A case of acceptability and performance of Jaiz (Islamic) Bank in the North-Eastern Nigeria

Abdalla Eltom Abdalla Mohamed, *Professor Economics, Faculty of Law and Economics, Department of Economics, Islamic University of Madinah. Kingdom of Saudi Arabia* *https://orcid.org/0000-0003-1201-0786*
Ahmed Mallum, *Assistant Professor of Economics, Department of Economics, Yobe State University, Damaturu, Nigeria*

-DOI : https://doi.org/10.63939/JAAS.2025-Vol8.N24.86-144

Abstract:

The study empirically examined A case of acceptability and performance of Jaiz Bank LTD in the North-Eastern Nigeria. Based on field survey, a cross-section data was generated through the use of questionnaires from a sample of 400 respondents made up of 136 staff and 264 customers of the Bank. Methodologically both descriptive and inferential statistics, in particular, frequency distribution table and percentage were employed to analyses the data. While the chi-square test and logic regression analyses were used from the inferential statistics.

The research finding revealed that manpower, competition, religion, local and moral hazard constitute significant constraints on the operation of Islamic Banking in Nigeria. The study recommended the need for vigorous public enlightment programmer on the Islamic Banking system in Nigeria. The CBN should also expand its scope in terms of operational guidelines of Islamic Bank in the country and also active government participation in Islamic Banking at all levels among others.

Keywords: A case of acceptability, performance, Jaiz (Islamic) Bank, the North-Eastern Nigeria

Introduction

1.1 Background to the study

The emergence of modern Islamic Banking is said to have started in the early 1940s in Pakistan (Malami, 1992). Two decade later, a local Islamic Bank was founded in a rural area of Egypt, the Mitr Ghams Bank (1960). This was followed by the establishment of Naseer Social Bank in 1972 to help in particular weaker section of the society.By the year 1978 there were over 10 Islamic Banks spread across the Middle East and North Africa. Thereafter there has been rapid development and spread of Islamic Banks in the entire world reflecting their marvelous and successful performance within the last four decades.The tern Islamic banking refers to a banking activities or a system of banking that is in consonance with the basic principle *sharia (*rules and values set by Islam). Islamic banking is also known as interest free banking system as the sharia disallowed the acceptance of "Riba" or interest rate for accepting and lending of money. In Islamic banking system a business that offers good interest rate or service is strictly prohibited and it is in fact considered Haram (Forbidden). Islamic banking offers the same facilities as conventional banking system except that it strictly follows the rules of *sharia or* figh al-muamlat.

Section one: Methodology Framework

1.2 Statement of the problem

The advent of Islamic Banking in Nigeria had continued to be controversial and associated with various problems; there are religious and cultural problems. Nigeria being a multi-cultural society, with more than two hundred and fifty tribes, each with its own cultural set up and religious beliefs, is faced with many problems ranging from religious to culture. Some bodies oppose the introduction of Islamic Banking system on the ground that, it is an attempt to Islamize the country thereby generating a lot of controversy and misgiving. In addition to religious misconception, there has been problem of lack of awareness on the objective and modalities of the operation of Islamic Banking by a large segment of the Nigerians both the Bankers and the public. Besides, the strong competition from the well-established commercial Banks constitutes a serious constraint on the patronage of Islamic Banking services

of JA'IZ (Islamic) International Bank among others. In view of the above, this study will addresses the following questions

1. Does JA'IZ (Islamic) International Bank Ltd been accepted in Nigeria?
2. Does religious inclination influences banking with JA'IZ (Islamic) International Bank Ltd in Nigeria?
3. Does a cultural belief affect the activities of the JA'IZ (Islamic) International Bank Ltd in Nigeria?
4. How does lack of awareness affect the operations of JA'IZ (Islamic) International Bank Ltd in Nigeria?
5. In what extant does competition with conventional Banks affect the operation of JA'IZ (Islamic) International Ltd in Nigeria?
6. Does patronage from the customers affect the performance of JA'IZ (Islamic) International Ltd in Nigeria?
These questions will form the bases for the analysis and findings as well as recommendation, towards promoting Islamic Bank in Nigeria.

1.3 Objectives of the Study

The general objective of this study is to analyses the acceptability and performance of Jaiz (Islamic) Bank in the north-eastern part of Nigeria. Specific objectives include are to: -

1. Ascertain how religious inclination influence JA'IZ (Islamic) Bank Ltd.
2. Investigate how cultural belief affect the activities of JA'IZ (Islamic) Bank Ltd.
3. Examine the effect of lack of awareness to customers of JAIZ (Islamic) Bank Ltd.
4. Investigate the extent to which competition with conventional Banks affect the operation of JA'IZ (Islamic) Bank Ltd and
5. to identify how poor patronage affect the performance of JA'IZ (Islamic) Bank Ltd.
6. to ascertain the major challenges facing the acceptability and performance of JA'IZ (Islamic) Bank Ltd.

1.4 Hypotheses of the Study

From the research questions and objectives of this study, the following hypotheses will be tested using the chi-square and logit regression analysis respectively.

H_1: *Religion, manpower and Moral Hazard do not constitute significant constrain on the operation performance of JA'IZ (Islamic) BankLtd.*

H_2: *Educational attainment and competition do not constitute significant constrain on the patronage of JA'IZ (Islamic) Bank Ltd.*

1.5 Scope of the Study

The study is an analysis of the acceptability and performance of Jaiz (Islamic) Ltd facing after its successful take-off and operation of the newly established Islamic Bank in Nigeria. It is intended to investigate and analyses these performances in five states where branches of JA'IZ (Islamic) International Banks Ltd were established. These include Adamawa,Bauchi,Borno,Gombe and States respectively.

1.6 Limitations of the Study

There are however varying issues that will or may limit the quality of this work. Foremost among these is lack of adequate data from the institution under study. The data will be sourced mainly via questionnaires administration and oral interviews only.

Secondly, lack of cooperation and genuine responses from the sampled respondents particularly those in the Banking sector. The researcher will have to undertake several trips to source required data. The implication of this is financial and other resource constraints. However, such has been overcome by obtaining what is sufficient enough to serve in the data analysis.

Thirdly, financial constraint to cover the branches of the Bank i.e Adamawa, Bauchi, Borno and Gombe States. The five branches will be covered in order to generate wide range of information from both the customers and the Bank Staff of each of the branches.

Finally, it is difficult to get some respondents to fill the questionnaires because of the level of literacy of the customers therefore, the researcher will have to assist the respondent infilling the questionnaire for them by asking them the question.

1.7 Significance of the Study

This study is significant in a number of ways. Firstly, the work is expected to contribute on the on-going debate on the introduction of Islamic Banking practices in the Nigerian economy. Secondly, the study is expected to unveil the fears expressed by adherents of other religions in their campaign against establishing Islamic Bank, with the view that Muslim are Islamizing the Nigeria Banking practice. Such will be by drawing inference from other non-Muslim countries like the U.S, The U.K, France, Germany and others where Islamic Banks exist. Thirdly, The study is also expected to be of great contribution on the challenges facing the Islamic Banking practices. Therefore, it is expected to be of greater benefit to Bankers, academician, and scholars in all religions and the general public.

Structure of the paper: The paper is structured into five sections as follows:, Introduction, literature review, research methodology, data presentation and analysis, summary conclusion, and Summary of Findings, recommendations.

1.8 Scheme of the Paper

The paper will be presented in five sections.

Section one, is the general introduction and consist of Background to the study, Statement of the research Problem, Objective of the study, Scope and limitations of the research, significance of the study, and lastly Scheme of chapters.

Section two, reviewed literature consisting of the Conceptual and Historical Development of Islamic Banking, The Fundamentals of Islamic Banking and Finance Practice, and an overview of the mode of finance in Islamic Banking.

Section three, has to do with the methodology, which include, source of data, Sample techniques and Method of the Data Analysis.

Section four, consists of data presentation and analysis.

Section five, comprises the summary, conclusion and Summary of Findings, recommendation.

SECTION TWO: LITERATURE REVIEW

2.0 Approach

In this section, some literatures were review on fundamentals of Islamic Banking and finance and the historical background of Islamic Banking in the

world. I also look at some interest free Banking and practices where it was categories it into two the long term and short-term bases. The origin of Islamic banking system can be traced back to the advent of Islam when the prophet himself curried out trading operation for his wife. The *"mudarabah"* or Islamic partnership has been widely appreciated by the Muslim business community for centuries but the concept of *"Riba*" or interest has gained very little diligence in regular or day to day transaction. By the end of 1970, several Islamic banking systems have been established throughout the Muslim world including the first private commercial bank in Dubai(1975), the Bahrain Islamic bank (1979) and Faisal Islamic bank of Sudan (1977).

Today, it has been reported that there are about 500 Islamic Banks and interest-free financial institutions in more than 75 countries of the world. Thus, a lot of research is being conducted in some countries such as Malaysia, Pakistan Indonesia etc in other to examine their performance and challenges (Platt, 2008). In deed the continued existence and progress of Islamic Banking is a reflection that Islamic Banks have noteworthy potential to work as a monetary intermediary. In recent times a lot of interest based Banks comprising foremost an international Banking had shifted towards interest-free Banking. This is the sign of encouragement to the Islamic Banking.

The Islamic Banks have been proven that asviable Banking system throughout the last 30-40 years and is organized on two different aspects. On the first side of the coin the whole monetary structure is operated under the light of *Shari'ah* principles. However, on the other side of the coin the dual Banking system is allowed. Before the details of regulations and performance of Islamic Banking it seems necessary to clear all the Pros and cons concerning the basic principles that regulates the whole economic set up in an Islamic way of life. Islamic Banking is based on Islamic *Shari'ah* which provides all solutions to financial problems.

According to Islamic law, interest is totally prohibited as it has a lot of bad effects on society such as reduction in the earning capacity and purchasing power of the poor and increase in poverty level, unequal distribution of wealth and credit crisis in an economy. According to Usmani (2005)

2.1 Theoretical Framework

Early theoretical work on the subject appeared in Urdu, Arabic and English during the 1940s, 50s and 60s. The focus was not Banking and finance in the narrow sense but rather the economic system as a whole (Hossain 1996). Writers generally began by criticizing both capitalism and socialism and then proceeded to outline a system based on Islamic injunctions concerning moderation in consumption, helping the poor, encouraging economic enterprise, avoidance of waste, promotion of justice and fairness, etc. In this context, writers often emphasized the poor tax (*zakat)* and the prohibition against interest. It was argued that Muslims should not blindly adopt the conventional system of money, Banking and finance, but rather should purge it of prohibited interest and modifies it to suit the just and poor-friendly economic system of Islam. Some writers went beyond generalities to suggest that early Islamic contracts provided sound bases for the restructuring of Banking so that it would be free of interest and would serve the goals of Islam. Pakistan incorporated the commitment to abolish "*Riba"* into its constitution.

Professional Muslim economists and Shari`ah scholars made significant contributions to the discussion, so that by the end of the 1960s a kind of blueprint for Islamic Banking was available. Bankers and business people also joined in the task of developing a workable model while efforts were made to put the idea into practice in several Muslim countries. Political conditions in the Arab countries were unfavorable for state-level initiatives, but private initiatives had a better chance of mobilizing the monies needed for such a venture, as shall see. The earliest theoretical model was based on two-tier Mudaraba, with profit-sharing replacing interest in Bank-depositor and Bank-borrower relationships. A study conducted for countries of the Islamic Development Bank (IDB), pointed out that in terms of number of institutions, 42% of Islamic Banks, and financial institutions are located in the Muslim countries of South and Southeast Asia (Iqbal *et al*., 1998: 21; Iqbal, 2001).

In Nigeria, Islamic Banking as an alternative Banking framework to the conventional interest based Banking can be said to be a recent phenomenon. Although, interest free Banking windows were initiated by some of the

existing commercial Banks such as Habib Bank Ltd (now keystone Bank ltd), United Bank for Africa (UBA), Stanbic IBTC etc, but the most pioneering experiment of Islamic Banking is JA'IZ (Islamic) Bank Ltd. In 2011Prior to its take off, the Bank has three major branches located at Abuja, Kaduna and Kano after nearly seven years of undue delay but now it has its branches in almost all-northern part of Nigeria most especially in the north- eastern region. In fact, JA'IZ (Islamic) Bank Ltd was granted approval in principle on 1st April, 2003 but could not meet up with the capital requirement until November, 2011 when the Central Bank of Nigeria issued license to the Bank to commence operation as full-fledged Islamic Bank in Nigeria.

However, despite the approval and the growing interest in Islamic Banking in Nigeria the Bank has been facing serious challenges on its operation, which is based on interest free Islamic Banking services in Nigeria. Therefore, this research is set to examine the acceptability and performance of the newly established Islamic Banking system in the Nigeria with reference with JA'IZ (Islamic) Bank Ltd particularly in its approved areas of jurisdiction in the northeast region of Nigeria.

