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RIBĀ (INTEREST): ONE SUBSTANCE, DIFFERENT FORMS IN THE NIGERIAN ECONOMY

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There will certainly come a time for mankind when everyone will take *ribā* and if he does not do so, its dust will reach him (Prophet Muhammad).

Abstract

Many economic activities in Nigeria cloak the real identity of *ribā* (interest) which comes in different forms; and this puts Muslims in dilemma. This paper, therefore, examines contemporary practices of *ribā* in the Nigerian economy in the light of the Quran and the Hadith. The study reveals that some of the services rendered by the services sectors and financial services such as airtime and cheque leaves are *Sharī'ah* compliant based on the principle of the *sharī'ah* maxim, "*al-kharāju bid-damān*" meaning profit goes with responsibility. However, interest-based government aids and products of the services sector and financial system laden with interest are also not *sharī'ah* compliant based on the injunction of the Qur'an on the prohibition of interest (Q2: 275-279).

Keywords: *Ribā*, money market, government aids, Telecommunications Service Providers, Nigerian Economy.

1 Introduction

In Islam, *ribā* which refers to the payment of an increment on the amount borrowed, which is paid in kind or cash above that amount is prohibited¹. Any transactions or services that involve *ribā* explicitly or impliedly are prohibited in Islam based on the Quranic injunctions² (Q2:275-279). Allah enjoins Muslims to shun all forms of *ribā*. His Prophet also cancelled the act of charging and taking interest on loans. It is noted in the Nigerian economy that interest permeates virtually all businesses. The practices of *ribā* come in different forms, some of them can easily be known while some are implicit. They can be recognised only if care is taken to scrutinize the operations of business models (e.g MMM), services sectors and other aspects of the Nigerian economy. In Nigeria, many business models have been springing up under the guise of charity or donation. They are MMM, iCharity, Ultimate cycler, Paradise Payment Nigeria etc. In fact, it will be difficult to name them because new business models are being floated from time to time. Unscrupulous people float different organisations with different names. But they all perform the same thing in different ways i.e. one substance, different forms. These organisations consider themselves to be charity organizations for rendering financial assistance to one another. They believe that their services will alleviate poverty. Because of the way they are couched, people think and believe that they are really charity organisations. They were created to siphon money from innocent and gullible people under the subterfuge that they were into oil business and foreign exchange deals. They give people double or three times their contributions after a month, or two or three months based on the business plan of each of these wonder banks. The problem facing Muslims, therefore, is how they can identify the *sharī'ah* compliant and *non-Shariah* compliant products and live their lives in a modern capitalist society like Nigeria without

¹ Sayyid Qutub, *In the Shade of the Qur'an*, (trans.&ed.) Adil Salahi (Leicester.: The Islamic foundation, 2006), 211

² Sayyid Qutub, *In the shade*, 211

violating the injunctions of their religion. The paper, therefore, examines various subterfuges used to conceal *ribā* in the Nigerian economy with a view to assisting innocent Muslims to know the non-*sharī'ah* compliant business organisations and financial products. The guidelines contained in the sources of Islam are used to carry out the research.

The rest of the paper is organized as follows. The next section gives different types of *riba* as inferred from the Quran and the Sunnah. Section 3 examines the instruments in the money market and *ribā*, and how they can be re-organised in line with the *Sharī'ah* rules. In section 4, some other financial institutions and some government programmes that are meant to alleviate poverty and which involve *ribā* are discussed. The services of telecommunications service providers and other business models in Nigeria form our discussions in section 5. Section 6 concludes the paper.

2 Definition of *Ribā* and Types of *Ribā* in the Quran and the Sunnah

Ribā literally means excess. The word “*ribā*” is derived from *rabā* which means to grow or increase (Ibn Mansur, 1968)³. *Ribā* and its derivatives are used in the Qur'an twenty times. The Hans Wehr dictionary of Modern Written Arabic (1960) gives translation of *ribā* as interest, usury, to grow, to exceed, to raise, to rear, to bring up and to practise usury⁴. Technically, the word refers to an additional payment over and above the principal lent. Both simple and compound interests are forbidden (Q2: 275-279). In the Qur'an, Allah makes a distinction between trade and interest. The latter is forbidden while the former is allowed.

Reading the Qur'an and Hadith of the Prophet, the following types of *ribā* are inferred. Some of them are interwoven while others are independent of the others. Some forms of *ribā* are explicit while others are means to *ribā*. The ones involved in sales can lead to *ribā* and open for *ribā* through the backdoor. In the light of these, we wish to explain some of the types of *ribā*: *ribā ad-duyūn*, *ribā al-fadland* *ribā an-nasāi*.

2.1 *Ribā ad-Duyūn* ربا الدين (Loan *ribā*)

This *ribā* is specifically referred to in the Qur'an and Hadith. Other names by which this *ribā* is called are *ribā ad-duyūn* (loan *ribā*), *ribān-nasī'ah* (deferment), *ribā al-Qur'an* (*ribā* mentioned in the Qur'an), *ribā al-jahiliyyah* ربا الجاهلية (pre-Islamic *ribā*) and *ribā al-jaliyy* ربا الجالى (open *ribā*). It was practised during the pre-Islamic and Islamic periods. *Ribā al-Jahiliyyah* came in different forms. During the pre-Islamic period, when a seller sold a commodity to a buyer on credit, the seller would request the debtor to pay the debt on the due date. If the debtor failed to pay, the seller would increase the amount due in lieu of further delay. As regards *ribā* in the pre-Islamic period, the account of Abu Bakr al-Jassas⁵, Imam Ar-Razi⁶, Qatada⁷ and At-Tabari gives the same picture of the practice of *ribā* during the period⁸. Another form is that there would be an agreed excess over and above the amount of loan given to a loanee for a fixed term. On its due date, if the debtor could not pay, the seller would increase the term and the payable amount. The excess over and above the principal was *ribā*. When it was time to pay again, if he could not fulfill his obligations, the seller also increased the term and the payable amount. This might continue until the amount due would double or even ten times the original debt. This is how an original loan becomes multiplied many times as a result of passage of time⁹. It is called *ribā nasī'ah* because the word

³ Ibn Manzur, *Lisan al-Arab* volume 14, (Beirut: Dar Sadir Li Taba'ah wan-Nashr, 1968), 304-307

⁴ Hans Wehr, *A Dictionary of Modern Written Arabic*, ed. J. M. Cowan (London: Macdonald & Evans Ltd, 1960), 324

⁵ Abubakr al-Jassas, *Ahkam al-Qur'an* (Cairo: Al-Matba'ah al-Bahiyyah, 1347 A.H), 551-552

⁶ Fakhrud-Din ar-Razi, *At-Tafsirul Kabir*. Part 9 (Tehran: Darul Kutub Al-Ilmiyyah, n.d), 2

⁷ Ibn Jarir At-Tabari, *Jamiul bayan (Tafsiru al Tabari) part 7* (Cairo: Darul Ma'arif n.d), 204-220

⁸ Fakhrud-Din ar-Razi, *At-Tafsirul Kabir*, 2

⁹ M. Shaykh Safiur-Rahman, *Tafsir ibn kathir. Abridged volume 2*, (Riyadh: Darus Salam, 2000), 267-268.

