The Dynamics of Islamic Banking and Finance in Nigeria: A Socio-Economic and Cultural Perspective

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Abstract: *The relevance of Islamic banking and finance has been acknowledged and has enjoyed huge adoption globally. Due to its socio-economic benefits, many countries have begun to appreciate it as a viable alternative financing mode. Despite the numerous prospects of this form of financing, its adoption in the Nigerian financial system has not achieved much in terms of outreach, patronage and performance. In addition, apart from the fact that there have not been much research efforts on its introduction and operation in Nigeria, not much academic research efforts have been directed towards examining the effects of socio-economic and cultural factors on the behavioural dynamics of would be patronisers of the system. Hence, this study examined the possible effects of socio-economic and cultural factors on the patronage prospect and the overall operational dynamics of Islamic banking and finance in Nigeria. Using narrative research approach, the study conceived that factors such as ethno-religious differences, poor operational outreach and dearth of Islamic knowledge are some of the factors impeding against an impactful patronage and successful operation of Islamic banking in Nigeria. Based on this observation, the study therefore concluded that Islamic financing is a veritable alternative to conventional financing modes but for its potentials to be aptly harnessed, certain barriers must be addressed in order to create a mutually benefitting operational environment. This would further enhance the development of the overall financial sector of the country.*

Keywords: *Banking, Development, Finance, Islamic, Operations, Socio-cultural.*

1. Introduction

Financial sector indices are parts of the core determinants of the socio-economic status of countries in today's global world. As it is, different forms of financing are available in the contemporary financial market and one of such forms is Islamic finance. This system of financing is characterised by some financial practices which makes it unique to other forms of financing and which at the same time could be adduced as the reason for its level of acceptance or rejection across societies globally. According to Hassan and Lewis (2007), interest-based banks have the tendency of depriving the society of economic balance and equity because the interest-based system is security-oriented rather than growth-oriented and it has a tendency of depriving a large number of potential entrepreneurs the financial resources to develop their business. Due to the advantages inherent in the Islamic banking and finance system, it has recently become one of the hotly debated issues among financial analysts, the academia and economists globally.

In the words of Cihak and Hesse (2010), Islamic banking and finance is now a global phenomenon and is gaining regulatory approval to operate alongside conventional Western-style institutions. For example, the British regulatory body - the Financial Services Authority (FSA), has been playing a proactive role in promoting Islamic banking across the UK, and this has led to the establishment of the Islamic Bank of Britain. The above notwithstanding, earliest intellectual writings on the operation and dynamics of Islamic banking could be traced to the writings of certain Muslim scholars in the late forties and early and mid-fifties of last century (Ziaudeen, 1984; 1985). At the beginning, many of such researches focused on the principles, relevance and importance of Islamic financing system to the economic survival and viability of human society. Such discussions later shifted from mere conceptual discussions to theoretical level. As it is, theoretical work on Islamic banking and finance encompasses several aspects related both to the operating procedures of Islamic banks and the possible socio-economic consequences of the adoption of the new system. On the whole, the direction of earlier intellectual writings on Islamic banking could be categorised into: the concept and models of Islamic banking; viability of Islamic banking and socio-economic relevance of Islamic banking.

However, it is important to note that modern day academic discussions on Islamic financial system has moved beyond this orthodox level as academic debates on Islamic banking have come to involve more sophisticated academic analysis relating to modern macroeconomic system. For instance, Cihak and Hesse (2010) test for the stability of Islamic banks compared to conventional banks, while Errico and Farahbaksh (1998) and Solé (2007) discussed regulatory issues related to Islamic banking.

It is noteworthy to articulate at this juncture that despite the available research efforts on Islamic banking system, there are still much to be covered in this relevant area of financing. Apart from the fact that many of the early writers on this subject concentrated on Islamic countries, few of such researches observed the behavioural dynamics of would-be users of the financial system. In other words, it could be said that there is dearth of academic works on Islamic banking and finance system especially if one considers the increasing rates at which the economies of the world (especially in Asia, Europe and Africa) are embracing Islamic financing to the development of their economies. Recently, in Nigeria, Islamic financing took the floor of discussion in economic, political as well as religious corridors and there have been lots of arguments and counter-arguments regarding the introduction and operation of this form of financing such that till date, despite the inherent advantages of this financing mechanism, many financial services users still find it difficult to patronize the Islamic banking products due to one reason or the other.