Islamic Banks would serve as financial intermediaries, like conventional commercial Banks, except that they would purge interest from their operations and rely instead on partnership and profit-sharing. They could operate demand deposits like their conventional counterparts and, like other Banks they could offer other services against fees. Banks directly doing business and entering the real estate market in order to make profits for their depositors and shareholders (partners) were not a part of this model. But practitioners in the Arab world did not see much scope in this model. Accepting deposits in investment accounts on a profit-sharing basis was alright, but their profitable employment required direct involvement in business. Merchant Banking was closer to the milieu with which Shari`ah scholars were familiar. They felt more at home with a model in which savings were mobilized on a profit-sharing basis while their profitable use was based on familiar Islamic contracts of sale, purchase, leasing, etc (Faud and Mohammad 1996).

Murabaha (cost-plus or mark-up financing) entered into the model of Islamic Banking in the late 1970s. By this time, practice had revealed the difficulties of applying the mudaraba (profit-sharing) contract in dealing with business people in a legal environment that failed to provide any protection to the financier in such cases, unlike the protection provided to interest-based finance (Chapra,1983). Adverse selection in an environment dominated by interest-based institutions was another serious problem. Other Islamic contracts like salam, istisna' and wakala were being explored. Shari`ah scholars, many of whom were formal advisors to Islamic financial institutions, made significant contributions in developing the model. One of the specific needs was financing for home purchase on Islamically acceptable terms.

Three models of interest-free finance were developed. The first, which formed the basis of the House Building Finance Corporation of Pakistan (1980), was based on joint ownership and rent-sharing, eventually leading to the home dweller owning the home in full as he gradually purchased the government-owned part. The second model was a cooperative in which members pooled resources and were funded in turn, while the pooled resources were profitably invested in the meantime. The third model was based on murabaha, with the customer paying the higher deferred price in installments. In practice, small variations were introduced to ensure Shari`ah compatibility as well as financial viability. During the 1980s the subject of Islamic Banking and finance received widespread academic and professional attention. A number of Muslim countries considering implementation of the idea appointed experts to work out the details. Several universities began to offer courses on the subject and encourage research which resulted in hundreds of dissertations. Seminars and conferences drew attention to Islamic Banking and finance in places as far-flung as Kuala Lumpur, Dhaka, Islamabad, Bahrain, Jeddah, Cairo, Khartoum, Sokoto (Nigeria), Tunis, Geneva, London and New York.

A number of research centres began to specialize in Islamic economics and some launched academic journals to provide forums for the exchange of views and the dissemination of information on a worldwide

scale. During the 1990s the model was further developed and refined. The liabilities side saw frameworks put in place for handling trust funds, venture capitals and financial papers based on ijara (leasing), salam (forwards) and murabaha (mark up). Special techniques for launching Shari`ah-compatible mutual funds were also developed. This involved selecting companies that did not violate any Shari`ah norms and whose shares could therefore be traded. The first norm was that the products in which a company dealt should not be prohibited items like alcohol or pork. The second was that its finances should be free of interest-bearing loans and its revenue free of interest income. Since the condition concerning debt finance would eliminate almost all shares traded on the stock exchange, some scholars allowed a leverage of 30% or less. There can be additional criteria, but these two norms are common to all existing Islamic funds.

2.2 Historical origin and Development of Islamic Banking

Dealing in interest may be prohibited by religion but, contrary to what many suppose Islamic Banking is a relatively recent phenomenon having developed over the past 50 years. Modern Banking reached Muslim countries at the end of 19th century and early 20th century, primarily through European trading companies which engaged in trade with Muslim merchants and their enterprises. They required Banking facilities in Muslim countries to provide the medium for exchange (money) for trading transactions. Although Muslim traders avoided the use of "foreign Banks" for religious and sometime nationalistic reasons, growth of trade did, in time, require them to maintain current accounts and use Bank transfers systems. Borrowing and saving with a Bank continued to be avoided in order that there was no dealing in interest.

The issue of interest free Banking came to the attention of Muslim intellectuals in the 1940's and 1950's. By this time economic and financial influences had produced a number of local and national Banks established along the lines of interest based foreign Banks. They had started to bring the Banking system and its services to the local population. By this time Governments of Muslim countries, particularly those, who gained political independence, had of necessity to engage in international financial transactions using Banking systems. The requirement for commercial

Banking was recognised. The challenge was to avoid the concept of interest within commercial Banking. The route to this was the development of the concept of profit and loss sharing (Mudarabha), the key concept from which the structure of most Islamic Banking products and services are derived.

The 1960's and 1970's provided the political background and platform by which to attract the attention of Muslim Governmental and National Financial Institutions. Through a number of high profile conferences, where the theory of Islamic Banking was brought to practical application the Islamic Development Bank, an inter-governmental Bank was established on strictly interest free banking principles was established, applying the concept of profit and loss sharing to its transactions and activities.

The first interest-free Bank, the Dubai Islamic Bank was established in 1975. A few others followed in Sudan, Egypt and Kuwait in the late 1970's.Apparently a number of earlier interest free Banking ventures were initiated in the 1940's/50's and 60's in a number of Muslim countries but they did not survive or did not survive in strictly Islamic Banking form.

In Pakistan since 1981 all domestic commercial Banks have been permitted to accept deposits on the basis of Profit and Loss Share (PLS). In 1985 the Banking system was transformed between January and July of that year. From July 1985 no Banks were able to accept any interest bearing deposits and all existing deposits became subject to PLS rules, though some (few) operations were allowed to continue on the old basis. In Iran in 1981 steps were taken to eliminate interest from Banking. Interests on all assets were replaced by a 4% maximum service charge and a 4%-8% profit rate according to the type of economic activity. Interest on deposits was also converted into a "guaranteed minimum profit." As a result of Usury-free Banking Laws introduced in 1984 the Banking system converted to an interest free system in 1985. Islamic Banking not only provides services which are compliant in terms of the Muslim Faith but through the fundamental concept of profit and loss sharing with their customers deliver a highly ethical alternative proposition to conventional Banking services.

2.3 Objectives of interest-free Banking system

According to Manzur (1986) and IERB (1982) as cited by Rafindadi (2010) Islamic Banks and Islamic financial institution are established to achieve the following objectives.To retrain from paying or accepting interest in financial transaction and instead introduce the concept of profit and loss sharing, equity participation, hire purchase, etc., To carry out their activities in conformity with Islamic welfare and principles as embodies in the *Qur'an* and *Sunnah* so as to establish a monetary and credit system based on justice and fair play.

Also to crate necessary facilities for the development and expansion of co-operative through the mobilization of funds for development. These in addition to preserve the values of money and create equilibrium in the balance of payment along with provision of facilities in commercial exchange so that the abolition of interest, and to protect the rights of the poor so as to ensure an egalitarian societyTo discourage profiteering leading to income concentration. This can be done through profit/ loss sharing system as opposed to fixed interest system, and to ensure distributive justice in an economy. And also it create opportunities for the savers or capital owners to apply their own physical and mental capability in multiplying their wealth.

2.4 The Fundamentals of Islamic Banking and Finance Practice

1. Prohibition of the interest (Riba): Rationality and economic wisdom: According to Shari'ah, "riba technically refers to the premium that must be paid by the borrower to the lender along with the principle amount as a condition for taking the loan" (Chapra, 1984). Some later Muslim scholars define "riba" as the explicit increase imposed on the debtor at the maturity of the debt in case he/she fails to repay the principal amount plus any interest and wants to roll it over (Siddiqi, 2008). By and large, the consensus (Ijma') among Muslim scholars and jurisprudents is that riba is generally seen as unjustified earning, where a person could receive a monetary advantage without giving an equitable (a just) counter-value (Chapra, 1986, Khan, 2008, Iqbal, 2009, Shahid,2007, Jarhi and Iqbal, 2001).

2. Profit-rate in Islamic banking: The use of interest rate as a benchmark. It is not prohibited to make profit in Islam, as Islam encourages people to use money in "*Halal*" (Islamically permissible) investments. Making a profit, as against to interest, is based on taking
risks either on the assets, which are sold by seller, or on the capital invested by an investor to earn profit (AMIS, 2005). The current concern in Islamic financial industry is the *acceptability*
of the profit rate used by Islamic banks as an alternative to the interest rate, (El-Gamal, 2003, Kettell, 2011, Khan, 1984; Zarqa, 1981).

3. Zero interest-rates : An economic point of view A zero nominal interest rate occurs when the interest rates match the inflation rates. Some economists argue that a zero interest rate is a necessary condition for optimal allocation of resources (Friedman, 1969); while others show that it is not only necessary but also sufficient condition (Cole & Kocherlakota 1998). However, when the rate of interest equal zero, traders will have no incentive to substitute real resources for money. Thus, more real resources can be addressed to consumption and investment, which benefits the society as a whole (Wilson, 1979; Al-Jarhi and Iqbal, 2001, Al-Jarhi, 2009, Bleher, 2008). While there are many economists who support zero-level of interest rates, others are worry about the existence of a liquidity trap when the rate of interest is zero (Uhlig, 2000). They may also worry that when the rate of interest becomes very low,

monetary authorities have less leeway with adjusting it downwards in the face of recession.

4. Commitment on paying Al-Zakat: "The social duty to benefit society" Zakat is payable on genuinely owned, productive and surplus assets that have been possessed for a full year. This means that casual acquisitions and perishable goods are not subject to Zakat Clarke, Craig, and Hamid, 1996).

5. Prohibition of uncertainty or speculation (Gharar and Maysir): Gharar is defined as the uncertainty, hazard and game of chance (gambling) (AL-saati, 2003). It technically refers to the sale of probable items whose existence or characteristics are not certain, or a sale involving excessive risk or moral hazard (Ayub, 2007). This, to some extent, makes this way of trade similar to gambling. The reason of prohibition is that speculators generate their private gains at the expense of society at large (Elmelki and Ben Arab, 2009). Gharar does not create additional wealth. "It only transfers wealth from its (losing) owners to new (winning) ones" (Siddiqi, 2009, Siddiqi, 2008, Algaoud and Lewis, 2007**).** 6.

Islam discourages heavy debt and support a policy of bad debt cancellation: Islam discourages accruing heavy debt, except in cases of real necessity, because it can lead to harmful consequences. Islam permits and encourages assuming debt within reasonable limits. If debts are incurred, a full repayment is then important. If the borrower defaults on his/her payments, then Islam encourages lenders to either wait until such time as the existing loan can be repaid or to re-schedule the loan repayments but with no penalties (Hassan and Kayed, 2009).

7. Prohibition of financing certain economic sectors (or companies): Investment is forbidden in socially and ethically detrimental activities. These include, for example, gambling, pornography, alcohol...etc. It is also not permissible to acquire the shares of the companies providing financial services on interest like conventional banks and insurance companies whose business are not acceptable by Islam. (Obaidullah, 2009).

8. Profit-Loss Sharing (PLS): No pain, no gain principle: There is a substantial difference between profits resulting from entrepreneurial activities and Profits generated by granting loans. The latter is defined as receiving a monetary advantage without giving a counter value, and is, therefore, forbidden on ethical grounds. Islam is not opposed to profit or financial gain, as long as: an effort is performed, (partial) liability is accepted for the financial result of a venture, the venture is productive (led to an increase of value), and the profit is made in line with the Shari'ah (Schacht, 1964).

The Islamic solution, commonly referred to as Profit-Loss Sharing (PLS), suggests an equitable sharing of risks and profits between the parties involved in a financial transaction. Under PLS,"the lender and the borrower assume the investment's risk based on a pre-agreed formula". PLS acquires several forms depending upon the type of contract e.g. Mudaraba (Joint venture) and Musharaka (partnership and collaboration). In both of these forms, the financier makes the funds available, not as a lender, but rather as an investor (Benjelloun, 2010). The financier shares the profit (loss) and is not assured, in advance, of a positive rate of return. Losses must be shared by the financier in proportion to his share in the total financing while profits may be shared in any mutually agreed ratio. However, the financier liability remains limited to the extent of financing provided by him and no more (Luca and Vasudevan, 2002).

9.Tangible Asset-backing principle (TAB): Money in Islam is not considered an asset class and, thus, may not necessarily earn a positive return (NBR, 2008). Money, therefore, should always be tied to and underpinned by an identifiable and tangible underlying asset. This suggests that all financial transactions should "collateralized by a reference portfolio of on-balance-sheet assets of the originator" (Zainal, 2009).

