

Religious Challenges of Islamic Banking in Nigeria

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ABSTRACT

Nigeria is Africa's most populous country; more than 50% of its total population of well over 170 million people is Muslims. Majority Nigeria's citizens are living below the poverty line mainly due to the problem of financial inclusion. The central bank of Nigeria attempted to increase the financial inclusion so as to curve the problem of liquidity management and also reduce the gap between the have and have not. Islamic banking becomes a better alternative because of its prohibition of interest and profit and loss sharing principles. The introduced Islamic bank has been confronted with a number of challenges that are religiously based. Descriptive method has been adopted in this paper to outline these challenges and enumerate on their causative factors. The paper concludes that serious measures are to be taken to make improvement and to proffers way out to the challenges.

INTRODUCTION

Banks play a crucial role in the modern economy essentially. They perform some important functions in society and significantly influence the distribution of income, the level of economic activity and even the level of cost in a country positively. The function of financial institutions in economic development cannot be overemphasized considering the evidence from the current empirical studies, which suggest that broader, deeper, and better-functioning financial system can enhance higher economic development which is highly necessary and desirable for Muslim country's economics (INCEIF, 2006).

In 2008, the Central Bank of Nigeria (CBN) asserted that the poverty has been a recurring problem in Nigeria since the 1980s. It declared that 70% of Nigeria's population of well over 150 million is not only unbanked, but also lives below the poverty line. In view of this, successive Nigerian governments over the years have introduced different policies that will facilitate access to finance for all in order to reduce between the have and have not.

Unfortunately, the government's efforts in that respect have failed due mainly to low-income level or lack of awareness about/or distance from where the services are available. For instance, the CBN long ago have presented microfinance banking in rural and urban settings to cater the needs of non-bankable Nigerians and promote financial inclusion, but still the system ended up being relentless with the problem of low patronage or participation particularly in the northern part of the country. The rejection may be owing to conventional interest based

microfinance; its non-compliance with Islamic principles, especially the paying and receipt of interest (*Riba*), which is strongly prohibited under Islamic sharia law (Aliyu, 2013).

The rise of Islamic banking in Nigeria rooted in 1991 with the promulgation of banks and other financial institutions Acts (BOFIA), which replaced the Banking Acts of 1969. In 1992, the central bank granted license for Habib Nigeria Bank Limited (former Bank PHB and now Keystone Bank plc.), to offer non-interest banking services on a “window basis.” In addition, under the governorship of Charles Chukwuma Soludo, the CBN joined the Islamic Development Bank (IDB) as a full member, and also the International Financial Services Board (IFSB) as a full member.

In 2005, the Nigeria’s Central Bank (CBN) approved Jaiz Bank’s request to establish non-interest banking. Also In 2008, some conventional banks sought CBN license to run non-interest banking window. It is significant to note that by the time of this research the only full-fledged non-interest bank in Nigeria is Jaiz bank plc., which on 11th November, 2011, was granted a license from the Nigeria’s central bank, the national banking regulator, to operate as a regional bank. On 6th January, 2012, the institution commences business with offices and branches in Kano, Kaduna and Abuja (Jaizbank.com).

CONCEPTUAL FRAMEWORK

Definition of Shari’ah

Shari’ah means path or way to a place. In a religious sense, Shari’ah means the way that directs man’s life to the right path. The word Shari’ah also has its correlation with the word ‘*Deen*’, which means ‘submission’ or ‘following’. Shari’ah is the ordination of the way shown by Allah through His prophets, whereas ‘*deen*’ is the following of that way by man. Shari’ah conceptually refers to a set of rules, regulations, teachings and values governing the lives of Muslims. These rules, regulations and values cover every aspects of life, including worship, morals, individual attitudes and conducts, social, economic, political and legal (criminal and civil aspects) (Ayyub, 2009).

Definition of Islamic Banking

It is a Shari'ah compliant banking which provides and uses financial services and products that conform to Islamic religious practices and laws which in particular, prohibits the payment and receipt of interest (*Riba*) Kettell (2010). In practice, this means that instead of loans, the Islamic bank uses profit and loss sharing (PLS) arrangements, purchase and resale of goods and services, and the provision of services for fees (IMF Survey, 2008).

Rules Governing Islamic Banking

(Kettell, 2010; & Sudin and Wan Azmi, 2009) opine that there are some fundamental rules that must be employed and considered in every activity of Islamic banks: The prohibition of interest (*Riba*), prohibition of unreasonable uncertainty and speculation (*gharar*), profit and loss sharing Prohibition of making money out of raw money, all contracts must be approved by the Shari'ah, and provision of shariah advisory committee.

The prohibition of interest (Riba)

Riba means “increase in” or “addition to” anything. Technically, *riba* refers to the addition of the amount of the principal of the loan according to the time for which it is loaned and the amount of the loan. In sharia (Islamic law), *riba* means an addition, however slight, over and above the principal.

There are two types of *Riba*: *Fadl* and *Nasi’ah*.

The word *Fadl* signifies the excess charged for the exchange or sale of things of a homogenous nature or the same species. There now appears to be a consensus of opinion among the Islamic scholars that *riba* extends to all forms of interest whether large or small, simple or compound, double or redouble and that the Islamic injunction is not only against exorbitant or excessive interest but even the minimal rate of it. While the word *Nasi’ah* means a delay granted to the debtor. It is used in this sense because the creditor overlooks the delay in payment of the debt in consideration for something in excess over the principal. (Islam allows only one kind of loan and that is *qard al Hasan* whereby the lender does not charge any additional amount over the money lent). Interest in all conventional banks of today falls under the concept of *riba al-Nas’ah*, as money is exchanged for money with excess and delay. The fundamental sources of Islam are the Qur’an and Sunnah (the tradition of the Prophet Muhammad S.A.W) both of these sources treated interest as an act of exploitation and injustice and as such it is inconsistent with Islamic notion of fairness and property rights.