“*nasī'ah*” in Arabic means delay of payment or credit¹⁰. The accounts of the Qur’anic commentators given are in line with the meaning of the *ribā an-Nasī'ah*. This *ribā* is explicit i.e. the amount of *ribā* to be paid is not ambiguous to both parties. Because of its openness or explicitness, Ibn al Qayyim al-Jawziyyah tagged it *ar-ribā al Jaliyy* (the obvious *ribā*). *Ar-Ribā d-duyuun* is referred to in the Qur’an in all the four places (Q30:39; Q4: 161; Q3: 130; Q2: 275-279) . Because the Quran mentions it, it is called *ribā-al-Qur’an*. In fact, the Qur’an explicitly asks the believers to shun all forms of *ribā*, simple or compound, open or concealed. With regard to *ribā*, the Prophet during his farewell sermon was reported to have referred to it when he waived the accrued interest due to his uncle Abbass and asked him to take only his principal from his debtors. He said: ‘Beware, all *ribā* outstanding from the *ribā* prevalent during the pre-Islamic era is void. You are entitled to your principal money. Neither shall you oppress nor shall you be oppressed”. Beware! All *ribā* of pre-Islamic era is annulled and the first claim of *ribā* which I cancel is that of my uncle”¹¹ & ¹².

2.2 *Ribā al-fadl* (*Ribā* of Unequal Exchange)

Ribā al fadl is one of the two kinds of *ribā al-buyū*. This *ribā* refers to an unequal exchange of two things of the same kind such as exchange of barley with barley. They are items contained interest which must be avoided by Muslims. In this regard, the Prophet was reported by Ubaydah to have said: ‘The Messenger of Allah (saw) said: Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt, like for like, in equal weights, from hand to hand. If those species differ, then sell as you like as long as it is from hand to hand’¹³. If the quantity of one of the above-mentioned *ribawiy* items is greater than the other, the excess is tantamount to *ribā al fadl*.

This Hadith is referring to a transaction that is usurious in nature. If a commodity of the same genre is exchanged for each other, both must be equal in weight and quantity. If the quantity of one is greater than the other, the excess is *fadl (ribā)*. In the same vein, if money is exchanged for money of the same currency or coin, both must be the same. If the quantity of one is not equal to the quantity of the other, the excess (*fadl*) is *ribā*. For instance, if one exchanges \$100 notes for \$100 notes, there is no *ribā*. However, if 100USD is exchanged now or later for 200USD, the excess is *ribā al-fadl*. Therefore, *ribā al fadl* happens in a homogeneous exchange when there is an increase from one side in terms of weight or measurement. An exchange of 7kg of yam for 10kg of the same type (i.e. homogenous commodity) of yam, the excess of 3kg is *ribā*. The equality rule must be observed when exchanging goods of the same kind for each other. Otherwise, the difference is *ribā*.

Human sense of evaluation is relative particularly when it concerns evaluating two articles. Some people may have greater ability to assess the quality of a commodity than others. Definitely, the ones with that ability may cheat or exploit the deficiency of the others. Because of that, the Hadith emphasises the equality of goods to be exchanged. *Ribā al fadl* may also lead to hoarding and thus create artificial scarcity. The commodities with low or bad quality are taken in larger quantity than the commodities with the good quality. This will afford the rich person who bought them to have the bad ones in large quantity while the poor who have the good ones may exhaust theirs within a short period. The consequence was that the bad ones which were bought with low price and hoarded for sometimes will be sold by the rich at the price even higher than the price they sold the good ones to the poor in the first instance. Prohibiting *ribā al-fadl* is also an attempt to encourage and see the money as a medium of exchange rather than a commodity, which can be sold and bought.

¹⁰ Hans Wehr, *A Dictionary of Modern Written Arabic*, 959

¹¹ Shaykh Safiur-Rahman, *Tafsir ibn kathir*, 71.

¹² M.U. Chapra, *Towards a just monetary system* (Leicester: The Islamic foundation, 1985), 236.

¹³ S.Abdul Hamid, *Sahih Muslim* volume III, (Beirut. Dar Al-Arabia, 1974), 834-838.

2.3 *Ribā an-nasāi* (Ribā of Deferment) ربا بالنساء

An Nasāi (ربا بالنساء) and an-Nasī'ah (ربا بالنسيئة) mean the same thing. As the name indicates, an-Nasāi occurs when commodities of the same genre or different genre (i.e ribawi items) are exchanged for each other with delay on one side i.e. if one commodity is exchanged for another commodity of the same quantity or different quantity and one of the two is delayed. During the period of waiting, say, a week or a month or a year or more, the price of one could change before the other is given in place of the exchange. This might put the other at an advantage at the expense of loss of other. The delay has led to *ribā an-nasāi* because the price of the goods after the period of the delay may not be the same. It may be less or more than the original price. The excess or the reduction amounts to *ribā*. The difference in time has caused *an-nasāi*. If *ribā an-nasāi* is to be avoided, the exchange must be done the same day, the same month and the same year. Promptness governs this type of *ribā*. If one violates this issue of promptness, one has committed *ribā*.

In relation to *ribā an-nasāi*, *ribā* occurs also in currency trading whereby the current rate of exchange might be more or less than the forward rate¹⁴. For instance, if one makes an agreement on selling or buying a currency using the forward price, there is no assurance that the market rate at the due date will be exactly the same amount agreed upon. If for instance, a dollar is to be bought by A in 3 month's time for \$140 from B. B must sell that dollar for USD 140 to A irrespective of whatever happens in the market. If for instance, at the due date, a dollar is USD 150, A will still pay USD 140, gaining USD 10. That 10 USD is interest. In the same vein, if a dollar is sold for \$120 at the due date, A will still pay USD 140 as agreed upon, between them. This time B is gaining USD 20 because the market rate is 120 USD and the amount that must be paid by A is USD 140. The excess over and above the market rate is *ribā*¹⁵.

2.4 *Ribā in muzāra'ah* (Riba in Partnership on Cultivable Land) ربا بالمزارعة

This is another way by which *ribā* can enter through the backdoor. In this type of partnership on cultivable land, the contract specifies for each partner the produce from a specified area of a farm. The contract may also specify a fixed amount of grain for each partner. These two contracts are forbidden in the sense that they are akin to interest. This is because they specify the amount instead of the rate. They are also unjust in the sense that if a portion of land does not produce or it produces less while the other areas produced greatly, the partner who is given the area that is not productive would be at a disadvantage while the others get their shares in full. There is *ribā* in this arrangement for giving one a fixed amount of the farm produce. This is because any contract, which specifies a fixed profit for one partner is invalid. Such contract involves interest¹⁶

2.5 *Ribā in Bay'ul-wafā* (Ribā in Security) ربا في بيع الوفي

Bay'ul-wafā is when a person who is in need of money but has some property he can give as a security to a lender on the condition that the lender benefits from the use of the security until the time the money lent to the needy is returned¹⁷. There will be a promise between the two that if the person who takes the loan returns it, the lender also returns the price. If the lender does not use the security and he does not benefit in one way or the other from it, the contract is valid in Islam according to Q62: 2-3 which says: "O you who believe! Why do

¹⁴ The Council of the Islamic Fiqh Academy (CIFA), 11th Session, 102 (5/11) on Currency Trading

¹⁵A. Abdūl Kafiras-Subki, *Taklimat at-majmu' sharhul muhadhdhab lil Nawawi* (Cairo: Zakariyyah Ali Yusuf, n.d), 40

¹⁶ Y. al-Qaradawi, *The lawful and the prohibited in Islam* (Lagos: At tawheed Publishing Company, 1989), 272.

¹⁷ CIFA, 7th Session, Resolution No. 66 (4/7) on Bay'al-Wafa (Debt Guarantee Sale)

you say that which you do not do? Most hateful it is with Allah that you say that which you do not do". However, if the lender benefits no matter how small from the use of the asset, the benefit amounts to interest that is forbidden in Islam¹⁸

2.6 *Ribā in Bay'ud Dayn or Hatta wata'ajjal* (Bill Discounting) ربا في الحط وتعجل¹⁹

If an amount that is less than the value of the debt is paid ahead of the time of maturity of a loan taken, the arrangement is called *Bay'ul dayn or hatta wata'ajjal*²⁰. By way of an example, if, say Zayd sells a commodity to, say Umar for N200, 000 which he has to pay, say in 5 months' time. The seller can draw a bill of exchange asking the buyer to accept. If he accepts it, he would write 'acceptance' on the face of the bill of exchange. That is to give the seller a guarantee that he has accepted the liability and he promises to pay when the bill matures. The seller i.e. Zayd may hold on to the bill until the maturity date if he is not in need of money badly and receives it in full at the due date. Otherwise, he may sell the accepted bill of exchange to a bank or a person at a reduced price say, N150, 000. The bank pays him less than the amount on the bill and takes the full amount on the face of the bill from the debtor when the bill matures²¹. This is called *bay'ud-dayn*. It is prohibited in Islam because it involves *ribā*

2.7 The Modernists' View on *bay'ud-dayn* (Bill Discounting)

The modernists such as Rashid Rida and Omar Farooq claimed that the Prophet allowed and even instructed the Jews to reduce the debt and take fewer amounts before the due date²². This was when a group of Jews called Banu Nadir were ejected from Madinah. They complained to the Prophet of the amounts owed them by people in Madinah at the time of their ejection from the city and the probability of forfeiting their loans to people.

The Prophet asked the Jews to remove the accumulated interest due on their loan given to people and take only their principal sum. They were not asked to take less than the original amount in lieu of the early payment. It could be recalled that the Banu Nadir were ejected before the sixth year of Hijrah. It was in the fourth year of the Hijrah that they were expelled²³. In the sixth year of Hijrah after the battle of Khaybar, *ribāl al fadl* was prohibited and in the subsequent years, verses prohibiting all forms of *ribā* were revealed (Q2:275-279) which abrogate all forms of *ribā* including discounting.

After deliberating the concept of *ribā*, the paper then examines different instruments in the Nigerian Money market and some other aspects of the Nigerian financial system such as insurance, mortgage and microfinance bank with a view to identifying their compatibility with the dictates of the Religion of Islam. Other related areas such as insurance, pension, cooperative societies, government programmes, the services of Telecommunications Service Providers and business models in Nigeria were also investigated.

3.0 The Money Market

The money market, as the name indicates or suggests, is a market where money is being bought and sold²⁴ to anybody or any corporation with a temporary excess of funds etc can

¹⁸ T. Mansur, *Islamic law of contract and business transactions* (Islamabad Pakistan: *Sharī'ah Academy International Islamic University*, 2005), 134

¹⁹ CIFA, 7th Session, 101 (4/11) On Debt Sale ...

²⁰ Mansur, *Islamic law*, 135.

²¹ Muslim World League Islamic Fiqh Council (MWLIFC) 18th Session, 3rd Resolution on Abrogation of Debt Into Debt

²² Omar Farooq, *The Ribā Interest Equivalence. Is there an Ijma' (consensus)* 2006. From <http://globalwebpost.com/farooq/study-res/default.html> (accessed on 11 November, 2015)

²³ U. Akram Diya'. *Madinah society at the time of the Prophet: its characteristics and Organizations* vol.1, (Virginia: The International Institute of Islamic Thought 1992), 128-130

²⁴ G.O. Nwankwo, *Money and Capital Markets in Nigeria Today*, (Lagos: University of Lagos Press, 1991) VII

supply money to this market. The funds are provided within a year to meet the temporary financial requirement of government, individuals, businesspersons and women. Facilities used to raise funds in this market are overdrafts, treasury bills, treasury certificates, certificates of deposit, commercial papers, banker acceptances, repurchase agreements etc. These instruments are made available through banks, discount and finance houses, microfinance banks etc. They are discussed in the following sections.

3.1 Treasury Bills, Treasury Certificate and *Ribā*

Among the various debt instruments traded in the money market in Nigeria is Treasury Bills. Treasury Bills Ordinance of 1959 gave the CBN the authority to issue treasury Bills in 3 months maturity. They are issued to mop-up liquidity in the economy. They are short-term debt instruments used by the Federal Government of Nigeria²⁵. They are sold at a discount. Regular interest payment is not made on these instruments. Expressed differently, they do not carry an explicit rate of interest but are sold on a discount basis. The difference between the buying price and the maturity value is the implicit yield or returns (interest) to the lender. By way of illustration, if a person or a body corporate buys treasury bills and pay ₦500,000 for a treasury bill that will be ₦600,000 in a year from now, his interest income is ₦100,000. Mathematically, it is

$$\frac{100,000 \times 100}{500,000} = 20\% = \text{Interest rate}$$

It means the interest rate is 20%. Another debt instrument is Treasury Certificate. It is operated in the same way the TB operates except that its maturity is longer than that of the TB. It is to bridge the gap between the long-term loan bonds and short-term Treasury Bills. It was first issued in Nigeria in 1968²⁶. It is a medium term security with maturity ranging between one year and two years. Treasury Bills and Treasury certificates are sold at a discount. The difference between the buying price and the maturity value is interest. Both carry interest, which is paid up front. Both are forbidden for Muslims because of the interest element in them (Q2:275-279 etc). *Ribān-nasī'ah* (deferment) is present in this bill