10. Money as a "Potential" capital: Characteristics of money and commodities: Based on Islamic economic principles, money is considered as "potential" capital. That is, it becomesactual capital only when it is invested in a productive activity. Islam recognizes the time value of money, but only when it acts as capital, not when it is "potential" capital (Iqbal, 1997). Taking into consideration that the modern finance is based on the concept of money's time value, Islamic finance does not revoke the time's monetary valuation. "Shari'ah does not prohibit increment in loan in the price of a commodity in any sale contract to be paid at a future date. It does prohibit making money's time value an element of a lending relationship where it is claimed as a predetermined value (Khan, 1991). In this case, Shari'ah requires that a loan be paid back in the same currency by which it was given" (Ahmad and Hassan, 2007). "According to the capitalist theory, there is no difference between money and commodity in so far as commercial transactions are concerned. Both are treated at par and can be sold at whatever price parties agree upon. For them selling 100 $ for 110$ is the same as selling a bag of rice costing 100$ for 110$" (AIMS, 2010). Money and commodity, however, have different characteristics under the Islamic law, as compared with the capitalist theory. Islam, for example, does not recognize money as a commodity, such that there should be a price for its use. Money is used for buying and/or selling of other goods not buying and/or selling of money per se. The later action could make money not perform its original function of measure of value, store of value and medium of exchange in asset-oriented economy, primarily because such transaction will become the person's main goal (Ghazanfar & Islahi, 1990). In other words, "while money is recognized in Islam as a means of exchange, it may not lawfully be regarded as a commodity for exchange" (Iqbal, 2009). Money has no intrinsic value in itself but is only a measure of value and/or a medium of exchange therefore, should not use to generate more money. "Money, by itself, is not capable of fulfilling human needs unless converted into a commodity. A commodity can, on the other hand, fulfill human needs directly, and can be of different quality while money has no differential quality in the sense that a new note is exactly equal in value and quality to an old note. Also, commodities are transacted (or sold) by pinpointing the commodity in question or at least by giving certain

specifications. Money cannot be pinpointed in a transaction of exchange. Even if it is, it would be of no use since the different denominations of money summing into equal amount are exactly the same" (AIMS, 2010).

2.5 Concept of Islamic Banking

The concept of Interest-Free Banking and Islamic Banking are synonymously used in Islamic Economic literature as an alternative Banking framework to the interest-based conventional Banking practice. Although in technical terms, there is a difference between an interest-free Bank and an Islamic Bank but they are preferred to be used interchangeably.

Alisan (1988) defined an Islamic Bank as "a financial and social institution whose objectives and operations as well as principles and practices must conform to the principles of *Shariah* and which avoid the use of interest in any of its operations. It stands for an alternative financial system based on Islamic ideals. It is not only a financier but also a partner in productive economic development". Mannan (1976) states that Islamic Banking is an interest-free financing system essentially based on profit and loss sharing. And its operations are in conformity with *Shariah*. It is therefore, the cornerstone of the Islamic Economic System which is by definition Interest-Free Bankng.

Siddiqi (1983) conceived of an Islamic Bank as a financial intermediary mobilizing savings from the public on the basis of Mudaraba (profit and loss sharing contract) and advancing capital to entrepreneurs on the same basis. The Banks share the profit of the enterprise according to a mutually agreed percentage and share these profits with depositors according to a percentage announced by the Bank in advance. While stating the difference between Islamic Banking and Interest-Free Banking, Gusau (2000) argues that "Islamic Banking system is supposed to operate completely within the Shari'ah in all its activities both in sourcing of funds and disbursement of the funds. It not only avoids interest in all its ramifications but also it avoids all other islamically prohibited activities. Interest-free Banking system on the other hand, does not engage in interest but there is no reason to suppose that all its other activities will be done strictly according to Shar'iah". Similarly, Faud and Muhammad (1996) stated that Islamic Banking has been defined as

Banking in consonance with the ethics and value system of Islam. Interest-free Banking, by contrast, is a narrower concept denoting a number of Banking instruments or operations which avoid interest. Islamic Banking, the more general term is expected not only to avoid transactions on the basis of interest but also to participate actively in achieving the goals and objectives of an Islamic economy".

2.6 Theories of Interest

In the Western (conventional) literature, there are several theories that have been propounded by different scholars on why interest should be paid and at what rate should it be paid. Hason (1980) rightly observed that "the theory of interest has for a long time been a weak spot in the science of economics and the explanation and the determination of the interest rate still gives rise to more disagreement among economists than any other branch of general economic theory. Qureshi (1945) identified five major theories of interest, namely: Greek and Roman theories, Classical theories, Neo-Classical theories, Keynesian and Monetary theories of interest respectively. Thus, we review them as follows:

1. Greek and Roman (Early) Theories of Interest: The Greek and Roman theories of interest represent the early theories of interest. According to Qureshi (1945), the Greek theories of interest represent arguments of the early great thinkers or philosophers such as Aristotle and Plato. He argued that from the earliest known record of history, we find that all serious thinkers have condemned the taking of interest. In the ancient Greek for example, lending money at interest was forbidden among all classes of people in the society. Aristotle whose powerful induction greatly influenced the later generations condemned the taking of interest in very strong words. He compared money to a barren hen which laid no eggs. According to him,"money could not be used as the source of accumulation" that is to increase at interest. (Aristotle cited by Klein, 2001). A piece of money cannot beget another piece was the doctrine of Aristotle. Plato too condemned interest in his teachings stating that usury (interest) breeds injustice in the society. Thus, the obvious conclusion was that interest was unjust.

Qureshi (1945) pointed out that the Roman Empire prohibition of usury (interest) was made by the Roman Emperors in the middle ages (11^{th} and 13^{th} centuries) as well as the church. However, the relaxation of banning of interest started during the mercantilist period (1500-1700 AD) where international trade began to gain prominence. The mercantilists considered interest payment for the renting of money, similar to the rent of land. Due to their emphasis on international trade, the mercantilists identified money with capital and advocated low rate of interest to encourage trade. They strongly advocated statutory fixation of low rates of interest which later generated serious debate. In spite of their efforts, the mercantilist failed to control the rate of interest. And later on the rate of interest was left to be determined by the forces of demand and supply

2. The Classical Theories of Interest: This is the most prominent and influential school of economists who laid the foundation of conventional economics between the 18th and 19" centuries. They include the works of Adam Smith, David Ricardo, John Stuart Mill, Thomas Robert Maithus, etc (Samuelson and Nordlaus, 2002). Also, included are Edgeworth, Alfred Marshall, A.C. Pigou, J.B Say and Nassau Senior. Aliero (1993) identified three major theories of interest advanced by the Classical economists. These are: The theory that equates interest with profit as envisaged by Adam Smith, and the productivity theory of interest advanced by J.B Say, and the abstinence theory of interest as formulated by Nassau Senior. Adam Smith (1776) equates interest with profit. He believes that the main objective of business is to make profit. But profit is fluctuating and uncertain. Therefore, the most reliable measure of the level of profits is the level of interest.

3. The Productivity Theory of Interest: J.B Say, Thomas Malthus and Lauder Dale are some of the adherents of the productivity theory of interest. According to J.B Say, capital has "productive power" that is productivity, is an inherent property of capital and therefore, he justified interest as a reward of this productivity. Pirbram (1983) states that the productivity theory of interest is doubted on the ground that no attempt is made by its advocates to show that the addition to the value of the good produced with the aid of capital was greater than the value of the capital good used up in the productive process. Hassan (1992) raises three main criticisms against the productivity theory of interest: it is misleading to say that interest is commensurate with productivity, since there is no justification that borrowed capital is more or less productive than equity capital. Ahmed (1987) argued that the productivity theory of interest assumed expectation and realizations to be identical which the case is never. In addition, the theory lacks a time dimension.

4. The Abstinence Theory of Interest: This theory was developed by Nassau senior. He contended that for production to takes place, there must be a third factor in addition to labour and lend, which he termed abstinence. Abstinence is necessary for the existence of capital and earns profit as labour earns wages. The reason for the payment of interest being the pain cost for abstaining from consuming current goods in favour of future consumption.

5. The Marginal /Neo-Classical Theories: The essential principle of this school lay in the belief that value is the product of utility rather than of cost of production and this value is determined at the margin. Pirbram (1983) identified three different theories within the framework of marginalism, namely; the marginal productivity theory, the time preference theory and the Marshallian waiting theory of interest.

6. Marginal Productivity Theory of Interest: Aliero (1993) observed that while the productivity theory of interest under the classical school seeks to justify interest on the basis of productive power of capital, the marginal productivity theory of interest put forward by Jevons and Clerks seeks to determine the rate of interest to be paid to capital to reward to it for participation in production by using marginal analysis. Hassan (1992) argues that the basic flaw in the marginal productivity theory is the circular reasoning it implies.

7. Bohm-Bawerk Time Preference Theory: The Kernel and Centre of Bohm-Bawerk time preference theory of interest is the preposition that "present goods are as a rule, worth more than future goods of a like kind and number". Time preference theory is also known as the Austrian or Agio theory of interest.

8. In addition to what mentioned above there is also, Marshall "Waiting" Theory of Interest "Marshallian Cross". And also The Monetary Theory of Interest, and The Loanable Fund Theory of Interest, and Keynesian theory of interest.

2.7 Prohibition of *Riba* (Interest)

Many Muslim scholars and some western thoughts believe and still consider that just interest free Banking is as an Islamic Banking. Actually interest is fully prohibited in Islam that is proved in *Qur'an* and Sunnah."The interest that you give in order to increase the wealth of the people, does not increase in the sight of Allah; and the *Zakat* that you pay in order to win Allah's approval, its payers do indeed increase their wealth" (Surah Al-Rome no. 39) (Shafi and Usmani, 1997,). It is beautiful and powerful statement from Quran which shows that interest is prohibited by God because it can only increase the wealth of individual not the society. "Exclusion of interest from financial

activities does not necessarily mean that the financier cannot earn a profit. If financing is meant for a commercial purpose, it can be based on concept of profit and loss sharing, for which musharakah and mudarabah have been designed since the very inception of Islamic commercial law"(Usmani, 2005, p.10). It is wrong and confused concept in the society about the operation of the Islamic Banking system but Islam provides an alternative system where everyone contributes his/her share of investment and earns profit. In case of losses all the parties of contract suffer according to their agreed terms and conditions. Islamic financial system is being only successful if all the financial activity will be performing according to Islamic financial law.

"Allah deprives interest of all blessing and develops charity" and Allah does not like an ungrateful, sinful person" (Surah Al-Baqarah no.276) (Shafi and Usmani, 1997, p.49). It is concluded from the above statements that in Islam there is no room for interest. Interest is totally prohibited in Islam.

(ii) Gharar/ Maysir and Interest Transactions must avoid uncertainty (*Gharar*), speculation (*Maysir*) or anything that could lead to the unjust enrichment or unfair exploitation of one of the parties to a contract (Iqbal 2001). In case of speculation the big investors and industrialists turn the economic financial system toward their own and personal benefits.

(iii) Other Unethical Trade Practice and Interest: Transaction cannot be made that involve prohibited products or activities, such as alcohol, illicit drugs and tobacco because Islam wants to develop on ethical and friendly environment in the society (Iqbal, 2001).

2.8 Islamic financial services:

The most well established forms of Islamic finance are: banking and Sukuk (Islamic bonds).

Takaful (the Islamic insurance) and funds are also evolving. Islamic private equity and Islamic

private wealth management still need an innovation.

1. Islamic banking: Islamic banks are banking institution whose activities include all currently known banking activities. They have the same purpose as conventional banks except that they make money by lending out capital in accordance with the rules of the Islamic law. Islamic banks have to set up.

2. Islamic investment funds: The term Islamic investment fund means a joint pool wherein the investors contribute their surplus money for the purpose of its investment to earn Islamically acceptable profits in strict conformity with the precepts of Islamic Shari'ah (Usmani, 2005). The validity of Islamic funds (i.e. Equity Fund, Ijarah Fund, Commodity Fund, Murabaha Fund and Mixed Fund)

3. Islamic insurance (Takaful): The main objective of Takaful is to "pay a defined loss from a defined fund" (WTC-report,2008). Takaful has no contact with uncertainty and /or excessive Gharar. This is basically because the part of installments paid by each participant is considered to be a donation (Tabarru'**).**

4. Islamic bonds (Sukuk): A bond is a contractual debt obligation whereby the issuer is contractually obliged to pay interest

and principal to bondholders on certain specified dates (Thomas, Cox and Kraty, 2005). Sukuk

commonly refers to the Islamic equivalent of bonds.

2.9 Some Islamic Finance Practice

There are many contracts and institutional forms used within the Islamic finance industry. Financing tools that have been widely exercised by Islamic banks are primarily based on two general principles: the PLS principle and the mark-up (MUP) principle. The first principle states that the bank (financer) is allowed to profit from a given loan under the condition that the bank is

willing to share the investment risk. Contracts that are based on this principle (e.g. Mudaraba and

(a) The long term bases

(b) The short term bases.