Prohibition of unreasonable uncertainty and speculation (gharar)

Gharar is defined as an element of risk or direct deceit. It is also defined as an element of deception, either through ignorance of the goods, price, or through the faulty description of the goods, in which one or both parties stand to be deceived through ignorance of an essential element of an exchange.

Profit and loss sharing

This is one of the principles of Islamic banking which denotes that the investor or depositor must share in the profits or losses arising out of the enterprise for which the money was invested. Islam encourages Muslims to invest their funds and to become partners in order to share the profits and risks of the business, instead of becoming creditors. Islam encourages Muslims to invest their funds and to share in the risk of business ventures whether these are manufacturing industries, service companies or simple trade deals.

Prohibition of making money out of raw money

Islamic law does not allow trading with liquid money for money, i.e. a situation where one gets \$10 and sales it for \$11 to make \$1 profit for whatever reason. Money in Islam is only a medium of exchange: a way of defining the value of a thing. It has no value in itself and therefore should not be used to generate more money through fixed interest payments, simply

by being put in a bank or lent to someone else or by exchanging old looking notes for new notes (of the same currency of a particular country). However, when the currency is of different denominations then one is entitle to sell it however he so wishes.

All contracts must be approved by the Shari'ah

Islamic financial Institutions are those business entities established within the ambit of Islamic principles of business which have been revealed in the pure and absolute sources of Islam that is al Qur'an and authentic prophetic traditions which require Muslims to uphold justice and virtue, serve as guiding principles for Islamic banks in managing their business affairs. For instance, Islamic banks are not allowed to finance distillery, a casino, a nightclub, gambling, unjust enrichment, dealing in pork, alcohol, arms and ammunition, phonography and other transaction products, goods and services which are not compliant with Shariah rules and principles.

Shari'ah advisory committee

Islamic Financial Institutions are founded on the religious factor. Therefore, every Islamic Bank and other IFI must have an ad hoc supervisory body of experts in order to ensure that their banking activities are in conformity with the Shari'ah principles.

MODES OF OPERATION IN ISLAMIC BANKING

The *Musharakah (Equity partnership)*: *Musharakah* can be defined as a business where two or more people combine their capital or labour or creditworthiness, together, having similar rights and liabilities to share the profits or a yield or appreciation in value and to share the loss, if any, according to their proportionate ownership. In this case, the Islamic bank acts as a partner for contributing in the capital formation and, therefore, share in the profit and loss. Profit according to Islamic law can be made through purchase, sale, hire or wages.

The *Mudarabah*: It is defined as an agreement between at least two parties, that is, *rabb al-mal* (financier) and *mudarib* (entrepreneur or agent manager) to finance the venture or to entrust his money to the entrepreneur who is to trade in an agreed manner and then to return to the investor the principal and pre-agreed proportion of the profit. It is also known as **partnership of capital and labor**. It is conducted between the investment account holders as owners of capital and the Islamic bank as a *Mudarib*, the sharing of profits being as agreed between the two parties, and the losses being borne by the owner of funds, unless they were due to misconduct, carelessness or violation condition(s) agreed upon by the Islamic bank. A *Mudarabah* contract may also be concluded between the Islamic bank, as a supplier of capital on behalf of itself or behalf of investment account holders and business owners.

The *Murabahah (markup sale contract)*: *Murabaha* is a sale of a commodity for the price at which the seller has purchased it, with the addition of the stated profit known to both the buyer and the seller. The profit can be in figures or based on a percentage. This concept transforms the traditional lending activity into a sale purchase agreement under which the lender buys goods, whether in the form of raw materials, machines or other equipment as

required by the borrower at higher price agreed upon by both parties. The settlement of the price can be on the spot or deferred and in lump sum or installment. This concept is also known as a markup price or sale on credit. *Murabahah* is not based on profit and loss sharing scheme, but an ordinary business activity involved in the sale and purchase transactions of traded goods.

Ijara (contract of lease): Ijara means a contract to lease or rent or hire. It also refers to a contract or sale involving the usage of the property owned by a different party (Sudin Wan Azmi, 2009). This relates to the usage (usufruct) of assets and properties. *Ijara* in this sense denotes the transfer of the usage of a particular property by the lessor (the owner of the property) to the lessee (the party who uses the leased asset), and the asset remains under the ownership of the lessor. It is a contract whereby an Islamic bank purchases an asset and leases it out to its client on the agreement that the client will be paying a fixed amount at regular interval usually monthly for a specified period to the Islamic bank. It may also include the option of the client purchasing the asset at the end of the contract from the bank.

Salam: this is a sale contract wherein the buyer (client) paid the price to the Islamic bank in advance at the time of making the contract and the Islamic bank agrees to supply the commodities at a specified future date.

Istisna'a: is a kind contract where the sale of the commodity is transacted before the commodity is manufactured. This is, the Islamic bank and the customer agreed on a term that the bank will provide the item whereby the price to be paid by the buyer upon delivery.

LITERATURE REVIEW

Many studies have been conducted on challenges of Islamic banking in order to upgrade the establishment and operation of the institution. However, most of these studies are focused on identifying the teaming challenges that surrounded the institution.

Sanusi (2011) views that the issues and challenges of Islamic banking in Nigeria and the challenges he outlined among others include lack of Shari'ah educated in conventional economics and misconception of the system. Bello (2014) holds that the operational challenges that may prevent the successful establishment and management of Islamic banking in Nigeria are religious and cultural differences, sharia related issues, and inadequate awareness.

Momoh (2011), Umar (2011) and Ibrahim (2012) found that challenges to awareness, societal belief, socio-political environment, and religious misconception are some of the challenges of Islamic banking in Nigeria. Looking at the studies so far, it's clear that there is a need to find out the dimension in which misconception and religiously related issues can be a challenge to Islamic banking in Nigeria.

RELIGIOUS CHALLENGES OF ISLAMIC BANKING IN NIGERIA

This study has identified that; religious challenges of Islamic banking can be categorized into two: the external and internal challenges.

THE EXTERNAL CHALLENGES

This research has identified that the problems confronting Islamic banking in Nigeria are enormous and considerably serious as to look for their solutions. Although the problems on which the study has discussed are purely religious and are all along related to the rejection of the bank. These problems could well be regarded as 'Challenges'. Most of the significant challenges happen to be objections from some non-Muslim individuals and indeed their religious organization that denounce and stay away from the system for many grounds.

These set of challenges are what has been termed as 'external challenges' due to its origin from non-Muslim refusal to accept the system as an alternative or at least as an additional mode of banking in Nigeria.

There have been a series of campaign against free-interest banking that are planned and organized by non-Muslim authorities to blackmail the introduction and operations of the Islamic banking system in Nigeria. This overzealous move started since the first license to start non-interest banking was granted.

The anti-Islamic banking was tainted with religious sentiment to publicize their view through several news media critically with purpose to call against its survival and patronage.

Looking at the benefits of Islamic banking to the economic development on one hand and its prohibition of interest on the other, non-Muslim should also partake in the services of Islamic banking in Nigeria despite the fact that the system was initially established for financial inclusion of mostly Muslims and that Muslims are obliged to abide by Shari'ah (Islamic Law) in all aspect of their life. It has been prescribed in Christian religious scriptures that usury/interest is never acceptable and should, therefore, be banned (Deuteronomy, 23:19 & Leviticus, 25:35-37).

Researchers have shown that the number of involving non-Muslims customers in Islamic bank services worldwide is increasing. In Malaysia for instance, a study was conducted and found out that the contribution of non-Muslims towards the development of Islamic banks have been remarkable as some banks reported that more than half of their Islamic financial product is by non-Muslims. In the case of a country predominated by non-Muslims, a study of Gerard and Cunningham (1997) in Singapore, shows that bank selection was not influenced by religious factors when compared between Muslims and non-Muslims. For both Muslims and non-Muslims, profitable returns on investment were the key motivator in choosing Islamic bank but not religion (Farah, *at al.*, 2013).

The case of Nigeria is unfortunately so different. Nigeria is religiously emotional country. The people, particularly religious authorities sentimentally embark on overheating polity whenever an emerging national issue has to do with a religion other than theirs, even without carefully giving an objective look at it lest they arrive at a convincing state.

Although, after the CBN issued the supervisory/regulatory framework for comments from the stakeholders some gaps were noticed and treated with the best interest of the people. (i.e. it was discovered that no variant was mentioned about the dichotomy between non-interest Islamic banking and other forms of non-interest banking. In addition, the phrase 'Shari'ah Advisory Council' that was repeatedly used in the document was replaced with

‘Advisory Council of Experts’). Still the antagonists of Islamic banking system in the country stick to their unnecessary argument against it in several gatherings and events.

The Christian Association of Nigeria (CAN) at all levels have described the new system as unacceptable and, for this reason, expressed their opinions against it based on three main reasons.

Alleged Variation In The Non-Interest Banking Definition (Legal Framework)

The antagonists of the Islamic banking in Nigeria argued that there is an apparent variation in the definition of ‘Non-interest Banking’ in the Bank and Other Financial Institutions Acts (BOFIA) of 1991 and the current CBN Non-Interest Financial Institutions framework (NIFI). The former speaks only of ‘Profit and Loss Sharing Bank’ while the old according to them made it more concrete. The critics went further to announce the introduction and operation of Islamic banking in the country as illegal and unconstitutional.

The CBN NIFI framework stated categorically that non-interest banking products must be “in accordance with Shari’ah principle”. By so doing, it implied that the CBN had banned non-Muslims from participating in this particular banking transaction that contrary to the provision of the constitution. They also asserted that the establishment and operation of NIB contravene the secularity of Nigeria enshrined in section 10 of the Constitution of Federal Republic of Nigeria, which said “the Government of the Federation or a state shall not adopt any religion as state religion. The issuance of the framework according these critics is expected to have religious motives because the then CBN Governor was a Muslim believer.

They further claimed that it also contravenes the Federal Character Principle stated in section 14 (3) that “the composition of the government of the Federation or any of its agencies and the conduct of its offers shall be carried out in such a manner as reflect the federal character of Nigeria and the need to promote national unity and also to command national loyalty, thereby ensuring that there shall be no predominance of persons from a few state or from a few ethnic or other sectional groups in that Government or in any of its agencies.”

Alleged Discrimination Against Christianity

In another occasion, Vanguard Newspaper reported that the president of the Christian Association of Nigeria (CAN) Pastor Ayo Oristejapor accused the CBN Governor of being too sectional and bringing religion into Nigeria’s economic activities by his introduction of Islamic banking. He indicated that CAN will never support the bank because doing that would amount to encouragement of disunity and discrimination in the country. He further argue that why does Islamic bank be given a separate guideline? The CBN should rather provide one single guideline that could cater for every non-interest banking industry including the Christian non-interest banking.

He also blamed Sanusi for changing the guidelines multiple times and twisting it in order to suit his hidden plan. He said: “if you study it, it says, Islamic banking, number one. Then number two: other non-interest banking. That to us is discriminating against non-Muslims. Why would you put Islamic banking one side, all other non-interest banking one side?

A lot of money according to CAN's President has been spent by the CBN to promote Islamic banking. "it is unfair to spend all that money, government's money in a sectional kind of banking". The responsibility of setting up and promotion of the Islamic bank should be shouldered upon those who want to start it. The CBN Governor should not, therefore, put into the state fund to actualize the will of some selected individuals in their quest of promoting sectional and religious activities. He added.

