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UTILIZING ISLAMIC BANKING PRODUCTS TO ALLEVIATE POVERTY IN NIGERIA

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Abstract

Although successive governments and international organisations have tried to address the issue of poverty, the effects of their strategies and programmes have not made much impact on the poor. There is a need to search for better ways or strategies of implementing poverty reduction programmes to make them more effective and sustainable. The paper, therefore, enumerates the causes of poverty and the attempts of the past governments in Nigeria to alleviate it. It discusses how Islamic banking products can be utilized to alleviate poverty. It is easy to empower the poor and alleviate poverty in an Islamic economy through the use of the Islamic banking products, Zakat (alms) and *qard hasan* (good loan). Creation of jobs for both skilled and unskilled workers in the country is possible through Islamic finance

Key words: Poverty alleviation, Islamic banking products, banking,

Definitions of Poverty

Poverty (*faqr*) is not a new phenomenon because from the earliest days of the recorded history, man has been faced by *faqr*. Although, it is a global phenomenon, it affects continents, nations and peoples differently and unequally. No nation is absolutely free from poverty though its intensity is different. The concept of poverty is very difficult to define for it belongs to the category of terminologies, which are not amenable to a single definition.

Therefore, there has been a proliferation of definitions of poverty (*faqr*). They include:

- The World Bank (2000) utilised inductive approach to uncover various dimensions of poverty such as well-being, psychological, basic infrastructure, illness and assets. One of such definitions is "the lack of what is necessary for material well-being-especially food, but also housing, land, and other assets. In other words, poverty is the lack of multiple resources that leads to hunger and physical deprivation." Another of such definitions is "lack of voice, power, and independence that subjects them to exploitation. Their poverty leaves them vulnerable to rudeness, humiliation, and inhumane treatment by both private and public agents of the State from whom they seek help" (The World Bank, 2000).

- The Central Bank of Nigeria (1999) views poverty as:A state where an individual is not able to cater adequately for his or her basic needs of food, clothing and shelter; is unable to meet social and economic obligations; lacks gainful employment, skills, assets and self-esteem; and has limited access to social and economic infrastructure such as education, health, portable water, and sanitation; and consequently, has limited chance of advancing his or her welfare to the limit of his or her capabilities.

- Another of such views of the poor is that expressed by a poor man in Kenya in 1997 as reported by Narayan et al (2000) thus: "Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes that I am wearing. Look at everything and write what you see. What you see is poverty."

The above reflect just descriptions of a few of the various perceptions of poverty at least from the poor. The general sense in all these definitions is that the poor are those who suffer a level of deprivation such that they are unable to meet minimum standards of well-being. From the definitions cited above, the following key indicators can be used as parameters to measure poverty level in Nigeria: malnutrition, inadequate clothing, lack of descent shelter, low life expectancy, high infant mortality rate, high level of illiteracy rate, inadequate health care, low per capita income, lack of basic infrastructure, unemployment etc. Although poverty affects Nigeria as it does other nations of the World, its prevalence in the country is alarming to the extent that no government comes into power without introducing one kind of poverty reduction programme or the other. The extent of poverty in Nigeria is presented in the table and the chart below.

Table 1: Poverty Level Indicators in Nigeria from 1980-2010

Year	Poverty (%)	Total Population (Millions)	Population in Poverty (Millions)
1980	28.1	65	18.26
1985	46.3	75	34.73
1992	42.7	91.5	39.07
1996	66.9	102.3	67.11
2004	54.4	126.3	68.7
2010	69	163	112.5

Table 2: Trends in Poverty level (%) by Geographical Zones

Year	South-South	South-East	South-West	North Central	North -East	North-West
1980	13.2	12.9	13.4	32.2	35.6	37.7
1985	45.7	30.4	38.6	50.8	54.9	32.1

1992	40.8	41.0	43.1	46.0	54.0	36.3
1996	58.2	53.9	60.9	64.7	70.0	77.2
2004	35.1	26.7	43.0	67.0	72.2	71.1

Source: National Bureau of Statistic (2006)