In light of the above, it could be right to say that there are some forms of apathy to this relevant financing system in Nigeria and that this finance system needs timely academic attention. This is necessary not only to cover the gap of insufficient academic research on this area but also to look into ways by which this system of banking and finance could be improved upon in order to enhance the socio-economic development of the country. As it is, the conception of these researchers is that, such apathy suffered by Islamic financing system in Nigeria is as a result of certain factors in which socio-economic and cultural issues cannot be over-ruled. In this regard, this presentation is an attempt to examine the possible influence of these factors on the dynamics of Islamic financing in Nigeria with a view to proffering solutions that would stimulate patronage and focus from stakeholders (government, corporate firms, businessmen, petty traders, artisans and individuals).

2. Literature Review

Fundamentally, there is the need to discuss some relevant concepts that are pertinent to the better understanding of this paper.

2.1 The Meaning of Islamic Banking and Finance

The Central bank of Nigeria (2011) describes an Islamic bank as "a bank or any other financial institution under the purview of the CBN which transacts banking business, engages in trading, investment and other commercial activities as well as the provision of financial products and services in accordance with *Shari'ah* principles and rules of Islamic commercial jurisprudence". According to Lamido (2013), the term Islamic banking and Islamic finance are often used interchangeably because of the conception of many that Islamic economics and finance is all about Islamic banking. Conceptually, the etymology of the term Islamic financing has its root from Islamic economic system which has its operational source from Islamic law and jurisprudence with the major aim of ensuring the wellbeing of human race generally. Structurally, its basic principles are derived from the axioms of equity, justice and harmony and it aligns significantly with the divine prescriptions (Kahf, 2004).

Technically, financing refers to the means of providing funds towards the production of goods and services, for payment of factors of production with the aim of receiving returns immediately or in future (Thorsten, Asli & Ouarda, 2010). For instance, an employee finances the employer by waiting until the end of the month for getting compensation for the working hours given throughout the month; a finance house finances an entrepreneur by waiting until the sale of production to get the interest on loan, a lessor finances the lessee with the hope of getting payments (lease rentals) on his/her property; and also a shopkeeper finances his/her customers by waiting until their pay day for the payments of consumer goods they purchased during the week. Hence, the concept of Islamic finance is no more than a way of providing financial services to the public following the laid down rules and regulations of Islamic law and jurisprudence.

Al-jarhi (2004) describes Islamic finance as an organized system through which fund is provided to an organization in the form of money with a bid to sharing future business profits, or in the form of goods and services delivered in return for a commitment to repay their value at a future date. With this philosophy, any profit distribution on financed project that is based on giving either party a predetermined fixed amount regardless of the actual profit may not be fair or just (Kahf, 2004; Addas, 2008; Lamido, 2013). Corroborating this assertion, Siddiqi (2004) opines that in Islamic finance, during profit sharing, both parties share in the actual outcome or the net profit/loss of the financed project. The idea is that risk bearing is not burdened on one party or the entrepreneur who is always at the disadvantage point of the relationship, rather, the provider of funds is guaranteed a given return of money regardless of whether the project makes or loses money. Thus, the fair play of market forces determines the rates of distribution of profit of the operation between the financier and beneficiary (Siddiqi, 2006). Furthermore, when financing is done on the basis of sale or lease principles, the Islamic bank carries the kind of risk associated with buying and owning a good and then providing it for its user (Maududi, 2013).

