

## ***The Contributions of Islamic Economics and Institutions to Modern Nigeria***

Daud A. MUSTAFA, Ph. D

Department of Economics, Faculty of Social Sciences, University of Ilorin, Ilorin, Nigeria

Mansur IDRIS, Ph. D

International Institute of Islamic Banking and Finance (IIIBF), Bayero University, Kano, Nigeria

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### ***Abstract***

*Nigeria as a multi-ethnic, multi-cultural and multi-religious country has continued to witness progress and development via these diverse phenomena in the last 100 years, especially the religious dynamics. Hence, exploring the contributions of Islam as a complete system of life and a dominant religion in Nigeria is indeed very imperative. In this connection, this study examines the contributions of Islamic economics and institutions to the development of modern Nigeria. This objective was accomplished by adopting content analysis approach to examine the contributions of Islamic economics as a discipline in two Nigerian universities i.e. Bayero University Kano and Usmanu Danfodiyo University Sokoto. Also, the existence of Islamic economic institutions like Zakah and Islamic bank (IB) were explored. Admittedly, our findings revealed that the increasing number of scholars in Islamic economics remains a major contribution of Islamic economics to Nigeria's academic manpower development. Similarly, the gradual emergence of a world-class International Institute of Islamic Banking and Finance (IIIBF) in BUK presents Nigeria as an intellectual destination on IBF. Furthermore, the role of Zakah system in reducing poverty in Nigeria and the establishment of IB like Jaiz Bank Plc. are positive contributions of Islamic economics to the development of Nigerian society. It is thus recommended that Islamic economics as a full-fledged discipline should be adopted in various higher institutions in Muslim populated states (MPS). Also, governments in MPS should provide the enabling environment for the proper operation of Islamic economic institutions in order to reap optimum socio-economic and spiritual gains.*

**Keywords:** Development; Islamic economics; Institutions; Nigeria; Zakah

**JEL Classifications:** O11, O55, P47

## 1.0 Introduction

Nigeria is the most populous black nation in the world today with a population of over 170 million people. The country is currently the largest economy on the African continent and the 26<sup>th</sup> biggest economy in the world with a GDP of US\$510 billion (i.e. approximately N81 trillion) as at the mid of 2014 (Ploch, 2013; African Development Bank Group, 2014). Importantly, the emergence of Nigeria as a country dates back to the amalgamation of the northern and southern protectorates in 1914. As such, it made the country to become a conglomeration of diverse ethnic, cultural and religious backgrounds, which portend enormous developmental potentials for the nation if adequately harnessed. The various diverse colourations and characteristics of the country have continued to play significant role and contributions in the growth and development process of Nigeria in the last 100 years, especially the religious dynamics. Basically, it must be noted that religion is a fundamental ingredient of development in any society because it shapes the worldview and belief system of the various individuals who make-up the society, which has serious implication for the level of growth and development process. In this connection, development is said to be possible with the combinations of many factors like human resources, technology, natural endowments and socio-cultural forces like religion (Schnitzer, 1997).

Against this background, examining the dominant role of Islam as a complete system of life with particular focus on Islamic economics, principles and institutions in Nigeria seems imperative and auspicious, especially at this period of centenary celebration. Essentially, the existence of Islamic economics in the global economic discourse is a product of many centuries of theorizations, propositions and practical experiences of the various economic institutions and ideals of the Muslim world. More particularly, Islamic economics in Nigeria can be traced to the Sokoto Caliphate (1804-1903) when Shehu Usman Dan Fodio, his predecessors and the Jihad scholars and leaders guided people on Islamic ways of life, particularly the economic aspect (Idris & Lawal, 2013). In this regard, Khan (1994 p. 32) submits, "Islamic economics brings a fresh approach to the human economic problems, it has the potential of ushering in a just and more humane civilization". To this end, an attempt has been made in this study to examine the contributions of Islamic economics and institutions to the emergence and development of a modern Nigerian society.

## 2.0 Islamic Economics as a Discipline in Nigerian Universities

The desire to correct the wrongs of producing “caricature of the West” (Al-Faruqi, 1987, p. 5) in our educational system brought about the modern project of Islamization of Knowledge (IK). Since 1970s, Islamic economics has continued to be an important area of priority, especially in the higher institutions of learning like the universities, especially in Northern Nigeria. In this regard, there is an increasing realization that knowledge and education must be acquired in line with the dictates and principles of the *Shari’ah*, so that balanced human beings - who are going to be useful to themselves and humanity at large can be produced. It is against this background that the study of Islamic economics in universities has been conceived by the proponents of IK like Abu Sulayman, Al-Alwani and the late Al-Faruqi among others. According to Khan (1994), Islamic economics is a new branch of knowledge in the social sciences, which is being offered at least in 30 universities in Muslim countries both at undergraduate and post-graduate levels. Some of these universities include: International Islamic University, Islamabad, International Islamic University, Malaysia and International Islamic University, Uganda among others (Adebayo, 2008).