Table 1 presents the poverty level in Nigeria. Poverty level in 1980 was 28.1 per cent but increased to 46.3 percent in 1985 before falling to 42.7 %. Again, it rose to 66.9% in 1996 before decreasing to 54.4% in 2004. It reached a peak of 69% in 2010. This was more than double its 1980 level. Looking at Table 2, it is clearly seen that North-West had the highest poverty rate in 1980, 1996 and 2004 while North-East took the highest poverty rate in 1985 and 1992. This shows that Nigerian poverty is largely a Northern phenomenon. Between 1980 and 2004, South-East had the lowest poverty rate except in 1992 when South-South got the lowest rate of 40.8% as against 41% recorded by the former. The difference is just 0.2%. It could be seen from the above that the extent of poverty in Nigeria is very high. Although poverty is on the increase, North-West, North-East and North-Central of the country are badly affected as could be seen from the chart. Northern part of the country has more poverty households than the Southern part. By implication, it seems Muslims are more affected by poverty in Nigeria because they are in the majority in the Northern part of the country

Causes of Poverty

Global economy widens the gap between the poor and the rich because the poor could not source funds for lack of collateral security. The interest charge is also high. It is about 25% in Nigeria (CBN: 2012). Many Nigerians could not source for funds from the country's financial institutions because of the high interest rate. The resulting effect is that they could neither create job nor get employed by the very few people who have firms. Corruption is one of the main causes of poverty in Nigeria because all the resources that are meant to be used to institute and fund the programmes that can alleviate poverty are being diverted to individual accounts. A glance through a Nigerian daily newspaper will confirm the extent of corruption in this country. If a speaker is not accused of corruption, a minister or a chairman of one local government or the other will be answering questions on the misappropriation of public funds. The following people were accused of fraud in Nigeria: Bankole, former speaker of the House of Representatives (₦9b scam), Ceicilia Ibru, former Managing Director of Oceanic Bank Plc in Nigeria (₦190bn), 15 ex-governors (₦2 trillion) (The Nation, November 14, 2010:1,5) Danjuma Goje, former governor of Gombe (₦52.9bn), Tafa Balogun, former Inspector General of Police (₦17bn), €10m Siemens bribe (The Guardian, Oct. 8, 2011: 1, 9; The Nation Nov. 20, 2007 :1; Nov. 4, 2010: 1; Oct. 9, 2010 :1, 4; June 15, 2011; Dec.17, 2011; The Punch July 5, 2005 :1 Nigerian Newsworld, 2006: 16-17) to mention but a few. The corruption of the civil service in Nigeria called for many reforms by the past and the present governments such as Phillips Commission (1985) and the Abacha's reforms (advance fee fraud-419). Despite the anti-corruption programmes of the past and the present government against corruption such as Murtala's Public Complaints Commission (1975-1976), Buhari's War Against Indiscipline (1984-1985), Abacha's War Against Indiscipline and Corruption (1985-1993) and Obasanjo's Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) to mention but a few, corruption is still rampant in Nigeria. Al-Ghazali says in his book titled *'Ihyā' 'Ulūmud-din, Book II'* that justice is necessary for prosperity to occur and that corruption and oppression always lead to economic decline (Al Ghazali, 2001: 245).

Too much love of wealth and the world is another cause of poverty in Nigeria today. Some Nigerians can do anything to get wealth such as trading in human body parts. Billions of naira and dollars and other foreign currencies of the world are in the accounts of many people in Nigeria. Yet they continue looting public treasury to acquire more and more wealth. Al-Ghazali says in his book titled 'Ihyā' 'Ulūmud-din, Book IV' that the Prophet is reported to have said that God throws three disasters on a person who loves the world more than the next world: (i) he meets such anxieties in mind as never go out of it (ii) he meets such wants (poverty) as never go (iii) he has got such greed which is never satisfied (Al Ghazali, 2001:198).

Rapid population growth may be a cause of poverty if it is not used effectively. If the population is put to use effectively, it is a blessing i.e if sufficient jobs are created for them, they would contribute to the Gross Domestic Products of the country. Some of the products could be exported to earn foreign exchange and thereby increasing the country's reserve. Debt burden is another cause of poverty in Nigeria. Nigeria's debt hits $40bn (The Nation, Friday 28 October, 2011:11). With this, our government is still longing to borrow more money when the money earlier borrowed was not used judiciously. The interest is twice or more than the amount borrowed. The money that would have been used to alleviate poverty is used to service the debt. In Nigeria, many youths are employable but are not employed. The resultant effects are more dependants and the increase in poverty level. Injustices are too many in this country. The accused are not dealt with in a just way. Many of them will be arrested and later released. What they have stolen becomes their property. This makes corruption to be on the increase because the accused were not dealt with seriously to serve as deterrent for other potential corrupt persons.

