

IN THE NAME OF ALLAH, THE BENEFICENT, THE MERCIFUL

POST-RECESSION MANAGEMENT OF THE NIGERIAN ECONOMY: ISLAMIC PRINCIPLES' ANTIDOTES

TEXT OF THE LECTURE DELIVERED BY ALHAJI AHMED 'TUNDE POPOOLA, FCA, MANAGING DIRECTOR/CEO, CRC CREDIT BUREAU AT THE 57TH NIGERIAN INDEPENDENCE ANNIVERSARY CELEBRATION PROGRAMME ORGANISED BY THE NIGERIAN SUPREME COUNCIL FOR ISLAMIC AFFAIRS (NSCIA) HELD AT THE CONFERENCE HALL, NATIONAL MOSQUE, ABUJA ON FRIDAY 9TH MUHARRAM, 1439 AH/29TH SEPTEMBER 2017

PROTOCOLS

In the name of Allah, the Beneficent, the Merciful. All praise is due to Allah, Subuhana Wa Taa'la (SWT). We testify that there is no god but Allah, SWT. He is the only One worthy of worship. To Him alone we bow and from Him alone we seek help. We also testify that the Holy Prophet Muhammad (SAW), is His Messenger. May the blessings of Allah be on our noble Prophet of Islam, his family, his Companions, and all believers. May the blessings of Allah be on every one of us.

Brothers and sisters, I greet you in the best of form of greeting: As-Salam alaikun Waharamatullah Wabarakatuh.

Happy Islamic New Year 1439 AH. May Allah grant us the privilege to witness many years on the surface of earth in the fold of Islam.

INTRODUCTION

All praise and gratitude is due to Allah (SWT), our Creator. He created mankind from a single pair of a male and a female and He made us to be in tribes and nations so that we may know each other and not despise each other. Surah Al-Hujurat, 49:13 states: ***“O mankind! We created you from a single (pair) of a male and a female, and make you into nations and tribes, that you may know each other (not that you may despise each other). Verily the most honoured of you in the sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge and is well acquainted (with all things)”***.

As a nation, Nigeria attained independence in 1960. This year marks 57 years of political independence from Britain. Since then, we have been moving on, experiencing some breakthroughs, landmark achievements and challenges. What is not in doubt is that the journey

has not been smooth. But overall, I believe that our cup is half-full, not half-empty. ***Alhamdulillah robili alamina***. I therefore will like to start this presentation by congratulating all of us for yet another Independence Day celebrations.

A celebration of this nature provides us with the opportunity to reflect, review and re-assess our journey and to possibly set a new direction for ourselves. This is an auspicious time when we are just exiting recession. The theme of our discussion here today – Post-Recession Management of the Nigerian Economy: Islamic Principles’ Antidotes – is very relevant and apt. At 57, we remain a relatively young nation. However, when we compare ourselves with our contemporaries, my opinion is that we ought to have done better for ourselves. As a student of economics and finance, my major barometer for measuring performance is the level of economic progress that we have made since 1960. This will not be out of place. The constitution of the Federal Republic of Nigeria states that the security and welfare of the citizens shall be the primary purpose of government (Section 14(2)). Welfare can be measured by the level of prosperity of a country and the prosperity of the individuals in it. The Constitution of the Federal Republic of Nigeria provides for specific economic objectives to be attained, as clearly spelt out in Sections 16(1), 16(2).

According to Section 16(1) of the constitution:

“The State shall, within the context of the ideals and objectives for which provisions are made in this Constitution.

- a) Harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy;
- b) Control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity;
- c) Without prejudice to its right to operate or participate in areas of the economy, other than the major sectors of the economy, manage and operate the major sectors of the economy;
- d) Without prejudice to the right of any person to participate in areas of the economy within the major sector of the economy, protect rights of every citizen to engage in any economic activities outside the major sectors of the economy.

Section 16(2) states that the State shall direct its policy towards ensuring:

- a. The promotion of a planned and balanced economic development
- b. That the material resources of the nation are harnessed and distributed as best as possible to serve the common good
- c. That the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of few individuals or a group

- d. That suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment, sick benefits and welfare of the disabled are provided for all citizens.

