# Challenges facing the Acceptability of Islamic Banking in Nigeria

**Muhammad, A. U.**
*Department of Accounting*
*Faculty of Arts and Social Sciences*
*Gombe State University, Gombe, Gombe State, Nigeria.*
*E-mail: aishatusman111@gmail.com*

**Gulani, M. G.**
*Department of Accounting,*
*Faculty of Management Science,*
*University of Maiduguri, Maiduguri, Borno State, Nigeria.*
*E-mail: musagln@yahoo.com*

## ABSTRACT

*This study investigates the challenges facing the acceptability of Islamic Banking in Nigeria, focusing on the three cities where Jaiz Bank was first established, which are Abuja, Kaduna and Kano cities. Data were obtained using questionnaire. Simple random sample was used in administering the questionnaire to 40, 32, 36 participants in the selected cities. Furthermore, systematic sampling was applied so as to free the research from being bias in whatever way possible. The data obtained were analysed using simple percentage, and chi-square was used in testing the hypothesis. Responses were obtained from both Muslims and non Muslims with 81.5% of the respondents having interest in Islamic Banking. Most of the respondents believe that changing the name to Interest free banking will be more attractive. The study reveals that 98.1% of the respondents are aware of Islamic Banking but only 35.2% are familiar with the products and services provided by Islamic bank. The study, therefore, suggest that Jaiz Bank needs to focus more on marketing and promotions of Islamic banking products and services so as to create more awareness among the potential customers.*
**Keywords***: Islamic Banking, Sharia Law, Interest Free Banking, Jaiz Bank,*

## INTRODUCTION

Whether in Christianity, Islam or Judaism, every community wants to borrow money without being bugged down with multi layer interest structure. *Riba*, interest or usury literally means to grow, to increase. Technically, it denotes the amount that a lender receives from a borrower at a fixed rate in excess of the principal. Islamic banking is involved with the activities that are consistent with the principles of sharia/Islamic law and its practical application through the development of Islamic economics. Islamic law prohibits the fixed or floating payment or acceptance of specific interest (known as riba or usury) for loans of money. Investing in businesses that provide goods or services contrary to Islamic principle is prohibited. Hence, the Qur'an states:

> *"O ye who believe! Devour not usury, doubled and multiplied, but fear Allah, that ye may (really) prosper"* (Qur'an 3:130).

Both the Christian and Jewish scriptures also prohibit interest. The bible encourages loan, whether on money or food, emphasizing that they enable the poor to regain their independence, but forbids the charging of interest on the loan. The Bible also states:

> *"Do not charge your brother interest, whether on money or food or anything else that may earn interest"* (Deuteronomy 23:19).
>
> *"Do not take interest of any kind from him, but fear your God, so that your countrymen may continue to live among you"* (Leviticus 25:36).

The Jewish scriptures encourage the granting of loans if they do not involve interest. Charging interest is classified in the book of Ezekiel as being among the worst sins, and is forbidden according to Jewish law.

> *"Hath given upon interest, and hath taken increase; shall he then live? He shall not live: he hath done all these abominations; he shall surely die; his blood shall be upon him*" (Ezekiel 18:13).

An early market economy and an early form of mercantilism, called Islamic capitalism were developed between the eighth and twelfth centuries (Subhi, 1969). The monetary economy of the period was based on the widely circulated currency the gold dinar, and it was tied together in regions that were previously economically independent. A number of economic concepts and techniques were applied in early Islamic banking, including bills of exchange, partnership (*mufawada*), limited partnership (*mudaraba*), forms of capital (al-mal), capital accumulation (*nama al-mal*), (Jairus, 2007), cheques, trust (*waqf*) (Timur, 2005), transactional accounts, loan, ledgers and assignment. Organizational enterprises independent from state also existed in the medieval Islamic world, while agency institution was also introduced during that time (Said, 1999).

Many of the capitalist concepts were adopted and further advanced in medieval Europe from the 13th century onwards (Jairus, 2007). The establishment of Islamic banking in Nigeria brought about a lot of criticism and challenges. For instance, on 17th August, 2012 a Federal High Court in Abuja, the Federal Capital Territory presided over by Justice Gabriel Kolawale, declared the non interest financial institutions operating under the principles of Islamic Jurisprudence as illegal and unconstitutional. He said the license issued to Jaiz International Bank Plc. to carry out Islamic banking in the country would be nullified. Justice Kolawale further states that "there are no provisions in the CBN Act and the Banks and other Financial Institutions Act (BOFIA) that empowers the CBN Governor, Sanusi Lamido Sanusi, to issue license for a non interest financial institution to operate under the principles of Islamic Jurisprudence without the approval of the Head of State through the Minister of Finance". This announcement has contributed to the negative believe some citizens in the country hold on the establishment of Islamic banking as many ignorantly consider it to be a bank for Muslims established in a secular Nation (Nigeria) where there exist freely the practice of different beliefs and faiths.

The main objective of this study therefore, is to evaluate the challenges facing the acceptability of Islamic banking in Nigeria. And the specific objectives are to assess the acceptability of Islamic banking in Nigeria, and find out the significance of Islamic banking to the Nigerian economy. The findings are expected to raise awareness and understanding of Islamic banking to both Muslims and non Muslims which will aide in accepting alternative banking system that is based on morals, ethics and beliefs. Thus, the hypothesis the acceptability of Islamic Banking in Nigeria is not facing any significant challenge was developed to accomplish the objectives of the study.

**Islamic Banking in Nigeria**

Islamic banking can be defined as Shariah-compliant banking" that "provides and uses financial services and products that conform to Islamic religious practices and laws (Kettell, 2010). This is the prescribed way of life based on the guidance given by God, written in the Quran, and through the sayings and teachings of the Prophet. Islam is a system of values based on "belief, justice, equity, fairness and morality" (Kettell, 2010) which are the foundations to any financial transaction in Islamic Banking. It is these values and morals that have formed a system based on ethics (Wilson, 2011).

Islamic banking has the same purpose as conventional banking except that it operates in accordance with the rules of sharia known as *fiqh al-muamalat*. The basic principle of Islamic banking is the sharing of profit and loss and prohibition of riba/usury. Islamic banking, as defined above, is a system based on "belief, justice, equity, fairness and morality" (Kettell, 2010). The principles and sources of the shariah is the Qur'an followed by *Hadith* (recorded sayings and actions) of Prophet Muhammad (*pbuh*). Where solutions to problems cannot be found in these two sources, rulings are made based on the consensus of community of learned scholars, independent reasoning of an Islamic scholar and custom, so long as such rulings do not deviate from the fundamental teachings in the Qur'an. There are some significant difference between Islamic banking and interest free banking. Interest free banking is without interest but the mode of operation or the institutions it may use in its operation may not necessarily be Islamic. For example, Bank PHB, Finbank, StanbicIBTC and other micro-finance banks such as Integrated Microfinance Bank, Kada Microfinance Bank have these windows (which non-muslims do patronise effectively); you can transact interest free if you like but that does not mean the bank will not transact with other non Islamic institutions like brewery and other things.

So a bank can be interest-free, but its instruments might not be Islamic. It doesn't deal directly with interest but the instruments on the people it gives loans may have some elements of un-Islamic practice. A pure Islamic banking is the one that does not deal with interest as well as its instruments, purely Islamic. They will not invest in gambling, brewery and any kind of trade that is un-Islamic. Hence, the need for the CBN to perfect the legal framework that will allow its full operational system. Islamic banking will make the bank and customers more committed to the management of assets (loans) on the one hand and interest free deposits for investments by the bank on the other. By so doing, they will woo investors into the sector. So also the equity and justice in profit sharing will provide enabling environment for investors to commit their resources.

Non interest banking is a profit growing global phenomenon practiced in nearly 70 countries all over the world including, United Kingdom, Canada, United States of America, United Arab Emirate, Malaysia, China, Singapore, South Africa, Kenya etc. Global Banks like HSBC, Citibank, Barclays Bank etc. are also offering alternative financial services which are open to all irrespective of race or religion. Many financiers across the world are searching for alternative means", and Islamic banking "is becoming an increasingly attractive option (Kettell, 2010). The United Kingdom has already shown interest in Islamic Banking through the approval by the Financial Services Authority (FSA) for the first Shariah compliant Islamic Bank in the United Kingdom, Islamic Bank of Britain. Jaiz Bank PLC was created out of the former Jaiz International Plc which was set up in 2003/2004 as a special purpose vehicle (SPV) to establish Nigeria's first non interest bank. It is an unquoted public company owned by over 3000 shareholders spread over the six geographical zones of Nigeria. Jaiz Bank Plc obtained a regional operating license to operate as a Non Interest Bank from the Central Bank of Nigeria on 11th November 2011 and begun full operations on the 6th January 2012 with three branches located in Abuja FCT, Kaduna and Kano. The introduction of Islamic banking is part of a drive by the Central Bank of Nigeria (CBN), to propel Nigeria's economy and promote financial inclusion by introducing alternative products.

Jaiz plans to upgrade to a National operating license by 2013. Consequently, it will increase its current share capital base from N6 billion (USD$39 million) to N12 billion (USD $78 million). This upgrade will enable the bank to operate in all the 36 States of the federation including the Federal Capital Territory. The bank is focusing mainly on retail banking, but will offer corporate and commercial banking services. This focus will make it easy to service the majority of Nigerians who want to do away with Riba/Usury in their daily activities. Some of Jaiz products include *mudaraba* savings, *hajj* savings account, home acquisition plan, auto *ijara* and *mudaraba* joint investment.

**Services and Products of Islamic Banking**

The common Shariah concepts according to Ethica CIFE (certified Islamic Finance Executive) study notes are as follows:

***Wadiah (Safekeeping):*** *Wadiah* means custody or safekeeping. In a *Wadiah* arrangement, you will deposit cash or other assets in a bank for safekeeping. The bank guarantees the safety of the items kept by it. It works as follows:

i You place money in a bank and the bank guarantees to return the money to you.

ii You are allowed to withdraw the money anytime.

iii Bank may charge you a fee for looking after your money and may pay *hibah* (gift) to you if it deems fit.

iv This concept is normally used in deposit-taking activities, custodial services and safe deposit boxes.

***Mudharabah:*** This is a profit sharing arrangement between two parties, that is, an investor and the entrepreneur. The investor will supply the entrepreneur with funds for his business venture and gets a return on the funds he puts into the business based on a profit sharing ratio that has been agreed earlier. The principle of *Mudharabah* can be applied to Islamic banking operations in 2 ways: between a bank (as the entrepreneur) and the capital provider, and between a bank (as capital provider) and the entrepreneur. Losses suffered shall be borne by the capital provider. It works as follows:

i You supply funds to the bank after agreeing on the terms of the *Mudharabah* arrangement.
ii Bank invests funds in assets or in projects.
iii Business may make profit or incur loss.
iv Profit is shared between you and your bank based on a pre agreed ratio.
v Any loss will be borne by you. This will reduce the value of the assets/investments and hence, the amount of funds you have supplied to the bank.

***Bai' Bithaman Ajil – BBA (Deferred payment sale):*** This refers to the sale of goods where the buyer pays the seller after the sale together with an agreed profit margin, either in one lump sum or by installment. It works as follows:

i You pick an asset you would like to buy.
ii You then ask the bank for BBA and promise to buy the asset from the bank through a resale at a mark-up price.
iii Bank buys the asset from the owner on cash basis.
iv Ownership of the goods passes to the bank.
v Bank sells the goods, passes ownership to you at the mark-up price.
vi You pay the bank the mark-up price in installments over a period of time.

***Murabahah (Cost plus):*** As in BBA, a *Murabahah* transaction involves the sale of goods at a price which includes a profit margin agreed by both parties. However, in *Murabahah*, the seller must let the buyer know the actual cost for the asset and the profit margin at the time of the sale agreement.

***Musharakah:*** In the context of business and trade, *Musharakah* refers to a partnership or a joint business venture to make profit. Profits made will be shared by the partners based on an agreed ratio which may not be in the same proportion as the amount of investment made by the partners. However, losses incurred will be shared based on the ratio of funds invested by each partner.

***Ijarah Thumma Bai' (Hire purchase):*** *Ijarah Thumma Bai*' is normally used in financing consumer goods especially motor vehicles. There are two separate contracts involved: *Ijarah* contract (leasing/renting) and *Bai*' contract (purchase). The contracts are made one after the other as shown below:

i You pick a car you would like to have.
ii You ask the bank for *Ijarah* of the car, pay the deposit for the car and promise to lease the car from the bank after the bank has bought the car.
iii Bank pays the seller for the car.
iv Seller passes ownership of the car to the bank.
v Bank leases the car to you.
vi You pay *Ijarah* rentals over a period.
vii At end of the leasing period, the bank sells the car to you at the agreed sale price.

***Wakalah (Agency):*** This is a contract whereby a person (principal) asks another party to act on his behalf (as his agent) for a specific task. The person who takes on the task is an agent who will be paid a fee for his services.


**ISSN: 2141 - 6729**

***Qard (Interest-free loan):*** Under this arrangement, a loan is given for a fixed period on a goodwill basis and the borrower is only required to repay the amount borrowed. However, the borrower may, if he so wishes, pay an extra amount (without promising it) as a way to thank the lender.
***Hibah (Gift):*** This refers to a payment made willingly in return for a benefit received. For example, in savings operated under *Wadiah*, banks will normally pay their *Wadiah* depositors *hibah* although the account holders only intend to put their savings in the banks for safekeeping.
***Bai Al Dayn:*** A debt financing and provision of financial resources required for production, commerce and services through the sale and purchase of trade document and papers. It is short term facility with a year or less maturity period. Only documents evidencing debts arising from bona fide (genuine) commercial transactions can be traded.
***Bai inah***: This is a sell and buy back agreement where the seller sells the underlying asset at cost plus mark up (sale price) and immediately buys back the assets at cost in cash. The buyer will pay the sale price on deferred terms.
***Istisna***': A sale by order where the customer who has a contract to deliver an asset in the future, request the financier to undertake and complete project according to the specification. The financier will appoint a third party or customer to construct the project on his behalf.
***Salam:*** Advanced purchase or advance payment for goods to be delivered at a specific future date. A sale happens although the goods are not in existence yet provided the goods are defined and date is fixed. The objects must be tangible and able to be defined in quantity, quality and workmanship.

**Differences between Conventional and Islamic Banking Systems**
A conventional and Islamic banking system differs in many ways which are as follows:

i Islamic banking system follows riba (interest) free principles and uses profit and loss sharing principles while conventional banking follows interest based principles (Atif, 1988).

ii The primary motive of conventional banking system is profit only with no ethical and religious consideration. But Islamic banking system follows shariah law which includes Quran and *Hadiths* guidance (Muhammad, 2009).

iii Deposit account holder in conventional Banking system gets their interest (share before shareholders. But in Islamic banking system both will have same rights for their share (Kabir and Mervyn, 2007).

iv Idle money in conventional banking system earns returns. But in Islamic banking system idle money cannot earn any return (Faud and Mohammed, 1996).

v Investors or depositors in conventional banking most of the time enjoy risk free return. But in Islamic banking system depositors or investors have an opportunity to earn higher returns (Abu Umar, 2010).

vi Conventional banks collect Government taxes as agents from deposit accounts and from different accounts with different tax rates. While Islamic banks collect *Zakat* from Muslims accounts at a rate of 2.5% at the end of every year and deposit to *Bait ul Mall* (Kettle, 2011).

**Significance of Islamic Banking**

Unlike conventional banks, Islamic banks are not exposed to loses from investment in toxic assets nor are they dependent on wholesale funds since these practices are not in accordance with the principles set out in sharia. Moreover, recent years have already indicated that there is an interest in Islamic banking beyond Islamic investors. For example, UK is one of the leading centres for Islamic banking in the world yet only 5% of its population are Muslims. The global recession by the collapse in credit supply saw many of the globally accepted models of investment disappeared almost overnight with the collapse of Lehman Brothers in September 2008. It is well accepted that the credit crisis was essentially caused by gambling and inadequate regulations. Thus surely a system in which gambling is banned, where everything must be backed by tangible assets should be significant in a post recession world.

The banking system currently operating in Nigeria is the conventional one. It is interest-based banking system. The whole credit system is built upon the institution of interest. Under the system, the borrower is obliged to pay a predetermined rate of interest on the amount borrowed even though he may have incurred losses. The relationship between the bank and its client is, therefore, that of creditor and debtor, this had led to so many economic and social evils among other things. From the foregoing, it is obvious that the detrimental effects of interest (applicable to conventional banking) are evident as interest was originally forbidden by all major religions of the world (Islam, Christianity and Judaism in particular). Even the non-Muslim scholars, economists and bankers acknowledge that Islamic banking has made a place for itself in the whole world of finance. The Vatican has put forward the idea that "the principles of Islamic finance may represent a possible cure for ailing markets" (Lorenzo Totaro, 2009). "Vatican says Islamic finance may help western banks in crisis" (http:/www.bloomberg.com).

Similarly, the provision of interest can be regarded as exploitation. Islamic banking is a system that has its rules and regulations and the only system that is performed entirely free of interest. The establishment and application of Islamic banking particularly in Nigeria, is the best way to curb these socio-economic maladies in our system. The main objectives of the banking system are removal of injustice, bringing in the optimal level of social welfare and ensuring justice in the lives of individuals and the society at large, through the concept of unity, brotherhood and social justice. It discourages and prohibits all forms of exploitation, extravagance, hoarding among others. The main goal of the Islamic economic system is social justice and equality. It tries to be fair to one and all. It helps in promoting individual enterprise and also controls the economic system in a fair and equal manner.

In the Islamic financial system, the financial institutions (banks) become a partner in business. The utilization of the funds from the institution by a business house or an enterprise is on a profit and loss sharing basis. Gains from the business as well as losses earned due to the business are shared proportionately by the institutions and the enterprise. But this does not mean that the investments by financial institutions are speculative. Before investing money, a thorough investigation is carried out on the risk factors associated with the business. Feasibility study of the project and necessary risk management principles are rightly undertaken to undermine the effect of loss. Investing in Islamic banks may provide more profit and less risk because the financial institution has its own interest as it acts as a partner.

## METHOD

This survey adopts both qualitative and quantitative methods of data collection. Questionnaire was chosen (quantitative) to gather statistical data about responses and was backed up with personal interview (qualitative). The interview was not tightly structured so as to enable the phenomena under investigation to be explored in terms of either breath or depth. This helped to ascertain the problems and challenges facing Islamic banking so as to capture any lapses in data ascertained using the questionnaire. Random sampling technique was selected in order to ensure that all the population are equally given a chance of being selected for the study.

Systematic sampling was further applied so as to free the research from being bias in whatever way possible. The questionnaire was designed to include both open and close ended questions so that valid and reliable information can be ascertained. The questions included both demographic and complex questions. Statistical Package for Social Sciences (SPSS) 16.0 was used in analyzing the data. Sixty copies of the questionnaire were administered to each city, though 40, 32 and 36 for Abuja, Kaduna and Kano respectively were selected for data analysis. Findings were presented using simple percentage and chi-square was used in testing the only hypothesis formulated for the study.

## RESULTS AND DISCUSSION

Though the respondents were selected randomly, table 1 clearly shows that 64.8% of the respondents were Muslims while 35.2% were Christians. On issue of gender, table 2 shows that 59.3% of the respondents were male while 40.7% were female which is a fair presentation of gender. Table 3 indicates that 98.1% of the respondents are aware of Islamic Banking, while only 1.9% are unaware. This shows that majority of the respondents which includes both Muslims and Christians are aware of Islamic Banking. Table 4 indicates that only 35.2% are aware of Islamic banking products while 64.8% of the respondents are not aware of Islamic banking products, the lack of awareness could be due to people not being exposed to Islamic banking (Mohammad and Ramana, 2012). Table 5 shows where the respondents heard about Islamic banking. The findings indicate that the respondents heard about Islamic banking from family and friends, and television with 40.7% and 27.8% respectively of the respondents attesting to that.

Table 6 indicates that over 34.3% of the respondents are interested in Islamic Banking. A further 47.7% are very much interested in Islamic Banking. This could be because of lost of faith and trust in the conventional Banking system. The respondents were also asked if changing the name Islamic Banking to Interest free banking will reduce the fear of people, and about 70% agree to that. This is shown on table 7. Table 8 shows that about 49% of the respondents are of the view that ignorance of Islamic banking system is the most important challenge facing its acceptability in Nigeria, followed by lack of awareness with 31.5% of the respondents agreeing to that. This indicates that there is still need for more awareness of Islamic bank and its products. The null hypothesis which states that the acceptability of Islamic banking in Nigeria is not facing any significant challenge is rejected because the calculated value of 0.073 is higher than the level of significance of 0.05. This implies that there are significant challenges facing the acceptability of Islamic banking in Nigeria.

**Table 1:** Demographic characteristics of the respondents in terms of Religion

| Religion | Abuja | Kaduna | Kano | Total |
|---|---|---|---|---|
| Islam | 26(65.0%) | 20(62.5%) | 24(66.7%) | 70(64.8%) |
| Christianity | 14(35.0%) | 12(37.5%) | 12(33.3%) | 38(35.2%) |
| Total | 40(100%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

**Source:** Fieldwork, 2013. Computed using SPSS 16.0

**Table 2:** Demographic characteristics of the respondents in terms of Gender

| Gender | Abuja | Kaduna | Kano | Total |
|---|---|---|---|---|
| Male | 26(65.0%) | 16(50.0%) | 22(61.1%) | 64(59.3%) |
| Female | 14(35.0%) | 16(50.0%) | 14(38.9%) | 44(40.7%) |
| Total | 40(100.0%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

**Source:** Fieldwork, 2013. Computed using SPSS 16.0

**Table 3:** Awareness of Islamic Banking and its products: respondents were asked if they heard about Islamic Banking

| Awareness | Abuja | Kaduna | Kano | Total |
|---|---|---|---|---|
| Yes | 40(100.0%) | 30(93.8%) | 36(100%) | 106(98.1%) |
| No | 0(.0%) | 2(6.2%) | 0(.0%) | 2(1.9%) |
| Total | 40(100.0%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

**Source:** Fieldwork, 2013. Computed using SPSS 16.0

**Table 4:** Familiarity with Islamic Banking products: respondents were asked if they were familiar with Islamic banking products and services

| Familiarity | Abuja | Kaduna | Kano | Total |
|---|---|---|---|---|
| Yes | 10(25.0%) | 16 (50.0%) | 12(33.3%) | 70(35.2%) |
| No | 30(75.0%) | 16(50.0%) | 24(66.7%) | 38(64.8%) |
| Total | 40(100.0%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

**Source:** Fieldwork, 2013. Computed using SPSS 16.0

**Table 5:** Sources of information about Islamic Banking

| Source | Abuja | Kaduna | Kano | Total |
|---|---|---|---|---|
| Television | 10(25.0%) | 8(25.0%) | 12(33.3%) | 30(27.8%) |
| Radio | 6(15.0%) | 4(12.5%) | 2(5.6%) | 12(11.1%) |
| Family and friends | 18(45.0%) | 14(43.8%) | 12(33.3%) | 44(33.3%) |
| Internet | 6(15.0%) | 6(18.8%) | 10(27.8%) | 22(20.4%) |
| Total | 40(100.0%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

**Source:** Fieldwork, 2013. Computed using SPSS 16.0


***ISSN: 2141 - 6729***

**Table 6:** Interest in Islamic Banking

| **Interest** | **Abuja** | **Kaduna** | **Kano** | **Total** |
|---|---|---|---|---|
| Not interested | 6(15.0%) | 6(18.8%) | 8(22.2%) | 20(18.5%) |
| Interested | 15(37.5%) | 16(50.0%) | 6(16.7%) | 37(34.3%) |
| Very interested | 19(47.5%) | 10(31.2%) | 22(61.1%) | 51(47.2%) |
| Total | 40(100.0%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

***Source:*** Fieldwork, 2013. Computed using SPSS 16.0

**Table 7:** Interest free

| **Interest free** | **Abuja** | **Kaduna** | | **Kano** | | **Total** | |
|---|---|---|---|---|---|---|---|
| Yes | 28(70.0%) | 24(75.0%) | | 24(66.7%) | | 76(70.4%) | |
| No | 12(30.0%) | 8(25.0%) 12 | | 32 | | | |
| | | 33.3% | 29.6% | | | | |
| Total | | Count | | 40 | 32 | 36 | 108 |
| | | % within Nigeria | | 100.0% | 100.0% | 100.0% | 100.0% |

***Source:*** Fieldwork, 2013. Computed using SPSS 16.0

**Table 8:** Challenges facing acceptability

| **Acceptability** | **Abuja** | **Kaduna** | **Kano** | **Total** |
|---|---|---|---|---|
| Lack of awareness | 14(35.0%) | 6(18.8%) | 14(38.9%) | 34(31.5%) |
| Ignorance | 22(55.0%) | 15(46.9%) | 16(44.4%) | 53(49.1%) |
| Phobia | 4(10.0%) | 11(34.4%) | 6(16.7%) | 21(19.4%) |
| Total | 40(100.0%) | 32(100.0%) | 36(100.0%) | 108(100.0%) |