The Qur'ān says:اعْدِلُوا هُوَ أَقْرَبُ لِلتَّقْوَى (…Be just: that is nearer to piety…Q5:8).

All kinds of sins have become the order of the day in this country. Many innocent people are being killed and kidnapped by Niger Delta militants, Boko Haram people, ritualists, National Union of Road and Transport Workers (The Punch 20 April, 2006; The Nation, 11 October, 2011:8; Tell, 2 July, 2007: 28-33, 41-43; The Nation, 18 June, 27 August, 2011). Sins such as adultery, fornication, theft, armed robbery, hoarding and dealing in interest are committed with impunity. All these can cause poverty according to the Qur'ān and the Sunnah. Many nations were destroyed because of their sins (Q17: 16-19).

Inadequate commitment to programme implementation also promotes poverty in Nigeria. Many government programmes are good but they are not being implemented. For example, the Nigerian Education Bank Acts 2004 (CAP 104) (to provide interest free–loan for students) has not been implemented. Other causes of poverty include market imperfection, political instability, poor technology, bad government, evils of colonialism and greed of the elites, poor education, fiscal indiscipline, food insecurity and breach of contract.

Previous Attempts towards Poverty Reduction in Recent Times

Past governments in Nigeria and some international organisations have taken steps towards alleviating poverty by initiating different programmes that could assist the poor. In Nigeria, poverty reduction programmes such as National Accelerated Food Production Programme and the Nigerian Agricultural and Co-operative Bank (1972) by Gen. Yakubu Gowon, Operation Feed the Nation (1976) by General

Olusegun Obasanjo, Green Revolution Programme (1979) by Shehu Shagari, Go Back to Land by Bukhari's government, Directorate of Food, Roads and Rural Infrastructure (DFRRI) (1986), The Peoples Bank of Nigeria (1990) and the Community Bank of Nigeria (1992), Better Life Programme by Gen. Babangida, Family Economic Advancement Programme (FEAP) (1993) by Abacha. National Directorate for Employment (NDE) (1987), Petroleum (Special) Trust Fund, Community Action Program for Poverty Alleviation (CAPPA) (1996), National Poverty Eradication Programme (2000), National Economic Empowerment and Development Strategy (NEEDS), Small and Medium Enterprise Investment Equity Scheme (SMEIES) and Millennium Development Goals (MDG) were initiated by the past governments with a view to alleviating poverty and raising the standards of living of many Nigerians.

International organisations such as United Nations, World Bank and UNDP also did the same thing. Some of the programmes established by them to alleviate poverty include: Some UNDP poverty reduction programmes are Short Term Advisory Resources (UNISTAR), Transfer of Knowledge Through Expatriate Nationals (TOKENS) and Nigerian Project Development Facilities (NPDF). UN Agencies such as United State Agency for International Development, World Health Organisation and UNICEF undertake some poverty reduction programmes

Although successive governments in Nigeria and some international organisations have tried to address the issue of poverty as cited above, the effects of their strategies and programmes have not made much impact on the poor. A number of factors such as corruption, poor targeting mechanisms, lack of focus on the poor, programme inconsistency and poor implementation have been responsible for the failure of the measures to achieve sustainable poverty reduction (Ugoh and Ukpere , 2009: 847-854). As a result of this, there is the need to search for better ways or strategies of implementing poverty reduction and eradication programmes to make them more effective and sustainable.

Poverty Reduction during the Lifetime of the Prophet and his Companions

From the earliest days of the recorded history during the time of Adam and his sons and even during the time of Prophet Muhammad, man has been experiencing poverty. In Islam, the poor are treated with a lot of sympathy and dignity. Islam prohibits humiliating the poor and urges the rich to help them so as to gain Allah's favour and salvation on the Day of Reckoning.

One of the arrangements mentioned in the *Qur'ān* to assist the poor is to give loan without any returns in terms of interest or profit. The financier takes back his only capital without any reduction or increase in his capital. This is greatly encouraged in the *Qur'ān* (Q2:245, Q5:12, Q57:11, Q57:18, Q64:17, Q73:20 etc). For example, the Qur'ān says: "Who is he that will lend to Allah a goodly loan so that He may multiply it to him many times..."(Q2 : 245). This type of loan is called *qard hasan. Qard* means loan while *hasan* means good. Therefore, *Qard hasan* expresses the spirit of co-operation (*ta'awwun*) and brotherhood (*ukhuwah*). Moreso, the treatment of the sick, reducing poverty in the society, taking care of the orphans and widows are among the social activities that carry good rewards, at least 700 times (Q 2: 265) for each good deed in the hereafter and endear the love of the doers in the mind of beneficiaries in this world. The Qur'ān also emphasises the issue of co-operation when it says: "And help you one another in *al-birr* and *at-taqwā* (virtue and righteousness)... (Q5:2)". There are many ways by which co-operation can be done. Some of them are through trade, t*akāful* (Islamic insurance), charity, donation, etc.

