

ISLAMIC BANKING AND SHARĪ‘AH SCHOLARS IN NIGERIA

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Abstract

Compliance with *sharī‘ah* - rules is compulsory for all Islamic banks; and such compliance is monitored by *sharī‘ah* scholars. Therefore, the paper examines and gauges the level of understanding of Nigerian *sharī‘ah* scholars (the custodians of *sharī‘ah* rules in the country) and their perceptions of the Islamic banking and its rules particularly interest (*ribā*). Survey method involving the use of purposive sampling was adopted to administer 1,040 copies of a questionnaire on the Nigerian *Sharī‘ah* scholars though some key people were also interviewed. The questionnaire which contains 19 items was designed to elicit information from them on issues such as their understanding of *ribā*, its uses in the Qur’an, Islamic banking products, collateral security and promotion (promos). Our findings revealed that the respondents (917) who considered usury to be forbidden were more than those who considered (871) interest to be forbidden. A large number of *Sharī‘ah* scholars (93.6%) confused interest with usury which suggests that both interest and usury refer to *ribā*. Some believed that only usury refers to *ribā* (48.6%) while most of the respondents (74.1%) opined that all forms of interest are prohibited. About 73.7%, 86.3% and 27.6% of the respondents believed *rahn* (collateral security), innovating interest-free financial products and patronising conventional banks respectively were allowed. banking and finance.

Keywords: Islamic banking, *sharī‘ah* scholars, *ribā* (interest/usury), Nigeria, collateral

NİJERYA’DA İSLAMİ BANKACILIK VE İSLAM ALİMLERİ

Özet

Şeriat İslami bankaların uymak zorunda olduğu kurallar bütünüdür ve İslam alimleri bu bankaların şeriata uygunluğunu denetlerler. Bu makale Nijerya’daki İslam alimlerinin İslami bankacılık ve özellikle riba gibi onun kuralları hakkındaki anlayışını ve görüşlerini incelemektedir. Seçici örnekleme 1400 adetlik anket formları Nijerya’daki İslam alimlerine dağıtılmıştır. Ayrıca, bazı anahtar şahsiyetlerle de yüzyüze görüşmeyle anket yapılmıştır.

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Anket sorularında 19 kısım bulunmaktadır ve İslam alimlerinin riba, Kur'an'daki ribanın kullanımları, İslami bankacılık ürünleri, teminatlar ve teşvikler konularındaki görüşlerini tespit etmek için oluşturulmuştur. Elde edilen bulgulara göre tefeci faizinin yasaklandığını düşünenler (917) faizin yasaklandığını düşünenlerden (871) daha fazladır. İslam alimlerinin % 93.6'sı tefeci faizi ile faizin riba'yla aynı olduğunu ifade edecek şekilde cevap vermişlerdir. Cevap verenlerin çoğu (%74.1) faizin bütün çeşitlerinin yasaklandığını ifade ederken bazıları (%48,6)'sadece tefecilik faizinin riba olduğunu söylemiştir. İslam alimleri sırasıyla, %73,7, %86.3, ve %27,6 oranlarda teminatların, faizsiz finansal ürünler geliştirmenin, ve konvansiyonel bankaların müşterisi olmanın müsaade edildiğini düşünmektedirler.

Anahtar Kelimeler: İslami bankacılık, İslam alimleri, riba, Nijerya, teminat

1. Introduction

The roles which the *sharī'ah* scholars are expected to play as regards the operation of Islamic banks are key to the success of the banks. They are the ones to determine the compatibility and non-compliance of the Islamic banking products with the *sharī'ah* dictates. The hallmark between Islamic banking and the conventional ones is interest. The *sharī'ah* scholars have a leading and exclusive position in the way Islamic banks are governed. They are to certify permissible Islamic banking products and verify that transactions comply with issued *sharī'ah* rules. They also have to issue report that all the activities of Islamic banks are *sharī'ah* compliant. This is to give the Muslims the confidence that they invest their funds in accordance with the dictates of Islam. They are also expected to educate the member on how non-*sharī'ah* compliant earnings should be disposed of. It is expected that they should use *ijtihād* to issue their own interpretation of *sharī'ah* law in relation to the operation of Islamic bank. *Ijtihād* is the ability to interpret Divine Text by inferring new rulings in order to relate it to changing conditions (Kareem, 2011: 36-38). The product of *ijtihād* is called *fatwa*. This act makes the *sharī'ah* relevant for all times and eras. It is an endeavor of qualified jurist to ascertain *sharī'ah* rulings on a legal issue through utmost intellectual exertion. The issue of *ijtihād* that is expected of *sharī'ah* scholars is evident in the Hadith of the Prophet when he was sending Muadh b. Jabal to Yemen. :

Muadh Ibn Jabal on the eve of his departure to Yemen where he was being sent by the Holy Prophet as their Judge and Governor was asked by the Holy Prophet on the basis of what he (Muadh) would judge upon being confronted with a problem. Muadh replied that he would judge on the basis of the contents of the Qur'ān. The Prophet asked him again: Assuming that you did not find it in the Qur'ān, on what basis would you adjudicate? Muadh said he would judge on the basis of the Sunnah of the Prophet. The Prophet further asked him "Assuming you do not find it in both the Qur'ān and the Sunnah of the Prophet, on what basis would you

adjudicate? Muadh replied that he would use his own individual judgement. And Prophet Muhammad (PBUH) was very happy to hear this statement (Doi, 1984: 71)

The Prophet is also reported to have said: “When a judge exercises *ijtihad* and gives a right judgement, he will have two rewards, but if he errs in his judgement, he will still have earned one reward (Hajar Al-Asqalani, 1996:492)). The person that endeavours to understand deep meanings of the Quran and hadith with a view to finding out the exact instruction from Allah and giving out decision on that basis is called a *sharī’ah* scholar, *Mujtahid*. It is a continuous process of development since the divine revelation and the sunnah stopped after the death of the Prophet.