3.2 Banker's Acceptance from Islamic View

Banker's acceptance involves giving a guarantee that a borrower will pay as and when due. When a bank receives banker's acceptance, it stamps "accepted" on it after verification and satisfaction with the documents and the transactions. By accepting it, it means the bank will pay as and when due without any condition. Virtually, all banks in Nigeria involve in this transaction for their worthy customers. They receive a fee for this service. The bank becomes surety for the payment of a debt if the person or organization originally liable does not pay. The creditor has the right to demand payment from the surety. The Islamic Fiqh Academy of the Organisation of Islamic Cooperation is of the view that payment of guarantee is not allowed because it is to provide help through generosity and benevolence²⁷. It is also neither based on capital nor work. The organization is of the view that receiving money from such transactions is tantamount to consumption of the wealth of others wrongfully. However, Shariah Advisory Council of Central Bank of Malaysia and some contemporary scholars such

²⁵ B.I. Nwoji, *Corporate Finance, Guide to Application in Banking and Financial Services in Nigeria*. (Lagos: Malthouse Press Limited, 1999), 69

²⁶ J.C. Anyanwu, *Monetary Economics. Theory, Policy and Institutions*. Onitsha: Hybrid Publishers Ltd., 1993),

²⁷ OIC Fiqh Academy, *Majallah Majma` al-Fiqh al-Islami*, (1986), 2, no. 2, . 1146 – 1147.

as Shaykh Nazih Hammad and Shakh Nizam Ya'qub are of the view that charging a fee for a guarantee is permitted²⁸. This is because the guarantor undertakes the obligation for the payment of the debt if the debtor fails to pay. Based on the Islamic legal maxim “*al-kharāj bi al-damān*” (benefits goes with liability), they are entitled to a benefit for accepting to bear the financial obligation²⁹. To them, it is a compensation for the liability. It also makes the contractor committed.

The Hanafi and Hanbali schools permitted *shirkatu al wujuh* and allowed profit earned in return for *damman*³⁰. Maliki School allows receiving compensation for certain types of commitment. Some scholars in the Maliki School are of the view that the guarantor can ask the creditor to reduce the debt before they can guarantee the rest. Another reason for its permissibility is that there is no specific Quranic text that forbids it. It is also considered as a service by Shafi, Hanbali and Maliki based on reputation. The principle of public interest (*maslah*) also makes it permissible because the payment for the guarantee will benefit the guarantor, the customer and the beneficiary. If the customer indicates that he is unable to pay the guaranteed amount by the due date and that makes him indebted to his guarantor, charging a fee amounts to *ribā* because it is paid for time value of money. However, if the charges cover all the expenses incurred while putting relevant papers together, they are allowed. What makes banker's acceptance unlawful is that a holder of the promissory note borrows funds on which he has to pay interest. The interest paid is called *ribān-nasāi* (deferment) and *ribāl-al-jaliyy* (open *ribā*) This is against the *Sharī'ah* (Q2: 275-279). The alternative products are *mudārabah*, *mushāarakah*, *salam* etc because they are interest-free.

3.3 Commercial Paper in an Islamic Economy

It is a promissory note of large corporations that are well known for their creditworthiness. It is an unsecured money market instrument i.e. no collateral security is given for issuing this instrument. The instruments are issued by an issuing house normally a commercial bank on behalf of the company³¹. Investors in the money market then buy them. The issuing house does not give a guarantee; it helps to find investors to buy them. The funds when bought by the investors go directly to the purse of the company³². The share of the issuing house is the service charge in the form of a commission. The instruments can be for 90 days, 120 days or 180 days. It is included in them a specific rate of interest. Therefore, a commercial note consists of two components; the issuing house commission usually 1/8% to 1/2 % on the amount raised and the interest rate. The interest is normally paid upfront i.e. in advance. The implication is that the issuing company receives the net proceed of the issue. By a way of example, if X Y Z Plc issues a 90 day commercial paper for ₦10,000,000 at 10% interest rate and 1/4 % issuing house commission, the company receives ₦8,975,000 while ₦1,000,000 is going to the investor and ₦25,000 is going to the issuing house as a commission.

$$\begin{aligned} \text{Interest } & \frac{1,000,0000 \times 10}{100} = 1000000 \\ \text{Commission } & \frac{1 \times 10,000,000}{400} = 25000 \end{aligned}$$

²⁸ Nazih Kamal Hammad, 'Mada Jawaz Akhzu al-Ajr `ala al-Kafalah-fi al-Fiqh al-Islami', *Journal of King Abdul Aziz University (Islamic Economics)*, 9,(1997): 95 -121

²⁹ Shariah Advisory Council of Securities Commission Malaysia, 'Resolutions of the Securities Commission Shariah Advisory Council (2nd Edition)', *Securities Commission Malaysia*, (2006) : 44 – 45.

³⁰ Al-Zuhaili, *Al-Fiqh al-Islami wa Adillatuh*, (Beirut: Dar al-Fikr, 2002), 6, 4178.

³¹ Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)'s Shari'ah standards No.16, Commercial Papers

³² R.A. Olowe, *Financial management*, (Lagos: Brierly Jones Nigeria Ltd, 1997), 23

By the time the company is paying the loan to the investor, It has to pay ₦10,000,000 though it was given ₦8,975,000. The difference is the interest and the commission. It is merely I.O.U. issued by good credit rating companies to secure short term finance. Its tenure ranges from 30 days to 189 days.

The commission aspect of the deal is lawful. But for the fact that the company pays interest to the investor, it has violated the injunction of Allah against *ribā*. This is also *ribān-nasāi* (deferment) and *ribāl-al-jaliyy* (open *ribā*) The way out of this problem is that the issuing house can mobilise funds from the public making use of *mudārabah*, *mushārahah*, *salam* etc.

3.4 Certificate of Deposit from Islamic Perspective

A receipt given by a commercial bank that certifies that a deposit has indeed been made is known as a certificate of Deposit³³. Interest is to be paid along with the deposit on a stipulated date. There are two types of certificate of Deposit: negotiable and non-negotiable. The depositor has the option to resell or not to resell a negotiable CD in the money market. It can continue to be sold and be resold several times before its maturity period. The deposit and the interest on it go to the person who owns it on its maturity date. As regards non-negotiable CD, the original depositor is the only person that can receive the deposit and the interest on it. It is unlawful because interest is paid on it on its maturity date. This is against the *Sharī'ah*. This is *ribān-nasāi* (deferment) and *ribāl-al-jaliyy* (open *ribā*) . One can avoid interest by mobilising funds through *mudārabah*, *mushārahah*, *istisnā'*, *salam*, *murābahah* etc.