2.2 Islamic Banking and Finance: History, Relevance and the Operational Dynamics

In actual sense, the historical beginning of Islamic finance could be traced to the earliest period of Islamic history; this is evident not only in several Quranic injunctions relating to finance but also in *Ahadith* (prophetic sayings) that discussed financial and economic issues as important aspects of the human social organization. According to Lamido (2013), after instituting the place of worship, the next core activity of the prophet in Madinat was to establish a marketplace where economic and financial transactions would be carried out. After the death of the prophet, his companions also engaged in series of financial policies pointing to the fact that Islam does not toy with the issue of economics and finance. Since then till date, Islamic financial system has been in existence but it was not until the turn of the 20th century that resurgence in Islamic finance took the stage again. Since then, Islamic financing system has increased in leaps and bound; it has gained prominence in the global financial discussions giving the fact that Islamic banks are growing 50% faster than the conventional banking system. According to Lamido (2013), the capital base for Islamic banks around the world has increased from $145 billion in 2002 to $1.033 trillion in 2010. Similarly, the Global Islamic Finance Magazine reported that the global assets of Islamic banks were projected to grow from $1.3 trillion in 2012 to over $1.8 trillion in 2013 (Lamido, 2013).

Following from the above, the question that is likely to come to the mind of an inquirer is that what could be responsible for such an exponential growth in the popularity and development of Islamic banking system, this might be because of more humane nature of the system. Islamic finance is unique because its core objective is to ensure the wellbeing of all men on earth and in the hereafter. This has made it fit more for human progression and guaranteed rest of mind. Exploring from the macroeconomic perspective, Mansur (2013) observed that one of the major advantages of Islamic banking and finance is its ability to drive the development of the real sector of the economy by its potential of improving the productive capacity of entrepreneurs. This is made possible through its profit/risk/loss sharing mode; hence improving the quantity, the quality and the usability of real goods and services.

Hassan and Lewis (2007) opine that financing profitable projects has been made easier and accessible with the advent of Islamic financing window. By obtaining funds from Islamic banks, businesses generate returns that can be distributed between the entrepreneur and the financier. In other words, Islamic finance is purely a humanitarian real life, real-goods/services financing (Kahf, 1999). Hassan and Lewis (2007) further observe that no fund can find its way to the Islamic financial system without passing through the production and/or exchange of real goods and services. The credit worthiness, ability to repay loan and the returns are not just the basis upon which Islamic banking and finance is centred; rather, (unlike conventional banks), the worth and profitability of the project as well as the exchange of goods, merchandise and services are key. Hence, the ability to recover the finance principal is a necessary but not sufficient condition in Islamic banks, as recovery of loan gradually becomes a by-product of profitability and value of the project itself (Siddiqi, 2004).

Additionally, Islamic banking and finance encourages the integration of both ethical and moral values into its financing activities so that banking complements overall economic cum moral developments. Islamic banks cannot detach themselves from ethical/moral considerations even if they try, especially since their own environment, including both staff and clientele, expects from them a pattern of behaviour that is consistent with their commitment to moral and ethical standards as laid down by the Islamic *Shariah*. The immediate and most important outcome of the moral and ethical commitment of Islamic banks is developmental in nature. Islamic banks restrict their financing to goods and services that are useful and rightful and abstain from financing illegal businesses or goods that might be detrimental to the wellbeing of any member of the society. Strictly, Islamic finance cannot be used for production of goods such as alcohol, tobacco, hard drugs or any morally unacceptable services such as casinos and pornography, regardless of whether or not such goods and services are legal in a given country or not (Hassan & Lewis, 2007).

Thus, unlike conventional banking system whose major conditions for granting credit is the creditworthiness and the readiness to pay an agreeable amount as the interest on finance offered without necessarily looking or having much concern on the nature of investment the credit facility is used for. The Islamic banks have to apply the Islamic moral/ethical criteria in screening their finance. They do not extend their help to activities that are, in the final analysis, harmful to society and consequently anti-developmental even when such activities are allowed by the law of the land. This adds another dimension to the developmental role of Islamic banks that has a long-term effect on the productivity in the economy as it reduces the social and economic cost of such harmful products and activities.