For a person to be recognised as a *mujtahid*, he must be competent in Arabic language because this gives him a correct understanding of the Qur’an and the Sunnah (because the two sources are in Arabic). A *sharī’ah* scholar who is expected to shoulder the mantle of giving direction to Islamic banks must be righteous, honest, pious and religious. These qualities will make people trust his judgement. They should have a razor-sharp mind and analytical mind that the jobs demand. Sharī’ah scholars who are to give their judgements on the Islamic banking product must be practising muslims, male or female and must be emotionally stable. The issue of calculation and distribution of Zakat is to be handled by both the operator and the *sharī’ah* scholars. They make sure that Zakat is paid fully on all Zakatable items owned by Islamic banks. Therefore, the paper examines and gauges the level of understanding of Nigerian *sharī’ah* scholars (the custodians of *sharī’ah* rules in the country) and their perceptions of the Islamic banking and its rules particularly interest (*ribā*). To achieve these objectives, some research questions were posed to *Sharī’ah* faithfuls

- 1 What is the meaning of *ribā*?
- 2 Can a Muslim patronise interest-based financial institutions?
- 3 Can financial institutions innovate products without interest?
- 4 Is conventional cooperative society allowed?
- 5 Is collateral security allowed in Islam?
- 6 Can conventional financial products be made *Sharī’ah* compliant?
- 7 Is promotion (promos) used by banks allowed?

2. Brief Literature Review

Various studies related to the objectives of the study have been reviewed. Egboro (2001), Isa (2012) and Yekini (2012) have examined interest banking in Nigeria particularly in relation to the two main religions-Islam and Christianity. In their articles, they concluded that the CBN should introduce comprehensive guidelines that would accommodate all forms of interest-free banking in Nigeria. Their research area could not touch the key actor i.e

sharī'ah scholars in the operation of Islamic banking. This is the gap this study filled. Saeed (1996) investigated the prohibition of interest and its contemporary interpretation while Yekini (2012), Sanusi (2011), Byson (2015), Audu and Mikail (2014), Muazzan and Sauda (1996) carried out their research work on the roles of Islamic banking, its challenges and prospects. They concluded that Islamic banking provides cheap source of funds and is suitable for mobilizing funds for entrepreneurship and economic development in the real sector in the Nigerian economy. They identified some of the challenges of Islamic banking which include poor supervisory framework, lack of innovations in financial products and inadequate manpower. The concern of Ajagbe and Brimah (2013) was on evolution of Islamic banking and its development in Nigeria. The paper paid no attention to the level of understanding of *sharī'ah* scholars on the operation of Islamic banking in Nigeria. Umar (2011) and Usman (2003) discussed the legal and regulatory issues of Islamic banking in Nigeria. He paid no attention to the level of understanding of Nigerian *sharī'ah* scholars who are to oversee the operations of the bank in relation to compliance with *sharī'ah* dictates. The roles of Islamic banking was extolled by Sanusi (2011) in the area of economic development. The most important area i.e. the *sharī'ah* scholars was left undiscussed. The workability of the bank was the focus of Obiyo (2008), Fakhurul-Ahsan (1998), Kandi (2011), Okonwo (2012), Onwughalu (2011), Solagbade (2011) and Oriloye (2011). They had the fear that it might not work in Nigeria considering the secularity of the country and the political crises that have engulfed the country. Manpower, religion and moral hazard have been identified as important factors that could have significant influence on Islamic banking (Adebayo, 2000; Bawa, 1993; Bashar, 1993).

3. *Sharī'ah*, Muslims and Non-Muslims

Sharī'ah means a course leading to where water is obtained in the desert (Hans Weir, 1974: 466). Technically, it is the divine law laid down in the Qur'ān and the Sunnah. It should be taken as a total way of life by every Muslim. He should use them as his guidelines in his spiritual and mundane affairs. The *sharī'ah* covers not only all aspects of life of every Muslim, but also gives guidelines on how he can live his life here in this world to attain eternal bliss in the hereafter. It is a total way of life in the sense that it covers *Ibādah* (worship), *al-ahwāl al-shakhsiyyah*, (sovereignty), *siyar* (international law), *ahlāq* (law of morality), *uqūbat* (Islamic criminal law) and *al-adab* (ethics) and a host of others. The benefits of *sharī'ah* are too obvious to be mentioned. It takes care of both the young and the old. It can guarantee security of life and property. Babies will get their rights in terms of breastfeeding (Q2:233), total care and kindness. Social problems such as rape, prostitution, fornication, adultery (Q17:32; Q24:30-31) and corruption (Q 2:11; Q2:64; Q2: 188) will be eliminated or at the least get reduced to the bare minimum level in a society where the *sharī'ah* is used. People's privacy (Q24:58-59), equality before the law and faithfulness to one's spouse will be the order of the day in a society that the *sharī'ah* is being operated.

A robust economy is expected in a society that gives a chance to the *sharī'ah*. This is because it blocks all the barriers to economic growth and development. The *sharī'ah* frowns at interest (*riba*) in all its forms (Q 2:275-279). It considers a person dealing in it as a person

inviting Allah for a fight. With the harsh tone with which it is prohibited, it can bring easiness to global economy that has been facing a lot of problems. The resulting effects of the problems are abject poverty, lack of infrastructural facilities such as roads, functional water supply, effective power supply, education and health care. The havoc interest is causing on the Nigerian economy is seen in the level of poverty in the nation. Many people who took bank loans could not pay back as and when due. The loans had to be written off as bad debts. Many banks had to merge with others. Many were taken over completely by another because they could not operate successfully while others were closed down (Hassan and Dridi, 2010; Kareem, 2012: 111). In fact, an attempt to save the populace from the shock of collapse of banks in Nigeria, the Nigerian government had to pump in 1360billion naira to the Nigerian financial system particularly the banking sector. The proceeds of taxes were used to save the situations (Kareem, 2012: 111). The money that would have been used to provide effective and efficient educational system, power supply, healthcare and a host of other infrastructural facilities was diverted to stabilize the Nigerian financial system particularly the banking sector.