Another way by which the Prophet alleviated poverty was through dignity of labour. He encouraged every Muslim to seek a lawful livelihood for himself and his family. A Muslim must not refuse any lawful occupation inasmuch it is *Sharī'ah*-compliant. In Islam, it is honourable to work to earn a living and dishonourable to depend on begging for a living. The Prophet is reported to have promoted the dignity of labour in some of his sayings with a view to alleviating poverty. One of such is as follows:

> Anas ibn Malik narrated that: "A man of the Ansar came to the Prophet (peace be upon him) and begged him. He (the Prophet) asked: Have you nothing in your house? He replied: Yes, a piece of cloth, a part of which we wear and a part of which we spread (on the ground), and a wooden bowl from which we drink water. He said: Bring them to me. He then brought these articles to him and he (the Prophet) took them in his hands and asked: Who will buy these? A man said: I shall buy them for one dirham. He said twice or thrice: Who will offer more than one dirham? A man said: I shall buy them for two dirhams. He gave these to him and took the two dirhams, and giving them to the Ansari, he said: Buy food with one of them and hand it to your family, and buy an axe and bring it to me. He then brought an axe to him. The Apostle of Allah (peace be upon him) fixed a handle on it with his own hands and said: Go, gather firewood and sell it, and do not let me see you for a fortnight. The man went away and gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment with some of them and food with the others. The Apostle of Allah

(peace be upon him) then said: This is better for you than that begging should come as a spot on your face on the Day of Judgment (Abu Dāwud Hadith no.1637; Rafik 2001: 32)

It should be mentioned that begging is only for three people: one who is in grinding poverty, one who is seriously in debt, or one who is responsible for compensation and finds it difficult to pay (Al-Hafiz, 1996). During the time of Prophet Mohammad (saw) and the four rightly guided *khalīfah,* poverty was very rare because of the spirit of brotherhood that existed among them and the redistributive measures based on the Islamic principle of zakat. In fact, during the time of *khalīfah* Umar, the second *khalīfah* in Islam, people had to search for the poor to give Zakāt (Irfan, 1991: 119). Everybody was self sufficient . This shows that poverty can be reduced in our society if we cooperate and exercise the spirit of brotherhood

Conventional Banking and Poverty Level in Nigeria

Some conventional banks such as Oceanic Bank Plc engaged in some sharp practices such as giving unsecured loans. Many banks have below the minimum running cost expected for the day to day activities. Inter – bank borrowing as well as borrowing from the Central Bank of Nigeria (CBN) was the order of the day. The small and medium scale entrepreneurs and some sectors such as agriculture were neglected. Fictitious companies and borrowing a very huge amount through the non-existing companies from the banks were among the created problems of the conventional banks. A very high interest rate is the order of the day. When these problems became unbearable for the conventional institutions in the world including Nigeria, financial crises occurred at different times (Coffee, 2009). Financial crises, when they happen, spread from one institution to another, or from one country to another.

The failure of one particular financial institution threatened the stability of many other institutions. Bank run, asset-liability mismatch, insufficient regulation, contagion, credit crunch, speculative bubbles and crashes, currency crisis or balance of payments crisis and leverage are some of the causes of more than 20 major financial crises in the world since 1980s such a Latin American debt crisis-beginning in Mexico in 1982 and financial crisis of 2007-2008 (Asutay, 2009). It should be noted that financial meltdowns can happen within a blink of an eye because conventional financial transactions are not asset-backed. The implication of the crises is the increase in the poverty level because many people would lose their assets and also incur a lot of debts. The spin-off effect is obvious i.e poverty because creation of jobs for people to earn their income in order to alleviate their poverty would not be possible. An attempt to reduce the effect of the crisis led many governments to inject taxpayers' funds and incomes into their ailing and distress financial institutions particularly banks. For instance, $4.1t was used as a bailout in the world. Of this, US injected $2.0t into her financial system; UK used $870b (BBC, 2008; NYT, 2009) and Nigeria stabilised her banking sector with ₦720bn in 2008 and ₦679bn in 2011(The Nation, 2011). The chief reason for the crisis was interest; and virtually, the world's leading religions: Christianity, Judaism (Exodus 22:25) and Islam outlawed *ribā* (interest) (Q2: 275-279) explicitly or impliedly. Moreover, many philosophers are against the charging of interest. The main difference between the conventional financial system and Islamic banking is the charging of interest which promotes poverty in our society. Effort should be made to shun it by all banks and other financial institutions because God condemns it (Exodus 22:25; Leviticus 25: 35–37) and many philosophers such as Aristotle and Karl Marx abhor it