(a) The Long term bases where we have mudarabah and musharakah

(i) *Mudarabah*

Mudarabah is a contract in this contract it is the responsibility of Bank to provide all the capital while the partner contributes commercial efforts, professional skills and experiences. Finally, the Bank receives a predetermined proportion of the profits. In the case of a loss, the Bank bears all the financial loss while the manufacturer goes unrewarded (Robinson, 1980). It is concluded that this system encourage the individual to participate in financial activity and Prove himself as an active part of society.

(ii) *Musharakah* (partnership finance)

Musharakah is a contract in which the Bank and the industrialist contribute jointly to the capital of a company or project to make a profit. Profit and losses are shared between the parties on agreed term and condition of the contract (Aisha and Raza 2006). Every Islamic Bank has a committee of religious advisers whose opinion is sought on the acceptability of new instruments and who provide a religious audit of the Bank's accounts.

In Islam, moral and equitable values form an integral part of the law governing contractual and financial relations to such an extent that the relationship between equity, law and religion in central to all business.

(b) Under short term bases we have:

(i) *Ijarah* (lessing)

(ii) *murabaha* (mark-up)

(iii) *Salam* and *Istina'*a

(i) *Ijarah* (Lessing)

The *Ijara* is a rent contract by which the owner of the good rents it to another party beeding it. After that the latter can purchase it and rent is reduced until the good become the possession of the client (Bellalah and Ellouz, 2004). Nowadays the Home Finance and Islamic mortgage are based on the concept of *Ijara* and it is very successful tool in Islamic financial system.

*Ijarah*is a term in Islamic fiqh. Lexically, it means 'to give something on rent'. In the Islamic jurisprudence, the term *Ijarah*is used for two different situations. In the first place, it means 'to employ services of a person on

wages given to him as a consideration for his hired services'. The employer is called *musta'jir*while the employee is called *ajir*.

Therefore, if A has employed B in his office as a manager or as a clerk on a monthly salary, A is a *musta'jir*, and B is an ajir. Similarly, if A has hired the services of a porter to carry his baggage to the airport, A is a *musta'jir*while the porter is an *ajir*, and in both cases the transactions between the parties is termed as *Ijarah*. This type of *Ijarah*includes every transaction where the services of a person are hired by someone else. He may be a doctor, a lawyer, a teacher, a laborer or any other person who can render some valuable services. Each one of them may be called an '*ajir'*according to the terminology of Islamic Law, and the person who hires their services is called a*musta'jir*while the waged paid to the *ajir*are called their *ujrah*.

The second type of *Ijarah*related to the usufructs of assets and properties, and not the services of human beings. *Ijarah*in this sense means to transfer the usufruct of a particular property to another person in exchange for a rent claimed from him. In this case, the term *Ijarah* is analogous to the English term leasing. Here the lessor is called *Mu'jir* the lessee is called *musta'jir*and the rent payable to the lesser is called *ujrah*.

Both these kinds of *Ijarah*are thoroughly discussed in the literature of Islamic jurisprudence and each one of them has its set of rules. But for the purpose of the research work, the second type of *Ijarah*is more relevant, because it is generally used as a form of investment, and as a mode of financing also. The rule of *Ijarah*, in the sense of leasing, is very analogous to the rules of sale,because in both cases something is transferred to another person for a valuable consideration. The only difference between *Ijarah*and sale is that in the latter case the corpus of the property is transferred to the purchaser, while in the case of *Ijarah*, the corpus of the property remains in the ownership of the transferor, but only its usufruct i.e. the right to use it, is transferred to the leasee.

Therefore, it can easily be seen that *Ijarah*is not a mode of financing in its origin. It is a normal business activity like sale. However, due to certain reasons, and in particular, due to some tax concessions it may carry, this

transaction is being used in the Western countries for the purpose of financing also. Instead of giving a simple interest – bearing loan, some financial institutions started leasing some equipments to their customers. While fixing the rent of these equipments they calculate the total cost they have incurred in the purchase of these assets and add the stipulated interest they could have claimed on such an amount during the lease period. The aggregate amount so calculated is divided on the total months of the lease period, and the monthly rent is fixed on that basis.

(ii) *Murabahah* (mark-up)

The *murabahah* is a contract in which the Bank informs the industrialist about the acquisition cost of a good and negotiates with him the profit margin. It is one of the most popular modes used in Islamic Banking system in different countries to promote interest-free transactions (Faud and Mohammad 1996).*Murabahah* is, in fact, a term in Islamic *fiqh*(jurisprudence)and it refers to a particular kind of sale having nothing to do with financing in its original sense. If a seller agrees with his purchaser to provide him a specific commodity on a certain profit added to his cost, it is called a *murabahah* transaction. The basic ingredient of *murabaha* is that the seller discloses the actualcost he has incurred in acquiring the commodity, and then adds some profit there on. This profit may be in lump sum or may be based on a percentage.

The payment in the case of *murabahah*may be at spot, and may be on a subsequent date agreed upon by the parties. Therefore, *murabahah*does not necessarily imply the concept of deferred payment, as generally believed by some people who are not acquainted with the Islamic jurisprudence and who have heard about *murabahah*only in relation with the Banking transactions.

Murabahah, in its original Islamic connotation, is simply a sale. The only feature distinguishing it from other kinds of sale is that the seller in *murabahah*expressly tells the purchaser how much cost he has incurred and how much profit he is going to charge in addition to the cost. If a person sells a commodity for a lump sum price without any reference to the cost, this is not a *murabahah*, even though he is earning some profit on his cost because

the sale is not based on a "cost-plus" Concept. In this case, the sale is called *Musawamah.*

This is the actual sense of the term *murabahah* which is a sale, pure and simple. However, this kind of sale is being used by the Islamic Banks and financialinstitutions by adding some other concepts to it as a mode of financing. But thevalidity of such transactions depends on some conditions which should be duly observed to make them acceptable in *Shari'ah*.

(iii) *Salam* and *Istisna'a*

*Salam*is a sale whereby the seller undertakes to supply some specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. Here the price is cash, but the supply of the purchased goods is deferred. The buyer is called *rabb-us-salam,* the seller *muslimilaih,* the cash price is ra's-*ul-mal*and the purchased commodity is termed as *muslimfih.*Salamwas allowed by the Holy Prophet (S.A.W) subject to certain conditions Usmani (2005). The basic purpose of this sale was to meet the needs of small farmers who needed money to grow their crops and to feed their families upto the time of harvest. After the prohibition of *riba*, they could not take usurious loans. Therefore, it was allowed for them to sell the agricultural products in advance. Similarly, the traders of Arabia used to export goods to other places and to import some other goods to their homeland. They needed money to undertake this type of business.

2.10 Risks and challenges associated with Islamic finance and banking

The use of financial products that conform to the Islamic principles pose special risks and challenges. Consequently, efficient risk management in Islamic financial institutions has assumed particular importance as they try to cope with the challenges of globalization. This, however, requires the development of a suitable regulatory framework and new financial instruments to provide an enabling operational environment for Islamic finance. This section briefly highlights some of these risks and challenges, which are particularly associated with Islamic finance.

1. Market risks: (See Sarker, 2006, El-Gamal, 2003, Chapra and Khan, 2000, Sundararajan and Errico, 2002).
2. Liquidity risks: (See Koch and MacDonald, 2009, Abdul Majid, 2003, Lucas and McDonald, 1989, Malik and Mustafa, 2011).
3. Operational risks: (See Koch and MacDonald, 2009; Grier, 2007, Sundararajan and Errico, 2002, Chapra and Ahmed, 2002,Chapra and Khan, 2000).
4. Credit Risks: (See Mounira and Anas, 2008, BIS, 2005, Khan and Ahmed, 2001, Elgari, 2003).

2.11 Literature Review

A study conducted in Bangladesh regarding regulations and performance in Islamic Banking. The most important findings of this research article is that there is lack of regulatory framework for its proper functioning according to *Shari'ah*. There is also lack of inter Bank money market which also affects the performance of the Islamic Banking. The discrimination has also been observed regarding legal reserve requirements. The researcher suggested that in Bangladesh the Independent Banking act should be constituted to control, guide and supervise the operations and practices of the Islamic Banking. So that the legal support to the stake holders may be provided (Ahmad and Hassan 2007). The study has also been conducted in the United Kingdom regarding problems, challenges and opportunities facing the Islamic Banking. The data was collected from the senior officials of the Banks. The main problem faced in the United Kingdom is heterogeneous and potential clients. Furthermore, the lack of expert staff and competition from the conventional Banks also faced in United Kingdom.

It has been concluded that the e-Banking can play pivotal role for the success of Islamic Banking. There is need to sit together with the UK officials and Islamic Banking representatives to discuss the challenges of the Islamic Banking (Karbhari, Naser and Shahin, 2004). There is need to recruit professional individuals who have the knowhow about the Islamic Banking. Malaysia is the first country that played the vital role in Islamic Banking. It also introduced the dual Banking as well as pure Islamic Banking. In this article an innovation has been brought out that is hire purchase and also known as *alijarawaiqtana* (Abdullah, 2007). The Islamic Banking is going

very successful but there is still need to bring changes by the policy makers. To strengthen the Islamic Banking transactions there is need to develop strong legal framework.

There is also needed to make strong both the operational regularity and substantive laws to resolve problems relating to Islamic Banking (Abdullah, 2007). The *Shari'ah* should be analyzed to make new innovations instead of imposing restrictions. There is need to explore the potential and wisdom of *Shari'ah*. The immense need of cooperation is required to make collaboration among *Shari'ah* scholars, researchers, academicians to conduct the study in depth to make strong Islamic products (Abdullah, 2007). The government and other agencies should also make efforts for the new avenue of Islamic Banking and hire purchase. The most important is that the government should remove the uncertainty regarding Islamic hire purchase (Abdullah.N.I 2007). Globalization has affected our life politically, economically and financially. There are both aspects in this globalization. The positive aspect is that there is the movement of human capital and new technology among countries. On the other side of the coin the government is unable to control the flow of capital. The oil prices flourished the investment in GCC countries and also encouraged the Islamic finance (Garas, 2007). There is no doubt that Islamic financial institutions having potential for growth but still there are certain challenges.

There are two types of these challenges internal and external. For the internal challenges include that the customers still rely on the Conventional Banking system and the numbers of the current IFIs are not enough to meet the requirements to international transactions. Furthermore, the transaction system is still premature to attract new clients. There is also lack of unified regulatory system for the products and transactions (Garas, 2007). On the external side there is a gap between the IFIs due to the fact that the products are different in different countries.

The IFIs should establish the effective communication system to reduce such gap and strengthen the process to enter in the international market. In such way the status of the IFIs will be increased and customers may be attracted from the non-Muslim countries. In the end the IFIs should introduce the

training mechanism to make expert their employees to attract the customers (Garas, 2007). The global growth of Islamic Banking is taking advantages of its uniqueness to meet the challenges of growth though the status of the Islamic Banking is growing rapidly. But still the institutional arrangement is necessary to take part in the global economy. The *Shari'ah* compatibility should be judged by qualified *Shari'ah* scholar because for any medical problem the person will consult with the medical specialist to get best solution. That's why the solution of the problem in *Shari'ah*, can be taken from the qualified *Shariah* scholar to get the exact decision (Khan, 2006). By this way a good institutional structure may be developed. I believe it may be the right time to start simply with an international association of *Shari'ah* scholars for the finance industry (Khan, 2006).

Another study has been conducted in Malaysia and Bahrain by analyzing the financial record of seven Banks. The purpose of this article was to analyze the Islamic financial products viability to interest based contracts. It analyzes that Islamic Banks pay *Zakat* and finance economic activities according to *Shari'ah*. However, it concludes that there is need to make legal frame work so that the Islamic financial products may regulate in the Islamic financial market. Another article has been written in which the author determines the determinants of the Islamic Bank Profitability. This article demonstrates that all sources of Funds are correlated with the profitability.

The basic difference between capitalist and Islamic economy is that the private ownership is given unbridled power to make economic decisions. The capitalists system of economy becomes the cause of wealth in the hands of few (Usmani, 2005). This system also interrupts the natural process of the supply and demand because these forces are only able to do work in the situation of free competition. This capitalists system also creates gap between supply of money and real assets (Usmani, 2005). While on the other side of the picture the Islamic economy deals with the assets backed phenomena (Usmani, 2005).

2.12 Challenges Facing Islamic Banks in Nigeria

Aliyu (2010) observed that there are many challenges that confront Islamic Banking system in secular environment. These problem have been repeatedly

discussed by several scholars such as Siddiqi (1983) Gusau (1986), Aliyu (1988), Malami (1992), Ahmed (1987) etc.