As stated earlier, the benefits of *sharī'ah* are enormous. Considering these benefits, Muslims have been agitating for the practice of *sharī'ah* in the country. This is because it takes care of the interest of Muslims without having any negative impacts on the non-Muslims in the country. It is noted that the Nigerian constitution and Banks and Other Financial Institutions Act 1991 allow it. Freedom of religion is contained in section 38(1) of 1999 Nigerian Constitution. The practice of its legal, economic, spiritual and social aspects is guaranteed by this provision

Non-Muslims in the country could not be affected negatively. They will also benefit from its use. Muslims want to follow the *sharī'ah* because that is the injunction of Allah for them as stated in Q 45:18 thus “We have made *sharī'ah* for you (as a law), so follow it and not the fancies of those who have no knowledge”. Some of the other verses which enjoin Muslims to use *sharī'ah* are Q5: 47, Q5: 48 and Q5: 50. It is not whether Muslims like it or not. They must follow its dictates. Non-Muslims such as Christians, Jews and idol worshippers have nothing to be afraid of because it is not made for them. The Qur’ān says: “Why should they come to thee for legal decision when they have their own Taorah which contains the laws of God? Even if thou apply it to them, they would still turn away (from you). For they are not really men of faith.(Q5: 46; Q5: 60)”.

4. Introduction of *Sharī'ah* in Nigeria

When the imperialists and the colonisers came to the country, they found the *sharī'ah* firmly established particularly in the north (Kareem, 2011: 155). It took care of the affairs of Muslims spiritually, politically, socially and economically. The *sharī'ah* began in 1085CE in Nigeria through Kanem-Borno. Shaykh Muhammad al-Maghili contributed to the establishment of *sharī'ah* through his writings. Between 1486 and 1527 when king Hajj Muhammad Askia of Songhai was ruling, shaykh al-Maghili wrote his treatise titled “Ajiwabah” (Answers to questions for the king) to serve as a guide for him in the conduct of

his states. Amir of Kano, Muhammad Rumfa (1463-1499) got his instruction on how he should rule his people from al-Maghili (Akintola, 2001; Abdullah, 1998). The latter wrote "Obligations of Amirs" for him. In addition to the roles played by the scholars such as al-Maghili, Islam came to North Africa through the traders. The traders of North Africa origin played a significant role in the spread of Islam. Around 14th century, the Northern part of Nigeria had established the *sharī'ah* based on the account of Ibn Battuta as contained in the writings of Akintola (2001) and Abdullah (1998). The British who came to Nigeria in the last quarter of 19th century met the *sharī'ah* firmly established in the north. Shaykh of Borno, Umar Ibn Muhammad al-Amin al-Kanem signed a treaty with the British and the treaty was dated 7 shawwal, 1267 A.H. (5 August, 1851). Part of the treaty reads thus, "We shall set down the stipulations and answer them according to the principles of the *Sharī'ah*" (Quadr, 2000: 8-9; Akintola, 2001; Abdullah, 1998). They were warned not to bring either the Bible or alcohol to Hausaland. The effort of shaykh Borno was corroborated by the jihad of Shaykh Uthman ibn Fudi. Through his Jihad, the practice of syncretism was fought and the society was cleansed of the act (Akintola, 2001 and Abdullah, 1998). There were many accounts as regards introduction of Islam to the southern states of Nigeria. One account said the religion was introduced to the area during the time of king Mansa Musa of Mali (died 1337 C.E.). Adam al-Iloriyy was of the views that Muslim missionaries built the first mosque in 1550 A.D during the time of Alaafin Ajiboye. A *sharī'ah* court was established by Oba Momodu Lamuye in Iwo, (now in Osun state). The Oba ruled his people between 1880 and 1906. There was an Alkali court in Ikirun. The court which was established by Oba Oyewole, the Akirun of Ikirun was presided over by one mallam (Islamic teacher) from Ilorin (Quadr, 2000: 12-13). The role of Oba Abibu Lagunju of Ede in the establishment of *sharī'ah* court is worth mentioning. Alkali Siddiq was appointed to be the judge in that court. Oba Momodu 1 of Agbede (1881-1910) with the help of the Jihadists from the North introduced Islam to the eastern part of Nigeria (Quadr, 2000: 12-13; Abdul-Wahab, 2006; Abdullah 1998). From all indications, it could be said that the religion of Islam is not new in Nigeria. It had been in existence before the coming of the British, the colonisers. When the latter came they destroyed well established Islamic judicial system. In some areas, it is confined to Islamic family law. An attempt to revert to their ways of life, Nigeria Muslims started making effort to re-introduce *sharī'ah* to the area fully. The effort began on 28 July, 1894 (Akintola2001). During this year, the Lagos Muslim wrote a petition against the colonial ruler for preventing the operation of Islamic law. They wanted to be judged by the *sharī'ah* in the area. In1938 and 1948, a group of Islamic scholars and the Muslim congress of Nigeria demanded for introduction of *sharī'ah* from the Governor General. A commission headed by the former Chief Justice of Nigeria, Mr Justice Brooke was established by the Nigerian government to look into National issues. The commission received from the Muslim congress a memorandum calling for the introduction of *sharī'ah* court. Part of the requests read thus, "We, therefore, pray this commission to grant our request for a separate Muslim court. The condition of our courts is even worse in the case of the law of inheritance. Our Native Authority civil court that grants letters of administration does not know any Muslim law governing this matter...(Anderson, 1978: 223). Muslims

continued making demand for *sharī'ah* during the period of General Gowon (1960-1975) as the head of state. In 1975, The constitution Drafting Committee established by General Murtala Muhammad (1975/1976) entrenched *sharī'ah* in its proposal as a result of the demand for it by the Nigerian Muslims. There was a provision in the proposal to establish a Federal *Sharī'ah* Court of Appeal and a *Sharī'ah* Court of Appeal in each state of the federation for any state that wanted it. Murtala approved the Federal *Sharī'ah* court of Appeal and a Federal Court of Appeal. After Murtala's assassination, Obasanjo who took the mantle of leadership established Federal Court of Appeal and dropped the former. In 1979, concerted efforts were made by Alhaji Ismail Babatunde and Alhaji M.K.O. Abiola (representatives of the southern Nigeria) and representatives of the northern part of the country as regards the introduction of the *sharī'ah* in Nigeria. All their efforts to the federal and state governments could not yield any result. A ban was issued in 1989 against any discussion on the introduction of *sharī'ah*. The issue of *sharī'ah* is an issue that cannot be carpeted. It is like a recurring decimal. Ahmad Sanni Yarima in 1999 used the agitations of Muslims as his campaign promise and won the election on 27 October, 1999 in his state, Zamfara (Quadr, 2000: 24). Many states such as Gombe, Kano and Kebbi declared their intention to join Zamfara in the introduction of *Sharī'ah* for Muslims only. The Muslim clamouring for *sharī'ah* also surfaced during the constitutional conference during the time of General Sanni Abacha. During the time of General Abdul Salami as the head of state, the same demand on the *sharī'ah* was made. Muslims have been making demand for its introduction. No regime would come and would not receive a request on the *sharī'ah*.