Similarly, quite a few Ph. D theses have been written in Western universities on various issues relating to Islamic economics. Also, various research institutions and centres on Islamic economics are springing-up and a serious and respectable body of literature on Islamic economics have accumulated in the last three decades. Today, an International Association for Islamic Economics (IAIE) has emerged with its headquarters in Jeddah (Khan, 1994). In all these developments, Nigeria is certainly not left out, especially with the contributions of Bayero University, Kano (BUK) and Usmanu Danfodiyo University, Sokoto (UDUS) in more than three decades and even now, the emergence of Nigerian Association for Islamic Economics (NAIE) with temporary headquarters at BUK, has indeed added glamour to the IK project in the country. Galadanci (1997 p. 274) alluded to this fact:

*In Nigeria, we are lucky to be part of a rich Islamic cultural and intellectual heritage that dates back more than two centuries. This heritage allows us to build solid Islamic institutions within the imposed secular ways and systems. Some universities have been quick to capitalize on this heritage to the benefit of the Muslim students, staff, and surrounding communities.*

## 2.1 Islamic Economics: Definitions, Nature and Scope

Muslim economists and scholars have tried as much as possible to define Islamic economics from their own perspectives and understanding. Among the prominent definitions available are the ones from Mannan (1980), which defines Islamic economics as a “social science, which studies the economic problems of a people imbued with the values of Islam”. Similarly, Khan (1994, p. 33) opined that “Islamic economics is aimed at the study of human *falah* achieved by organizing the resources of the earth on the basis of cooperation and participation”. The definition provided by Chapra (2001) seems more elaborate. It stated that it is “that branch of knowledge which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances”.

From the foregoing definitions, they revealed the nature of Islamic economics (IE) as divine, ethical, humanitarian and promote moderation in the utilization of resources of the world to achieve ultimate goal of human existence. Its study is guided by judicious utilization of resources on the basis of cooperation and participation for the purpose of achieving human well-being (*falah*) in both worlds. As a result, the scope of IE by various scholars has been regarded to be very comprehensive more than the secular economics. This is in view of the fact that Islamic economics focuses on the totality and integrated viewpoints of human life.

## 2.2 Islamic Economics in Nigerian Universities

According to Hicks (1972), economics is a capitalist economics based on American experience and to a large extent a British science. The general implication of this submission is that the economics being studied in various universities in Nigeria are essentially British and American economics, which does not take cognizance of Nigerian economic history, its culture, values, yearnings and aspirations as a nation of diverse people. This is the point being emphasized by Galadanci (1998) that the educational system set-up by the colonial masters was not derived from our culture, beliefs and values. It was never designed to promote our yearnings and aspirations as a people and nation. Unfortunately, there was “pseudo academic propaganda for western policies, values and institutions”. As such, according to Junaidu (2006, p. 19), our universities are cultural transplant whose roots lie in another clime. And he puts it in the following words, “It is a truly remarkable fact that the social sciences can be

Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., The Contributions of Islamic Economics and Institutions to Modern Nigeria, pp. 36 - 58

taught to our students without a single mention of Ibn Khaldun to whom many of the ideas in modern social sciences are owed". Therefore, this obligation of bringing back the intellectual glory of Islam in economics is what some universities like BUK, UDUS and University of Maiduguri (UNIMAID) set for themselves in the last three decades.

### **2.2.1 The Experience of Usmanu Danfodiyo University, Sokoto**

UDUS is one of the second generation universities like UNIMAID, University of Ilorin (UNILORIN) and University of Port-Harcourt (UNIPORT) among others, which were established in the 1970s. Indeed, UDUS belongs to the Caliphate, which is a symbol of Islamic heritage, culture, scholarship and civilization that lasted for more than two centuries. Thus, the first bold steps and initiatives towards Islamization of disciplines at the university level in Nigeria were taken by UDUS in 1985 during the tenure of Professor Mahdi Adamu as the Vice-Chancellor. Apart from the collaborative effort with BUK to organize the first international seminar on Islamic economics in 1985, the university introduced Islam-based courses in the Social Sciences, Arts and Education (see Appendix I for the courses on Islamic economics). Moreover, the university recruited and trained 40 lecturers to teach the courses, especially in Islamic economics (Galadanci, 1997; Adebayo, 2008).

