

INTRODUCTION OF ISLAMIC BANKING IN NIGERIA: A CRITIQUE

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Abstract

This study is a critique of the emergence of Islamic Banking in Nigeria as response to the increasing number of cultural minorities and differences in the nation vis-a-vis the principles and rules of Islamic commercial jurisprudence. While adopting review analysis as the method of the study, the paper argues that the introduction of Islamic banking in Nigeria will relatively exacerbate the lingering problem of banking and economic instability of the country as against the proponent appeal that Islamic banking as a zero-interest bank when commenced operation in Nigeria will play a catalytic role in stimulating economic development of the country. The study, therefore, concludes that Nigerian banking business environment is not conducive for banking system that is based on 'mudaraba' and 'musharaka' mode of finance. Among other suggestions, the paper recommends that medium and long-term financing be developed in financing Islamic banking. The implication of this recommendation is that it will help the bank in corporate finance and equity participation.

Keywords: Islamic banking, finance, economy.

Introduction

In recent time, the introduction of Islamic Banking in Nigeria has continued to gain momentum. Islamisation of banking products and services has become a growing concept, arising from the relentless agitation of Muslims to drive a banking model that will conform to Islamic jurisprudence and faith (Iman). Islamic banking is in consonance with the ethos and value system of Islam. A system of banking activities that is consistent with Islamic law (Shariah) and principles guided by Islamic economic theories (Bashir, 2000). Suffice it to say that Islamic banking is an interest free banking that is expected to not only avoid interest-based transactions prohibited in the Islamic Shariah but also to avoid unethical practices and possibly participate actively in achieving the goals and objectives of Islamic faithful (Nesib, 2008). Importantly, an observer in the trends of Nigerian system will agree that it has been characterised with incessant banking reforms and development. Most of these reforms no doubt go with the initiating regimes. Although, this incessant banking reforms have been questioned and criticised in the academic circle, yet the Central Bank of Nigeria (CBN) under the leadership of Sanusi Lamido Sanusi, initiates a new phase of banking reforms targeted not only on the introduction of Islamic banking in Nigeria but also to hasten the progress of that arm of banking. Specifically, he maintains:

