
**THE EMERGENCE AND CHALLENGES OF ISLAMIC
BANKING IN NIGERIA: PERCEPTION STUDY
OF NIGERIAN MUSLIM STUDENTS**

By

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ABSTRACT

The emergence of Islamic finance such as Islamic banking, Takaful, Islamic Capital Market (ICM) and a host of others, are often related to the Islamization process in most Muslim countries. This is in line with the aspirations of Muslims to conduct all aspects of their life in accordance to the Shari'ah. In view of this, some Muslim countries like Pakistan, Iran and Sudan operate Islamic banks (IBs) as the mainstream financial institutions. Other countries like Bahrain, Malaysia, Saudi Arabia, Egypt and Kuwait among others, have Shari'ah-compliant financing (SCF) alongside conventional banking. Unfortunately, Nigeria with a population of over 80 million Muslims is still struggling to establish one. Meanwhile, the promulgation of the Banks and Other Financial Institutions Decrees (BOFID) 24 and 25 of 1991 which replaced the Banking Act of 1969 signalled the dawn for the emergence of Islamic banking operation in Nigeria. Also, the recent enactment of new provisions on non-interest banking by the Central Bank of Nigeria (CBN) has indeed added a lot of prospects and dynamism to the Islamic banking project. However, varying perceptions and opinions have been expressed in different quarters on the emergence of Islamic banking and the likely challenges and problems to confront its operation. As a matter of fact, this pioneering study seeks to empirically examine the perceptions of Nigerian Muslim students in Malaysia on the emergence and challenges of Islamic banking operation in Nigeria. This is because positive perceptions from this category of people shall contribute in no small measure to the overall support, patronage and publicity of the Islamic banking industry. Hence, this study therefore, focused on the perceptions of Nigerian Muslim students in 3 Malaysian universities i.e. International Islamic University Malaysia (IIUM), Universiti Utara Malaysia (UUM) and Kolej Universiti Insaniah (KUIN). The sample of the study was made-up of 100 questionnaires, which recorded 85 percent response rate. In order to achieve the objectives of this study, descriptive statistics, one-Sample and Independent-Samples t-tests were adopted for data analysis and the testing of hypotheses. Essentially, the major findings from this study revealed that the perceptions of Nigerian Muslim students in Malaysia are of significance to the emergence and challenges of Islamic banking in Nigeria. Also, their perceived problems and challenges on Islamic banking in Nigeria are regarded as significant to its emergence and operations. Similarly, the third major finding of this study revealed the perceived significant role of the CBN in the emergence and survival of IBs in Nigeria. Importantly, the statistical behaviours of two dimensional constructs i.e. Awareness and Challenges exhibited homoskedastic characteristics, which further confirmed the validity of these findings. Considering these significant findings, this study hereby makes the following recommendations: i. the need for more orientation and awareness on the potential benefits of IBs to the Nigerian economy; ii. the CBN should promote adequate research in the area of IBs and; iii. there is the serious need for trained and competent manpower to operate IBs in order to have proper establishment and operations of IBs in Nigeria.

ABSTRAK

Kewujudan sistem kewangan Islam seperti Perbankan Islam, Takaful, Islamic Capital Market (ICM)/Pasaran Modal Islam (PMI), dan sebagainya dihubungkan dengan proses islamisasi di kebanyakan negara-negara Islam. Ini adalah selaras dengan aspirasi umat Islam untuk menjalankan semua aspek kehidupan mereka selaras dengan Syariah. Dalam hal ini, beberapa Negara Islam seperti Pakistan, Iran dan Sudan sudah mengendalikan bank-bank Islam (bank Islam) sebagai institusi kewangan arus perdana. Negara-negara lain seperti Bahrain, Malaysia, Arab Saudi, Mesir dan Kuwait antara lain, mempunyai pembiayaan yang mematuhi Syariah bersama-sama dengan perbankan konvensional. Namun begitu, Nigeria dengan penduduk lebih 80 juta umat Islam masih didalam proses untuk mewujudkan satu sistem kewangan berlandaskan Islam. Sementara itu, pengisytiharan Bank dan Lain-lain Institusi Kewangan Dikri (BOFID) 24 dan 25 pada tahun 1991 yang menggantikan Akta Bank tahun 1969 menandakan kemunculan operasi perbankan Islam di Nigeria. Enakmen baru-baru ini dengan peruntukan baru mengenai perbankan tanpa faedah oleh Bank Pusat Nigeria (CBN) sesungguhnya telah menambah banyak prospek dan dinamik baru untuk projek perbankan Islam. Walau bagaimanapun, persepsi dan pendapat yang berbeza-beza telah dinyatakan dalam kumpulan yang berbeza pada kemunculan perbankan Islam dan cabaran dan masalah yang mungkin timbul bila berhadapan dengan operasi. Oleh itu, kajian perintis ini adalah bertujuan untuk mengkaji secara empirik persepsi Penuntut Islam Nigeria di Malaysia akan kemunculan dan cabaran operasi perbankan Islam di Nigeria. Ini adalah kerana respon yang positif dari kumpulan ini boleh menyumbang kepada sokongan keseluruhan, dan publisiti industri perbankan Islam di Nigeria. Kajian ini akan memberi tumpuan kepada persepsi pelajar Islam Nigeria di 3 universiti terkemuka Malaysia iaitu Universiti Islam Antarabangsa Malaysia (UIAM), Universiti Utara Malaysia (UUM) dan Kolej Universiti Insaniah (KUIN). Sampel kajian telah dibuat dan 100 borang soal selidik telah diedarkan yang mencatatkan 85 peratus kadar respon. Untuk mencapai objektif kajian ini, statistik deskriptif dan ujian T Satu Sampel telah dijalankan untuk analisis data dan pengujian hipotesis. Pada dasarnya, penemuan utama daripada kajian ini menunjukkan bahawa persepsi penuntut Islam Nigeria di Malaysia adalah penting kepada kemunculan dan cabaran perbankan Islam di Nigeria. Selain itu, masalah dan cabaran yang dilihat oleh penuntut Islam Nigeria di Malaysia terhadap perbankan Islam di Nigeria dianggap sebagai penting kepada kemunculan dan operasinya. Keputusan utama yang ketiga kajian ini mendedahkan peranan yang ketara dilihat daripada kemunculan CBN dan kejayaan bank Islam di Nigeria. Yang lebih penting, keputusan statistik dua dimensi memperlihatkan Kesedaran dan Cabaran dan mempamerkan ciri-ciri homoskedastic, yang mengesahkan kesahihan penemuan ini. Melalui penemuan ini, kajian membuat saranan berikut: i. Keperluan untuk orientasi dan kesedaran tentang potensi faedah bank Islam kepada ekonomi Nigeria; ii. CBN harus menggalakkan penyelidikan tentang perbankan Islam dan iii. Terdapat keperluan yang serius untuk tenaga manusia terlatih dan cekap untuk mengendalikan bank Islam supaya memperolehi kemunculan dan operasi bank Islam yang baik di Nigeria.

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