In the same vain, CAN opines that the so-called Islamic banking can be used to promote terrorist activities in the country. The terrorism may escalate if the bank is own by terrorists or their sympathizers.

Alleged Agenda To Islamize Nigeria

Christians collectively joined a view that granting Islamic Bank right to operate actively in Nigeria's societies would amount to allowing the "Islamisation" of the country. They feel that as time goes on, the Muslims and Islamic activities could dominate the economic activities while Christians would probably be left behind.

Addressing journalists, the chairman of the Christian Association of Nigeria, Delta state chapter, Archbishop God-do-well Auwomakpa, asked Mr. president to stop the process of Islamic banking in the country and added that: "The church is aware of the dangers that this issue is going to cause, and we are not going to compromise our faith as Christian. Nigeria belongs to all and we are saying 'NO' to Islamization of Nigeria."

The Catholic Archbishop of Lagos also said, "CBN's speedy take off of the system was part of the grand plan to turn Nigeria into an Islamic state."

When Christian authorities kicked against free-interest banking by perceiving it as a plan to introduce Islamic practices all over the country, others saw it as a policy aimed at promoting northern agenda and bringing back northern (Muslim) elite into the mainstream of banking following the collapse of northern banks in the wake of the consolidation exercise (Okeke, & Ojukwun, 2012). For these reasons, most of the non-Muslim individuals feel 'Islamic Banking', as the name denotes, is solely for Muslims and never has any concern with Christian faithful. For this reason, they thought that participation in such a banking transaction is tantamount to assisting or contributing to the promotion of Islam and its economy. For this reason, they intentionally stay away from banking the institution at all.

Taking into consideration the advantages of the system and its correspondence with laws of the land, the proponents of NIB responded in unguarded statements ranging from calling for the break-up of the country if the system was not allowed and even threatening to go to war in order to defend their religious rights that were granted to every individual in the Nigeria's constitution. They further maintained that they have a right and free will, to pursue their economic activities free of interest (Riba) since the jurists of Islamic law, are unanimous on its prohibition as an exception to the general rule of permissibility of transactions.

Honestly, the Christians' inclusion in the patronisers of Islamic banks in Nigeria would surely be a great advantage and contribute to the rapid expansion of the institution due to their population that constitute of over 40% of the countries general population. Although there are a number of Christians who are actively participating in the running and patronage of the

institution, it will be doubtful to assume that the majority of Christians could willingly bank the IBs so long as their spiritual leaders (Christian clerics) continue their quest of criticism. This is as a result of the whole-hearted submission and inculcated trust in the minds of the subordinates that make them answerable to whatever they are instructed for. Onapajo (2012) opined: "CAN become a major instrument of the Christians to channel their political demands and also checkmate the supposed increasing political influence of their Muslim counterpart".

Therefore, CAN is a tool of degenerating and instigating the fellowship, so many riots and protests took place in reaction to their constant campaign (sensitization) against whatever they assume to be a step for promoting Islam in the country i.e. (Kaduna shari'a riot, Kafanchan riot, the OIC riot, among others) (Onapajo, 2012; Thomas, & Emmanuel, 2013).

Until now, we have not heard a single Christian top authority praised or at least endorsed the patronage of Islamic banks beside Pastor Tunde Bakare who was reported to have said: "I am a businessman and I know one will do better without excessive interest, I will be one of the first people that will quickly open an account there, no matter the name you call it because I prefer to share profits and losses with such banks rather than stay under the yoke of paying interest for the rest of my life" (Adebayo, 2011). It is unfortunate to hear that this speech had annoyed many of his colleagues and, therefore, called for his total sack from CAN.

For that effect, one of the prominent leaders of CAN, the National President of the Fellowship of Churches of Christ in Nigeria (FCCN), Pastor Emmanuel Dzigau, has apparently said that Pastor Tunde Bakare will be suspended from CAN if he is really found guilty of criticizing Christian leaders. He further insisted that no amount of persuasion or threat would compel them to give up their struggle to reject the scheme of non-interest banking in the name of a particular religion. He was also outburst to say that his church had about 25 million memberships across the country, and no Christian would ever accept the establishment of Islamic banking if it is established, no one will be allowed to bank with it.

Obviously, looking at the legal provisions on its establishment and benefits for the country, it is unpatriotic and legally erroneous for anti-Islamic banking due to Islamophobia to ignore the legality of this product in the Nigeria's banking system on the basis of mere inclination to religious sentiment. It is inhuman to overlook the benefits of the product in terms of job creation and attraction of foreign investments from the wealthiest investors of the world mostly located in Golf cooperation countries (GCC) (Olayemi, 2011).

Lastly, the central bank of Nigeria on its side has categorically asserted that it is not a promoter of Islamic banking but only issued guidelines concerning its introduction: "As a regulator of the Nigerian banking industry, the CBN is obliged to issue guidelines for any banking product that is introduced into the banking system and also educate and inform the Nigerian public on it. The business of promoting a product is up to the commercial banks offering non-interest/Islamic banking to carry out themselves and attract customers. In addition, this is what the CBN is doing" (newswatchngr.com)

It has been said uncountable times; virtually in all the news publications about Islamic banking model. Remarks has also been made by many financial experts that Islamic bank is just like any other existing banking techniques and products such as microfinance bank, Development banks, mortgage banks etc. in which any of the interested party can participate at

any point anytime at their personal wish. Ngozi Okonjo Iweala (Nigeria's finance minister and coordinating minister of economy) is a globally recognised Nigerian economist best known for her two terms as finance minister of Nigeria and for her work at the world bank including several years as one of its managing director, she said: "Islamic banking is another form of banking that has already been operational in several countries and should not be looked at with a lot of emotion". Moreover, many literatures substantiate that the Islamic bank is actively operating in Europe, America and part of Asian countries. Britain established the Islamic Bank of Britain some years back, and major banks like HSBC, Citibank, and Lloyd Banks created subsidiaries or window to provide Islamic banking for their customers in UK and around the world. Presently, there are a lot of full-fledged Islamic Banks in Britain, US, and Germany. In Africa, South Africa has Albaraka Islamic Bank and others. Also, there exist several Islamic banks in other African countries such as Senegal, Gambia, Guinea, Niger, Egypt and Kenya among others. Akpan Ekpo, Director General of West Africa Institute for Financial and Economic Management (WAIFEM) said: "Islamic banking policy does not prevent non-Muslims from participating; it is another banking technique that should join the existing operations in the industry so that anyone interested could participate" (Ojo-agbodu, & Omah, 2012).