As we discuss the management of our economy, it will not be out of place to benchmark our performance against the objectives spelt out in our Constitution, though we know it's a journey. The statistics point to the fact that, given all the circumstances, we could do far better. I will give some examples from just four areas.

First, we have been unable to reduce poverty and achieve inclusive growth. In 1984, when I graduated from university, the world's poverty headcount ratio was 39%. It was the same rate of 39% in Nigeria with about 36 million Nigerians living below poverty line of \$2.00 per day. By 2013, the world poverty rate has declined significantly to 11%. However, Nigeria's position worsened to about 67% with more Nigerians, approximately 112 million people living below the poverty line, by 2016, according to the National Bureau of Statistics (NBS).

Though we experienced strong annual GDP growth rates of between 4 to 10 per cent between 2005 and 2015, leading to a significant growth in GDP from N37 trillion in 2005 to N69 trillion in 2014, before contraction set in in 2015, the growth did not represent or translate to prosperity for majority of Nigerians. There was a disconnect between growth, poverty reduction and human development. As the economy grew, more of our people relapsed into poverty. At a time when the economy was perceived to be strong and growing significantly, a warning came from the World Bank in its May 2013 Nigerian Economic Report that the number of Nigerians living in poverty was increasing too rapidly and that Nigeria's annual GDP growth rates of 6-8 per cent, as impressive as it looked then, was not capable nor sufficient to reduce poverty in the country. What kind of economic policies did we put in place that made more people worse off in a decade?

Secondly, we have an economic structure that was fundamentally defective with the economy growing without job creation. In the early 1980s, Nigeria started experiencing graduate unemployment. Today, after three decades, the phenomenon has escalated to embarrassing heights. Unemployment is very high, as the content of growth showed low employment elasticity with employment not keeping pace with growth expansion of labour force.

Thirdly, our economic policies widened inequality, fueled by massive corruption, rent seeking and high dependence on oil. In the United States, the top 1% own 35% of privately-owned wealth while the next 19% own about 50%, implying that about 20% of the US population own about 85% of private wealth. The good news is that the top 1% made their money from wealth creation through innovation and product development that impact lives and change the world; the 20% are entrepreneurs, managerial professionals, and small business owners. On the other hand, the top 1% of Nigerians control 80% of private wealth, leaving only 20% for the remaining 99%. But unlike in the US, the top wealthy 1% is made up of few entrepreneurs and managerial professionals but mostly politicians, top ex-military officials, and bureaucrats who were privileged to hold or to have held sensitive government positions. Most of the few entrepreneurs

among them also made their money through their association with government in power and not from serious wealth creation initiatives. Nigeria's income inequality at 0.49% is among the highest in the world. High inequality limits opportunity for poor people to benefit from growth.

Finally, though we embraced the rule of law through democratic form of government and free enterprise in our economic principles, doing business was and is still faced with a lot of difficulties arising from low skills and capacity resulting in low productivity together with difficult business environment. Our ranking in the Human Development Index and the Ease of Doing Business also help to explain our poor performance. Nigerian ranked 152nd out of 188 economies in the 2017 Human Development Index (HDI) which is a composite statistics of life expectancy, education and per capital income indicators. Similarly, in the Ease of Doing Business, Nigeria ranked 169th out of 190 economies.

These indicators present statistics of Nigeria as a country with little progress before the recession in 2016. Majority of Nigerians did not feel nor benefitted in practical terms, from the GDP growth. Then recession came in 2016, making it much more difficult for us to experience the change we have all anticipated from a new government.

CHARACTERISITCS OF AN ECONOMY IN RECESSION: THE NIGERIA EXPERIENCE

A country is said to have slipped into recession when the economy experiences contractions significantly for at least six consecutive months or two consecutive quarters. This implies a decline in some economic indicators such as the real GDP, income, employment, manufacturing and retail sales. A recession is bad because asset values shrink during the period.

Before this current experience, the last time Nigeria was in recession was about 30 years ago. That was in 1987 when the Gross Domestic Product (GDP) recorded consecutive negative growth of -0.51 per cent in the first quarter and -0.82 per cent in the second quarter. In 2016 up to first quarter of 2017, Nigerian economy witnessed negative growth in five consecutive quarters, namely: -0.36% in quarter one, -2.06% in the second quarter, -2.24% in quarter three and -1.30% in the fourth quarter, averaging a negative growth of -1.5% for the year 2016 and -0.91% in quarter 1, 2017.