5. Methodology

The research used survey method; and the major instrument used for gathering data was the questionnaire though some key people were also interviewed. A 19-item questionnaire was designed to elicit information from the Nigerian *Sharī'ah* scholars as regards their understanding of our key word: *ribā* and its usage in the Qur'an. The first six items sought to find answers to questions on the real meaning of *ribā*. The next five items sought answers to questions on what should be the attitude of Muslims towards interest-based financial system. The last items sought answers to the permissibility or otherwise of cooperative conventional societies, barter system, adaptability of conventional products, the use of collateral security and promotion (promos). Most of our respondents were Muslims. However, some non-Muslim scholars in the *Sharī'ah* were also among our respondents. We chose this instrument because it is the most productive when a researcher needs to reach out a large number of respondents. In fact, the cost of conducting survey questionnaire is lower than any other forms such as interview and phone interview. Huge amount of information is also gathered through this method.

Likert types scales also called summated rating scales and it is used in this study. This is because it is one of the three methods that can measure objectively to some extent, the subjective and abstract concepts that are usually embedded in the feelings, understanding and perceptions of people (Nnamd 2004: 58) towards Islamic banking and its rules. Using this method, the researcher was able to analyse the results and make deductions and

conclusion therefrom. Our respondents were asked to rate their understanding of interest and Islamic banking. Using a likert scale of 5 points, the degree of agreements by the respondents to each of the items in the questionnaire is measured. We calibrated the scale into strongly agreed (SA), agreed (A), strongly disagree (SD) and disagreed (D) with the value of 4, 3, 2 and 1 respectively. It must be mentioned that the intrinsic value of the numbers is not considered.

5.1. Population

The population studied comprised Muslim Shari'ah scholars and non-Muslim scholars of Shari'ah in major cities in Nigeria: Lagos, Ibadan, Aba, Kaduna and Kano. The Shari'ah scholars were mostly Muslims who had at least rudimentary knowledge of the Religion of Islam.

5.2. Administration of instruments

The researcher employed some research assistants who administered the questionnaire in major cities in Nigeria: Ibadan, Lagos, Aba, Uyo, Kano and Kaduna. We chose these places because they gave a good representation of other areas we could not cover. Out of 1,040 copies of questionnaire distributed to *Shari'ah* scholars, only 1011 copies were successfully completed and returned. Therefore, the response rate was 97.21%.

$$\frac{1,011 \times 100}{1,040} = 97.21\%$$

6. Analysis of general data and discussion of findings

The data obtained from the questionnaire were analyzed here to provide answers to the research questions earlier itemized. The findings of the research vis-à-vis the research questions are here presented and discussed.

6.1. Shari'ah faithfuls

The demographic data were sought because we believed that they could have influence on the responses of our respondents. From the table below, we can see that we had more male respondents than females. While 963 (95.3%) of the *Shari'ah* scholars were males, 48 (4.7%) of them were females. This could be understandable because of the attitude of some parents and females to western education in general and Islamic education in particular. Islamic male scholars in Nigerian are many. However, the Islamic female scholars are very few indeed. In addition, many females could not exercise enough patience to acquire Islamic education. A safe deduction is that the percentage of females gave a good representation of Islamic female faithfuls we have. It is recommended that efforts should be doubled to educate this marginalised section of our society. The Prophet also encouraged people to educate them in one of his sayings. He said: "He who educates a female has educated the whole world. He who educates a male, he has educated a person". Our results also showed

that a larger number (986) of our respondents were Muslims. This might be due to their attachments to the Religion of Islam.

Table 1: Respondents' Demographic Profile

		Frequency	Percent	Cumulative Percent
Gender	Male	963	95.3	95.3
	Female	48	4.7	100.0
	Total	1011	100.0	
Religion	Islam	986	97.5	97.5
	Christianity	25	2.5	100.0
	Total	1011	100.0	
Education	No formal education	-	-	-
	Primary	74	7.3	7.3
	Secondary	118	11.7	19.0
	NCE/OND	682	67.5	86.4
	BA/BSc/HND	137	13.6	100
	Total	1011	100	

6.2. Interpretations of *ribā*

Research question one: What is the meaning of *ribā* ? Items 1-6 of the questionnaire provided answers to this research question. An attempt to differentiate between interest and usury led some scholars to consider only the latter prohibited. They believed that simple interest is allowed. However, all forms of interest, simple and compound are prohibited based on our analysis in chapter 3. In our survey, it is shown that a large number of Sharī'ah scholars 725 (71.7) believed that both interest and usury are forbidden in Islam. This suggests that both interest and usury refer to *ribā*. From the table, two hundred and sixteen (21.4%) thought otherwise. They felt that *ribā* did not mean interest and usury. A follow-up question to find out whether our respondents could distinguish between interest and usury was posed. Our findings revealed that the respondents (917) who considered usury to be forbidden were more than those who considered (871) interest to be forbidden. Our deduction is that virtually all *Sharī'ah* scholars believed in the prohibition of usury. However, they differed to some extent as regards their stands on interest.

To test their knowledge of the Qur'an, another follow-up question was posed as regards Q3:130-132. About half (48%) of our respondents believed the verses prohibit only simple interest. This is understandable because they might not be aware of how simple interest

could lead to compound interest (usury). However, their stand was clear when another verses (Q2:275-279) were posed to them. Most respondents (74.1%) opined that all forms of interest are prohibited.