THE INTERNAL CHALLENGES

There are common criticisms of the concepts and practices of Islamic banking and lots of confusion about Islamic theory of finance among public and the intelligentsia. These include ordinary Muslims and indeed the highly recognized economists and experts among them. This is a category of challenges the study termed as internal because they are emanating from within Islamic boundaries. While some accusations labeled against the Islamic financial institutions originated from few skeptics among scholars of Islamic finance, efforts should be needed to give convincing justifications.

Muslims' Confusion About Concepts And Practices of the Islamic Banking

The major trouble is a misconception about the factual difference between the operations of Islamic and conventional banks: deposits, modes of financing and investments, leasing arrangements etc. which shows that in-depth knowledge and widespread sensitization and clarification are highly needed to attract people's attentions and get the misconceptions eroded.

Many studies have shown that lack of adequate awareness about the impact, benefits and influence of Islamic banking is part of the challenges of the system in Nigeria. It is often said 'knowledge is light.' Technically, when people are ignorant of a thing they tend to perceive it adversely. The same is the case of non-interest banking. This has been a factor that in most cases affects the acceptability and rapid expansion of IB institution in the country.

The reality is that people all over the country have been so much accustomed to the services of interest-based banking. It is what they seek to know, invest and patronize their transactional activities since the time of independence. Therefore, due to long service period of such conventional banks and their widespread branches made them dominant in all other places and also acceptable to all. Thus, the emergence of Islamic banking, after all, these while

is likely to face steep rejection or at least peoples' carelessness owing to ignorance and disinformation.

Sectarian Problems

Many people among Muslims are uninformed and for this reason understood Islamic banking to be a business or financial institution developed by a particular sect of Islamic ideology and it concerns only the adherents of that class of people specifically.

The 'Sufis' or 'Path Seekers' are the followers of a particular path (Dariqah). This ideology was created by some prominent Sufis in many centuries ago. For example, Sheikh Abdulkadir Al-jilany whose path is named Dariqah Kadiriyya, and another one is Sheikh Ahmad Al-tijjany, who formed Darikah Al-tijjaniyya. These two predominant Sufi Muslim sects have their specific mode of worship in some certain activities, and they were the most widely practiced sects in Nigeria. Majority of the elderly Muslim spiritual leaders belong to this group and teach their student to stick to the same path in order to secure eternal life salvation in the from now on.

The Jama'at Izalat Bid'ah wa Iqamat al-Sunnah (JIBWIS) -Society of Removal of Innovation and Reestablishment of the Sunnah, is popularly known as Izalah. It was founded by one renounce scholar, Sheikh Ismail Idris in Jos, Plateau state, Nigeria. This movement is strictly anti-Sufi movement purposely established to curtail what is conceived as the Bid'ah activities or innovative practices of the predominant Sufis (particularly Tijjaniyya and Kadiriyya) like celebrating the Maulud i.e. (the birthday of the prophet), visiting tombs of saints and calling on their names for help etc. are considered non-Islamic by the Izala (JIBWIS).

Today Izala is one of the largest Islamic societies in Nigeria. It is very active in Dawah and education. The Izala group has many institutions and is very influential in the local, state, and national levels.

The Darikah is still alive, widely embraced but is regarded by many as a traditional or ancestral way of religious practices. The enmity and perhaps the hatred that are there between the Darikah and Izala always causes one party to boycott and rebel all views or practices of the other just to make a difference.

Islamic banking was also wrongly perceived as a modern Islamic banking activities introduced by the Izala movement and therefore boycotted by a number of Darikah followers. This attitude came out of the misconception and, therefore, stands a challenge for the development of Islamic banking among the Muslim faithful.

FACTORS THAT CAUSE THE RELIOUS CHALLENGES

There are a number of factors that can be seen as direct or indirect reasons for the challenges. These are:

Strong Religious Affiliation

Nigeria, a West African country is often referred to as "the giant of Africa" due to its large population and economy. With virtually over 150 million inhabitants, Nigeria is the most

populous country in Africa and the seventh most populous the world over. The country is inhabited by over 400 ethnic groups of which the three top are Hausa, Yoruba, and Igbo.

Before the advent of Christianity and Islam into the various indigenous communities that eventually became Nigeria, the different peoples had evolved what is referred to as African Traditional Religion (ATR)

The two dominant religions in Nigeria are Islam and Christianity. Given the colonial 'civilization' agenda and the resultant demonization of the historical, traditional beliefs, the essence of that religion were gradually eliminated from the cultural life of most Nigerian peoples through their contact with colonialism. The majority of the people are identified with either Islam or Christianity. Governments have further adopted and officially regarded these two religions as a necessary tool towards actualizing national unity and mutual coexistence in the country (Ibrahim, 1991, pp.116-117).

Nigeria is often observed to be deeply religious society where most of the people profess religious beliefs without qualification. Nigeria is often described as a country where the religious demography is unchanging –everybody belongs to one faith or the other. Many pressures are always on individuals to remain faithful from cradle to grave. Nobody is critical or skeptical about religious dogmas. Non-religious and freethinking Nigerians are probably seen so insignificant than the religious ones. In fact, Nigeria tends to be the most religious country in the world with over 90% of its inhabitants believing in God, regularly praying and would die for their belief (BBC NEWS, 26, 02, 2004).