In order to have well trained manpower and knowledgeable academic staff and scholars, the university collaborated with various universities like International Islamic University, Malaysia (IIUM), Universiti Sains, Malaysia (USM), King Abdul-Aziz University and International Islamic University, Islamabad-Pakistan among others, in the areas of M.Sc. and Ph. D in Islamic Economics, Islamic Sociology, Islamic Education and a host of others. As a matter of fact, UDUS remains one of the very few universities in Nigeria that command seasoned Islamic economists and social scientists like Professor Aminu Salihu Mikailu (former Vice-Chancellor of UDUS), Professor Muhammad Lawal Ahmad Bashar, Professor Chika Aliyu Umar and the late Dr. Sule Ahmad Gusau among others. Also, the university has succeeded in producing a number of scholars who are now specialist in this area of Islamic economics, banking and finance spread over Nigerian universities.

### **2.2.2 The Experience of Bayero University, Kano**

BUK also belongs to the second generation universities like UDUS. The university started as Abdullahi Bayero College and later transformed to Bayero University College but today, it is

known as Bayero University Kano. Indeed, BUK has been living to its expectations in line with the vision and mission of its founding fathers. A giant stride to demonstrate its relevance to the yearnings and aspirations of its people was brought to the limelight when it organized the first National seminar on Muslim education between December 30, 1976 and January 7, 1977. Also, the university in 1985 organized the first international seminar on “The Frontiers and Mechanics of Islamic Economics” in collaboration with sister universities like UDUS and UNIMAID with renowned international Muslim economists and scholars in attendance. Another workshop by the trio took place in 1987 at BUK and this workshop eventually led to the publication of a book entitled “The Nature and Methodology of Islamic Economics” edited by Abdul Rashid Moten and Bajulaiye –Shasi (Sulaiman, 2001; Adebayo, 2008).

Since then, various Islam-based courses have been introduced into the academic programmes both undergraduate and postgraduate (see Appendix II), especially in the Faculty of Social and Management Sciences, which hosts the department of Economics. Furthermore, the university in recent time has added another feather to its cap by establishing a world-class International Institute of Islamic Banking and Finance (IIIBF), which came to being in the year 2011. Thus, the institute runs various regular graduate and professional academic programmes like postgraduate diploma, master’ (professional) and Master of Science degree in Islamic banking and finance (the list of courses for these programmes is provided in Appendix III) to develop and increase the manpower profile requirement in the Islamic finance industry. Other activities of the institute include: institutionalized in-house fortnight seminar, public lectures and international conferences. Similarly, the institute floats a bi-annual international journal named the Bayero International Journal of Islamic Finance (BIJIF) and other publications on Islamic economics and Islamic finance have been published in recent time (Aliyu, Idris & Isma’il, 2013).

### **2.2.3 The Efforts in Other Universities**

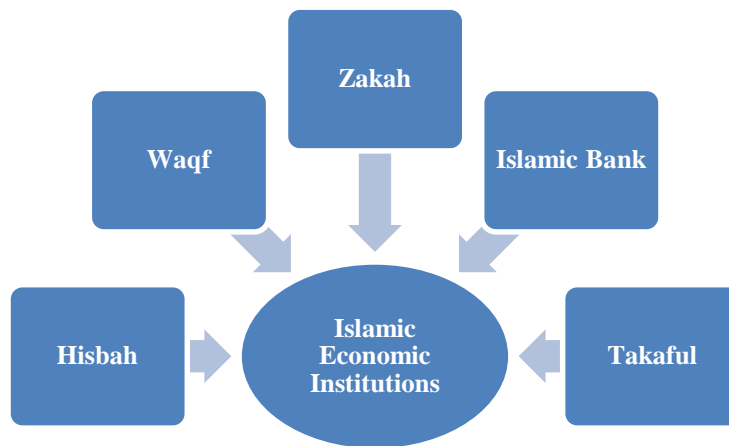
The efforts of Islamization of knowledge are also taking root in some other universities like ABU, UNIMAID and UNILORIN among others. Although, it could be said that the level of involvement and commitment on the part of the management and academic staff in this universities are not as coordinated and rigorous as the case with UDUS and BUK. For instance, UNIMAID should have been at the same level or very close to either UDUS or BUK in terms of performance and achievements but the situation on ground, especially in the Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., *The Contributions of Islamic Economics and Institutions to Modern Nigeria*, pp. 36 - 58

department of Economics still leaves much to be desired. Nonetheless, the activities of Islamization of knowledge are certainly much on course in the Maiduguri environs, especially because of the supports and encouragement provided by the International Institute of Islamic Thought (IIIT) Nigeria Office through the Maiduguri Zonal Office (Sulaiman, 2001; Ibrahim, 2000).

Similar efforts have started to take root at UNILORIN through individual efforts of some lecturers in the Departments of Economics, Islamic Law and Religions. As such, for the first time in the history of the Department of Economics since 1970s, students now have the privilege of knowing the Islamic perspective of economics both at undergraduate and postgraduate levels. Moreover, the first International conference on Islamic banking and finance was organized in 2009 by the faculty of Law in collaboration with Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IDB) Group in Saudi Arabia. Similar feat was repeated in early January 2015 when an international thematic workshop was organized by IRTI in collaboration with the UNILORIN and Al-Hikmah University, Ilorin-Nigeria on the theme: "Development of Islamic Banking in Africa". Meanwhile, some Islam-based courses are available in the faculties of Law and Arts in the university.