Table 2: Meaning of Ribā

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Both interest and usury refer to ribā				
SA	725	71.7	71.7	71.7
A	216	21.4	21.4	93.1
D	70	6.9	6.9	100.0
Total	1011	100.0	100.0	
Interest is forbidden in Islam				
SA	871	86.2	86.2	86.2
A	119	11.8	11.8	97.9
SD	21	2.1	2.1	100.0
Total	1011	100.0	100.0	
Usury is forbidden in Islam				
SA	917	90.7	90.7	90.7
A	70	6.9	6.9	97.6
D	24	2.4	2.4	100.0
Total	1011	100.0	100.0	
Simple and compound interests are prohibited in Islam				
SA	656	64.9	64.9	64.9
A	162	16.0	16.0	80.9
SD	25	2.5	2.5	83.4
D	168	16.6	16.6	100.0
Total	1011	100.0	100.0	
Q3:130-132 prohibit only simple interest				

SA	190	18.8	18.8	18.8
A	301	29.8	29.8	48.6
SD	425	42.0	42.0	90.6
D	95	9.4	9.4	100.0
Total	1011	100.0	100.0	
Q2:275-281 prohibit all forms of interest				
SA	606	59.9	59.9	59.9
A	143	14.1	14.1	74.1
SD	72	7.1	7.1	81.2
D	190	18.8	18.8	100.0
Total	1011	100.0	100.0	

6.3. Feasibility of banks operating without interest

While many financial experts believed that banks cannot operate successively without interest, a large number of Sharī'ah scholars (89%) were of the views that banks can operate successively without interest

Table 3: Feasibility of banks operating without interest

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Banks can operate without interest				
SA	784	77.5	77.5	77.5
A	116	11.5	11.5	89.0
SD	66	6.5	6.5	95.5
D	45	4.5	4.5	100.0
Total	1011	100.0	100.0	

6.4. Keeping money in an interest-based banks and receiving interest

Research question two: Can a Muslim patronise interest-based financial institutions? Items 7-10 of the questionnaire provided answers to this research question. Muslims all over the world face the problems brought before them by unwanted interest money generated in their name through channels they do not control. Interest is credited to their account by the conventional banks particularly savings account, time deposits account etc. *Sharī'ah* scholars were asked as regards what should be the attitude of a Muslim in such a situation. About 28% 17% and 24% of our respondents were of the opinion that keeping money in an interest-based banking, taking interest on savings and taking car or housing loan with interest were allowed respectively. However, about 72%, 83.4% and 66% of our respondents among the *Sharī'ah* experts held the view that keeping money in interest-based banking, taking interest on savings and obtaining car or housing loan on interest respectively were against the *Sharī'ah* as presented in the table below. A large number of our respondents believed Muslims should not deal with interest-based financial institutions and if their accounts are credited with interest, such should be returned to the payer or sender. However, some of them believed that Muslims can keep their money in interest-based financial system. This is understandable because there are very few fully-fledged interest-free financial institutions in Nigeria. They keep their money in the interest-based financial institutions as a matter of necessity. Some believed that if one keeps one's money in them as a matter of necessity, interest paid on one's deposits should not be collected. It should be given back to the payer. Muslims should not by his free choice invest or deposit his money in interest-based financial institutions. However, if he does so for any reasons, he should surrender the interest to its payer. Some of our respondents are of this opinion. Some other *Sharī'ah* scholars are of the opinion that the amount of interest can be taken with a clear intention that he will not use the amount and must not use it for his personal benefit. The researcher shares the view of the latter scholars. He should give out the interest as *sadaqah* to the poor. However, this should not be regarded as the normal *sadaqah* a Muslim gives out of his lawful earnings or income with an intention to get reward on the Day of Judgement. He should not expect any rewards on it. The intention is to dispose of unclean and unlawful money and to relieve oneself from the burden of an ill-gotten gain. When a Muslim receives interest from his deposits, the interest is unclean and should be given out to the poor. However, the poor who receive it as *sadaqah* can use it for their personal benefits. Those who are entitled to receive zakat or *sadaqah* can be given this type of money but without expecting rewards as earlier said.

If interest is returned to the payers i.e. the financial institutions, they will not return it to sources from where they acquired it. The financial institutions may use it for internal benefits. They may distribute it as bonus to their employees as incentives to them. They may give it to charity homes, non-Islamic organizations etc. The non-Islamic religious organizations may use it to engage in missionary work against Islam. This is because they will have got enough funds to sponsor their evangelists by paying them fat salaries, buying them luxurious and big cars, building gigantic churches and synagogue to mention but a

few. Muslims who are weak in faith can be wooed into their religions through the funds. They may earmark fantastic salaries and gifts for new converts. The researcher does not share the view of returning the interest to where it was taken for the reasons given above. Interest cannot be used to build toilets for mosque. It cannot also be used to take care of the expenditure of Muslim associations.

Table 4: Patronage of Interest-based Financial Institution.

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Muslims can keep money in interest-based banks				
SA	67	6.6	6.6	6.6
A	212	21.0	21.0	27.6
SD	287	28.4	28.4	56.0
D	445	44.0	44.0	100.0
Total	1011	100.0	100.0	
A Muslim can take interest on his savings				
SA	139	13.7	13.7	13.7
A	142	14.0	14.0	27.8
SD	467	46.2	46.2	74.0
D	263	26.0	26.0	100.0
Total	1011	100.0	100.0	
A Muslim is allowed to take housing or car loan of 3% interest				
SA	72	7.1	7.1	7.1
A	96	9.5	9.5	16.6
SD	623	61.6	61.6	78.2
D	220	21.8	21.8	100.0
Total	1011	100.0	100.0	

One can take loan with interest if one is pushed to the wall				
SA	182	18.0	18.0	18.0
A	163	16.1	16.1	34.1
SD	354	35.0	35.0	69.1
D	312	30.9	30.9	100.0
Total	1011	100.0	100.0	

6.5. Innovation of new products

Research question three: Can financial institutions innovate products without interest? Items 11-12 of the questionnaire provided answers to this research question. The Qur'an gives the broad principles as regards many issues such as *salāt*, *zakāt*, fasting, economy, politics, social affairs to mention but a few. Their details are found in the Hadith, *Ijmā* (consensus of Islamic scholars), *qiyās* (analogical deduction) and other supplementary sources. New products and services that are interest-free can be innovated in as much as they do not contravene the Shari'ah. The majority of Shari'ah scholars (89%) supported the view that new products can be innovated. They believed in the possibility, viability and profitability of banks without interest. Their assertion might be due to their belief in God. In addition, interest-free banks have been recording astonishing success in the Asian countries and Middle East. All these points might inform their decision.