The ethical/moral commitment of Islamic banks can be manifested in other forms. For instance, a practice of granting interest free loans has been provided by Islamic banks to their customers; especially those who direly need overdrafts to meet unexpected circumstances. Furthermore, many Islamic banks have invested their yearly profits dues on shareholders' equity to establish social funds specifically designed for relieving the economic hardship of the poor and needy. These *Zakat* dues are also earned from the deductions made from the deposits by investment depositors in Islamic banks who give their consent to the bank's management. Islamic banks may have deposits (in form of investments) with conventional banks (Kahf, 1992) and interest that may accrue to the Islamic banks from such investment deposits as well as from certain transactions can be used to finance these charitable activities.

Hassan and Lewis (2007) assert further that such interests accruing from deposits in conventional banks cannot be taken by the Islamic bank but must be distributed to charity (*Waqf*). Donations from the public are also source of charitable funds to Islamic banks (Siddiqi, 2000). Since most Islamic banks operate within an interest-based environment and have working relationships with conventional banks, they often accumulate interest balances as a result of such deals and transactions. However, earned interest cannot be taken as income, it is considered unlawful (Quran 2 vs 276) for the earner and must be disposed of to the poor and needy in a way that does not directly benefit the Islamic bank (Hassan and Lewis, 2007). Hence, interests earned by Islamic banks from conventional banks are spent on benevolent social activities. In other words, although profit growth is essential to Islamic banks as to other businesses, the underlying philosophy of these institutions is conducted toward social commitment and activities that usually cannot be interpreted by the profit motive (Thorsten, Asli & Ouarda, 2010).

In general, Islamic finance places more weight on the merits of the business to be financed rather than on the wealth of the fund user. As a result, under this banking system, a better distribution of credit is likely to be achieved (Siddiqi, 2004). Kahf (1999) further observes that in Islamic banking, two kinds of depositors exist: those who are investors and those who want their money intact and guaranteed by the bank. Funds provided by these depositors, just like the conventional banks, are made available to prospective borrowers. Although, three major categories of financing modes are made available: sharing mode, sales mode and leasing mode. Generally, none of these financing options has any interest component but strictly based on the axiom of sharing; thus, providing finance to projects with the aim of sharing the returns from the project on a predetermined basis. Hence, if a project loses, all capital providers and financing contributors lose together and proportionately. The Islamic modes of financing, by virtue of their very nature, are incompatible and unsuitable for debt rescheduling, debt swap, financing of speculative cash balances, inter-bank liquidity, speculative transfers and other purely monetary/financial activities that make up a substantial part of current activities of conventional banks (Vittas & Cho, 1996).

Given the relevance, advantages and possibilities inherent in the Islamic banking system, ordinarily, one would assume that this system of finance is supposed to have overridden the conventional system of finance which is less humane compared to the Islamic banking system. However, an examination of the general operation of the Islamic banking system would reveal not only that some countries are still finding it difficult to accept this mode of financing into their economy but also that even in some societies where it has been adopted, people are still finding it difficult to take to the form of financing; Why is this the case? In a way of answering this question, the next segment of this paper examines the socio-cultural dynamics that might be responsible for the somewhat apathetic dispositions of the people towards Islamic financing system using the Nigerian society as the case in point.

2.3 The Dynamics of Islamic Banking and Finance in Nigeria: Socio-Economic and Cultural Impediments

Essentially, human being is a social, economic and cultural agent of life. That is, human positions and dispositions, actions and inactions on every other fact of life would be largely determined by the socio-economic and cultural dynamics. According to Hofstede (1993; 1994; 2001), human behaviours generally are functions of specific socio-cultural systems. This could be part of the reasons for academic call on the social scientists to put vested interest in the study of influence of culture on several aspects of human life (Sweeberg, 2000). Specifically, one of the basic focuses of behavioural finance is to look into the effects of socio-economic and cultural patterns cum cultural dynamics on general financial behaviour of the people of a given society. As regards our present purpose, a critical look into the introduction and the operational dynamics of Islamic banking in Nigeria would reveal that socio-economic and cultural factors play immense roles in determining the reality of things regarding the utilization and patronage of Islamic banking system in Nigeria. Some of these factors affecting the operational dynamics of Islamic banking in Nigeria are highlighted further:

2.3.1 Religious Factor/ Religious Bigotry/ Religious Intolerance

One of the major obstacles to the impactful operation of Islamic banking in Nigeria is the problem of religious intolerance. Furthermore, a major socio-cultural line on which the Nigerian society is largely divided upon is religion. However, not only that the country is divided on religious lines but also that the level of religious intolerance is high and generally alarming such that the two major religious beliefs in the country namely Christianity and Islam are generally at opposing ends whenever any issue of national interest crops up. This is usually manifested many times when one of the religious sects wants to bring anything from their religion into the general socio-political or economic system even though such policy has tendency of benefiting the whole nation. This controversy came up when some states in the Northern Nigeria decided to formally adopt the Islamic law popularly known as *Shariah* in their states.

Similarly, in the wake of the introduction of Islamic banking in Nigeria, many Christian faithful kicked against it, not because it is not inherently beneficial, perhaps, because it carried the adjective 'Islamic' coupled with the fact that the Central Bank Governor then is a Muslim Northerner whom many claimed is not a trained banker but rather a graduate of Islamic studies from a University in Sudan. This form of religious intolerant behaviour if critically examined has been the reason why the introduction of the Islamic banking system has generated lots of controversy and at the end of the day, the system could not be introduced the way it is supposed to and its partial introduction could be one of the reasons for its less popularity till now. This is because, at the end of the debates, no full-fledged Islamic bank was established and despite the opening of the Islamic finance windows in many of the conventional banks, people still find it reluctant to patronize their services. These might not be unconnected with level of religious intolerant dispositions put on by the religious bodies such as the Christian Association of Nigeria in the wake of introducing the Islamic finance model into the country.

2.3.2 Inadequate Knowledge of the System

Another major factor that could be held responsible for the slower operation and utilization of Islamic banking in Nigeria is lack of adequate knowledge of the system. Ordinarily, many people are of the opinion that the acceptance of Islamic banking system in Nigeria would not only make Islam more popular in the country but could also lead to the subjugation of the non-Muslims because they feel they may not benefit from the system as much as the Muslim counterparts. Such set of people are not aware of the fact that the Islamic banking system is faith-neutral as it does not give preference to the borrower based on the religious belief or religious affiliation, rather, the focus is on the financed project not on the individual to be financed. In other words, despite the fact that Islamic religion is not new to the Nigerian system, the Islamic banking system is alien to the system. Even some Muslims are not aware of its operational dynamics and relevance. As a result, the conception of many is that the adoption of Islamic banking system in the country is an attempt to Islamize the country.

2.3.3 Emotional Sentiment

Another factor that could be held responsible for the setback experienced in the introduction of Islamic banking in Nigeria is the emotional sentiment that has been attached to it. By nature, humans find it difficult to adapt to economic change easily, especially when they feel sceptical or have ill-feelings as regards the impending benefits that would arise from such change. These feelings might be as a result of cultural affiliation, social orientation, emotional dislike or low knowledge about the invention that has been introduced. Hence, upon the introduction of Islamic banking in Nigeria, rather than appreciate its reality, merits and prospects, some Nigerians became emotionally sentimental and reacted aversely towards its patronage; as a result, the investment and customer bases of Islamic finance products in Nigeria still remains shallow and unimpressive.