Some of these challenges are presented as follows:

i.Religious Misconception: Aliyu (2010). Gusau and Bawa (1993), Malami (1992) Sanusi (2011)

ii. Moral Hazard: Aliyu (2010) stated that Islamic Bank could be negatively affected by fraudulent practices from clients.

iii. Manpower Problem: There is problem of shortage of professionally qualified personnel to operate Islamic Bank in Nigeria (Aliyu, 2010). Malami, (1992), points out that there is the need for staff development in *Shariah* economics and accounting based on Islamic principles in order to overcome such challenges.

iv. Problem of Competition: Mirakhor,1988, observed that perhaps the most challenging issue facing the implementation of an Islamic financial system in the development of risk bearing instrument that can provide the investors with sufficient degree of liquidity security and profitability to encourage their involving.

v. Inadequate legal and regulating environment: (Malami,1992, Adebayo, (2010) suggests that legal and regulatory bottlenecks have to be removed to avoid operational conflict by making necessary amendment to the Nigeria Banking laws and regulations to accommodate the peculiarities of the Islamic Banking system

SECTION THREE: RESEARCH METHODOLOGY

3.0 Introduction: This section discusses the research method that is been used. I used both primary and secondary sources of data. The primary source of the data is obtain obtained using questionnaire method, while the secondary data is obtained in paper presentation, seminar papers, and journals etc. For the purpose of this research I use both qualitative and quantitative data which use of journals, seminars papers etc.

3.1 Sources of Data: Data for this study mainly came from primary sources. The primary data is being obtained through the use of questionnaire and interviews to elicit information from respondents. Secondary information was also used in this study. Such information was sought through conference papers, international journals etc. and obtained data or information relating to Islamic Banks and Banking system.

3.2 Sample Size and Sampling Technique: This study was based on field survey. Therefore, data has generated from the sample of population from the study area. Accordingly, 400 questionnaires were being administered in all; Thirty-four (34) for bank staff and Sixty-six (66) for the customers /general public in each of the bank in state were the jaiz bank is operating in the North -Eastern part of Nigeria. This has made up the sample size in each of the state. The sample technique that is adopted is the non-probability sampling method using availability sampling technique. This is more convenient because it provides better opportunity for the researcher to administer the questionnaires directly and individually to the respondents available at the Bank.

3.3 Study Area: The study area is Northeastern Nigeria: It comprises six states, namely; Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe. The area lies between latitudes 7^{o} 30' and 14^{o} North of the equator and longitudes 9^{o} and 15^{o} East of the Greenwich meridian. It shares boundaries with Cameroon and Chad Republics to the east, Benue and Plateau States to the South, Jigawa and Kano States to the West and Niger Republic to the North. The number of inhabitants of the area is put at 18,971,965 million based on the 2006 census (FRN, 2007). The mean annual rainfall in the area ranges from 250 mm around Nguru (Borno State) to about 1310 mm around Sugu (Adamawa State), while mean annual temperature ranges from 200^{o}C to

400°C (NAERLS/PCU, 2004). The region falls within three vegetation zones made up of Sahel, Sudan and Guinea Savanna. Growing season in the study area lasts between two months in the northern part to about five and half months in the southern part of the area. Major crops grown in the area include rice, maize, millet, sorghum, cowpea, cotton, groundnut, yam, potato, cassava and water melon (Ojanuga, 2006). Among these crops, maize and sorghum are the main staple while rice is an alternative staple food. There is no government presence or intervention on the pricing of commodities but rather market forces completely determine the pricing of all agricultural commodities. The major occupations of the inhabitants of the area include farming, fishing, trading, weaning, dyeing and gathering. Infrastructure such as markets, road network, electricity, schools and institutions, hospitals and banks are found in the area

3.4 Variable Measurements: The variables captured in the model specified for this study has been measured as follows:

3.4.1 Dependable Variable: The Islamic Bank: This is measured as a dichotomous variable taking the value of 1 if a customer operates with the Bank and 0 otherwise.

3.4.2 Independent Variables: The theoretical discussion is used as a guide to select the variables included in the right hand side of the equation.

i. **Legal Frame work**: This independent variable is an essential and strong pillar in guiding the operation of Banking business. Therefore, in this study, is been measured using *5- likert scale*. Those respondant that indicate strongly agree will be coded 1, 2 for agree 3 for undecided 4 for disagree and 5 for strongly disagree.

ii. **Competition:** This is measured in terms of the type of Bank account patronized by the customers. Using patronage as a proxy for the competition, 1 was coded for Interest- Free based current account, 2 was corded as Interest – Free Banking respectively.

iii. **Educational attainment:** Joshi (2005) measured level of education as proxy for educational attainment on the assumption that people with higher education tend to be more financial literate. Therefore 1 was coded for the respondent with no Formal education and others, 2 for

OND/NCE, 3 for holders of HND/ B.Sc, 4 for holders of M.SC/PhD, 5 for professional certificates holders.

iv. **Religion:** This variable was measured as a dummy variable. Those respondents whose religion is Islam (Muslim) was corded as 1 and 0 for others.

v. **Manpower:** This variable was measured in terms of professionally trained staff (specialized personnel) in Islamic Banking system. Those staff with professional knowledge and experience in Islamic Banking system was assigned 1. Those with the knowledge of Islamic Banking without practical experience were assigned 2. Those staff with practical experienced without professional knowledge was assigned 3. And those staff with neither professional knowledge nor practical experience in Islamic Banking system was assigned 4 respectively.

vi. **Moral Hazard:** Aliero (2004) describe moral hazard as the tendency to under report the true return of business by the entrepreneur. Hence, it was used to include all forms of unethical practice by customers. Therefore, in this study, loan default was used as proxy for moral hazard and measured using *5- likert scale*. Those respondents that indicate strongly agree were assigned 1, 2 for agree 3, for undecided,4 disagree and 5 strongly disagree.

3.5 Method of Data Analyses

The data is analyses using both descriptive and inferential statistics. In descriptive statistics, the data is being presented in tables and analysed using frequencies and percentage. Furthermore, the econometric analysis is being carried out using chi-square (X^2) test and *logit* model. The chi-square was used to test the effect of Religion, Manpower, Moral Hazard and legal framework on the operation of Islamic Banking system (Hypothesis I) The formula is given below:

$$X^2 \frac{\Sigma(f_o - f_e)^2}{f_e}$$

Where:

$f_o =$ observation Frequency

$f_e =$ expected Frequency

The value obtained from the formula will be computed with the chi- square distribution for a given level of significance and the number of degree of freedom. In computing the critical value of X^2, there has to be a degree of freedom given as $X^2 df = (r-1)(c-1)$ where,

$r =$ number of rows in the table

$c =$ number of Colums in the table.

Also, the *logit* model has also been applied in order to analyze the effect of Religion, competition, Educational attainment on the patronage of Islamic Bank in Nigeria. The use of *logit* regression hasbeen considered appropriate for this study because the dependant variable is dummy or categorical in nature. Following the work of Haque et al (2009), the *logit* anslysis assumes an underlying regression relationship which can be expressed as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots\cdots + \beta_n X_n + U_i$$

Where:

Yi=Dependent Variables (regressed)

$X_1, X_2, X_3 \cdots\cdots\cdots\cdots X_n =$ Independent Variables (regressors')

$\beta_0, \beta_1, \beta_2 \cdots\cdots\cdots\cdots \beta_n =$ parameters of the model

Ui= The Error Term (disturbance term)

Given that Yi is a dummy variable, it can be stated that

If $p_i =$ probability that Y=1

And 1-p=probability that Y=0

Then, the probability function can be defined as

$$p_i = E\left(Y = i / X_i\right)$$

$$\frac{1}{1+e^{-\left(\beta^{0+}\beta^{1}X^{1}+\beta^{2}X^{2}+\cdots\cdots+\beta_n X_n\right)}}$$

The *logit* model is derived after taking the natural log from the probability function to obtain

$$\text{Li= In}\left[\frac{pi}{1-pi}\right]=\square i$$

Basically, the estimation purpose, the *logit* model is given as:

$$\text{Li=}\left[\frac{pi}{1-pi}\right] Li = \beta_0 X_1 + \beta_2 X_2 + \cdots\cdots\cdots + \beta_n X_n$$

Where $\square = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots\cdots\cdots + \beta_n X_n$

And L, the log of the odds ratio is not only linear in X but also from the estimation view point linear in the parameters Gujarati(2007).

L is called the *logit* and hence the name *logit* model

3.5 Model Specification

The *logit* model adopted from Haque et al (2009) is modified and defined as follows;

$$\text{IBS} = \beta_0 + \beta_1 \text{RE}_i + \beta_2 \text{CT}_i + \beta_3 \text{EA}_3 + \text{U}_i$$

Where:

IBS= Islamic Banking System

RE= Religion

CT= Competition

EA= Educational attainment

U= Error team

SECTION FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with the presentation and analysis from the fieldwork. A sample of 400 respondents were purposely selected and administered with questionnaire out of this total 136 respondents are staff of the bank while 264 are customer. Two sets of interview questionnaire were used in generation the data from the respective respondents. The statistical package for social sciences (SPSS) 21.0 used to analyze descriptive and interventional aspect of the analysis. This chapter is divided into five section including this introduction section two is presentation of descriptive statistic of the response section three present the results of the chi-square and logic regression used in testing the hypothesis, section four discuss the result while section five highlight the implication of the finding

4.2 DESCRIPTIVE STATISTIC BANK STAFF

The descriptive statistic presents the various fealties of the respondents. These are discernable from the following table.

Table 4.1: Demographic Facture of Respondents.

Age description of respondents	**Frequency**	**Percentage**	**Age description of respondents**	**Frequency**	**Percentage**
Under 18 years	1	1.2	Christianity	13	15.7
18-23	3	3.6	Traditional	3	3.6
24-29	37	44.6	**Marital status**		
30-34	19	22.9	Single	48	57.8
35-39	13	15.7	Married	29	34.9
40-above	8	9.6	Divorced	3	3.6
Gender			**Educational qualification**		
Male	58	69.9	Secondary certificate	3	3.6
Female	23	27.7	NCE/Diploma Certificate	28	38.6
Religion			HND/First Degree	32	38.6
Islam	65	78.3	Post gradate	18	21.7

Source: Filed work 2018.

The table 4.1 show that in term of age, majority of the respondents one young comprising under 18 years 1(1.2%) of respondent. These in the age barrack of 18-23 years are of comprising of 3(3.6%) of the respondents and 19(22.9%) of the respondents are in the age barrack of 30-39 and also 13(15.9%) of the respondents falls under the age barrack of 35-39. Only 8(9.6%) of the respondent are at the age barrack of 40-above. The evidence of the male gender dominate is 58(69.9%) of the respondents as male and only 23(27.7%) are female. The religion beliefs of the respondents indicate that 65(78.3%) are Muslim while 13(15.7%) are Christian only 3(3.6%) are traditional worshippers. On marital status majority that is 48(57.8) of the respondents are single and 29(34.9%) of the respondents are single while only 3(3.6%) of the respondents are divorce. The educational qualification of the respondents reveals that 3(3.6%) of respondents are secondary school leavers, 28(33.7%) of respondents are NCE/Diploma holders, 32(38.6%) of the respondents are HND/First degree (graduate) and only 18(21.7%) of the respondents are post graduate holders respectively. This is a reflection of the new bank recommend policy that placed more emphasis on young graduate and Diploma certificate holders or their equivalence. The next issue to be presented in the distribution of Banks staff by Brach location as:

Table 4.2: Distribution of Responses by Brach Location

Breach location	Frequency	Percentage
Adamawa State	13	15.7
Bauchi State	27	32.5
Borno State	21	25.5
Gombe State	22	26.5
Total	83	100

Source: Field work 2018.

The table 4.2 shows that 83 respondents were drawn from the four branch's were the bank is located within the North-Ester Nigeria. Out of this 13(15.7%) respondents are from Adamawa state and 27 (32.5%) of the respondents are form Bauchi state which has the higher number of staff this is due to its two branded within the state while 21(25.3%) respondents from Borno state and 22(26.5%) from Gombe state of the Bank respectively. This

followed by level of training, specialization and working experience of respondents as in the following.

Table 4.3: Training, specialization and working experience in Islamic banking systems respondents

Professional tanning	**Frequency**	**Percentage**
Yes	19	22.9
No	61	73.5
Nature of training/specialization		
Certificate course	7	8.6
Convenience on Islamic banking	6	7.5
Workshop for Islamic banking / finance	6	7.5
Working experibole in Islamic banking		
Yes	27	32.5
No	51	61.4

Source: Filed work, 2018

Table 4.3 shows that only 19(22.7%) of the respondents are professional trained and that 61(73.5%) of the respondents are not professional trained staff. Furthermore, 7(8.6%) of the respondents have professional knowledge with the Esperance and only 6(7.5%) had attendant conference on Islamic banking / fiancé, while 6(7.5%) also attendant workshop on Islamic / banking /fiancé. In term of working experience 27(32.5%) of the respondents had working experience while majority of the respondents or 57(61.4%) had not any working experience in term of Islamic banking and fiancé. This indicate that they had either worked at one of banks operatory or practicing non-inserts banking Islamic window, such as keystone bank, stanbic IBTC etc, this form of Islamic banking mode offinanciering by the bank is given in the following table.