Table 5: Innovation of Products

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Financial institutions can innovate products without interest				
SA	690	68.2	68.2	68.2
A	182	18.0	18.0	86.3
SD	69	6.8	6.8	93.1
D	70	6.9	6.9	100.0
Total	1011	100.0	100.0	
Banks can operate without interest				
SA	784	77.5	77.5	77.5
A	116	11.5	11.5	89.0
SD	66	6.5	6.5	95.5
D	45	4.5	4.5	100.0
Total	1011	100.0	100.0	

6.6. Cooperation

Research question four: Is conventional cooperative society allowed? Items 13-14 of the questionnaire provided answers to this research question. Cooperation is very important in Islam. This is emphasized imperatively in the Qur'an (Q5.2) and Hadith. Nobody is self-sufficient in this world. There is always the need to cooperate with one another in one thing or the other. However, the cooperation should not be based on wrongdoing. It should be based on piety and righteousness. Our respondents (59.9%) believed that cooperative society is allowed in Islam. However, some respondents (23.7%) did not support loan on interest given by cooperative society.

Cooperation can be in the form of partners in business sharing profit and loss. People can assist one another by entering into partnership. The assistance may also be in the form of social insurance (*takāful*) based on the Quranic injunction (Q5:2). Our respondents (74.3%) believe cooperation can come in the form of social insurance (*takāful*) when one of the partners incurs a loss, he can be helped through donation (*tabarru*). However some respondents among the Sharī'ah scholars (23.7%) consider it un-Islamic.

Table 6: Cooperation with Islamic Banks

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Co-operative society is permitted in Islam				
SA	444	43.9	43.9	43.9
A	162	16.0	16.0	59.9
SD	237	23.4	23.4	83.4
D	168	16.6	16.6	100.0
Total	1011	100.0	100.0	
Loan given by co-operative society with interest is allowed				
SA	119	11.8	11.8	11.8
A	121	12.0	12.0	23.7
SD	702	69.4	69.4	93.2
D	69	6.8	6.8	100.0
Total	1011	100.0	100.0	

6.7. *Rahn* (collateral security)

Research question five: Is collateral security allowed in Islam? Items 17 of the questionnaire provided answers to this research question. *Rahn* (collateral security) is used in three places in the *Qur'ān*: Q2:283 (If you are on a journey and cannot find a person to write (your debt), then pledge in hand "shall suffice" ...) "Every person (or soul) is a pledge for that which he has earned" (Q52:21 and Q74:38). Directly or by implication, *rahn* refers to the use of collateral security to give an assurance that a seller or a lender can recoup his money by selling the underlying asset used as security in the event of defaulting by the buyer or the borrower respectively.

It is reported in the Sahih Bukhari under Kitābu fir-*Rahn*, volume 3 .p .2068 as narrated by Qatadah that the Prophet mortgaged his armour to a Jew in Madinah and took from him barley for his family. Aisha, may Allah be pleased with her, is reported in another Hadith to have said that the Prophet bought some foodstuffs on credit from a Jew for a limited period and mortgaged his armour for it” (Khan, 414-416)

Therefore, collateral security is allowed in Islam. However, it is neither compulsory nor against Sharī’ah. Our result shows that our respondents (73.7%) believed collateral security is allowed in Islam to show the readiness of borrowers to pay back loans without interest. In case they cannot pay back the loan, the bank can sell the security to recoup their funds.

Table 7: *Rahn* (collateral security)

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Collateral security is allowed in Islam	488	48.3	48.3	48.3
SA	257	25.4	25.4	73.7
A	48	4.7	4.7	78.4
SD	218	21.6	21.6	100.0
D	1011	100.0	100.0	
Total				

6.8. Making Conventional Financial Products Sharī’ah compliant

Research question six: Can conventional financial products be made *sharī’ah* compliant? Items 16 of the questionnaire provided answers to this research question. The *sharī’ah* scholars surveyed (64.7%) believed that conventional financial products can be made Sharī’ah compliant. This is done by making use of the Islamic financial products as alternatives to the conventional ones. Cooperation is one of the ways by which conventional financial products can be made Sharī’ah compliant. This can be in the form of partners in business, sharing profit and loss. People can assist one another by entering into partnership. The assistance may also be in the form of social insurance (*takāful*) based on the Quranic injunction (Q5:2). Our respondents (74.3%) believe cooperation can come in the form of social insurance (*takāful*) when one of the partners incurs a loss, he can be helped through donation (*tabarru’*). However some respondents (23.7%) consider it un-Islamic.

Table 8: Making Conventional Financial Products Shari'ah compliant

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Conventional financial products can be made Shari'ah compliant				
SA	356	35.2	35.2	35.2
A	298	29.5	29.5	64.7
SD	116	11.5	11.5	76.2
D	241	23.8	23.8	100.0
Total	1011	100.0	100.0	
Islam allows insurance in the form of takāful (Islamic insurance)				
SA	285	28.2	28.8	28.8
A	231	22.8	23.3	52.1
SD	184	18.2	18.6	70.7
D	290	28.7	29.3	100.0
Total	990	97.9	100.0	
Total Missing System	21	2.1		
Total	1011	100.0		

6.9. Promotion

Research question seven: Is promotion (promos) used by banks allowed? Items 19 of the questionnaire provided answers to this research question. The issue of promotion is viewed differently in Islam. Some banks and organizations encourage people to deposit their funds with them through promotions. They give gifts to anybody whose account number is randomly chosen as a winning number during their lotteries. Shari'ah scholars (70.3%) were of the views that it is against the teachings of Islam considering the source of the funds used in their promotions which is the accrued interest income. They also believe that it is not fairly done. It should be distributed on a pro-rata basis to all the depositors if injustice is to be avoided.