2.3.4 Dearth of Islamic Knowledge

In addition to the above, one would ordinarily presume that the introduction and acceptance of Islamic banking system should not be a problem in a country where majority of its population are Muslims. But as observed earlier, the patronage of Islamic finance products in Nigeria still remains unimpressive. Although, by connotation, one would assume that Islamic finance is strictly for Muslims, the operational setting of Islamic finance however allows for the generality of individuals regardless of religious inclination. Despite the vast majority of Islamic religion followers in the country, it is pertinent to assert that many of these followers have little or no knowledge about the tenets of Islam let alone the workings of Islamic finance products; more worrisome is the fact that many Muslims are unaware that *riba* (interest taking or giving) as entrenched in the activities of conventional banks is *Haram* (forbidden) (Quran 2 vs 275); (Quran 3 vs 130). In light of this, one would have expected that with the advent of an alternative banking and finance window which aligns with the provisions and teachings of the Islamic religion, a massive switch would have emerged from the users of the interest-based conventional banking products to the interest-free Islamic banking products. This is however not the case, perhaps as a result of inadequate knowledge about the workings of Islamic finance or deliberate act of Muslims and non-Muslims not to totally subject themselves to the prescriptions of the Islamic religion as would be exhibited in the activities of the Islamic banks.

2.3.5 Past Experiences

Another possible factor impeding the successful operation of Islamic banking in Nigeria is the bitter experiences Nigerians had with the previous failed indigenous commercial banks. Banking in the conventional way was brought into the Nigerian economic system from England with the establishment of the British Bank of West Africa in 1894. This was later joined by other foreign banks which remained dominant in the Nigerian banking sphere for decades with major intent to serve expatriates and colonial interests. Thereafter, some indigenous banks emerged with the aim of competing with the then existing foreign banks but eventually went into extinction due to several factors which included poor management and low patronage.

Today in Nigeria, the three foremost foreign banks still functionally operate; although, now indigenously owned and managed by Nigerians, many Nigerians still attribute their continued existence to the solid foundation laid by their colonial owners. Owing to this, attempts from other local banks at competing with these erstwhile foreign banks have faced stiff reluctance from individuals. Perhaps, this may be attributed to customers' loyalty but by extension, many Nigerians still relish the socio-psychological torture they underwent when many of the then existing indigenous banks folded up with no rescue in sight. Hence, upon the establishment of the first non-interest bank in Nigeria, many Nigerians apparently felt it was a scam or another banking sector disaster waiting to happen. This situation could have made many Nigerians still stick to the known commercial banks rather than patronize the new-born Islamic bank, thus insinuating that 'a well known devil is better than a new angel'. Another factor relating to past experience is the negative experience people have with the introduction of *Shariah* law in some Northern parts of the country such as Zamfara and Kano. Observers bemoaned the existence of these laws in these states; in other words, if the introduction of *Shariah* law in the North has led to significant change in the socio-economic development in the State, people would have vested more confidence in the Islamic finance system but because their bitter experience with *Shariah* law as a mere political game made some observers to see the introduction of Islamic banking as mere religious political game.

2.3.6 Harsh Operating Environment and Poor Outreach

A major clog in the wheel of achieving sustainable Islamic financing system in Nigeria is funding. For instance, Jaiz Bank Plc being the first non-interest bank in Nigeria was licensed to operate as an international commercial bank in 2003 but could not commence operations until 2012. Nigerian banking regulation stipulates minimum capital requirements for banks willing to operate in Nigeria; this regulation requires that banks are classified into regional, national or international status on the basis of minimum capital of ten billion naira (₦10bn), twenty-five billion naira (₦25bn) and fifty billion naira (₦50bn) respectively. Due to this reclassification of banks in 2010, Jaiz Bank received approval to operate as a regional bank owing to its capital base of about twelve billion naira (₦12bn) as at the period. According to the CBN guidelines, a commercial bank with a regional operating license shall be entitled to carry on its banking operations within a minimum of six (6) and a maximum of twelve (12) contiguous states of the federation, lying within not more than two geo-political zones of the federation including Abuja (CBN, 2010).

As a result, Jaiz Bank maintains networked branches in six states with eleven locations plus the federal capital. These states include; Kano (2 locations), Kaduna (1 location), Gombe (1 location), Borno (1 location), Katsina (1 location), Zamfara (1 location), Lagos (1 location) and FCT (3 locations) (*see Jaiz Bank plc website)*. Although, the bank is in the process of expanding to urban centers in all 36 states of the federation, the current situation nonetheless suggests that it is not capable of meeting the financial needs of prospective users of Islamic banking products. More so, a single non-interest bank in a Muslim dominated country like Nigeria is appalling and dismal. Many Nigerians willing to patronize the Islamic banking products have found it herculean due to the seemingly inconvenient locations. Specifically, a situation where the bank has just one branch in the largest commercial nerve of the federation (Lagos) is despicable.