It is not in doubt that Nigerians are very religious. Religion is very sacred and central to the existence of most Nigerians irrespective of social class or status. Nigerians hold their religion very dear. The erection of mosques and churches that litter the streets bear testimonies to this fact. The blaring prayers, which emanate from mosques and churches along with the ecstatic religious gatherings you see everywhere, is a clear indication of the value Nigerians place on religion. Religious festivals are relevant features of religion in the contemporary Nigeria. Many stipulated Muslim and Christian festive days like Eid el-Fitr, Eid el-Adha; Easter, Christmas day and New Year are officially recognized as public holidays for the whole country with respect to Muslims and Christians.

"Man of God" is an unbridled attainable position by any God fearing person; man or woman, big or small. Thus, the potential prophet and prophetess are still emerging and evolving in almost every nook and cranny of the Christian communities. As a result of that doctrines and ideology, Christians' minds have deeply trusted and entirely submitted to those religious authorities not only for spiritual guidance i.e. (relating to Godliness and piety for eternal salvation), but even the worldly protection against evil and unwanted destiny. This resulted in the diversity of church activities, ministerial conferences, crusades, casting demons, healing, and prayer nights, pilgrimages, night vigils, Holy Ghost nights and evangelical campaigns.

Whatever it is, both Muslims and Christians in Nigeria are so submissive whenever an issue relates to their religious beliefs. Nigerians do not argue with their religious leaders nor become disloyal to their commands, and that is why these authorities are usually referred to during conflicts or disagreements to admonish their loyalists for peace and unity.

Politicization of Religions and Historic Grudges between Islam And Christianity

To further strengthen the unity of faith and to protect the interest of members of these religions so as to continue advancing the principles on which each of the religions is based, groups and associations started springing up from Islam and Christianity in Nigeria. These organizations became an organized body through which each of the two religions advances their course in the management of the affairs of the public. We now turn to the Nigeria Supreme Council for Islamic Affairs (NSCIA) and the Christian Association of Nigeria (CAN), the two major umbrella bodies representing the interest of Muslims and Christians respectively.

Between 1970s and 1980s, Muslims intellectuals began to seek for a new identity for Islam. They started advocating Shari'ah the Islamic Law to be incorporated in the constitution. According to them, of the three laws in Nigeria; (the Islamic Law, English Law and the Native Law), the Shari'ah has not been given due attention in the constitution. Therefore, they argue that they merely demanded the inclusion of Shari'ah Law in the constitution and never against any law that existed within. Moreover, it is known that every Nigerian has a right to practice and profess whatever faith ones desires. Therefore, denying Muslims' right to manifest in the constitution that they can refer to in dealing with issues concerning their juridical affairs would be tantamount to deprivation of their religious rights.

The move started in the Constituent Assembly of 1978. During the proceedings, a controversy arose over the Shari'ah question. Unable to reach a consensus with the Christian representatives, ninety-three Muslims representatives staged a walkout from the circumstances due to the rejection by the Christian of the provision of Shari'ah in the draft constitution during the debate (116, 1993, Kukah). However, a compromise arrangement was reached through the Military Government intervention with the provision for Shari'a court of appeal for states that wanted it in a limited jurisdiction of personal status under section 240 subsection 1.

In 1988, the opposition to Shari'ah came again during the constitution making process. The Christians representatives at the conference demanded the removal of the Shari'ah provision from the Nigeria constitution. This move resulted in a more severe hatred between the advocates of Shari'ah and those that called for it total abrogation of the policy.

Things and events easily get religious interpretation even when initiated without religious intentions. . For example, in the 1978 elections there were two major political parties of in Nigeria. The National Party of Nigeria (NPN) had a stronger influence in the North with a Muslim as its presidential candidate and the Unity Party of Nigeria (UPN) had more substantial impact in the South with a Christian as a presidential candidate. The NPN adopted one raised finger as a symbol of their party, meaning "one nation." Non-Muslims from the opposition party said the sign meant Muslims want only one religion for Nigeria so if they win the election, they are going to Islamize Nigeria. The UPN adopts the "V" symbol for "victory." Muslims said this was a sign for polytheism so if UPN wins they will do away with religion and introduce Communism. At any given time, the nation is dealing with one religious issue or the other. These range from religious conflicts, commissions dealing with ethical issues, pilgrim issues, OIC or Sharia debates, diplomatic relationship with Islamic or Christian nations, and various

religious bodies confronting or commenting on government policies or actions from a religious perspective.

Although these two organizations have promoted cooperation among its members, through the harmonization of interest groups, but they have also created problems that have destroyed lives and properties. For instance, the protest initiated by CAN during the Kaduna Shari'ah implementation cost the nation a fortune as several died over the clash).

Moreover, being pilgrimage to Mecca one of the Muslim fundamental religious obligations, the successive Nigerian regimes consider it a government responsibility to coordinate, organise and communicate with Saudi government agency for facilitation of the procedures ranging from the grant of visa, rent of settlement and the arrangement of transit airlines as well as to ensure that the limited seats given to Nigeria in a particular year has never been exceeded. Therefore, government established National Hajj Commission of Nigeria (NAHCON) for the exercise. In an effort to discharge these duties effectively, it costs the Nigerian government and sometimes the intended pilgrims enjoy some subsidies in the paid amount. The Christian Association of Nigeria CAN blasted the government for spending the country's money for Islamic affairs, they therefore demanded the establishment of Nigeria Christian Pilgrim Commission (NCPC) that would do the same job for the Christian pilgrims to the holy land "Jerusalem" although nowhere has it been prescribed incumbent upon Christian in the scripture.