### **3.0 Islamic Economic Institutions in Nigeria**

Islamic economic institutions represent the conscious and deliberate efforts by Muslims to translate Islamic economic ideas and thoughts into reality (Khan, 1994). In this connection, Khan (1994) and Ayub (2008) identify Islamic economic institutions to include: Islamic banks, *Zakah* (compulsory religious levy-tax), *Takaful* (Islamic insurance), *Waqf* (Endowment/Foundation) and *Hisbah* (Market supervision). The diagrammatic presentation of Islamic economic institutions is provided in Figure 1.



**FIGURE 1: Islamic Economic Institutions**

**Source: Adapted from Khan (1994) and Ayub (2008).**

### 3.1 The Institution of *Zakah* in the Nigerian Society

The *Zakah* system is a central instrument of Islamic fiscal policy and also, a major pillar of Islamic social security system meant to serve as social help for especially the poor and the needy. As a matter of fact, the practice of *Zakah* system is as old as the practice of Islam in Nigeria because it represents a fundamental pillar of Islam like *As-Salah*. Therefore, the existence of the Sokoto Caliphate made the institution a popular one among the Muslims in the country and despite the collapse of the Caliphate in 1903; the *Zakah* system has continued to be one of the major signposts of Islam in contemporary Nigeria. It has been noted that the economic significance of *Zakah* system has implications for micro and macro-economic variables. This is in view of the fact that *Zakah* results in positive effects on saving and investment behaviours. Also, favourable macro-economic effects are expected in the areas of poverty alleviation, social security and distribution of income (Chapra, 1992; Sadeq, 1994). Therefore, the popularity and sanctity enjoyed by the institution of *Zakah* is rooted in the Qur'anic injunction, which legislates for its entrenchment in order to care and cater, particularly for the less privileged members of the *Ummah*. To this end, the Qur'an states:



*Alms are for the poor and the needy, and those employed to administer the funds; for those whose hearts have been (recently) reconciled to the truth, for those in bondage and in debt: for the cause of Allah and for the wayfarer: Thus is it ordained by Allah, and Allah is full of knowledge and wisdom (Surah At-Tawbah 9:60).*

It was based on this important verse of the glorious *Qur'an* that the institution of *Zakah* has continued with its re-generation and revitalization in various parts of the Muslim world. It was not surprising that the introduction of *Shari'ah* by Zamfara State government in September, 1999 has assisted in further strengthening the socio-economic relevance and significance of this noble institution in the *Ummah*, especially in the northern part of Nigeria where Muslims population is certainly overwhelming. As a result, various States established commissions, boards or committees for the management of *Zakah* and *Waqf* in most cases. For instance, States like Zamfara (1999), Niger (1999) and Yobe (2003) adopted boards status; while Katsina (2001), Kaduna (2003) and Sokoto (2003) opted for committee approach and only Kano State (2003) established a commission in this respect. In the case of Kwara state, an independent and voluntary committee known as "*Sadaqah* and *Zakat Majlis* for Islam" (SAZAMAFIS) has been put in place by prominent Muslim leaders and the Secretary is the Grand *Qadi* of the state (i.e. Honourable Justice Salihu Olohuntoyin Muhammad). In the South-western region of the country, *Zakah* and *Waqf* as well as other related Islamic economic institutions are being managed by private Muslim NGOs.

The submission of Ashafa (2014) reveals that no evidence exists that governments in the South-western part of the country participate in the management of *Zakah*. Nevertheless, it has been noted that the responses from the people in recent times on the revitalization of the institution has been very encouraging, especially the efforts of private Muslim NGOs like the *Zakat* and *Sadaqat* Foundation (ZSF) in Lagos State. Other organizations in the South-west who participate actively in the management of *Zakah* include: *Ar-Rahmah Zakat* Foundation (Ogun), Forum for Islamic Education and Welfare (Lagos), Al-Hayat Development Foundation (Ogun) and a host of others. In this vein, this paper adopted three States in Nigeria (i.e. Kano, Zamfara and Lagos) to illustrate the importance of *Zakah* to the socio-economic and spiritual development of Muslims in terms of poverty alleviation and as a social security safety net for the vulnerable members of the Nigerian society.

Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., *The Contributions of Islamic Economics and Institutions to Modern Nigeria*, pp. 36 - 58

### The Experience of Kano State

Kano State is one of the earliest states in the country, which was created from the old northern region in 27 May 1967. The State is the most populated in the country with approximately 9.4 million people as at last census in 2006 and with overwhelming majority as Muslims. The existence of Kano dates back to the Sokoto Caliphate as an eminent emirate among others like Kebbi, Zazzau, Bauchi, Ilorin, Nupe and Muri as at 1860. The voluntary establishment of the Kano State Islamic Council for Zakah (an NGO) in the 1982 and the Kano State Zakat and Hubsu Commission in 2003 rekindled the functional and significant role of *Zakah* institution in the State (Aliyu, 2002; Mustafa and Maiyaki, 2011; Okene and Ahmad, 2011). More particularly, the establishment of the Commission in a democratic regime has further confirmed the important position *Zakah* occupies in the socio-economic life of Muslims in the State. To this end, the breakdown of the *Zakah* collected in cash from 2004 to 2010 by the Commission is provided in Table 1.

**TABLE 1: The Breakdown of the Zakah Collected by the Kano State Zakat and Hubsu Commission (2004-2010)**

S/N	Year	Amount Collected (millions)
1.	2004	N11,301,347.46
2.	2005	N4,968,676.27
3.	2006	N8,854,135.90
4.	2007	N10,035,819.35
5.	2008	N9,554,820.00
6.	2009	N10,034,616.90
7.	2010	<u>N12,915,800.00</u>
	<b>Grand Total</b>	<b><u>N67,665,215.88</u></b>

Source: Kano State Zakat and Hubsu Commission (2010).

As a matter of fact, the table above shows a good beginning for the Commission when it collected the sum of N11, 301,347.46 in 2004; though, it dropped in 2005. In 2006, the amount collected almost doubled the previous year. Interestingly, the Commission made the highest collection in 2010 with the sum of N12, 915,800. Also, the Commission received some amount as grants from the government i.e. N25million in 2004, over N142million in

2007, N120million in 2009 and another N120million in 2010. All these grants were provided to support whatever *Zakah* collected in order to meet the mandate of the Commission to distribute to deserving members of the public and also invest whatever surplus available.

### 3.1.1 The Zamfara State's Model

Zamfara is one of the areas central to the Caliphate just like Kano prior to its creation from the old Sokoto State in 1996. The practice of Islam is also much pronounced and fortunately, the introduction of *Shari'ah* in the State in 1999 further rekindled the Islamic spirit and practice. Thus, Zamfara State remains the forerunner of *Shari'ah* introduction and implementation (since 2000) in the country. As a matter of fact, among the institutions required for the successful implementation of *Shari'ah* is the *Zakah* system and this led to the establishment of the Zamfara State *Zakat* and Endowment Board in 1999 to handle the collection of *Zakah* and *Waqf* (i.e. endowment) in the State.

**TABLE 2: Zamfara State Zakat and Endowment Board**

**Total Summary of Zakah Collected (2000-2009)**

YEAR	CASH (millions)	LIVESTOC K (heads of Livestock)	FARM PRODUCTS (in bags)
2000	N2,324,926.51	1	260
2001	N3,266,708.60	23	391
2002	N2,057,995.60	25	150
2003	N2,067,078.60	-	32
2004	N2,433,869.86	-	29
2005	N1,713,762.96	2	61
2006	N1,910,577.95	-	24
2007	N1,226,507.22	-	21
2008	N1,895,153.10	-	57
2009	N2,364,984.28	-	101
Grand Total	<b>N21,261,621.68</b>	<b>51</b>	<b>1,126</b>

**Source: Zamfara State Zakat and Endowment Board (2011).**

Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., The Contributions of Islamic Economics and Institutions to Modern Nigeria, pp. 36 - 58

The state was the first in the country to initiate government formalization of the institution of *Zakah* body as a government agency. Indeed, the establishment of this board serves as a good omen that the institution of *Zakah* is now receiving governmental supports, which were previously lacking. In this vein, Table 2 provides information on the nature and pattern of *Zakah* collection in the State. From the table presented above, it indicates that *Zakah* collection in the State was not only limited to cash but also various forms of agricultural products like livestock and farm products were collected. As a result, the highest revenue from *Zakah* was collected in 2001 while the lowest amount was collected in 2007. Generally, the performance of the board as far as *Zakah* collection was low; nonetheless, this paper holds that it is still a good development. This is in view of the fact that governmental supports and patronage has signalled a positive development for *Zakah* management since the introduction of *Shari'ah* in the state and other states in the northern part of the country. It has also assisted in creating further awareness on the role government can play in entrenching and supporting Islamic economic institutions in Muslim states. Furthermore, the *Zakah* board in Zamfara and commission in Kano state also handle *waqf* activities, which are tagged as *Hubs* in Kano State and endowment in Zamfara state. The position of Ashafa (2014:77) further underscores the economic role of government in Islam, which Kano, Zamfara, Sokoto states among others have demonstrated in recent time. He rightly notes, "It could be said that the performance of *zakat* through government intervention in many northern states around this period is a motivating factor".