Islamic Banking Products and Alleviation of Poverty

Conventional banking products are not asset-backed while Islamic banking products deal with assets. This is why Islamic banks worldwide were resilient to financial crunch crises in 2008 when many banks collapsed and some were merged. In this section, we explain how each product can be used to alleviate poverty through creation of job opportunities.

***Salam* Sale and its Impacts on Poverty**

Salam is an exception to the rule of sale in Islam. According to the Hadith of the Prophet, one should not sell what is not in one's possession (Al-Hafiz, 1996: 279-280). However, this product is a sale with advance payment for future delivery. Sharīʻah allows it with some conditions. This type of sale was in operation before the advent of Prophet Muhammad in the Arabian Peninsula particularly Yathrib which was later renamed as *Madinatun-Nabiyy*. After his migration to Madinah in 622 CE, the issue of this type of sale was brought to his notice. Upon listening to its operations, it was the Prophet who named it *salam* after he had put some conditions on its operations (Tahir, 2009: 203-204). The lawfulness of *salam* sale can also be inferred from the *Qur'ānic* verse when Allah says: "O you who believe! When you contract a debt for a fixed period, write it down…." (Q 2:282).The jurists in their attempts to explain *Salam* sale regarded the list of *salam*able items to include all the commodities that are in the first instance *Sharīʻah* compliant (lawful items) and they are capable of being weighted or measured with a view to determining their quality and quantity (Taqi, 1998: 194; Bukhari vol.3: 243-244). It may be used indirectly to finance raw materials and intermediate goods. *Salam* sale can be used to finance letter of credit, agriculture in abundance etc. With *salam*, famine is gone because farming is highly and heavily supported by Islamic banks through this product. The resultant effect of this product is alleviation of poverty because farmers will have access to funds with which to cultivate lands. Through this gesture, their production will earn some income from their produce by the time they sell them thereby raising their standards of living.

Mushārakah and its Effects on Poverty

Mushārakah is a partnership that involves contribution of labour and capital from both the finance provider and the would-be customer. The profit is distributed among the partners either according to shares of each partner or as agreed upon. The loss is shared in the ratio of the shares of capital contributed. There is no fixed formula for profit-sharing, and each case is dealt with on its own merit i.e. the partners will consider all the variables before they agree on the sharing formula (Ibn Qudamah vol.5:3). The Qur'ān is clear about this form of business when it says: "And verily, many partners oppress one another, except those who believe and do righteous good deeds, and they are few"…Q38:24. The Prophet is also reported to have said; I am the third of the two partners as long as they do not cheat one another. But when one of them cheats the other, I leave them". He also said; "Allah Almighty is with the two partners unless they defraud each other." (Al-Hafiz, 1996: 309-310)

Short-term and long-term projects can be financed through *Mushārakah*. The parties can use decreasing form of participation. The finance provider passes the total ownership to the customer after an agreed period. During the agreed period, the finance provider is receiving his capital instalmentally in addition to a suitable share of the profits. *Mushārakah* can be made use of in the areas of project financing, letter of credit, home buying, real estate, etc. to alleviate and reduce poverty by empowering people to own their houses, businesses etc. They will be able to earn some income from rent and profits made from their business thereby raising their standards of living

Mudārabah (Trust Financing/Combination of Capital and Labour)

Mudārabah is one of the ways of eliminating interest in banking operations. It is a contract conducted between two parties, a capital owner (*rabbul māl*) and an investing manager (*mudārib*) (Ibn Qudamah, vol.15: 134) Other Arabic words used for this type of business arrangement are *qirān* and *muqāradah*. *Qirād* and *muqāradah* originated from the Arabian Peninsula while *mudārabah* was emanated from Iraq, The *Hanafi* School uses *mudārabah* to explain this type of business arrangement while the Maliki and Shafi use *qirād* and *muqāradah* (El-Gousi, 1982: 214) All these three Arabic words refer to the same thing. Literally, *mudārabah* means to make a journey. The implication of this is that an agent is expected to put in effort while using the capital provided by the financier if the word is interpreted technically.