Recessions do not happen overnight. The ominous signs are always there. During the recession of the 1980s, the signs of things to come were apparent since the early 1980s when the then federal government declared 'Austerity Measures'. The policy responses were the enactment of the Economic Stabilization (Temporary Provisional) Act, 1982 and the introduction of the Structural Adjustment Programme (SAP) in 1986. I was among the young graduates of that time and I remember that for the first time, Nigeria started talking about graduate unemployment. The Naira was devalued moving from N1.50: USD1.00 to N4.50: USD1.00.

The signs of the 2016 recession were also manifested in the preceding years. Real GDP growth declined from 6.3% in 2014 to 2.7% in 2015 and finally to a negative of -1.5% in 2016. Inflation

rates almost doubled within two years, moving from a single digit of 8.06% in 2014 to 8.97% in 2015 and significantly to 15.6% in 2016. Official foreign exchange rate moved from N165: US\$1.00 to N197: US\$1.00 in 2015 and N305: US\$1.00 in 2016.

Just as it was in the 1980s, Nigeria again, this time, found itself in recession partly because of the challenge of earnings from oil. It is important to bring this picture out as it is the principal factor responsible for going into a recession. In the last few years, we have experienced significant shock in our economy. Oil revenue was USD\$8.9 billion in 2011, representing 80% of total revenue. But it started declining since then with the most significant impacts in 2015 to US\$3.8 billion US\$2.7 billion in 2016.

The significant simultaneous decline in daily crude oil output and price, robbed Nigeria of the growth rates we witnessed since 1999. And since we were unable to raise non-oil revenues during the period, the country faced huge budget financing constraints and foreign exchange volatility, putting pressure on our foreign exchange rate. This led to multiple exchange rates with creating confusion, arbitraging and corrupt practices.

Like any other recession, the effects soon became pervasive, spreading like wild fire. A recession is typically characterized by high unemployment, falling average incomes, increased inequality and high government borrowing. Apart from the apparent declines in foreign reserves and negative GDP growth, rising inflation and depreciation of the national currency, other issues manifest in forms of loss of jobs, closure of factories, and erosion of purchasing power, etc. Nigeria's situation has not been an exception to these. In fact, Nigeria's situation was aggravated by the fact that we had not saved during the "time of plenty" neither had we built new infrastructure or adequately maintained existing ones. The recession manifested in stagflation (inflation accompanied with lack of economic growth), rising unemployment, foreign exchange scarcity, decline in purchasing power and rise in misery index.

Typically, an economy can experience crisis and recession due to both endogenous and exogenous factors. Recession can be a cyclical economic phenomenon. But the challenges that confronted Nigeria were much more than the consequences of recession. Recession was just the icing on the cake. The Nigerian state has suffered from serious inadequacies in the structure of its economy and the various fiscal and monetary policies in use, overtime. These include:

1. A monocultural economy with heavy reliance on oil revenues to all tiers of government.
2. Heavy dependence on imports while we hoped for a self-reliant economy.
3. Massive corruption through wanton looting of public treasury by those put in charge.
4. Significant level of inequality represented by increasing poverty rate even as the GDP grew over a ten-year period.
5. Rewarding a parasitic banking and indeed financial system whose phenomenal profitability and growth are at variance with the quality of life of the citizens.
6. Significant economic mismanagement that rewarded rent-seekers and punish hard-working entrepreneurs, professionals and public officers.

7. Significant lopsidedness in fiscal and monetary policies that promoted financial exclusion rather than financial inclusion.
8. Infrastructural decay resulting from neglect, wrong priorities and fraudulent budgetary system.
9. A significant neglect or absence of social safety nets and social institutions that could have been used to bridge the gap of inequality by assuring access and minimum quality of life through quality education and sound health-care system.

OVERCOMING THE RECESSION AND GETTING SET FOR REAL GROWTH AND DEVELOPMENT

Now that we are officially out of recession with a fragile GDP growth of 0.55% in quarter 2, 2017 we need to go back to address the building blocks of sustainable, inclusive and rapid economic growth and development. We need to get people out of poverty; we need to get people to work again by creating jobs. We need to increase and improve productivity. There is the need to mitigate foreign exchange shortfalls and stabilize the foreign exchange rate. We need to provide the required infrastructure and close the gap in infrastructure deficiency. Businesses need to get back to business. The economy requires to be stimulated. In other words, we need to set the agenda for inclusive growth and development.