3.5 Repurchase Agreement³⁴ (*bay'ul'īnah*) from Islamic View

It is also called a sale and buy-back. It is an agreement whereby a borrower sells to a lender a financial instrument e.g. government bond, Treasury bill etc and agrees to repurchase it back at a later date at a fixed price plus interest. At the time of sale, the seller will agree on the price he is to buy back the financial instrument with the first buyer. It is also a loan given to the original seller but the loan is a secured one. The Treasury bill bought back is also a collateral security³⁵. Interest income from repurchase agreement is determined from the formula below:

Repurchase agreement interest income = $\frac{\text{Amount of Loan} \times \text{current repurchase agreement rate} \times \text{no of days loaned}}{360 \text{ days}}$

By a way of an example, if a five-day loan of ₦10m is given to a dealer i.e a borrower at 5% repurchase rate, the yield interest income will be calculated thus:

$$\frac{10000000 \times 0.05 \times 5}{365} = \text{₦}6,849.30$$

Repurchase is one of the forms by which the injunction on *ribā* can be violated. *Bay'ul'īnah* is when a person sells some commodities on credit for a certain price and then buys it back at a price less than the sale price on prompt payment³⁶. There are two ways by which *Bay'ul'īnah* can come into use. One of them is that a person, say Zayd is in need of, say 400,000 naira now and has a car that is worthy of say, ₦400,000. Zayd, then, contacts, say Umar, a bank to buy the car. After reaching the agreement Zayd sells the car to Umar for ₦400,000. Umar pays Zayd the amount immediately. On the same spot and without leaving

³³ Layi Afolabi, *Monetary Economics*, (Ibadan: Heinemann Educational Books. (Nigeria) Plc 1999), 223

³⁴ AAOIFI No. 58, Repurchase

³⁵ P.S. Rose, *Money and Capital Markets*, (New York. McGraw.Hill Irwin, 2003), 298-299

³⁶ Mansur, *Islamic Law*, 133

the place, Zayd buys the same car from Umar for say, ₦600, 000 which he (Zayd) agrees to pay Umar the amount in a year's time. Umar never received the car. He might not even see it before buying in cash and selling it on credit. It may happen between two people or a person and a bank. Zayd received ₦400, 000 without giving anything. It is as if he received a loan of ₦400,000 which he has to pay interest on it on a deferred basis. The total amount of loan plus interest to be paid is ₦600,000. The principal is ₦400,000 while the interest is ₦200,000. This is unlawful in Islam. The interest which is paid at the maturity date is unlawful.

The other way by which *bay'ul'inah* can come into play is to sell a commodity to another person or a bank on credit and buys the commodity from the person or the bank less than the amount. Repurchase is prohibited because it allows *ribā* to enter through the back door. The interest amount is fixed, certain and paid at the due date³⁷. A tradition of Aishah also condemned this act, when Umm Mahabah informed her that she had a slave girl whom she sold on credit to Zayd ibn Arqam for eight hundred dirhams and he, Zayd wanted to sell the slave, whom Umm Mahabbah bought back for six hundred dirhams on immediate payment, Aishah said: "What you sold was bad, and bad was what you bought. Make it known to Zayd that his jihad alongside the Messenger of Allah has been nullified, unless he repents. "Umm Mahabah asked her "what if I should take my capital from him". She replied, "Those who after receiving direction from their Lord desist shall be pardoned for the past"³⁸.

There was disagreement with regard to the shariah compatibility of *bayu'-Inah*. Majority of jurists such as the Hanafis, Malikis and Hanbalis forbade this sale contract. The three schools used the above-mentioned quotation *athar* (fatwa of the companions) as the main legal evidence to consider *bayui'inah* a non-shariah compliant sale. The Hanbalis also based their prohibition of *bayul-inah* on a Hadith reported by Ibn Umar that the Prophet is reported to have said: 'If people are busy with counting every single dinar and dirham, trading based on *al-Inah*, following behind cows (i.e. farming activities), and abandoning the duty of jihad for the sake of Allah, Allah will make misfortune befall them, and will not remove it from until they return to their religion'³⁹. Majority of jurists accepted the sayings of Aishah because they were of the view that *bay'ul'inah* is an attempt to allow *ribā* to enter the sale contract through the backdoor. They believed that none of the contracting parties has genuine intention to execute the contract⁴⁰. The goal is to obtain cash⁴¹.

However, this sale contract was allowed by Al Shafi'i⁴². He did not accept the *athar* and the Hadith as evidences against it because it was just a disagreement between the two companions (Aishah and Zayd ibn Arqam). In fact, he upheld the opinion of Zayd at the expense of the stand of Aishah. He believed she prohibited the contract because the period was not specified not because of the double sale contracts. He treated it as two separate contracts. He held this view because of the presence of the essential elements of contract. The Shafi'i's rejected the *athar* because the reliability of one of the narrators in the chain is doubtful. Another reason for its rejection is the flaw in the content of the *athar*. They believed Aishah did not have the power to invalidate the reward of jihad of Zayd b.Arqm with the Prophet⁴³. The Malaysian shari'ah scholars favoured *bay'ul'inah* for the reasons given by As-Shafi'i. Furthermore, it was not clearly prohibited in the Qur'an and the Hadith.

³⁷ Muhammad Rahimuddin, *Muwatta Imam Malik*, (Beirnt: IF litibaa'ah wan-nashr 1985), 609

³⁸ A. Al- Daraqutni, *Sunan al Daraqutni*, Vol.7, (Beirut: Dar Al- Marifah 1966), 308

³⁹ Ibn Qudamah, 'A.A., Muwaffaq al-Din, *al-Mughni*, al-Riyad: Dar-Alam al-Kutub, vol.6.(1999), 260

⁴⁰ Ibn Qayyim J. M. Abd Bakr, *'Ilam al-muwaqi'in 'an Rabb al-Alamin*, (Beirut: Dar al-Jil vol. 3. 1973), 166

⁴¹ M.M. A, Abd ar Rahman, *Mawahib al-Jalil fi Sharh Mukhtasar al-Khalil*, (Beirut:: Dar al-Fikr, vol. 4. 1992),404

⁴² Al-Shafi'i, MuHammad ibn Idris, *Kitab al-Umm*, (Beirut: Dar al-Ma'rifah, vol. 3-4, 1973),78

⁴³ Al-Shafi'i, MuHammad ibn Idris, *Kitab al-Umm*, (Beirut: Dar al-Ma'rifah, vol. 3-4, 1973),78

In addition, it is to cater for the interest of the Muslims in the contemporary society and to boost the earnings of Islamic banks⁴⁴.