Also during the reign of former President Olusegun Obasanjo, the CAN pushed tirelessly to actualize their pre-aimed objectives of influencing and dominating the heart of the country by levelling usual accusations against the Muslim and requesting the President to relegate the power of majority and consequently uplift the Christian impact on governance. The president being a Christian from southern Nigeria, politely listened to the request in favor of his faith and used his mentor power to actualize the Christian demand. (Obadare 2006) writes: "Obasanjo widely opened the doors of the Presidential Villa, the Aso Rock, for Christian leaders to pray and also built a Christian chapel in the Villa".

Christians have been so much suspicious of Muslim domination, which is the usually overemphasized claim. On the question of political opportunities in the country, the CAN Northern zone made a publication on leadership in Nigeria that Muslims dominated the leadership of not only Northern parts of the country but the nation as a whole. According to Mukhtar U. Bunza (148-149, 2007), the CAN queried that since independence most Nigerian leaders were Muslims, that Muslims hold the key positions in government, that despite the high number of Christians in the Police force in Northern Nigeria, most of the Police Commissioners and Divisional Police Officers (D.P.O.s) were Muslims [22]. The CAN blamed the Muslims for the socio-economic problems embedding Nigeria. According to Onabajo (2012), "President Obasanjo again restructured the nation's Armed Forces in such a way that the Muslim Hausa-Fulani top military officers of the country were systematically edged out in favour of the Christians".

The Case of Bank Chiefs

It has been said uncountable times; virtually in all the news publications about Islamic banking model. Remarks has also been made by many financial experts that Islamic bank is just

like any other existing banking techniques and products such as microfinance bank, Development banks, mortgage banks etc. in which any of the interested party can participate at any point anytime at their personal wish. Ngozi Okonjo Iweala (Nigeria's finance minister and coordinating minister of economy) is a globally recognised Nigerian economist best known for her two terms as finance minister of Nigeria and for her work at the world bank including several years as one of its managing director, she said: "Islamic banking is another form of banking that has already been operational in several countries and should not be looked at with a lot of emotion". Moreover, many literatures substantiate that the Islamic bank is actively operating in Europe, America and part of Asian countries. Britain established the Islamic Bank of Britain some years back, and major banks like HSBC, Citibank, and Lloyd Banks created subsidiaries or window to provide Islamic banking for their customers in UK and around the world. Presently, there are a lot of full-fledged Islamic Banks in Britain, US, and Germany. In Africa, South Africa has Albaraka Islamic Bank and others. Also, there exist several Islamic banks in other African countries such as Senegal, Gambia, Guinea, Niger, Egypt and Kenya among others. Prof. Akpan Ekpo, Director General of West Africa Institute for Financial and Economic Management (WAIFEM) said: "Islamic banking policy does not prevent non-Muslims from participating; it is another banking technique that should join the existing operations in the industry so that anyone interested could participate" (Ojo-agbodu, & Omah, 2012).

One may doubt why the Christian clerics in Nigeria are harsh on the introduction of Islamic banking. Following what had just happened in the Central Bank we could arrive at a convincing proof that the over-reactionary attitudes of the church officials could not be disconnected with the CBN policy of restructuring and salvage of the commercial banks in 2009. The CBN under Sanusi, removed the chief executives of five commercial banks in the country over rampant and high profile cases of corporate failures and abuse of power due to poor compliance with governance standards and moral decadence at the top management level. For example, the case of Intercontinental Bank and Oceanic Bank managing directors/chief executives (Erastus Akingbola and Mrs. Cecilia Ibru) who defrauded and squandered the hundreds of billions of Naira from their depositors' money. Mr. Akinbola of Intercontinental Bank was charged and asked to forfeit the sum of \$77.84 million to the bank. His wife also declared wanted in connection with the sum of #56 billion misappropriated. Rev. Mrs. Cecelia Ibru of Oceanic Bank was also accused of strip of 199 assets and funds worth nearly #200 billion.

The church was not happy with the action of the Central Bank because all the affected chiefs were Christian believers and in one way or these other the bank chiefs are among the billionaires that finance the churches and their respective clerics only to contribute to the affairs of religion.

Onapajo (quoting BBC News, June, 2011), has this to say: "the Pentecostal pastors or 'General Overseers' has successfully wooed Bank Chiefs and successful business personalities to the church which attracted the 'Super Rich Pastors' and 'Church Money' in Nigeria society 'Church Money' evidently symbolises the highest sources of wealth in the informal sector in present day Nigeria... 'Preaching is big business' it is almost as profitable as oil commerce in Nigeria."

Despite this tragedy that directly affected some of the church financiers on one hand and Christian believers on another, the church precisely CAN did not get courage and stimulus to raise their voice against it due to overwhelming support and praises the CBN received from every nook and cranny –from within and outside Nigeria including the western world. Sanusi became one of the most hailed and admired CBN banker for his sincere efforts to bring things to the normalcy and bail the banks from imminent collapse. Every truthful Nigerian commended Sanusi for his zeal to sanitize the banks; this gave him courage to go further in releasing a draft framework and guidelines for NIBs and finally licenced Jaiz bank plc to start full-fledged non-interest banking services aimed at boosting financial inclusion for all as stated earlier.

It is then the church authority under the banner of CAN pushed against the system and the person of Sanusi and called for his sack. Therefore, we can say that CAN have involved in shadow boxing on behalf of anti-Sanusi elements fighting the battle of discredited bank chiefs and their collaborators. Another point that will affirm the aforementioned statement was their silence when Nigeria under the administration of President Olusegun Obasanjo joined the Islamic Development Bank (IDB) as full member and also in January 2009, the Central Bank of Nigeria under the Governorship of Charles Chukwuma Soludo joined the International Financial Service Board (IFSB) as a full member. IFSB is an international standard-setting organization for the Islamic finance industry, and it based on Malaysia (Aliyu, 2012). Membership of Nigeria and CBN in IDB and IFSB respectively, were indeed the bedrock for the establishment of Islamic banking and finance institutions in Nigeria because both have absolute connection with the new promising system which flourished and got appreciation worldwide.