In addition to the above, Islamic financing system could not function very well in the country due to the nature of the investment environment. Generally, Islamic financing system relies on business people who will use the Islamic bank window to finance their business. However, because it is difficult for business to thrive in an environment with unfavourable macroeconomic factors such as epileptic power supply, high interest rate, inflationary pressures, unstable exchange rate and poor infrastructural facilities, there is higher possibility that would-be investors in the sector be feeling reluctant to invest into the system due to the volatile nature of the economy in which there is higher probability of business failure. The harsh investment environment has made the conventional banking system more preferred for investors because, the collateral received from the borrower could serve as means of recovering their capital in case the business fails. But as for Islamic financing system which relies mainly on profit sharing, there is higher possibility of losing more capital to the borrowers, hence a higher default rate is practicably experienced**.**

3. Methodology

This section discusses the adopted methodology for the study. Specifically, the study is conceptual in nature which adopted a narrative research approach to gain insight into the conceived socio-economic and cultural factors impeding successful operation of Islamic banking in Nigeria; this is due to paucity of data in the existing literature. The study, therefore, started with an introduction, literature review section in order to gain preliminary insight into the dynamics of Islamic Banking and Finance, observations and conclusion and recommendations.

4. Findings/ Observations

As part of the major findings which are literature based and observational in nature, the study found that factors such as ethno-religious differences, poor operational outreach and dearth of Islamic knowledge are some of the major factors impeding against an impactful patronage and successful operation of Islamic banking in Nigeria.

5. Conclusion and Recommendations

5.1 Conclusion

What could be deduced from the foregoing is that Islamic financing system is one of the widely acknowledged forms of financing that is gaining global attention in today's financial world and that the increased popularity could be largely attributed to the specific socio-economic and financial benefits inherent in the Islamic financing system. As shown in the discussions thus far, despite the enormous academic literature available on the subject, not much research efforts have been directed towards the understanding of the possible factors determining the operations, utilization and behavioural dynamics of would-be patronisers of the Islamic finance system. In a bid to cover this gap, this study is an attempt to justify the assertion that socio-economic and cultural variables are important factors that determine the operational and patronage dynamics of Islamic financing system using Nigeria society as the point of analysis. This conclusion is arrived at as result of the fact that despite the enormous advantages inherent in the Islamic financing system, the level of patronage and overall operational viability of Islamic banking system in Nigeria is still not very encouraging and the conception of these authors is that socio-economic and cultural dynamics (such as religion, ethnicity, emotional sentiment, dearth of Islamic knowledge, past experiences, harsh operating environment and poor outreach of the system) are very likely to be responsible for this.

5.2 Recommendations

In order to counter these obstacles, this study recommends that stakeholders in the Nigerian financial sector should take cognisance of socio-cultural components as important in order to enhance the operation and utilization of Islamic financing system in the country. This could take several ways. One of such ways is for the concerned stakeholders to embark on sensitization programme, such a programme could be organised by the Central Bank and other financial regulatory agencies such as Nigerian Deposit Insurance Corporation (NDIC) to create awareness on the numerous benefits inherent in the Islamic banking products and the uniqueness of its operations. The sensitization efforts should also be directed towards ensuring that Muslims and non-Muslims develop positive mindset towards the product. In addition, there is the need for sincerity of purpose on the side of policy makers and policy implementers as regards the introduction of the Islamic financing system into the country, this is necessary because many at times, the beauty of a policy is jeopardised by emotional/political sentiments of the initiators and the implementers. Finally, there is the need to create an enabling business environment, improve on the existing infrastructural facilities in the country and the monetary authorities should put in place sound policies that would positively enhance business operations in the country.

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