Table 9: Promotions used by Conventional banks are allowed

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Promotions used by banks is allowed	117	11.6	11.6	11.6
SA	186	18.4	18.4	30.0
A	401	39.7	39.7	69.6
SD	307	30.4	30.4	100.0
D	1011	100.0	100.0	
Total				

7. Personal interview with specialists and their responses

7.1. Introduction

The objective of the interview is to find out if the responses of the interviewees can throw more lights on the key functions of *sharī'ah* scholars and emerging issues such as promotions. We are pleased to state that the explanations given by them are very satisfactory. As part of the empirical study, the interviews were carried out on the people identified by the researcher, namely Shaykh Ishaq Uthman (An erudite Islamic scholar and Chief Magistrate in Oyo state judiciary), Mr Jolaad Misbaudeen (A chartered account with many years of experience in the finance industry and also an Islamic scholar) and Professor Surajudeen Bankole (Professor of International Trade, International Finance and Islamic Economic System and Islamic Banking and Finance and Coordinator, Trade Policy Research and Training Programme, Department of Economics, University of Ibadan, Ibadan University of Ibadan). They were objectively selected based on their expertise and exposure to the *sharī'ah* compliant products and conventional financial products. They are very knowledgeable in both areas. The researcher had to report their responses because he believed their responses will make people and other scholars understand properly the Islamic rules on the issues raised. Their responses were synthesized and reported after the questions thrown to them by the researcher.

How can a conventional bank change all the items in its balance sheet to conform to the *Sharī'ah*?

Responses: First, what is a balance sheet? What are the items one can find in it? It is after answering these questions that we can decide on how all non-*Sharī'ah* compatible items can be transformed to *Sharī'ah* compliant products. According to the Nigerian accounting standards SAS 2 part 3, "The Balance sheet show the assets, liabilities and proprietors' interest at a point in time". As regards banks and non-bank financial institutions, the disclosures in their balance sheet should include but are not limited to the

following: cash, short-term funds, due from other banks, bills discounted, investment, loans and advances, advances under finance lease, other assets and fixed assets.

Of all these assets, cash, due from other banks, investments (if they do not contain interest), other assets (provided they do not contain interest) and fixed assets are *Sharī'ah* compliant. Others are against the prohibition of *ribā* as contained in the Qur'an. Short-term funds, Bill discounted, advances under finance leases can be made *Sharī'ah* compliant by making use of any Islamic financial products such as *wakālah* treasury certificates, *mushārah* treasury certificates, *mudārah*, *ijārah* and *mushārah*. All these Islamic financial products are capable of performing the roles of the non- *Sharī'ah* compatible assets of banks and non-bank financial institutions in a far better way in an Islamic economy than the conventional financial system.

Concerning their liabilities, items such as deposits and current accounts due to other banks, taxation payable, dividend payable, other liabilities, long-term loans and shareholders' funds are found in their balance sheet. Long term loans, other liabilities, deposits and due to other banks are not *Sharī'ah* compliant because they pay interest on them. The Islamic financial products such as *mudārah*, *ijārah* and *mushārah* can be made to replace them. (Shaykh Ishaq Uthman, Prof. Surajudeen Bnakole, Jolaade M.)

2. There are some practices that are akin to *ribā* if they are critically examined. However, some scholars do not see anything wrong in them as regards their Islamicity. Buy-back on mark up is one of them. What is your understanding and position as regards this practice?

Responses: Buy-back is a way of returning what Islam has come to eliminate i.e. interest. Interest is embedded in the issue of buy-back on mark-up. In buy-back on mark-up, the banks neither buy nor possess. They do not deliver any goods. They sign documents of purchase, sale and transfer. *Bay'ul inah* is one of the ways by which the injunction on *ribā* can be violated. What then is *Bay'ul inah*? *Bay'ul inah* is when a person sells some commodities on credit for a certain price and then buys it back at a price less than the sale price on prompt payment. He might not even see it before buying it in cash and selling it on credit. It may happen between two people or a person and a bank. This is unlawful in Islam. The interest which is paid at the maturity date is unlawful. The other way by which *Bay'ul inah* can come into play is to sell a commodity to another person or a bank on credit and buy the commodity from the person or the bank less than the amount.

Bay'ul inah is prohibited because it allows *ribā* to enter through the back door. This is because interest is paid once and for all. The amount is fixed, certain and paid at the due date. For these features, it is not profit but it is only interest that can have these features (Shaykh Ishaq Uthman, Prof. Surajudeen Bankole, Jolaade M.)

3. Is indexation allowed in Islam?

Responses: There is a relationship between inflation and indexation. Indexation is to make a debtor pay an additional amount equal to the increase in the rate of inflation during

the period of borrowing while Inflation is a persistent and appreciable rise in the general level or average of prices. Inflation, therefore, causes the value of money to fall. This puts a lender at a loss while a borrower is at an advantage because he pays less than the value of what he got. The proponents of *ribā* are saying the debtor should compensate the lender for the loss he has suffered to the extent of the amount that will make him buy the same say, piece of land he would have bought with his money say, 5 years ago by way of indexation.

Therefore, the proponents of indexation suggest that the lender should be compensated through indexation. Other points raised by the proponents are justice and fairness as the reason for using indexation to restore lenders to their original position. Quoting Quranic verses (Q2:279, Q16; 90, Q5:8 etc) to support indexation, they believe one should not be unjust to lenders by paying him less than the amount lent out. He should be given what could perform the same function i.e what his original money could do. However, if indexation is accepted, it means the lender will be entitled to an assured positive return on loans, which is *ribā*, a prohibited act in Islam. In addition, indexation is not known until the maturity date. Therefore, it cannot be fixed at the beginning of the contract and this makes it null and void. Debtors do not cause the issue of inflation, which reduces the value of the money lent out. The forces of demand and supply cause it. If lenders keep their money without lending it, the same erosion of value would happen to it. So, debtors should not be asked to bear the loss not caused by them. That is another injustice because, in Islam the person that has committed an offence should bear the brunt. (Q12: 71-79). Using indexation as a substitute for interest rate as suggested by proponents will be a mismatch and an unrealistic alternative because the inflation rate is not static. It changes from time to time. (Shaykh Ishaq Uthman, Prof. Surajudeen Bakole, Jolaade M.)