North versus South Politics

Related to the issue of ethnicity is the North-South dichotomy or regionalism. In 1914, the British brought the Northern and Southern regions together into one political unit. The amalgamation made little sense otherwise it has often been invoked by Nigerians as the foundation of the rancorous relationship between the two regions of Nigeria. Northern Nigeria, now broken into several states and three geopolitical blocs, is mostly Muslim. It was the centre of a pre-colonial Islamic empire called the Sokoto Caliphate, and its Muslim populations, especially those whose ancestors had been part of the caliphate, generally look to the Middle East and the wider Muslim world for solidarity and socio-political example. The South, an ethnically diverse region containing many states and three geopolitical units, is mostly Christian. The major socio-political influences there are Western and traditional African. These differences have been a source of political disagreements and suspicions between the two regions since colonial times.

To add to this caldrion, each of the two regions contains ethnic and religious minorities who harbor grievances against ethnic and religious majorities they see as hegemonic oppressors. These objections are sometimes expressed through bitter political complaints, through sectarian crises stoked by political elites and incendiary media rhetoric, and through violent insurgencies.

Worst still was the mode of relations between Muslims and Christians that the colonial masters did not reconcile before their exit. The relations have somewhat been ambivalent as

each struggles for expansion and to uplift the core principles of faith in the country. Thus, Onapajo (2012) writes: “the amalgamation of Nigeria in 1914 and the emergence of indigenous national politics saw religion actually representing a source of ethnic identity, group unity, political mobilization, regime legitimization and de- legitimization in the country” There is today many associations formed on a regional basis that continue to promote local interests and, directly or indirectly, work against national unity.

Ignorance about the Effects of Interest

Islamic banking is founded due to prohibition of interest that has been espoused by both Christianity and Islam. Everybody is bound not to argue about the unjust and exploitative nature of interest that has long been a problem for the development of many businesses enterprises and sometimes leads to the financial crisis or even an economic meltdown.

Many people are uninformed about the side-effect of interest. It has become blood and bones of Nigerian perhaps as a result of the long stay of that interest-based banking in the land. However, even the world-class economics of international respect have indicated the cruel and exploitative nature of interest.

Lamenting on the evils of interest, on the Nigeria’s monitoring debt to international creditors, the former president Chief Olusegun Obasanjo in 2000 was reported to have said: “All we have borrowed up to 1985 was around US\$5billion, and we have paid about \$16 billion. We are still being told that we owe about \$28 billion. This came about because of injustice in the foreign creditors’ interest rates. If you ask me what the worst thing in the world is, I will say it is compound interest” (Aliyu, 2012).

Lack of Awareness

As indicated in the findings of many studies, lack of awareness is one of the problems of banking in Nigeria. However, there seems to be an improvement comparing to the past. It must be concluded that inadequate sensitization to both Muslims and non-Muslims is one of the causes or factors that leads to steep rejection of Islamic banking in the country. For instance, Onuoha *et al.* (2013) conducted a research on awareness and use of Islamic banking in Nigeria. They discovered that even the elite were not fully aware of what Islamic banking is up to, where 33% of university lecturers did not know that Islamic banks are not operated by Muslims only. Islamic banks have laudable banking operation which customers need to know well about. Also, Sidek and Adnan (2012) studied the perception of non-Muslims customers towards Islamic banks in Kuala Lumpur, Malaysia. The study found that IBs services are increasingly getting accepted among non-Muslims by observing the knowledge and understanding of the institution among the respondents, bank selection criteria and the general perception of customers among others.

CONCLUSION AND RECOMMENDATION

Islamic banking in many countries of the world has been massively accepted and, therefore, recorded a considerable number of successes. In Nigeria, it is still evolving, and has actualized what can be described as a successful beginning. However, like any other country, Islamic banking is confronted with a number of challenges. These challenges are of various degrees. Asia and Middle East have passed the advocacy stage and deeply engaged in research and

innovation. United States and other European government have already been working on promoting its application and developing the indices for accessing the performance of the industry.

Like every country, Nigeria has its related issues that directly or indirectly become a challenge to the industry. The religious challenges discussed in this paper are of two categories: Those that emanate from non-Muslim believers on one hand and that which are from within the boundaries of Islam on another hand. When non-Muslims misperceived the institution to be battling against their religious dogmas, some Muslims also misperceived it to be similar to the interest based system i.e. (not in line with the actual teachings of the Shari'ah). The mentioned challenges are regarded religious because of their direct linkage with religious belief.

The study found out that factors that originally gave birth to those challenges include: the strong religious affiliation of Nigerians which made them be so emotional in any matters religion; politicization of religious and historic grudges between Islam and Christianity; North vs South politics; Ignorance about the effects of interest and finally lack of awareness.

This paper strongly recommends that a sense of patriotism has to be created and put first in the peoples' hearts; looking at things in religious perspectives should also be discarded. It is only then that the sense of unity and everlasting friendship could be implanted in every society that will also give rooms for the needed growth and development. Religious authorities and organizations are to be called to order. Provocative statements and hasty release of comments on social media must be banned. Governments at all levels are urged to create a free relationship with the spiritual leaders and allow interactive sessions to share views and opinions. There should be a friendly collaboration between the stakeholders of Islamic banks and Christian religious clerics in Nigeria. Seminars, sensitizations, and workshops are to be frequently organized to disseminate the fundamental knowledge needed to understand the real meaning of free interest banking.

The concepts and practices of Islamic banking are to be explained and clarified to wipe away all sorts of misconceptions and misinformation about the institution. Examples of Islamic banks around the world have to be cited so also the prospectus benefits that are derived from that place.

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