3.6 Bankers' Unit Fund from Islamic Perspective

BUF is another money market instrument which is used to channel surplus funds of banks and other financial institutions into Federal Government of Nigerian Stocks. It has three years of maturity⁴⁵. It is un-Islamic because it contains interest. The interest is paid up fronts. This is against the spirit of *Sharī'ah* injunctions (Q2:275-279). *Ribān-nasī'ah* (deferment) is present in this fund. *Mudārabah*, *mushārahah*, *salam*, *istisnā'a* etc can perform the same function in an Islamic economy.

3.7 Bank Overdraft and Islamic Finance

This is where the Nigerian bank allows its customer the right to withdraw from his account in excess of the customer's credit balance⁴⁶. This contains interest. The borrower who is allowed to withdraw more than what he has in his account has to pay interest on the excess. *Ribān-nasī'ah* (deferment) is involved in this arrangement. It is against the *Sharī'ah*. People should learn to live within their limits. However, if they are pushed to the wall, they can be helped through free loan (*Qardu hasan*). Other Islamic products can also be used to alleviate poverty or assist the needy.

3.8 The Inter-Bank Market and the Islamic Finance

This is the market in which Nigerian banks lend short-term funds to one another to cushion the negative effect of a temporary cash shortage. Interest rate is charged. When a bank lends funds to another bank, it charges interest. However, the interest is lower than the normal rate of interest. Interest in Islam whether low or high, simple or compound is prohibited (Q2:275-279). This is *Ribān-nasī'ah* (deferment). Therefore, Banks can enter into *mudārabah* with one another or each other. They share the profit and bear the loss together. They can make use of other Islamic products to finance their clients' businesses.

3.9 Inter-Company Market and Islamic Economy

Large companies in Nigeria lend to one another directly without any financial intermediary. This is a private arrangement between two large companies to source funds from each other. The funds normally carry interest. *Ribān-nasī'ah* (deferment) is present in this market. This is prohibited. They can enter into *mudārabah*, *mushārahah* etc as the case may be.

3.10 Invoice Discounting from Islamic View

A discount house in Nigeria buys a selection of invoices at a discount that is less than the face value on them. An invoice discounter may advance cash up to 75% of the value of the invoices. If, for example, the value of some invoices is ₦100, 000, the invoice discounter pays the client ₦75,000 cash. The client then collects the debts for him. The client must be a reliable and well-established company before an invoice discounter can enter this contract. This instrument is to solve the problem of a temporary cash shortage⁴⁷. Buying a selection of invoices at a discount amounts to taking interest which is prohibited in Islam. The company can enter into *wakālah* relationship (i.e agency) with the client and pay him his fee. If the client has idle funds, he can enter into *mudārabah*, *mushārahah* etc with the company to avoid *ribā* (Q2:275-279 etc). It is not right to take an advantage of a company's situation to add to its hardship by paying it less than what it is entitled to.

⁴⁴ Shari'ah Resolution Book, (e-book) (Kuala Lumpur: Malaysian International Islamic Financial Center, n.d), viewed at www.mifc.com. (Accessed on: 23 April, 2014).

⁴⁵ Anyanwu, *Monetary Economics*, 161

⁴⁶ AAOIFI No. 2, 28, Banking Services

⁴⁷ Olowe, *Financial Management*, 24-25.

In an Islamic economy, it is un-Islamic to sell or buy money because it is not a commodity and it does not have intrinsic value of its own other than means of payment, store of value etc. Therefore, the money market is un-Islamic and not *Sharī'ah* compliant. A cursory look at the instruments in the money market shows that virtually all of them contain interest in one form or the other. In some, interest is paid upfront while it is paid at the date of maturity in some other instruments. *Ribān-nasī'ah* (deferment) is existent in this market. The money market instrument can be re-organised in line with the *Sharī'ah* rules.

3.11 Bill Finance: Islamic Perspective

When a company sells some products or goods to its customer in Nigeria and the customer gives him bill of exchange to be collected say in 60 days' time or 90 days' time, and it cannot wait till the date of maturity, it can ask its bank to discount it for it. The implication is that it is paid less than the face value. The difference between the amounts on the bill and the payment, which is less than the face value, is interest (*Ribān-nasī'ah* (deferment)). This is against the injunctions of Allah in the *Qur'ān* (Q2; 275-279 Q3:130 etc). The bank should not take an advantage of the situation in which its customer finds himself.

3.12 Factor Finance: Islamic Perspective

This is when a factor in Nigeria makes payment to a client in advance of collecting the debts. Through this, the factor provides cash to the client as a prepayment of outstanding debts. A factor administers the client's invoicing, sales accounting and debt collection service. In addition, he takes over the risk of loss from bad debts i.e. he purchases a client's debts. It is without recourse if the client's customers are unable to pay what they owe and the factor cannot ask for the money he paid the clients when assuming the responsibility of debt underwriting. It is "with recourse" if the factor asks the client to pay back the money he received when the clients' customers are unable to pay. Factor is, therefore, a source of short-term finance and a means of managing and controlling debtors.

The role of factor finance is not *Sharī'ah* compliant because it involves buying debt at a discount. It is unlawful to buy debt (*bay'u dayn*) in Islam. In addition, the debts are bought lower than their value. Whether it is with recourse or without recourse, it is unlawful because it involves interest. This is paid by discounting the outstanding debts. The services of factor finance can be made to follow the principles of *wakālah* (agency) wherein the agents are paid for the services rendered in connection with the administration of the client's invoicing, sales accounting and the debt collection. Factor finance is paid his commission or fee for the services rendered instead of paying interest from the backdoor. The aftermath effect of this is not good for the society because the company can lose customers and later close its shop. Many employees and their dependants are made to suffer.

4 Mortgage and Islamic Finance

Mortgage taken for owning a house or a property in Nigeria is against the injunction of Allah because the mortgagee is asked to repay the sum borrowed and the interest on it (Q2: 275-279)⁴⁸. The interest income is not a legitimate income according to the basic principles of trade in Islam (*Ribān-nasī'ah* (deferment) is committed). An arrangement can be made with the bank or a finance provider to enter into *ijārah* and diminishing *mushārahah*, which are interest-free⁴⁹.