Table 4.4: Staff Respondents on Islamic Mode of Financier

Mode of financing in Islamic banking	Frequency	Percentage
Mudarabah (capitul-labour partnership)	35	42.2
Musharaila (joint venture business)	26	31.3
Murabaha (Trade financing)	9	10.8
Ijora /istigna (hire pinchace)	7	8.4
How does the bank mobilize customers		
Public lecture	26	31.3
Mass of media	44	53.0
Public announcement, such as mosque, school etc	6	7.2
Bill boards and pamphlets	2	2.4
Giving loan to costumers		
Yes	50	60.2
No	20	24.1
Case of detach		
Yes	46	55.4
No	20	24.1

Source: filed work, 2018

The table 4.4 reviewed operational mode of financing of Islamic banking system by Jaiz bank ltd has only four modes of financing. These are Mudasarah, Musharaka, Warah and Murabaha as indicated by all the respondents in the bank. The other modes of financing are not available. Furthermore, in the mode of mobilizing customers, the highest number of respondents 44(53.0%) selected mass media, followed by public lectures 26(31.3%) of the respondents and 6(7.2%) of the respondents opted for public improvement only 2(2.4%) of the respondents selected bill boards, panples etc. in term of loans provision 50(60.2%) of respondents selected yes, while only 20(24.1%) of the respondents do not agreed that, banks do give loan to its customers the respondents indicated that, the higher respond of loan in "Yes" so also that in the case of default, 46(55.4%) of the respondents believed that the is lighter rate of defaults and only 20(24.1%) of the respondents do not agreed with that.

Table 4.5: The Extend at which deform and its Courses of loan affect the bank

Extend of default	Frequency	Percentage
Very high	13	15.7
High	16	19.3
Modernity	21	25.3
Low	13	15.7
Very low	3	3.6
Courses of Default		
Falsification of business record	10	12.0
Abscondment	28	33.7
Business failure	20	24.1
Death of par raw	6	7.2

Source: filed work, 2018

The table 4.5 slow that 13(15.7%) of the respondents indicate that the neatest of default, while 16(19.3%) opted that high rate of loan default in the bank. Furth more, majority of the respondent 21(25.3%) are of the opinion that the loan defect are moderate in the bank, also 13(15.7%) of the respondents selected low also that 3(3.6%) of the respondents agreed with very low. Furthermore, the highest number of respondents 28(33.7%) selected abscondment as a main alones of default by 20(24.1%) of the respondent selected business failure as a cause of loan defected also 10(12.0%) opted falsification of business record as a course of loan default while 6(7.2%) selected death of par raw as a course of loan decant. The extent of limit to legal and regulatory guidance on the banks operation are outlined in the following table.

Table 4.6: Limits of Legal and Regulatory Guideline of Jazz Bank Operation

Legal and regularly guideline limit on Islamic bank (JA"IZ)	**Frequency**	**Percentage**
Yes	27	32.5
No	49	59.0
Extent of limitation		
Very high	10	12.0
High	27	32.5
Moderate	15	18.1
Low	3	3.6
Very low	1	1.2

Source: fieldwork, 2018.

The table 4.6 depicts the extent to which legal and regulatory gridline of the control bank of Nigerian constitute a limitation on the operational framework of Jaiz bank. A total of 27 (32.5%) of the respondents answered in the affirmative while 49(59.0%) answered otherwise.

The extent of limitation according to 27(32.5%) and 15(18.1%) of the respondent high and moderate respectively while 10(12.0%) of the respondent answered very high. Others, 3(3.6%) and 1 (1.2%) of the respondents put it as low and very low form which it can be deduced that the legal and regulatory guideline of CBN do not constitute obstacle in the operational of Islamic bank in Nigeria. In term of staff adequacy, the following are recorded.

Table 4.7:Staff Adequacy

Staff adequacy	Frequency	Percentage	
Yes	28	33.7	
No	49	59.0	

Source; filed work, 2018

The table 4.7 show that majority 49(59.0%) of the respondents revealed that the numbers of staff in the bank are not adequate, while 28(33.7%) opined that they are adequate. The next issue to be presented are the challenge facing the operational performance of Islamic bank (Jaiz) in Nigeria as indicated in the following table.

Table 4.8: Operational Performance of Islamic Bank (Jaiz) in Nigerian

Constraints / alternative	Frequency	Percentage
Legal and regulatory limitations	22	26.5
Low patronage	19	22.9
Shortage of staff	9	10.8
Religion misconception	13	15.7
High competition	3	3.6
How to improve the performance of jaiz bank		
Increasing public awareness	50	60.2
Operating of more branches	5	6.0
Active government participation	4	4.8
Provision of special lows on Islamic banking	3	3.6
Seeking support from other established Islamic bank	4	4.8

Source: field work, 2018.

From the table 4.8: it is shown that the most serious challenge of confronting jaiz bank is low pastorate and religions misconception from the general public according 19(22.9%) and 13(15.9%) of the respondents respectively. In addition to that 9(10.8%) of the responded indicated as shortage of staff. However, legal and regulatory limitation and high competition indicate 22 (26.5%) and 3(3.6) of the respondents respectively. Finally, respondents on how to improve jaiz bank operations according to 50(60.5%) of the respondents suggested for increased public entailments and 5(6.0%) of the respondents are on the opening of more braches and 4(4.8%) and 4(4.8%) of the respondents suggested that for government participation and seeking /support from other establishment Islamic bank respectively. Finally, respondents on provision of special low on Islamic banking operation are the least which comprise of 3(3.6%) of the respondents. The next issue to presently is the acceptability by the general public as indicated in the following table.

Table 4.9: Does the Bank Accepted by the General Public?

Attentive	Frequency	Percentage
Yes	43	51.8
No	18	21.7

Source: fieldwork, 2018

The table 4.9 shown that majority of the respondents revealed that the bank was accepted by the general public with 43(51.8%) of the respondents while 18(21.7%) opined that the bank not accepted but the general public. The other diacritic analysis of the bank under study are responses collected form customers of jaiz bank given in the following

4.3 Descriptive Statistic of Customers

The descriptive analysis is not limited in the staff but also extended in this section to the customers of jaiz bank. The reseals are as follows:

Age discretion of respondents	Frequency	Percentage	Age discretion of respondents	Frequency	Percentage
Under 18	1	4	Traditional	20	8.0

years					
18-23	61	24.5	**Marital status**		
24-29	100	40.2	Single	134	53.8
30-34	30	12.0	Married	73	29.3
35-39	18	7.2	Divorced	22	8.8
40-above	33	13.3	**Educational qualification**		
Gender			Secondary certificate	46	18.5
Male	158	63.5	NCE/Diploma Certificate	125	50.5
Female	85	34.1	HND/First Degree	20	8.0
Religion			Post gradate	36	14.5
Islam	137	55.0	Others	17	6.8
Christianity	71	28.5			

Source: fieldwork, 2018

The table 4.10 contain demographic features of respondents as that 1(4.0%) of respondents are in the case barrack of less than 18 years, 61(24.5%) of respondent in 18-23 group 100 (40.2%) are within 24-29 years age group and 30(12.0%) of the respondents are within 30-34 years while 18(7.2%) of the respondents are faces on the age barrack of 35-39 years, furthermore, 33(7.2%) of the respondents are within the age barrack of 40-above. The gender distribution of the respondents indicates that 158 (63.5%) are male, while 85 (34.1%) are female. In term of marital status 134 (53.8%) tuned to be divorced/ widow. On religion affiliation 137(55.0%) are Muslim, 71(28.5%) are Christian with 20 (8.0%) as others traditional religions. This portrays the fact that Muslim tend to patronize the bank than Christians. The education status of the respondents reveal that 46(18.5%) of respondents are either OND/NCE holders, 125(50.2%) respondents possessed theirs B.Sc or HND certificate and 20 (8.0%) of the respondents are holders of M.sc/PHD degrees and 36 (14.5%) of respondents are holders of certificate course and only 17(6.8%) of the respondents indicate others. The working experience are as categorized in the following table.

Table 4.11: Working Experiences

Alternative	Frequency	Percentage
Business men	34	13.7
Academician	62	24.9
Professional body	24	10.4
Civil servants	97	39.0
Others	21	8.4
Total		

Source: fieldwork, 2018

The table 4.11 shows that 34(13.7%) of the respondents are business men while 62(24.9%) are academic 24(10.4%) of the respondents indicate professional body while majority of the responses are civil servants given by 97(39.0%) of respondents and 21(8.8%) of the respondent fall under others. The next issues to be presented are the challenges/problems of working under Islamic organization as Jaiz bank and similar bodies given in the following.

Table 4.12: Likely Challenges of Islamic Banking in Nigerian

Likely confronted by Islamic banks in Nigerian Jaiz working with other Islamic organization in Nigeria.	**Frequency**	**Percentage**
Strongly agree	55	22.1
Agree	139	55.8
Undecided	18	7.2
Dis-agree	15	7.2
Strongly dis-agree	16	6.4
Religions cultural and similar challenge of Islamic banks in Nigeria		
Strongly agree	55	22.1
Agree	124	49.8
Undecided	20	8.0
Dis-agree	25	10.0
Strongly dis-agree	17	6.8
Literacy and conversant perfections of Islamic banks in Nigerian Muslim		
Strongly agree	45	18.1
Agree	95	38.2
Undecided	33	13.3
Dis-agree	49	19.7
Strongly dis-agree	20	8.0

Source: fieldwork, 2018

The table 4.12 present the responses on the challenges and prospect of Islamic banking in Nigeria where 55(22.1%) of the respondents strongly agreed with the problems and 139 (55.8%) agreed that there are likely challenges, while only 18(7.2%) of the respondents are undecided and 15 (6.0%) and 16 (6.4%)of the respondents disagreed and strongly disagreed respectively that there are likely challenges facing Islamic banks Nigeria. Similarly, religions and culture impediment are other challenges of Islamic banking in Nigeria shown by 55(22.1%) of respondents strongly agree, while 124(49.8%) of the respondents which was the majority or highest number while 20(8.0%) of the respondents have disagreed and strongly disagreed respectively. Furthermore, most of the Muslim are not conversant with Islamic banking practice in Nigeria indianite by 45(18.1%) of the respondents. Who strongly agreed, 95 (38.2%) of respondents which posted as majority or highest number of respondents agree, 33 (13.3%) of the respondents are undecided. A total of 49 (19.7%) of the respondents disagree in Nigeria and only 20(8.0%) of the respondents strongly disagreed. The next issue to be presented in the knowledge of varying interest free operation by Islamic among Muslim gives in the following.

Table 4.13: Which of the following interest-free banking practice are you conversant with?

Mode of finance in Islamic banking	Frequency	Percentage
Mudarabah	64	25.7
Musharakali	80	32.1
Muralahah	28	11.2
Ijara/istisna'a	40	16.1
Muzara'a	15	6.0

Source: filed work, 2018.

The table 4.13 show that 64(25.7%) of the respondents are conversant with Muderabah on one of the mode of financer, 80(32.1%) of the respondents show that they are conversant with respondents which won the majority or highest number of respondents. Similarly, 28 (11.2%) of the respondents shows that they are converter with murabahah as also one of the mode of finance in Islamic banking. Furth more, 40(16.1%) of the respondents indicated Ijara/Istisna'a as a mode of Islamic financer in Nigeria while only

15(6.0%) of the respondents indicated muzara'aa mode of finance in Islamic banking in Nigeria. The administrative and institution challenge posed to Islamic bank in Nigeria is the next issue to be presented.

Table 4.14: Institutional and Administrative Challenged Posed to Islamic Banking in Nigeria

Hindrance in Islamic banking (Altenative)	Frequency	Percentage
Strongly agree	69	27.7
Agree	91	36.5
Undecided	17	6.8
Dis-agree	44	17.7
Strongly dis-agree	19	7.6

Source: filed work, 2018

Total table 4.14 shown that, 69 (27.7%) of the respondents indicate that or strongly greed that institutional and administrative challenger posed to Islamic banking in Nigeria, while 91(36.5%) of the respondents agreed with that, similarly 17(6.8%) of the respondent are undecided. Furth more, 44(17.7%) and 19 (7.6%) of the reposed and are of the opinion that, institutional and administrative challenged no posed to Islamic bank in Nigeria are dis-agree and strongly dis-agree with. the name to be presented is prospect of Islamic banking in Nigeria.