***Source:*** Fieldwork, 2013. Computed using SPSS 16.0

**Table 9:** Chi-Square Tests

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 8.554[a] | 4 | .073 |
| Likelihood Ratio | 8.500 | 4 | .075 |
| Linear-by-Linear Association | .061 | 1 | .805 |
| N of Valid Cases | 108 | | |

***Source:*** Fieldwork, 2013. Computed using SPSS 16.0

## CONCLUSION AND RECOMMENDATIONS

The study investigates the challenges facing acceptability of Islamic banking in Nigeria focusing on the three cities where Islamic banks were first established which includes Abuja, Kaduna and Kano cities. Some of the interviews conducted reveal that Islamic banking faces numerous problems. The Nigerian banking regulations have been set to accommodate conventional banks long before the creation of Islamic bank. Hence, hasty changes in Nigerian regulations to accommodate Islamic banking might have detrimental effect on it acceptability. The study found out that 98.1% of the respondents are aware of Islamic Banking but only 35.2% are aware of their products and services. This implies that there is great need for Jaiz Bank to focus more on marketing and promotions of Islamic banking products and services so as to increase awareness among the potential customers.

Most of the respondents heard about Islamic Banking from family and friends or on television, with very few of the respondents that heard from the radio. There should be more publicity on radio because radio has the capability to reach large groups of people even in remote locations where there is no television or internet. It targets audience cut across strata of the society because people listen to radio even when they do other things. On challenges facing the acceptability of Islamic banking, the study reveals that ignorance is the biggest challenge followed by lack of awareness. This implies that the bank must improve in it marketing and promotion; even though a large number of the respondents are interested in Islamic banking they are still ignorant of the products and services provided. The benefits of Islamic banking in a growing economy like Nigeria cannot be over-emphasized. In line with the Federal Government's desire for a single digit interest rate to spur socio-economic growth, nothing can be more apt than establishing a non-interest financial institution. Islamic banking will also contribute significantly to the overall development of the country by developing micro credit schemes aimed at improving the overall communities, thereby drastically reducing unemployment rates.

## REFERENCES


**Abu Umar Faruk, A.** (2010). *Development in Islamic Banking Practice: The experience of Bangladesh.* Universal Publishers.

**Atif, M.** (1988). *Asian Pacific Economic Literature 2(2)*, September 1998.

**Ehtica CIFE Study Notes** retrieved on 30/8/12 from www.ethica.com

**Fuad, A.** and **Mohammed, A.** (1996). *Islamic Banking: Theory, Practice and Challenges*. Jordan: Zes Books Publishers

**Jairus, B.** (2007). *Islam, the Mediterranean and Rise of Capitalism. Historical Materialism 15(1)*, Brill Publishers.

**Kabir, H.** and **Mervyn, L.** (2007). *Handbook of Islamic Banking*. UK: Edward Elgar Publishing.

**Kettle B.** (2011). *Case Studies in Islamic Finance*. India Wiley Publisher.

**Kettell B.** (2010). *Introduction to Islamic Banking and Finance.* Horriman House Publishers.

**Lorenzo Totaro** (March 4, 2009). Retrieved 3/7/2013 from www.Bloomberg.com

**Mohammad, F. A.** and **Ramana, S.** (2012). *The Feasibility of Establishing Islamic Banking in the UK:* The Case of Nottingham City. Islamic Marketing Conference Proceedings 2012. Abu Dhabi UAE.

**Muhammad, A.** (2009). *Understanding Islamic Finance.* UK: Wiley Publishers

**Said Amir, A.** (1999). *The Law Agency and Policy in Medieval Islamic Society: Development of Institutions of Learning from the Tenth to the Fifteenth Century. Comparative Studies in Society and History*. Cambridge University Press.

**Subhi, Y. L.** (1969). Capitalism in Medieval Islam. *The Journal of Economic History,* 29, 1

**Timur, K.** (2005). The Absence of the Cooperation in Islamic Law: Origin and Persistence. *American Journal of Comparative Law,* 53.

**Wilson, R.** (2011). *Approaches to Islamic Banking in the Gulf.* Gulf Financial Markets Woertz, Eckart Gulf Research Centre.




***ISSN: 2141 - 6729***