5 Finance Company: Islamic Perspective

Some of the activities of finance companies in Nigeria are *Sharī'ah* compliant because they do not involve *ribā*, cheating, injustice etc. Such activities include consultancy services,

⁴⁸ AAOIFI No. 39, Mortgage

⁴⁹ O.O. Oluyombo, *Fundamentals of Finance, Money and Banking*, (Lagos: Vival-O. and Associates, 2006),171

estate development, and equipment leasing etc. This is because they receive service charge for the services rendered. This is in line with the *Sharī'ah*. However, if money used to develop estates involves loans that carry interest, such is against the injunctions of Allah (Q2:275-279 and Q3:130). The money expended on acquiring the equipment for leasing should not involve *ribā*. Otherwise, it is unlawful. Most of the finance companies source for funds from banks to develop estates, to buy equipment, to give loans to individuals and corporate bodies, etc. *Ribā an-nasāi* (*Ribā* of deferment) and *ar-ribā al Jaliyy* (the obvious *ribā*) are usually committed by finance companies in Nigeria because they obtain interest-based loans to finance their projects. If such sourced funds contain interest, they are unlawful because *ribā* is condemned in its totality in the *Qur'ān* (Q2:275-279).

6 Islamic Perspective of Microfinance Bank

One of the reasons for establishing microfinance in Nigeria is to alleviate poverty by making access to loans very easy and cheap for small business owners. However, the reverse is the case. The interest between 3 percent and 5 percent charged monthly which is between 36 and 60 per cent annually is compounding to their problem; and it is the bane of small businesses. The interest is even greater than the interest charged by the commercial banks in Nigeria. The collateral is another bane of small businesses. Owners cannot provide collateral security that will give them the opportunity of getting the loan if the loanee should default. The conventional microfinance bank is not lawful for Muslims because they contain *ribā*. Muslims in Nigeria have been demanding and making frantic efforts to establish an interest-free bank since 1960. It was on April 19, 2010, that the first interest-free microfinance bank in Nigeria named *Al-Barakah* microfinance bank was established⁵⁰.

7 Insurance and Islam

Based on the Quran (Q5:2) and other references cited earlier, *takāful* is in line with the *sharī'ah*. In addition, the Hadith of the Prophet: "Tie the camel first, then, put your trust to the will of Allah" points to the permissibility of *takāful*. This Hadith implies a strategy to mitigate or reduce loss or risk. But if any aspect of its operations involve *ribā* and *gharar*, it is not lawful⁵¹. Particularly, its premium should not be invested in interest-based investments. All Nigerian insurance companies except the recently established *takāful* (Islamic insurance) invest the fund in interest-based investments. They have fixed deposits that attract interest in banks (*Ribān-nasī'ah* (deferment))

8 Pension and Islamic Finance

Pension schemes are to provide for post-retirement benefits to employees. It was during the colonial era that it was introduced to Nigeria to provide for British citizens working in the country. It was in 1951, that Nigeria's first legislative instrument on pension matters came on board. The ordinance of 1951 was made to take a retrospective effect from January 1, 1946. Since that time, various attempts have been made to improve upon the pension matters in Nigeria. Another attempt was on 1st January, 2004 tagged as the new pension reform Act (PRA) 2004⁵². The guidelines on investment limits stipulated by PenCom are as follows:

⁵⁰T. O. Yusuf and H.I. Mobolaji 'The Role of Islamic Micro Insurance in Economic Growth and Development: The Nigerian Experience: A Case Study of Al-Barakah Microfinance Bank, Lagos' *International Journal of Business and Commerce* Vol. 1, No.10 (Jun 2012): 106-122.

⁵¹ AAOIFI No. 26, Islamic Insurance and CIFA, 2nd Session, 9 (9/2) Insurance and Re-Insurance

⁵² A.N.A. Peterside, Investment and Risk Management under the New Pension Scheme. *Bullion* volume 30.2 (Central Bank of Nigeria, 2006), 25

Table 6.3 Approved fees structure

Asset class	Maximum Investment as % of Pension Fund Assets	Per Issuer	Per Issue
Fed Govt. Securities	100%	Maximum of 100% of total issue of FGN bond	No Limit
State Govt. Securities	20%	Maximum of 2% of Pension Fund assets in one State Govt.	Maximum of 2% of any one State Govt. issue
Corporate Bonds/Debt including REITs, MBS	30%	Maximum of 2.5% of all issues by one corporate	Maximum of 2.5% of any one issue
Money Market Instrument	25%	Maximum of 1% of pension fund assets in all instruments issued by one bank	Not applicable
Ordinary Shares	25%	Maximum of 1% of pension fund assets in any one corporate	Maximum of 1% of issued capital
Open End and Closed Funds	5%	Maximum of 0.5% of pension fund assets to one issuer	Maximum of 0.5% of any open, closed or hybrid fund issued

Source: Bullion, Central Bank of Nigeria.

To count towards one's pension when one retires, employers deduct a certain amount of money every month from one's salary and give it to pension administrator to invest it. However, if the money deducted is invested in unlawful things e.g. making alcohol, riba-based loans etc, it is unlawful.

However, in Nigeria the pension plan is obligatory for every employee. Employees in the private and public establishments have no choice of the amount of contribution or the placement of the funds of the plan. This has been decided by the government. Federal Government stocks, state bonds, corporate bonds and money market instruments involve interest. Therefore, they are un-Islamic based on the Qur'anic injunctions against interest as contained in Q2:275-279, Q3: 130 etc. *Ribā an-nasāi* (*Ribā* of deferment) and *ar-ribā al Jaliyy* (the obvious *ribā*) are present because the interest-based investments where they must place their funds have been specified. The alternatives to the guidelines on investment limits stipulated by the Act are to invest the savings in non-interest products such as *mudārabah* (combination of entrepreneurship and capital) and *istisnā' sukūk* (Islamic bonds for manufacturing/construction).

However, the administrative fees of N100 per month per account holder and management fee of 2% of the value of assets charged by PFA/CPFA are *sharī'ah* compliant. In the same vein, the management fees of 0.63 of assets managed by PFC and 0.4% of total pension fund assets charged by Pencom are also *sharī'ah* compliant. This is because these charges are not *ribā* (interest). They are service charges which are in line with the *sharī'ah* maxim which says “*al-kharaju bid-damān*” meaning “profit goes to the one who bears responsibility (or provides lawful services in Islam)⁵³. They are therefore, *sharī'ah* compliant.

⁵³ Muhammad b. Ismail, *Bulughul Marami*. part I, (Riyadh: Dar-us-Salam publications, 1986), 286-287

9 Cooperative Societies in an Islamic Economy

Although Islam encourages cooperation, the conventional cooperative societies in Nigeria are not acceptable in Islam. One major reason for the unacceptability of the conventional cooperative is the existence of interest. Members are provided with loans at a rate of interest about 5 percent per month which is 60 percent annually. *Ribā an-nasāi* (*Ribā* of deferment) and *ar-ribā al Jaliyy* (the obvious *ribā*) are present because the rates of interest are always specified by cooperative societies. It is worth mentioning that Islamic cooperative societies that do not pay or receive interest are many in the south west and northern parts of the country. Members of the societies are being empowered economically by starting their businesses of their own through interest-free loans received from their Islamic cooperative societies. The Islamic economic system prohibits interest, simple and compound as stated earlier in the previous section.