### 3.1.2 The Experiment in Lagos State

The South-west region of Nigeria is among the six geopolitical zones with Lagos State as the heartbeat of the zone. The State was politically created in 1967 and still remains the commercial capital of Nigeria. The arrival of Islam in this State dates back to 1775 (Ashafa, 2014) and this suggests the age old tradition of Islam in the State. Nevertheless, the management of *Zakah* in the South-west does not enjoy governmental supports and patronage as is the case in Kano and Zamfara States. Hence, *Zakah* management in Lagos State (the second most populous Muslim State in Nigeria after Kano State) is largely dominated by the initiatives of Muslim NGOs. It is on account of this development that this study examines the private efforts of a Muslim NGO known as *Zakat and Sadaqat Foundation (ZSF)*, which was established by a group of Muslim activists in the year 2000. The creation of this Foundation

was primarily to provide humanitarian and welfare services through numerous Islamic windows and portfolios, which are capable of creating socio-economic emancipation. Essentially, the main objectives of the foundation include: (i.) to bridge the gap between the rich and the poor; (ii.) to re-awaken the spirit of social responsibility among Muslims; (iii.) to return *Zakah* to its rightful position in Islam; (iv.) to create a credible channel for distribution of *Zakah*; (v.) to ensure even distribution of wealth for the empowerment of downtrodden ones; and (vi.) to establish cordial relationship with other similar organizations both locally and internationally (*Zakat and Sadaqat Foundation*, 2014). From Table 3, the amount of *Zakah* disbursed for the period of 2005-2014 is provided to show how far the management of *Zakah* in Lagos state has contributed to the socio-economic empowerment of the people.

**TABLE 3: *Zakat and Sadaqat* Foundation**

**Total *Zakah* Collected and Distributed (2005-2014)**

Year	Amount Collected	Amount Distributed
2005	N500,000	N500,000
2006	N1,500,000	N1,500,000
2007	N3,000,000	N3,000,000
2008	N12,500,000	N12,500,000
2009	N15,800,000	N15,800,000
2010	-----	N21,800,000
2011	-----	N30,010,815
2012	-----	N35,461,661
2013	-----	N41,168,930
2014	-----	N63,060,355

**Source: Adapted from *Zakat and Sadaqat* Foundation (2014) and Ashafa (2014)**

Due to paucity of information, the amount collected by ZSF for five years could be ascertained while the amount disbursed for ten years could be captured. So far, the foundation has been able to disburse approximately the sum of N224.8 million in the last ten years of its operation i.e. 2005-2014. As a matter fact, the amounts generated from *Zakah* are usually spent to relieve the poor and the needy in various beneficial ways as noted by Ashafa (2014). Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., *The Contributions of Islamic Economics and Institutions to Modern Nigeria*, pp. 36 - 58

As such, areas like providing economic empowerment resources for individual economic freedom such as deep freezers, sewing machines, printers, tricycles, laptops, computer set, photo-printers, wheel chairs and a host of others, have received serious attention. Other areas include: medical supports, welfare and debt relief among others. In view of the vibrancy of the foundation, high level of transparency and accountability, the study observes that the ZSF seems to be the most prominent faith-based NGO coordinating the management of *Zakah* in the South-western Nigeria, especially in states like Lagos, Ogun, Oyo and Osun.

#### **4.0 The Emergence of Islamic Banking and Finance in Nigeria**

Interestingly, the emergence and introduction of Islamic banking and finance (IBF) in Nigeria can be traced back to the period of Sheikh Usman Dan Fodio and the eventual establishment of the *Dawlatul-Usmaniyyah* (Sokoto Caliphate). During the Caliphate period, there were many economic and commercial activities that took place, which are similar to the modern day Islamic banking like *Mudarabah*. However, the first attempt to establish Islamic banking in the country after independence started around 1961 when the Muslim Bank West Africa Limited, Lagos proposed one but could not be sustained and eventually closed down in 1962. Historically, the year 1991 was a major breakthrough because it witnessed the promulgation of Banks and Other Financial Institutions Decree (BOFID now BOFIA) 25 Sections 23 and 61 of 1991, which recognized Profit and Loss sharing (PLS) financial institution i.e. Non-Interest Financial Institutions (NIFI) in the country. Based on these provisions, license was granted to former Habib Nigeria Bank Limited in 1992 to operate an Islamic window but suffered setback in 1999 (Aliyu, 2013; Idris & Lawal, 2013; Mustafa & Ibrahim, 2013).