According to Arabic dictionary by Hans Wehr (1980:757), *muqāradah* which is derived from *qard* means cutting off. The implication of this term when used technically to explain this type of business arrangement is that the finance provider cuts off from himself certain sum of money and transfers its usage to an agent for the sharing of profit or loss as the case may be. *Qirād* which is a derivation of *qard* was in use during the *Jahiliyyah* (pre-Islamic) period. During this period, those who could not personally use their funds to transact business gave them to those who had business acumen. There would be an agreement between the provider of funds and the finance users to share a certain percentage of net profit. (Al-Shawkani: 394 and Ibn Hazm: 247).

The term, *mudārabah* is referred to in the *Qur'ān* (73:20) when Allah says:

وَآخَرُونَ يَضْرِبُونَ فِي الْأَرْضِ يَبْتَغُونَ مِنْ فَضْلِ اللَّهِ

'While others travelling through the land, seeking of Allah's Bounty'. The verse refers to the journey made for the purpose of trade,

This type of business arrangement was undertaken by the Prophet before he married Khadijah when he acted as her agent (*Mudārib*). It was also in the *Sunnah* that the Prophet gave his tacit approval when he was told that Ibn Abbas used to give out his money for business on the basis of *Mudārabah* (Muhmammad, 1989: 632).

Mudārabah is, therefore, an arrangement in which the capital provider entrusts his capital to the agent manager for the purpose of investment on the condition that profits made will be shared between them based on a previously agreed-upon ratio or percentage. If loss is incurred, and the loss is not due to the negligence of the agent, it is borne by the principal. The agent loses his time and effort. However, if the loss is due to his carelessness or negligence, the agent is to bear the loss. The profit sharing ratio is mutually agreed upon between the principal and the finance user based on the market forces prevailing during the time and based on other variables (Sidique, 1983). Both parties risk one thing or the other. An investor in partnership of *mudārabah* risks his capital while agent in this finance arrangement risks his time and effort. Any loss resulting from the exigencies of travel or from unsuccessful business venture is borne exclusively by the finance provider provided the finance user does not go ultra-vires.

The capital must be known and defined in terms of quantity and quality. Money that is *harām* or collected through bribery and corruption should not be used in the business of *mudārabah*. If a finance user is to collect a debt and make it a capital of *mudārabah*, the *mudārabah* takes effect at the exact time the money is collected and used for *mudārabah* investment. The capital user must be in control of the capital of *mudārabah*. The third element is to agree on the profit and loss sharing ratio before the commencement of the business. (Taqi Usmani, 1999).

If an agent is restricted to some transactions, the scope of which is defined between the finance provider and the finance user, it is called a limited mandate (*mudārabah al-muqayyadah*). The finance provider imposes specific restrictions on the finance user as regards the place to do business, the types of business to do i.e. object of the business, the methods of transacting businesses etc. If a finance user goes ultra vire, he is responsible for any loss incurred. The agent may be given a blanket authorisation. Therefore, he may buy and sell all types of goods that are *Sharī'ah* compliant. The transaction may be for cash or on credit. He is at liberty to do it alone or hire people to assist him in the business. He may decide to give it as a *mudārabah* to a third party or to mingle it with his own capital and or other people's funds. He has the right to choose when, where and how to use the funds. This is an unlimited mandate (*Mudārabatul-mutlaqah*) (Ali Ahmad 1423/2002).

One thing that must be noted is that a multiplicity of investors and a multiplicity of finance users are allowed in the same contract particularly if the contract involves a huge amount of capital and the operation needs many people to carry it out. If *mudārabah* is used, it can have a more positive impact on real macroeconomic aggregates, such as the growth rate, the product mix of the Gross Domestic Product (GDP) or the income distribution more than credits modes. Therefore, to choose credit modes as a way of financing or investments according to Siddique is suboptimal (Siddique, 1991). The importance of *mudārabah* is to assist a capital owner who does not have ideas of where to use his funds in a profitable economic activity and a person full of business ideas but lacks funds. Therefore, the two if combined together can boost the economy of a society, and their activities can reduce unemployment, generate income, eliminate criminal activities in our society, eradicate poverty and give rise to all the good multiplier effects of such an arrangement. Both the finance provider and the finance user will share profit from the investment based on the agreed ratio. This will provide income for the two, thereby improving their standards of living.