Diversification of the economy as a solution has almost become a slogan by government after government, but most past governments did not surmount the political will to implement the very fantastic and laudable plans they always put together and unveil. Since my days as an undergraduate in Economics, we as a nation have always talked about structural imbalance, heavy dependence on oil, need to promote exports, import substitution strategy, export-led growth, etc. However, a review of our earnings and the composition of the sectoral contributions to the economy/national budget by revenues, reveals that the contribution from oil remain as high as ever.

Managing a post-recession economy requires taking bold and coherent fiscal and monetary policy measures and putting the right people at the helm of affairs. In the realization of this, and looking beyond the recession to fulfil their campaign promises, the Nigerian government has taken some significant and impactful policies and projects worth commending. First it launched the Economic Recovery and Growth Plan (ERGP) in April 2017, with a vision of sustained inclusive growth. The Plan's broad objectives are to restore growth, invest in people and build a globally competitive economy. The Plan identified five core principles upon which it is based, namely: focus on tackling constraints to growth; leverage on the power of the private sector; promote national cohesion and social inclusion; allow markets to function; and uphold core values. To give measurable meaning to the Plan, five key execution priorities were identified, namely: stabilizing the macroeconomic environment; achieving agriculture and food security; ensuring energy sufficiency (power and petroleum products); improving transportation infrastructure and driving industrialization through focus on small and medium scale enterprises.

It is clear that the ERGP identified the challenges we face and articulated clear strategies and milestones to put Nigeria on the path of sustained and inclusive growth.

It is a beautiful, well-articulated document. However, the achievement of its vision and objectives will depend on the political will to pursue its execution. I acknowledge that the implementation has started well. I can provide some insight from my own engagement with an aspect that concerns my industry, that is, access to credit. The setting up of the Presidential Enabling Business Environment Council (PEBEC) with clear deliverables and timelines is commendable. PEBEC has responsibility to achieve significant improvement in the ease of doing business in Nigeria.

The Council has designed measurable quick wins and is laying the foundation for improving Nigeria's ease of doing business ranking to under 100 by 2020 from the present 169th position out of the 189 economies surveyed in 2017. And significant results are expected.

ISLAMIC PRINCIPLES AND ECONOMIC DEVELOPMENT OF NIGERIA

The ERGP is the blue-print of the present administration to address the fundamental challenges we face and put us on the path of sustainable growth and development. As the government formulates plans and policies to grow the economy on a path of inclusiveness and sustainability after the recession, there is a lot to adopt from Islamic economics and principles. The primary objectives of Islamic principles and economic system are equitable distribution of wealth and social justice. Islamic fiscal policy is used to achieve the objectives of economic stability, growth and acceptable distribution of wealth. Islam establishes a high degree of economic equality and conscious avoidance of wealth concentration. Secondly, since Islam prohibits payment of interest on loans, it implies that interest rate cannot be manipulated or become the instrument to achieve equilibrium in the money market. Islamic economic principles can help and they are worth considering in the following areas:

- a. Providing and funding public infrastructure
- b. Promoting free enterprise – SMEs and agriculture
- c. Financial inclusion and social safety nets
- d. Tackling corruption.
- e. Human capital development.

A. Providing and Funding Public Infrastructure

Economic literature has identified reflation through government spending and restoring production and consumption capacities to the private sector and households as the way out of recession. Governments have resorted to borrowing from the local and international financial institutions and multilateral agencies and governments. In the last four years, total government borrowings have increased from N8.5 trillion in 2013 to N14.06 trillion and US\$15.05 billion as at

June 2017. This is expected in time of recession as government needs to spend to stimulate and reflate the economy.

However, servicing the debt becomes a challenge especially when they are foreign currency denominated. With the current exchange rate regime, funds required to service the debt currently represents about 23% of 2017 national budget, translating to spending about N23 out every N100 earned in debt servicing. If not carefully managed, we may find the country in another debt trap, which we exited in the past through debt forgiveness and write-off.