Fortunately, the first Islamic bank i.e. *Jaiz* Bank Plc. attempted to secure its license in 2004 but due to the problem of recapitalization, it could only obtain regional operating license on November 11, 2012, which was later upgraded to national operating license in 2013. Also, two conventional banks (i.e. Sterling Bank and Stanbic IBTC Bank) got licenses to operate Islamic windows. *Jaiz* bank Plc. plans to establish 16 branches in 2013 and 100 branches by 2017. So far, *Jaiz* Bank Plc. has employed over 150 professionals for its operations and activities. Already, the presence of NIFI has started yielding fruit with the establishment of Lotus Capital Limited in 2004 - a *halal* and ethical investment fund, which deals in *Shari'ah*-compliant investment and fund management activities. Similarly, NIFI has paved way for the emergence a full-fledged Islamic microfinance bank based in Lagos known as *Al-Barakah*

Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., The Contributions of Islamic Economics and Institutions to Modern Nigeria, pp. 36 - 58

Microfinance, which commenced operation in 2010 (Sanusi, 2011; Mobolaji, 2012; Aliyu, 2013; Idris & Lawal, 2013).

According to Dogarawa (2012) and Mustafa and Ibrahim (2013), the introduction and operation of Islamic banking and finance (IBF) is certainly a response to the needs and aspirations of Muslims in Nigeria who for the last four decades have been struggling for its realization. In this light, the presence of IBF is expected to serve as a major catalyst to reduce the level of financial exclusion, which has remain a fundamental problem among Muslims in the country due to interest (usury) in the banking industry. In line with the various interesting developments on IBF, Sanusi (2011) notes that with the enormous market potentials in the country, Nigeria has the potential and capacity to become the hub of IBF in Africa. The introduction of IBF in Nigeria if properly harnessed could translate to multiple gains for the Nigerian economy in view of the salutary impacts.

## **5.0 Islamic Economics in Nigeria: Issues and Challenges**

### **5.1 Religion and Culture of the People**

The religious commitment and cultural attachment of a people is a fundamental determinant for the acceptance or otherwise of any change in the society. As a matter of fact, Islamic religiosity and culture have been observed as a fundamental factor responsible for the possible adoption and practice of Islamic economics and its institutions (see Mustafa & Ibrahim, 2013). By extension, it explains why States like Kano, Sokoto and Zamfara among others are also at the forefront of Islamic practices and propagation. Therefore, the introduction of Islamic economics in their universities (i.e. BUK and UDUS) is indeed a manifestation of this obvious truth. This connotes that States with Islamic religious history and culture often regard Islamic economics and institutions as part and parcel of their Islamic worldview, civilization and heritage, which must be revitalized and revived. Thus, introducing Islamic economics in universities like University of Lagos (UNILAG), Obafemi Awolowo University (OAU) and Lagos State University (LASU) among others could prove a bit difficult as compared to universities like Ahmadu Bello University (ABU), Abubakar Tafawa Balewa University (ATBU) and UNILORIN. This is simply because the religious commitment and cultural attachment of these people differ in degrees and levels. It is in line with this position that Junaidu (2006, p. 17) posits, "Knowledge is certainly universal and timeless but it has a social

and cultural stamp. It also has a purpose and a commitment to a particular worldview, it therefore cannot be neutral”.

## **5.2 Islamophobia among Nigerians**

Islamophobia is a new phenomenon of psychological warfare against Islam and Islamic practices, which is not peculiar to Nigeria. As noted by Mustafa (2014, p. 67), the concept literally means the fear of Islam or fear of Islamic domination or simply put “anti-Muslim prejudice”. Thus, Muslims who want to practice pristine Islam suffer some forms of intimidations, humiliations, molestations, ridicule, repressions and a host of others in the hands of unconscious and subconscious Muslims as well as non-Muslims. For instance, secular Muslims consider the introduction of Islamic banking and finance or *Shari'ah* in Muslim States as a threat to the continued existence of Nigeria just like the opinions held by the non-Muslims. As a result, Muslims who lack the required knowledge of Islam and Islamic civilization see the introduction of Islamic economics in various Economics departments of universities as unnecessary or worse still a mission bound to fail because to them, there is nothing called “Islamic economics”.

## **5.3 Manpower Development**

Another important challenge to the development of Islamic economics and institutions in Nigeria is the issue of manpower development. It is disheartening to mention that even though the consciousness on this noble project is growing; yet, the expertise and manpower needed in this area are still far from being adequate since 1985. There is no doubt, the noble contributions of Professor Mahdi Adamu (the former Vice-Chancellor of UDUS) and similar efforts by Professor Abubakar Rasheed (Current VC-BUK) shall not go unacknowledged. Similarly, contributions of institutions like the IIIT, Nigeria Office and IRTI of IDB must never go unappreciated. Yet, the truth still remains that the manpower profile available on ground to prosecute the Islamic economics project is indeed far less to what is required.