***Ijārah* (Leasing) and its Impact on Poverty.**

Ijārah is an Arabic word which means rent, leasing, hiring-out etc. in the Islamic jurisprudence. Both employment of the services of human beings on wages and utilization of assets and property on rent are tagged *Ijārah* (Al Hafiz, 1996:320-322). Leasing which is lending of some objects to somebody in return for some rentals against a specified period is one of the Islamic banking products. Some of the rules of *Ijārah* are: the subject matter must have a valuable use; the lessee must pay consideration i.e. rentals; the lessor retains the ownership of the property and the lessee has its possession; all the risks of the property are borne by the lessor; the liabilities referable to the use of the asset must be borne by the lessee e.g. Power Holding Company Nigeria Bill; the leased item is for a definite period; and that it must be used for the purpose specified in the agreement or for whatever purpose it is used in the normal course of the business (Q 5: 1-2). This product is capable of alleviating poverty in the sense that many people would be engaged on wages to earn their livelihood. A number of people would also have the opportunity of using other people's asset and property on rent to produce goods and provide services through which they earn income. The resulting effect of this arrangement is creation of jobs that would empower the poor and alleviate their poverty.

Murābahah* (cost + mark-up) *and Musāwamah

Murābahah is another instrument used in Islamic banking. It is sale of goods for money (bay'un mutlaqun). Therefore, it is *Sharī'ah* compliant based on the injunction of the *Qur'ān* (Q2:275) where Allah says: "….Allah has permitted trading and forbidden *Ribā* (interest)". *Murābahah* is when a seller makes the total cost and the profit margin known to a buyer. It means profit is added to the cost while in *musāwamah*, the buyer is not informed of the actual cost and the profit margins (Taqi 1999: 118). The profit element added by the finance provider or the bank is justified in the sense that it seeks out and locates the commodity. In addition, it buys the commodity at the best price. *Murābahah* can be used to finance working capital such as raw materials, semi-finished products, finished products, spare parts, stocks, letter of credit, etc. It can also be used as a treasury deposit (i.e *Murābahah* -Treasury Deposit) to replace Treasury bill. This product is capable of alleviating poverty because the poor are empowered through it.

Istisnā'

This is also an exception to the rule of sale that one cannot sell what is not in existence. However, *Istisnā'* which means to order a manufacturer to manufacture a specific commodity is a sale of what is not in existence (Muslehuddin,1990:115). A promise made unilaterally is binding and enforceable particularly if the promise concerns commercial dealings. It should be noted as regards *Istisnā'* goods, that some work or performance must be done on the goods. It is confined to goods that need manufacturing unlike *Salam* that deals with any type of *Sharī'ah* compliant goods. The price, kinds, quality and quantity of the good to be made must be specified. The price of the *Istisnā'* goods can be paid before, during or after manufacturing based on the agreement reached between the bank and the client unlike *Salam*'s price which is paid in full in advance. *Istisnā'* creates a number of new opportunities that can eradicate poverty in our environment by making funds available to manufacturers who do not have access to funds with which they can embark on productive activities . Where others are looking for where to get jobs and investments, this Islamic banking product and others are creating jobs and investment opportunities.

***Bay' Mu'ajjal* (Deferred-payment)**

This is another Islamic banking product that is capable of alleviating poverty in our society. *Bay' mu'ajjal* refers to a deferred-payment in which the payment for the inputs or implements etc sold to farmers by the bank is made later. The due date of such payment must be clearly stated. It is allowed for the bank to make the deferred price of the inputs higher than their cash price. Time has value when it is related to trade transactions but it does not have any value with purely financial transactions. The buyer must be allowed to make his choice between the credit sale and cash sale. In addition to that, the transaction must not be a financial one; it must be related to a trade transaction (Fuad and Muhammad, 1988: 16). When implements are given to would-be-investors or farmers who do not have any equipment to work with, they are thus empowered. Through this arrangement, they would be able to produce goods and provide services to earn income. The income would improve their living standards and alleviate their poverty. Another advantage of this product is that the users of this arrangement would not pay interest on the funds used to buy the equipment throughout the duration of the contract. As regards the conventional deferred payment, the users would be paying interest on the funds throughout the period. In the conventional setting, poverty is intensified because of the accumulated interest on the funds used to buy the equipment which the users must pay.