Table 4.15: prospect of Islamic banking system in Nigeria

Prospect of Islamic banking system in the country (Alternative)	Frequency	Percentage
Strongly agree	45	18.1
Agree	88	35.3
Undecided	53	21.3
Dis-agree	39	15.7
Strongly dis-agree	14	5.6
Adequate number of staff		
Strongly agree	47	18.9
Agree	69	27.7
Undecided	31	12.4
Dis-agree	28	11.2

Strongly dis-agree	15	6.0
Awareness of likely prospect of Islamic banking		
Profitability	58	23.3
Employment	70	28.1
Growth	61	24.5
Income distribution	36	5.2
Suggestion on viability of Islamic banking in Nigeria		
Public awareness the media	65	26.1
On-the-job training banking	53	21.3
Institutionalpreaching	43	17.3
Comparative sever and performance analysis with others banks	17	6.8
Others (specify)	9	3.6

Source: filed work, 2018

The table 4.15 indicate the in terms of grant prospect of Islamic banking in Nigeria 45 (18.1%) of the respondents strongly agree its viability, while 88 (35.3%) of the respondents and the majority or highest number of respondents agree with it 53(21.3%) of the respondents hared make decision on it. Similarly, 39(15.7%) and 14 (5.6%) of respondents disagree and strongly disagree with its prospect in the financer. Furthermore, terms of adequate number of staff of jaiz bank, while 47(18.9%) of the respondents do strongly agree that the bank has adequate number of staff while 69 (27.7%) of the respondents agree with the idea and while 31 (12.4%) of the respondents haven't make up their minders. Furthermore 28 (11.2%) ad 15(6.0%) of the respondents indicated dis-agree and strongly dis-agreed respectively. on the question of awareness 58(23.3%) of the respondents believe that awareness of the likely prospect of Islamic banking as practiced elective in term of probability, while70(28.0%) of the respondents which has the highest agree indicate employment opportunities and61(24.5%) of the respondents indicate growth, while 34(14.5%)and 13(5.2%) of the responses indicate income distribution and others respectively furthermore, in term of viability of Islamic banking 65 (26.1%) of the respondents as the high number of responses given as public awareness in the media, while 53(21.3%) of the respondents indicated on the job-training of bankers, while 43(17.3%) of the

respondents believe in institutional preaching to overcome the challenge forcing Islamic banking in Nigeria while 17(6.8%) of the respondents indicated comparative performance analysis with other banks and only 9(3.6%) of the respondents indicate others, this mean that public awareness in the media or institutional preaching can overcome the challenge facing Islamic banks in Nigeria. In term of satisfaction with the banks service the following responses are received.

Table 4.16: Customers satisfaction with service a Jaiz bank?

Morality of banks staff towards customers	**Frequency**	**Percentage**
Very high	51	20.5
High	53	21.3
Moderate	61	24.5
Low	18	7.2
Very low	5	2.0
Rate of performance of jaiz bank		
Very effective	46	18.5
Effective	47	18.9
Moderate	47	18.9
Low	9	3.6
Very low	14	5.6

Source: Field work, 2018

The table 4.16 show that 51 (20.5%) of the respondents indicate that the morality of the stage toward customers is very high while 53(21.3%) of the respondents indicate high, similarly61 (24.5%) of the respondents are center moderate. Furthermore 18(7.2%) and 5 (2.0%) of the respondents are on the opinion that low and very lad respectively. On the question the rate of performance shown that 46(18.5%) of the respondents are satisfied with the performance of the bank which indicate very effective while 47(18.9%) and 47(18.9%) of the responded indicate effective and moderate respectively. Similarly, 9 (3.6%) of the respondents which were the lowers indicate low. Furthermore, 14 (5.6%) of the respondents which were the lowers indicate

low. Furthermore, 14 (5.6%) of the respondents are on the opinion of very low. Result of the inferential statistic will now follow.

4.4 Inferential result

This study employed both chi-square and logit regression instrument in testing the hypothesis. The *chi-square* institutional used to test the first hypothesis t-test the first hypothesis (Religion, manpower and moral hazard) has no significate constrain on the operation of jaiz bank while logits model used to test the second hypothesis (education attain and competition) have no significant constraint as the patronage of jaiz bank. The application of the two interferential statistical instruments were considered appropriate in order to take care of the two different set of respondents staff and customers with different sample size.

4.4.1: Chi-Squre Test: Hypothesis

As earlier stated, chi-squre was used to test the hypothesis that religious manpower and moral hazard has no significant constraint on the operation of jaiz bank the result of which is summarized in the following table.

Table 4.17 Chi-square test

Variable	Co-efficient	Assumption sig
Religion	39.992	.000
Manpower	50.067	.000
Moral hazard	9.957	.002

Source: Data analysis, September 2018.

The study employed both chi-squre and logist regression instruments in testing the hypothesis. The chi-squre institutional was used to test the first hypothesis (Religion, manpower and moral) has significant constraint on the operation of jaiz bank. While logist model was used to test as the

Second hypothesis (education attended and competition) has no significant constraint on the patronage of Jaiz bank, the application of the two interferential statically instrument were considered appropriate in other to take care of the two different set of respondents staff and customers with different sample size.

From the table 4.19 ravened that religion has a chi-square of co-efficient of 39.992 with aseptic proficlity level of 0.000 which indicate that the variable in significant. Also manpower has a chi-square co-efficient 50.067 with asymptotic proximity level of 0.000. in addition, moral hazard has a co-efficient of 9.957 with asymptotic probity of 0.002 this revel that all the variable are significant at 1% level of significant. Based on the table 4.17 result, the hypothesis state that manpower, moral hazard and religion have significant constraint on the operation of Jaiz bank.

4.5 Logistic regression analysis: Hypothesis II

The *logit* model was used to analyzed the second hypothesis which states that religion, education attainment and competition do not constitute significant on the patronage of Jaiz bank. The result is summarized as follows:

Table 4.18: Summary of logit regression on the constraint of Jaiz bank

Independent variables	Co-efficient	Probability
Religion	0.3242593	0.140
Education attained	-0.0076209	0.949
Competition	-4.494036	0.000

Source: Data analysis, September, 2018.

Table 4.18 present the summary of binary regression result. It shows that the co-efficient of religion 0.32, this mean that the co-efficient is positive and not significant indication that religions has 32% significant influence on the patronage of Islamic bank.

Similarly, the co-effective of education attainment is 0.007 which means that the estimated parameter is not significant the negative sign of the parameter indicates a significant negative influence on the education attendement on the patronage of Islamic bank in Nigerian.

However, the co-effective of the competition is -4.49 which appear to be significant at 1% significant. This indicate that competition has a significant negative influence of Jaiz bank. Thus, the hypothesis suggesting no significant influences on religion and education attainment on jaiz bank.

4.6 Discussion of Results

From the result analyses in the proceeding section, it is evident that religion. Manpower moral hazard, education attainment and competition constitute significant constant on the operation of Jaiz bank. This study reveal that all variable are statistical significant, however, competition and moral hazard have significant negative influence while all other variable have significant positive influence on the operation of jaiz bank. Religion has been identified in the literature as an important factor that influxes the operation of Islamic bank generally.Therefore,the finding shown that religion has significant positive influence on the operation of Jaiz bank in Nigeria. This is based on the fact that the philosophical understanding of interest free banking in find built on religion doctrine. Thus, religion contradiction between Muslim and Christian in Nigerian generate serious misgiving and limitation on the practice of Islamic banking in Nigeria. Also, the study reveals that manpower has no significant influence on the operation of interest free banking this finding agrees with finding of Aliyu (1988) Ahmed (1987) however, the finding contradictor the finding Mafta'u (2003) which assumers away manpower as one of the challenges of interest face banking, but it only pointed out issue of absent of risk sharing business partners and poor rumination of existing workers. By their special nature, interest face finical arrangement do not face problem of shortage of risk shaving panthers or poor remuneration but also gross indequently of professionally trained personnel to manage the available funds.

Moral hazard is the factors that has high tendency of inhibiting the successful operation of Islamic bank due to the high incident of consent practice in both public and private business live in Nigeria our finding indicates a significant influence of moral hazard on Islamic banking practice furthermore competition tends to have significant negative effect on the Islamic banking system in the country due to the preponderance of Islamic based banking. This study reveal that, due to the inform nature of the industry (Islamic Bank) it faces challenge of acceptability, people still have no idea what Islamic banking is all about they are more familiar with the conventional banking system in the country. This finding is in line with our apriority expectation.

4.7 Implication of findings

The major implication of the above finding include, first religion has a significant factor that influence the operation of Islamic banking system this implies that religions misconception creates serious setback to the existence and patronage of Islamic banking. Therefore, concerted effort should be put in place to clear this misconception and built confidence in the banking framework. The bank should engage in creating awareness and image building to convince both Christian and Muslims that the introduction of Islamic bank in the country should not be seen as an attempt to Islamize the country, but to provide attentive banking mechanism that would eliminate the devastating effect of interest in the economy as well as to replicate contemporary international global practice. Secondary the fact that manpower has significant effect on the operation of Islamic banking this implies that shorting of manpower is an obstacle to the success of Islamic bank. Therefore, the bank should address this problem by providing special training and research programmed to works to compliment the effect of educational institution undertaking Islamic banking courses.

Thirdly, moral hazard is a significant challenge that effect the operation of Islamic bank as such the bank should evolved adequate means for character assent credit history/worthiness as well as adequate monitory and supervision of business partners /customers.

Finally, the negative effect of competition on the acceptability of Islamic bank indicate that, the increasing patronage of Islamic bank by customers should be addressed through awareness creation and innovation of new product.

SECTION FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

From the empirical analyses and findings of this study, it could be concluded that religion, manpower, competition, moral hazard and legal framework are significant constraints on the establishment of Islamic Bank in Nigeria.

Evidently these factors constitute the challenge that continues to make it difficult for the Bank to operate in the country.

5.1 Summary of Findings

The main objective of this study is to empirically analyses the acceptability and performance of Islamic Banks in the North-Eastern Nigeriawith reference to JA'IZ Bank Ltd. To achieve this objective, a cross-sectional data was generated yielding a sample of 400 respondents consisting of 136 staff and 264 customers/general public were sourced via structured questionnaires. The data was analyzed using chi-square and binary *logit* model. The summary of the findings are presented below -

i. The study found that religion had significant positive influence on Islamic Bank in Nigeria. This means that the religion of staff and customers reveals that Muslims patronized Islamic Bank than their Christian counterparts due to religions misconception.
ii. The study found that manpower has a significant influence on the operation of Islamic Bank in Nigeria; the study revealed that there is shortage of professionally trained man power in the area of Islamic Banking operation.
iii. It was found in this study that moral hazard exerts a significant influence on the operation of Islamic Banking, thus, the study revealed that loan default is a proxy to moral hazard is a serious impediment to the application of Islamic Banking system and operation.
iv. The study also revealed that legal framework has a significant influence on the operation of Islamic Banks in Nigeria. This means that the existing legal and regulating guideline that makes limited provision for Islamic Banks limits to its operation.
v. The study further found that there are three types of accounts available to the customers. These accounts and the investment saving accounts are found in all of the three branches of the Bank. Similarly, That study also discovered that there are only four mode of financing techniques that was operated by the Bank in all it's of his branches, this include *Mudarabah*, *Murabaha,Musharaka* and *IjaraWaIqtina*.

5.3 Recommendations

Based on the findings of this study and the conclusion drawn the following recommendations are made with the view to addressing the challenges and improving the performance of Islamic Banks in Nigeria.

i. Since religious misconception and misgiving among Muslim and Christians have created limited patronage of Islamic Bank, there is need for the Bank and other stakeholders to embark on vigorous public enlightenment campaign programs, to create more awareness on the objective and modalities of the Islamic Bank. The sensitization of the general public should be made through public lectures, conferences, symposia, seminars and publication of books, journals, magazines and pamphlets. These should be carried out especially in the local languages in order to reach the wider audience.

ii. There should be government participation in the patronage of Islamic Bank at all levels through the involvement of Islamic Bank in financing of socio-economic programs like youth skill acquisition programmes, women empowerment, and small and medium scale programmes.

iii. The National Assembly should enact special law that would address the peculiarities of Islamic Banks in Nigeria.

iv. There should be sponsorship of research and development of risk bearing instrument like *sukuk* as well as continues introduction of innovative services and products for mobilization deposits and utilizing them effectively under profit and loss sharing system.

v. They should be intensive manpower training and development in the area of Islamic Banking and finance through the establishment of research centers and capacity building workshop to develop cognate experience in Islamic Banking and finance. In addition, educational institutions such as universities, colleges of education and polytechnics should introduce Islamic Banking and finance in their curriculum for the production and training of professionals in Islamic economics, Islamic Banking and finance, Islamic business-accounting and *Shari'ah*.

vi. There is need for the Bank to engage in promotional efforts through promotional mix-involving personal sale promotion, public relations and advertisement in print and electronic media, to attract good patronage for the product and services in Islamic Banking and finance.

vii. The Central Bank of Nigeria (CBN) should expand the scope of operational guidelines of Islamic Banking and establish a separate department for handling all issues relating to Islamic Banking system in Nigeria.