10 *Ribā* Practices in Government Programmes

As an attempt to alleviate poverty, government also uses interest as a means to alleviate poverty. This is done through various programmes initiated by them. The unemployed people are not exonerated from paying interest on the soft loans given to them to start a business. The following are some government programmes that involve *ribā*. *Ribā an-nasāi* (*Ribā* of deferment) and *ar-ribā al Jaliyy* (the obvious *ribā*) are present because the interest rates have been specified.

S / N	Intervention funds	Establishment of the Scheme	Funding	Interest/Other charges
1	Commercial Agriculture Credit Scheme	The Central Bank of Nigeria in collaboration with the Federal Government of Nigeria, represented by the Federal Ministry of Agriculture and Rural Development	Financed from the proceeds of the N200billion three year bond raised by Debt Management Office.	Maximum interest rate to the borrower under the scheme shall not exceed 9 per cent, inclusive of all charges.
2	Federal Government of Nigeria Special Intervention Fund For MSMES	Federal Government of Nigeria initiative disbursed via Bank of Industry	N5.0 billion	Interest rate: 9% per annum (all inclusive) and Legal Fee (where applicable) TENOR
3	N300 Billion Power and Airline Intervention Fund	Central Bank of Nigeria	N500 billion Debenture Stock to be issued by the Bank of Industry (BOI)	The Fund is administered as an "all-in" Interest rate/ charge of NOT more than 7percent per annum payable on quarterly basis. Specifically,
4	Rice & Cassava Intervention Fund	Federal Ministry of Agriculture and Rural Development and the Bank of Industry	N13.6billion	5 percent interest rate per annum
5	The Youth Enterprise Support Programme	Bank of Industry	N10.0 billion	Interest Rate: 9% per annum. Fees: 1% Processing fee.

Source: Compiled from Central Bank of Nigeria Statistical Bulletins

Federal Government of Nigeria Soft Loans without Interest

The Federal Government of Nigeria has been making frantic efforts to alleviate poverty and to empower the poor with soft loans without interest. Some products such as Trader Moni Initiative, Farmer Moni and Market Moni were launched to assist the poor and small scale traders⁵⁴. Trader Moni Initiative is meant for any small scale traders such as Okada riders, food sellers, pure water seller and bread sellers in Nigeria to expand their businesses. They can access the loan without interest; and they do not need to give collateral before the loan is given to them. Farmer Moni, as the name indicates, is meant for small scale farmers. The amount they can access is up to three hundred thousand naira each. It also has the features of the earlier product. Market Moni is another product that is interest-free, and the beneficiary doesn't have to give collateral

11 The Services of Telecommunications Service Providers and Islam

Telecommunications Service Providers (TSP) provide telephone and similar services. They include local exchange carriers and mobile wireless communication companies like Glo, MTN, Etisalat and Airtel. From time to time, they introduce new products. The services of telecommunications service providers such as charging for voice, SMS, ways of managing health challenges, mobile news, weather reports and a host of other related products are Shariah compliant based on the principle of the *sharī'ah* maxim, "*al-kharajubid-damān*" meaning profit goes with responsibility. Customers pay for the services they enjoy.

Network Providers	Services	Charges
MTN	Borrow me credit	15% of the borrowed amount
Glo	Borrow me credit	10% of the borrowed amount
Airtel	Borrow me credit	15% of the borrowed amount
Etisalat	Borrow me credit	15% of the borrowed amount
MTN, Glo, Airtel Etisalat	Lottery	₦100 per entry
MTN, Glo, Airtel Etisalat	Sport bet	₦100 per entry

Source: Author's compilation

However, of their products and services, those stated in the above table are against the dictates of Islam because when a person borrows money or airtime from the telecommunication companies, they deduct both the interest and the actual money borrowed whenever the person buys airtime⁵⁵. If a subscriber borrows a loan of say, 100 naira, he would be given 85 naira worth of airtime. The interest of 15 per cent i.e 15 naira is deducted upfront. Any time a subscriber loads airtime thereafter, he will be debited with 100 naira i.e 85 naira received plus 15 naira upfront interest deducted. Therefore, 15 per cent interest rate is charged on 100 naira. Deduction of 100 naira instead of 85 naira he received means he has paid 15 naira as interest. The Islamic position on borrow me credit is clear. It is totally against the dictates of Islam on the prohibition of interest. Since it contains payment for the use of money, it is interest. Therefore, that aspect of their service is not Shari'ah-compliant.

12 Conclusion

From the various analyses given above, one could say that our society is deeply rooted in *ribā* taking as against its prohibition by the Quran and Sunnah. One could observe these acts are working against the major objective of Islamic social security measures which is majorly meant to remove poverty from our society. The evil doers will not relent in their efforts and tricks to lure innocent into taking and charging interest with different methods, ways and

⁵⁴ Ogbongblog Staff Trader Moni Initiative by GEEP AND BOI Lets Traders Get Loans without Collateral in Nigeria retrieved on October 11, 2018, 1:03 p.m from <https://www.tradermoni.ng/>

⁵⁵ <http://www.gloworld.com/ng/>; www.etisalat.com.ng; www.mtnonline.com; www.airtel.com.ng

names. They call interest different names such as returns, bonus, charity, reward and help. All these are not Sharī'ah-compliant. They should be shunned by Muslims because they involve riba. The reasons for prohibition and condemnation of *ribā* in Islam are both on moral as well as on economic grounds. Money is regarded as a means of exchange in Islam. It is not a commodity that can be sold more than its face value. The implication of this is that it is not an end in itself but a means to an end. The institution of interest is repugnant to the teachings of Islam. The devices to get around the prohibition have become so numerous that everyone is concerned with the form rather than the substance of transactions. The practice is merely a legal deception to skirt the usury laws. The Quran (2: 279) categorically prohibits each and every kind of additions to the principal lent that embody any benefit over and above the principal as a precondition. Riba as used in the Qur'an is absolute in terms and has no qualifications as to its quantity.

Recommendations

1. Efforts should be intensified by both the governments at all levels and individuals to establish more non-interest financial institutions to make the poor and the rich have easy access to funds.
2. The aids given to the poor by the government should not contain interest so as to alleviate their poverty
3. *Murābahah* treasury deposit should be designed to replace the conventional treasury bills.
4. A *sharī'ah*-complaint pension fund schemes should be enshrined in the Nigerian legal system to cater for the interest of the Muslims who are in majority in Nigeria.
5. Islamic scholars should preached against taking and charging interest in every mosque particularly after every prayer.