Sukūk (Islamic Investment Certificates or Islamic Bond)

Accounting and auditing organization for Islamic financial institutions (AAOIFI, 2010) refers to *sukūk* as certificates of equal value representing after closing subscription, receipt of the value of the certificates and putting it to use as planned, common title to shares and rights in tangible assets, usufructs and services, or equity of a given project or equity of a special investment activity. *Sukūk* is the plural for *sakk* in Arabic language (Hans Wehr, 1980: 520). The word *sakk* refers to an Islamic financial certificate, which is devoid of interest. It does not attract paying or receiving interest as this is against the injunctions of Allah as contained in the *Qur'ān* (Q2:275-279).

The practice of using *sukūk* for the transferring of financial obligations arising from trade and other commercial activities was in use during the medieval period of Islam. During the period, people like Ibn Zubayr, a companion of the Prophet used to give a letter to some people from whom he had collected money in Makkah to take it to Iraq. The letter would be addressed to Mu'ab Ibn Zubayr in Iraq, asking him to pay the amount stated on the letter to those persons in Iraq. This act was confirmed lawful in Islam by Ali b. Abi Talib and Ibn Abbas. It was in 18th century that the idea was transferred from Islamic *fiqh* to Europe and French law (Tahir, 2005:315). This is done through the use of *sukūk*. Upon presenting the *sukūk*, such a person is paid. *Sukūk* is a *Sharī'ah* compliant product which represents ownership of an asset or its

usufruct. It is a form of documentation of contracts which is in line with the *Qur'ān* (Q2 verse 282).
According to the Fiqh Academy, under decision number 5 of 1988, *Sukūk* entails any collection of assets that can be represented in a written note or bond. It is asserted that the written note or the bond can be sold at a market price provided that the composition of the group of assets, represented by the security, consists of a majority of physical assets and financial rights, with only a minority being cash and interpersonal debts.

If one buys *sukūk*, one will be interested in what is actually being financed through it. This is not the case with the conventional bonds as the holder cares less as regards the activities of the company, its leverage etc. Trading in paper i.e. conventional bond is not related to the value of any underlying asset. Today, Malaysia has about 115 airports of which Kuala Lumpur international airport established in 1998 with a capacity of 25 million passengers was rated the best in the world for three consecutive years. Its electricity generation is 25,258 mw in 2010 when Nigeria is trying her utmost power to generate 6,000 mw. The country was able to get out of her poor state of energy infrastructure, road infrastructure, airports, water supply, rural developments, etc because she focused her attention on her infrastructural developments. Consequently, she has become the nations to be reckoned with in the world. A visit to the country will convince one of the rapid developments experienced by the nation in terms of the state-of-the art equipment, machine, building and what have you. The key success of Malaysia's infrastructural developments is her use of the Islamic financial products particularly this product (Uthman, 2010).

It is not allowed for a *sukūk* holder to trade a *sukūk* certificate that represents debt to the holder. It can only be sold at par or held till its maturity. Many of the Islamic financial products discussed earlier in this paper can be converted to *Sukūk*. Many of these Islamic financial products discussed earlier such as *Mudārabah Sukūk, Mushārakah Sukūk, Ijārah Sukūk, Murābahah Sukūk Salam, Sukūk Istisnā' Sukūk,* hybrid *Sukūk* or mixed asset *Sukūk* are variants of *sukūk*.

Conclusion

Poverty is probably the most serious, pervasive and persistent problem affecting much of the world population, of which the Muslim world is a sizeable part. All hands must be on deck to alleviate it in our society. In this paper, we have discussed the Islamic banking products that can assist in the development of infrastructural facilities. The effect of infrastructural development can be seen in some countries like Malaysia, Qatar, Bahrain, Saudi Arabia etc. Malaysia was among the poorest nations in the late 1970s and early 1980s.Many of her population were living on less than $1 a day. As a result of developing her infrastructural facilities, today, Malaysia that was wallowing in abject poverty is one of the nations that are leading the world economy due to infrastructural development. The key success of Malaysia's infrastructural developments is her use of the Islamic financial products. It is, therefore, recommended that Nigeria should borrow a leaf from the experience of these nations in using the Islamic financial products for the development of our infrastructural facilities.

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