LIST OF REFERENCE

1. Abdul Majid, A., R. (2003) 'Development of Liquidity Management Instrumnets: Challenges and
2. Abdullah N.I, (2007), "Issues of Implementing Hire Purchase in Dual Banking Systems: Malaysia's Experience." Thunderbird International Business Review, Vol. 49(2) 225 -249 Finance and Economics. Vol 1, No 1 Financial Priorities". Paper No. 2977, posted 07. November
3. Adam Smith (1776). The Wealth of Nation, quoted in Rima I.M (1980) development of economic analysis (3rd ed) London; Richard D. Irwin.
4. Adebayo, R.I. (2010). "The motivating factors for the viability of Islamic Banking in Nigeria" in journal of Islamic Banking and finance, Vol. 27. No 2 April-June. Pp. 93-109.
5. Ahmad, A. &Hassan, H. (2007), "Regulations and Performance of Islamic Banking in Bangladesh". Thunderbird International Business Review, Vol. 49(2) 251–277
6. Ahmad, A. U. F., and Hassan, M. K. (2007) 'The Time Value of Money Concept in Islamic Finance',the American Journal of Islamic Social Sciences, Vol. 23, No.1
7. Ahmed. S, (1987). Islamic Banking, financial and insurance; A global overview Malaysia: A.S noordeen press.
8. Ahsan, A.S.M (1988) "Islamic Banking in perspective" in molla R.I et al., (eds.) frontiers and mechanics of Islamic Economics Sokoto. University of sokoto press.
9. Aisha,F & Raza, T. (2006)" Contemporary practices of Islamic financing Techniques" Islamic Economic Studies, I(2 june) pp.5-52
10. Algaoud, L.M. and Lewis, M.K. (2007) 'Islamic critique of conventional financing', in the Handbook of Islamic Banking, M. Kabir Hassan and M.K. Lewis (eds.), Edward Elgar, Cheltenham, UK and Northampton, Mass, pp. 38-48.
11. Aliero I. H. (1993). "Theory of Interest in Secular Economics a Critical Survey" in Gasau S.A and Basher, M.L (eds.) reading in Islamic economic vol.2, Department of Economics University of Sokoto.
12. Aliero, H. I. (2004). "A Study of Rotating Saving and Credit Association (ROSCA) in Sokoto Metropolis with Reference to Islamic Financing System fro Small-scale Enterprises" Ph.D thesis (Unpublished), Submitted to Postgraduate School, Usmanu Danfodiyo University Sokoto Pp. 70-74. Asian Business, vol.11, pp. 26.
13. Aliyu, C.U. (1988). "Problems of organizing Islamic Banking in Nigeria. A case study of Sokoto metropolis. A research paper (unpublished) submitted to the Department of Economics, Sokoto UDUS.

14. Aliyu, C.U. (2010). "Shariah and corporate Governance in Non Interest (Islamic) Banking" A paper presented at one-day sensitization seminar on Non-interest Banking in Nigeria. Organized by Nigeria deposit insurance corporation (NDIC), held at transecorp Hilton Hotel, Abuja, Nov. 24th.
15. Al-Jarhi, M. A. (2005) 'The Case for Universal Banking as a Component of Islamic Banking',
16. Al-Jarhi, M. A. (2009) 'Islamic finance: an efficient & equitable option', The Islamic Research and Training Institute, IDB. Jeddah, Saudi Arabia
17. Al-Jarihi, M., A., and Iqbal. M. (2001) 'Islamic Banking: Answers to Some Frequently Asked Questions', Islamic Development Bank (IDB). Occasional Paper No.4.
18. AL-saati, A. (2003) 'The Permissible Gharar (Risk) in Classical Islamic Jurisprudence', J.KAU:IslamicEcon.,Vol. 16, No. 2, pp. 3-19.
19. , M. (2007) 'Understanding Islamic Finance', John Wiley and Sons Ltd. England
20. Bawa, M. (1993). "Proposal for establishing Islamic Banks in Nigeria" Gusau, S.A and Bashir M.L. A (eds) Readings in Islamic economics. Vol. 2. Department of Economics Usumanu Danfadiyo University, Sokoto pp. 78-98.
21. Bellalah, M. and Ellouz, S. (2004) Islamic Finance, Interest Rates and Islamic Banking: A survey of the literature. Finance India, 18, pp533.
22. Benjelloun, H. (2010) 'Financial leverage and the channeling of resources: profit loss sharing under the framework of Islamic financial institutions', Banks and Bank Systems, Vol. 5, Issue 4
23. Bleher, S., M. (2008) 'The facts about Usury: Why Islam is Against Lending Money at Interest', Islamic Party of Britain. Islamic Awareness. Available at: http://www.islamicawareness.org/History/usury.html (accessed 17 March. 2009)
24. Chapra, M. U. (1983). Islamic and Economic Challenge, Islamic Foundation and International Institute of Islamic Thought.
25. Chapra, M., U., and Ahmed, H. (2002) 'Corporate Governance in Islamic Financial Institutions', Islamic Development Bank, Occasional paper No. 6.
26. El-Gamal, M., A. (2003) 'Interest and the Paradox of Contemporary Islamic Law and Finance', Fordham International Law Journal, Vol. 27, Issue 1.
27. Elmelki, A., and Ben Arab, M. (2009) 'Ethical Investment and the Social Responsibilities of the Islamic Banks', International Business Research, Vol.2, No.2
28. Faud, A. and Mohammad, A. (1996). Islamic Banking Theory Practice and Challenge. Karachi: Oxford University Press.
29. Friedman, M. (1969). Price theory, 2nd (ed), Mew York: Aldine Press.
30. Garas, N.S, (2007), "Internationalization of Islamic Financial Institution. Challenges and paths to Solution". Thunderbird International Business Review, Vol. 49(2)pp. 225–249.
31. Gusau S.A and Bawa, M.A. (1993) "An Alternative Strategy of Solving Some of the Problems of Nigeria`s Financial system: A Case for Islamic Banking in Nigeria. "In Reading in Islamic Economics. Vol.2 Department of Economics Usmanu Danfodiyo University, Sokoto.pp.49-77.
32. Gusau, S. A (2000). "Interest - Free Banking System Theory and Practice" a Paper Presented in a Seminar on the Problems and Prospect of Interest- Free Banking System in Nigeria Organize by the SIA Management Consultants, at the Royal Tropicana Hotel Kano 1st -3rd August.

33. Gusau, S.A. (1986). “Prospects of Islamic Banking in Nigeria”. A Paper Presented at the National Seminar on Islamic Banking, Organized by the Islamic Education Trust Minna.
34. Hanson, L.J.(1980). A Textbook of Economics, 4th London; MacDonald Evans.
35. Haque A; Osman,J;and Ismail, A.Z. (2009).’Factors Influence Selection of Islamic Banking: A Study on Malaysian Customer Perspective”, American Journal of Applied Sciences. Vol. 6 (5).pp.922-928.
36. Hassan, K., and Kayed, R. (2009) ‘The global financial crisis, risk management and social justice in Islamic finance’, ISRA International Journal of Islamic Finance, Vol. 1, Issue 1
37. Hassan, Z. (1992). “Determination of Profit and Loss Sharing Rates in Interest Free Business Finance, Journal of Research in Islamic Economic, vol.3 no 1 pp. 13-27.
38. Hosein. I. M. (1996). The Importance of the Prohibition of Riba in Islam Malaysia; Ummavision Resource.
39. Iqbal, J. (2009). Islamic Financial Management’, Global Vision Publishing House, New Delhi.
40. Iqbal, M. (2001), “Islamic and Conventional Banking in Nineties”. A Comparative Study. Islamic Economic StudiesVol.8, No.2, April 2001.
41. Iqbal, Z. (1997) ‘Islamic Financial Systems’, Finance & Development, Vol. 34, pp. 42-45.
42. Iqbal,M, Ahmed,U & Khan,A (1998). “Challenges Facing by Islamic Banking”. 95 pages – 17x24 Cm. Islamic Economy Legal Deposit No. 2282/19 ISBN: 9960-32-065-0 Islamic Research and Training Institute Islamic Development Islamic Economic Studies, Vol. 12, No.
43. Joshi, M. M. (2005) “Access to credit by Hawkers: what is missing? Theory and evidence” Ph.D. thesis submitted to the Department of Agricultural Economic, Ohio University.
44. Karbhari, Y. Naser, K.& Shahin, Z. (2004)“Problem and Challenges Facing the Islamic Banking System in the west. The case of the UK.” Thunderbird International Business Review, Vol. 46(5) 521–543.
45. Kettell, B. (2011) ‘Introduction to Islamic Banking and Finance’, 1st edition, Wiley Finance, UK
46. Khan, F. (1984) ‘Comments on Volker Nienhaus: Profitability of Islamic Banks Competing with Interest Banks’, JRIE, Vol. 1, No.1, Summer 1983’, J. Res. Islamic Econ., Vol. 1, No. 2, pp. 69-73
47. Khan, F. (2006) Financial Modernization in 21st Century and Challenge for Islamic Banking International Journal of Islamic Financial Service Vol.1 no3Ma”Ariful Quran.
48. Klein, L. (2001). The Keynesian Revolution, London: MacMillan Press.
49. Luca, E., and Vasudevan, S. (2002) ‘Islamic Financial Institutions and Products in the Global
50. Malami, H. U. (1992). “Need and prospects of Islamic Bank in Nigeria, unpublished researched paper submitted to the faculty of Economics and management, International Islamic University Malaysia.
51. Malami, H.U (1992). “Prospect of Islamic Banking inn he Muslim Minority Communities” in Journal Institute of Muslim Minority Affairs, Vol. XIII. No. 11 July, pp. 308-315.

52. Mannan, M.A (1976). Islamic theory of capital and interest Karachi; Darul irshad publisher..
53. Manzur, (1986). Riba (Usury or Interest). Its condemnation by the Shariah Islamic Law ad a Proposed Alterative. Jidda, International Islamic Publishing House.
54. Obaidullah, M. (2009) 'Some Issues InShari'ah Compliance & Regulation of Islamic Funds',
55. Pirbram,K. (1983). A history of economic reasoning U.SA johns Hopkins University press.
56. Qureshi A.I (1945). Islam and theory of invest. New Delhi: kitab Bhavan press. Review of Islamic Economics. Vol. 2, No. 1, pp. 1 - 29.
57. Samuelson, P. A. and Nordhaus, O. (2002).economics, (13th edition) London: McGraw hill Inc.
58. Sanusi, L. S. (2011). "Guideline for the Regulation and Supervision of Institutions Offering Islamic Financial Service (IIFS) in Nigeria in Leadership Newspaper, Wednesday June 22 pp. 1-5.
59. Sarker, A., A. (2006) 'CAMELS Rating System in the Context of Islamic Banking: A Proposed 'S'forShari'ah Framework', Journal of Islamic Economics and Finance, Vol. 1, No.1, pp. 78-84.
60. Schacht, J. (1964) 'An Introduction to Islamic Law', Clarendon Press, Oxford.
61. Shafi, M. and Usmani, T. (1997) the Issue of Interest, Pakistan, Darul Ishaa.
62. Shahid, S. (2007) 'Role of Islamic banks in economic development', MPRA Paper No.7332. Dec.
63. Siddiqi, M. N. (1983). "Islamic Finance and Beyond Premises and Promise of Islamic Economic, Journal of Islamic Banking and Finance 2(1) Jan-Mar, 59-67.
64. Siddiqi, M. N. (2008) 'Current Financial Crisis and Islamic Economics', Oct. Available at:
65. Siddiqi, M.N. (1983). Issues in Islamic Banking Concester. The Islamic foundation.
66. Sundararajan, V., and Errico, L. (2002) 'Islamic Financial Institutions and Products in the Global Financial System: Key Issues in Risk Management and Challenges Ahead', IMF Working Paper No. 02/192. Available at: http://www.imf.org/external/pubs/ft/wp/2002/wp02192.pdf (accessed 26 May. 2010)
67. Uhlig, H. (2000) 'Should We be Afraid of Friedman's Rule', Journal of the Japanese and
68. Usmani M.(2005) An Introduction to Islamic Finance Pakistan:maktaba.
69. Usmani, M. T. (2005) 'An Introduction to Islamic Finance', IdaraIsha'at-E-Diniyat (P) Ltd
70. World Takaful report. (2008) 'Highlighting a new growth opportunity in Islamic finance', Electronic copy available
71. Zainal, M., P. (2009) 'Insuring Shari'ah Based Deposits', The Deposit Insurance.