## **5.4 Curriculum Development and Teaching Materials**

Perhaps, one of the important areas of Islamic economics development that has received appreciative attention is the production of curriculum development and teaching materials. In this regard, the efforts of IRTI in Saudi Arabia must be appreciated and in recent time, the efforts of IIIBF of BUK must also be recognized. Nonetheless, a lot still needs to be done,

Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., The Contributions of Islamic Economics and Institutions to Modern Nigeria, pp. 36 - 58



especially in the area of quality teaching materials covering wide range of subjects. This challenge implies that scholars and researchers must go deep into the Islamic intellectual heritage to unearth the dynamic nature and approach of Islamic economics to our contemporary world. As a matter of fact, the next generation of Islamic economics textbooks and materials should be able to address areas like Petroleum economics, Health economics, Environmental economics and a host of others.

### **5.5 Governmental and Institutional Supports**

A gigantic project of this magnitude requires a lot of funding and policy pronouncements as well as political will on the part of the government and various relevant institutions like the Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC) and National Universities Commission (NUC) among others, in order to have a solid foundation for its future development and success. As a matter of fact, countries like Malaysia have demonstrated that with governmental and institutional supports, Islamic economics and institutions can compete favourably with their conventional counterparts. And it is in this regard that the government of Malaysia promulgated the first Islamic banking law in 1983, which set the stage for Islamic finance to flourish in the country today. Also, as a result of true federalism that is prevalent in the country, states like Kedah, Selangor and Kelantan among others enact laws that promote Islamic economics and institutions in their domains. In the same vein, the states government provide the enabling environment and logistics for these institutions to flourish and contribute meaningfully to the economic growth of the country.

### **6.0 Conclusion and Recommendations**

The role and contributions of Islamic economics and institutions to the emergence and development of a modern Nigerian society cannot be over-emphasized, especially in the context of its positive impacts in some developing nations like Malaysia, Saudi Arabia and Indonesia among others. As a matter of fact, the enabling environment and necessary policy framework for Islamic economics and institutions to thrive need to be created, especially in Muslim populated states because it is part and parcel of the Islamic heritage and civilization. In this connection, it is recommended that Islamic economics as a full-fledged discipline should be introduced in various higher institutions in Muslim populated states (MPS) with all necessary governmental support. Also, governments in MPS and philanthropists should provide necessary backing and logistics for the proper operation of Islamic economic

Daud A. MUSTAFA, Ph.D., Mansur IDRIS, Ph.D., *The Contributions of Islamic Economics and Institutions to Modern Nigeria*, pp. 36 - 58

institutions as it is the case in Kano and Zamfara States. This could be done through collaboration between states like Lagos and Kano. Furthermore, the Nigeria Supreme Council for Islamic Affairs (NSCIA) should coordinate the activities on Islamic economic institutions and prepare blueprint for possible guide for various States and Muslim NGOs.

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#### **APPENDIX I**

#### **LIST OF ISLAM-BASED COURSES IN THE DEPARTMENT OF ECONOMICS, USMANU DANFODIYO UNIVERSITY SOKOTO (UDUS)**

##### **A. Undergraduate Level**

1. Introduction to Islamic Economic System
2. Economics of Production and Consumption in Islam
3. Islamic Economic Analysis
4. Economic of *Zakah*
5. Advanced Islamic Economic Welfarism
6. Economic Development under Islamic Economics

##### **B. Postgraduate Level**

1. Islamic Banking and Finance
2. *Fiqh* for Economists
3. Contemporary Issues in Islamic Economics

**Source: Adebayo (2008) and Salihi (2006).**

#### **APPENDIX II**

#### **LIST OF ISLAM-BASED COURSES IN THE DEPARTMENT OF ECONOMICS, BAYERO UNIVERSITY KANO (BUK)**

##### **A. Undergraduate Level**

1. Fiscal Policy in Islamic Economics
2. Islamic Banking and Finance

##### **B. Postgraduate Level**

1. Finance Theory (Islamic)
2. Issues in Islamic Banking and Finance
3. Business Ethics in Islam

**Source: Adebayo (2008) and Salihi (2006).**

**APPENDIX III**  
**LIST OF ISLAM-BASED COURSES IN IIIBF (M.Sc. IBF), BUK**

**A. First Semester**

1. Islamic Economics 1
2. Principles of Islamic Jurisprudence
3. Investments in Islamic Banking and Finance
4. Accounting for Islamic Financial Institutions
5. Islamic Capital Markets
6. Islamic Wealth Management
7. Fiscal Policy and Redistribution in Islam

**B. Second Semester**

1. Islamic Economics II
2. Islamic Financial System
3. Principles of Islamic Contract
4. Principles and Practices of Islamic Insurance
5. Islamic Banking Products and Services
6. Ethics and Governance in Islamic Financial Institutions
7. Islamic Human Capital Development
8. Risk Management in Islamic Financial Institutions

**Source: IIIBF M.Sc. IBF Brochure (see [www.iiibfbuk.org](http://www.iiibfbuk.org)).**