of co-operative governance, and dedication to Islamic moral values. Laheem (2023) pointed out that organisational factors significantly affected management success in Islamic cooperatives, indicating that leadership quality continued to play a crucial role in institutional performance.

CONCLUSION AND IMPLICATIONS

The study critically examined financial management and succession in Islamic cooperative societies (ICS) in Nigeria to determine how the financial governance system and leadership continuity mechanism affected ICS survival. The results showed that the sustainability of Islamic co-operative societies was related to the interplay between effective financial management systems and planned succession plans. Financial management became a core pillar of institutional security through transparent accounting practices, effective internal controls, risk management mechanisms, efficient resource mobilisation, and responsible fund allocation, which enhanced institutional credibility and effectiveness. However, the study showed that when financial strength was inadequate, governance structures, leadership development processes, and succession arrangements were also insufficient to ensure long-term sustainability. The study also concluded that succession planning was an important aspect of Islamic cooperative development that many researchers had overlooked. Cooperative societies can rely on collective trust, institutional memory, and member participation, while traditional business organizations can rely on formal organization and ownership. Thus, the ability to pass on leadership roles, institutional knowledge, and Islamic moral values from one generation of leaders to another remained vital to the identity and effectiveness of the institutions. The results showed that informal, unstructured, and personality-dependent succession mechanisms made Islamic cooperative societies susceptible to leadership changes, poor governance, and low organisational performance. This study identified succession planning as a strategic governance mechanism, rather than an administrative procedure, to ensure the future resilience of Islamic cooperative institutions. Developing sustainable Islamic cooperatives requires leadership continuity systems and an integrated approach that links professional financial management to leadership continuity. Islamic cooperative societies should move away from reliance on founding members or long-serving leaders and introduce formal systems for leadership identification, mentoring, capacity development, and knowledge transfer. This would allow future leaders to develop managerial skills, as well as awareness and understanding of Islamic cooperative values, thereby avoiding a loss of organisational purpose during transition. Moreover, the study highlighted the need to move away from simple financial administration to a broader governance system in Islamic cooperatives. Strengthening financial reporting, accountability mechanisms, internal controls, and risk management would build member confidence and enhance institutional resilience. These practices should continue to be consistent with the Islamic rules of trust, fairness, transparency, and social responsibility, and the financial decisions should support the objectives of Islamic co-operatives, not only those of organisational survival, but also socioeconomic objectives. The findings of this research have important implications for cooperative practitioners, regulators, policymakers and academics. For cooperative managers and board members, the results underscore the need to treat financial governance and succession planning as interwoven strategic areas, not separate organisational issues. The study recommends that regulatory institutions develop governance guidelines, training programmes, and capacity-building initiatives to enhance financial accountability and leadership continuity in Islamic cooperative societies. From a policy perspective, professionalising Islamic cooperatives could improve their role in financial inclusion, community development, and ethical economic engagement. The study adds to the cooperative literature by showing that an institution's sustainability is not reflected only in its financial performance. Financial governance, leadership preparation, and preservation of organisational values are key to continuity in Islamic cooperative

societies. Further studies are needed to examine these relationships through empirical research on Islamic cooperative institutions in different regions to broaden understanding of the role of financial management and succession strategies in the sustainable development of cooperatives in emerging economies.

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