4. Does Islam allow *rahn* (collateral security)?

Responses: *Ar-Rahn* is allowed in Islam based on the Qur'anic injunction and the Hadith though it is not compulsory. It is the security that is used or employed for satisfaction of a claim in respect of a debt. It is one of the ways by which a seller is assured of getting his money as and when due. If a lender does not trust, a borrower or a buyer or he doubts his ability to pay the loan or for the commodity, he may request for a *rahn* (security) which he can sell and recoup his money if the borrower or the purchaser is unable to pay.

Rahn is mentioned in three places in the Qur'an: Q2:283, Q52:21 and Q74:38. Directly or by implication, the use refers to the use of collateral security to give an assurance that a seller or a lender can recoup his money by selling the underlying asset used as security in the event of defaulting by the buyer or the borrower respectively. *Rahn* is also found in the practice of the Prophet as contained in Hadith. The Prophet bought some foodstuffs on credit from a Jew for a limited period and mortgaged his armour for it. The pledge is considered as *amānah* (a trust) which should be returned to the owner after the settlement of his debts. (Shaykh Ishaq Uthman, Prof. Surajudeen Bankole, Jolaade M.)

5. Is the practice of interest-free banks possible in Nigeria?

Responses: Sure, it is definitely possible. There is one now called Jaiz Bank. It has branches in some states in the northern part of Nigeria; one branch is situated in Ibadan. Lotus is practicing interest-free investments. Habib bank had a window before 2006 Soludo consolidation. Stanbic IBTC has interest-free savings accounts (Shaykh Ishaq Uthman, Prof. Surajudeen Bankole, Jolaade M.)

6. What is your understanding of the use of *ad'āfan mudā'afah* (doubled and multiplied) in Q3:130 as regards simple interest and compound interest?

Responses: *Ad'āfan mudā'afah* (doubled and multiplied) in the verse under study means a continual increment which could lead to the doubling of the original loan. Allah uses "doubled" in the verse under consideration to mean the increment and not to the original amount of loan. This is because *ribā* means an increase. The increase continues until the original loan is doubled and at times, four or more times the original loan as a result of the accumulated interest.

O you who believe! Have taqwa of Allah and give up what remains from *Ribā*, if you are really believers (Q2:278).

And if you do not do it, then take a notice of war from Allah and His Messenger but if you repent, you shall have your capital sums. Deal not unjustly, and you shall not be dealt with unjustly (Q2:279).

Any addition to the capital in a transaction is *ribā*. The creditors are only entitled to their capital sum only. Therefore, both forms of interest are prohibited based on the Quranic verses quoted. (Shaykh Ishaq Uthman, Prof. Surajudeen Bnakole, Jolaade M.)

Recommendations:

- ❖ Nigerian *sharī'ah* scholars should liaise with the Fiqh Academy of the organization of Islamic states under the patronage of the organization of Islamic conference.
- ❖ Seminars, workshops and conferences can be organized for the scholars with a view to training them in the areas of Islamic banking and finance.
- ❖ Collaboration can be established between the Nigerian *sharī'ah* scholars and the *sharī'ah* scholars from the Middle East so that the former can benefit from the wealth of experience of the latter in the areas of Islamic banking and finance.
- ❖ It is recommended that efforts should be doubled to educate females in our society particularly in the areas of Islamic Law.

8. Conclusion

Islamic banking is no more a dream. It has come into existence though in a very low key. Some conventional banks have been offering Islamic banking products through their Islamic windows. The role of competent and qualified *sharī'ah* scholars is mostly needed now as regards certifying innovated products issued by both the only one fully-fledged Islamic banking, Jaiz bank and the conventional banks that are operating Islamic banking windows. The analysis showed that some *sharī'ah* scholars could not differentiate between simple and compound interests. An unscrupulous manager may use their ignorance in this area to lure them into accepting a moderate rate of interest when, in actual fact, the Qur'an prohibits all forms of interest. The success of Islamic banking hinges on the competence of both the operators and the *sharī'ah* scholars. The two are closely related to the extent that one should not be found wanting in the discharge of his duties. A *sharī'ah* scholar who is expected to shoulder the mantle of giving direction to Islamic banks must be righteous, honest, pious and religious. These qualities will make people trust his judgement. They should have a razor-sharp mind and analytical mind that the jobs demand. *Sharī'ah* scholars who are to give their judgements on the Islamic banking products must be practising muslims, male or female and must be emotionally stable. He must be competent in Arabic language. Otherwise, he would rely on the translations of other scholars which may not be correct. It is important to be well versed in the language in order to be able to draw accurate deductions from the Islamic sources.

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APPENDIX
DEPARTMENT OF ARABIC AND ISLAMIC STUDIES
UNIVERSITY OF IBADAN
QUESTIONNAIRE ON
ISLAMIC BANKING AND *SHARĪ‘AH* SCHOLARS IN NIGERIA

Dear Respondents,

This questionnaire is designed to collect pieces of information on the interpretation of Riba (Interest/usury), examine and gauge the level of understanding of Nigerian sharī‘ah scholars (the custodians of sharī‘ah rules in the country). All the information gathered would be treated with utmost confidentiality.

I thank you for filling out this form. Please, respond on time.

Section A

Sex: Male() Female()

Religion: Islam () Christianity () Judaism ()
Others ()

Education: No formal education () Pry Sch.Cert. ()SSCE () OND/NCE()
BA/BSc/HND () Postgrad()

Section B

The response anchor follows this arrangement:

strongly agreed (SA), agreed (A), strongly disagree (SD) and disagreed (D)

	SA	A	SD	D
Both interest and usury refers to Riba				
Interest is forbidden in Islam				
Usury is forbidden in Islam				
Simple and compound interests are prohibited in Islam				
Q3:130-132 prohibit only simple interest				
Q2:275-281 prohibit all forms of interest				
Can a Muslim keep his money in an interest-				

	based banking				
	Can a Muslim take interest on his savings				
	Can a Muslim take housing or car loan of 3percent interest				
	If a person is pushed to the wall, can he take loan with interest				
	Can banks operate without interest				
	Can financial institutions innovate products without interest				
	Is co-operative society allowed in Islam				
	Is loan given by co-operative society with interest allowed				
	Is barter allowed in Islam				
	Can conventional financial products be made shar'iah compliant				
	Is collateral security allowed in Islam				
	Does Islam allow insurance in form of takaful				
	Is promotion used by banks allowed				