Islamic finance is an alternative option worth exploring to raise funds for public works and to support the private sector's access to finance. Worldwide, Islamic finance is no more peripheral to conventional finance. It is being operated in over 75 countries, including the western nations. The United Kingdom issued its first Sukuk on 2nd July, 2014 for the sum of £200 million to build residential homes. Hong Kong and South Africa are among nations that have issued Sukuk in the past. South Africa's US\$500 million Sukuk was four times over-subscribed. Part of the objectives of UK for the issuance was to position the UK as an international hub for Islamic finance and tap Sharia compliant investors. South Africa's motive was to become Africa's Islamic finance hub.

Islamic financial system is based on justice for the parties. Rather than Islamic banking dealing with borrowers and lenders, the system is based on buyers and sellers. Conventional banking is biased in favour of the seller, whereas Islamic finance attempts to level the ethics between the two parties. Besides, Islamic finance system does not allow investment that harm people or the environment, thereby promoting sustainable finance. The fantastic options that Islamic finance offer for funding both public infrastructure and empowering small businesses should be explored to achieve sustainable development.

As we raise funds from international markets to invest in public works and infrastructure, Sukuk comes highly recommended to various governments. Sukuk is like bonds but its benefits outweigh those of bonds. Sukuk are backed by tangible assets rather than debt. While bond indicates a debt obligation, Sukuk holders are asset owners. The country will benefit from application of funds to specific projects rather than the situations where we have debts piling up on assets that may not be substantiated. Sukuk can be used to finance projects such as road, rail, housing, power and energy, agriculture irrigation systems, etc. without falling into interest-based debt.

I am glad to see that the Federal Government has embraced the issuance of Sukuk. Osun State had floated a N11.4 billion Sukuk in 2013. Just this month, the federal government issued a 7-Year N100 billion FGN Sovereign Sukuk due in 2024.

It is worthy of commendation by all Nigerians because Nigeria as a country will reap bountifully all the benefits associated with Sukuk. With this, the Federal Government has further diversified the sources of government funding, as it is offering opportunity not just to Muslims, but to all ethical investors to invest in government-issued securities. This important milestone is capable of helping to position Nigeria as a financial hub for sub-Sahara Africa. We cannot aim to become

a financial hub if we are hostile to a particular form of investment option for local and international investors.

The greatest benefit, as far as I am concerned, is the expansion of the financial landscape to achieve a higher level of financial inclusion. Before now, investment opportunities in government securities were limited only to interest rate-priced products such as Treasury Bonds, Treasury Bills and Certificates. Significant number of Nigerian Muslims have long been excluded from the investment opportunities as it violates their religious beliefs and injunctions.

In addition, often, the projects to which the proceeds of such government securities are deployed are not disclosed and this makes some ethical investors to also abstain. The N100 billion Sukuk was raised for the construction and rehabilitation of sections of specifically named key economic roads across Nigeria, including:

- a. Ibadan-Ilorin Road (Oyo-Ogbomoso axis)
- b. Kolo-Otuoke-Bayelsa-Palm Road (Yenegwe Road Junction)
- c. Enugu-Porthacourt Expressway (Enugu-Lokpanta)
- d. Kaduna Eastern By-Pass
- e. Kano-Maiduguri Road (Potiskum-Damaturu)
- f. Bridge works for the Loko-Oweto bridge over River Benue.

Muslims and indeed all Nigerians and international investors seized the opportunity and invested in the Sukuk. It is gratifying and encouraging to learn that it was over-subscribed when it closed this week.

B. Promoting Free Enterprise - especially SMEs and Agriculture

Islam encourages commerce and frown at usury; it grants dignity to professionals and labourers. Adults should be enabled to find it easy to work and run their business. We should all commend the initiatives of this government in the practical support for agriculture and with the creation of the Presidential Enabling Business Environment Council (PEBEC). There is no doubt that agriculture is receiving attention through various initiatives especially the Anchor Borrowers' Programme, the Rice revolution with the possibility that we may no longer import rice by 2018 and the boost in exports for cash crops especially cocoa and cashew. I understand that a lot of Nigerian Muslim farmers went on this year's hajj with savings from farming rather than the past practice of government sponsorship. This is the typical example of teaching people how to fish and not just give them fish.

Similarly, the challenges around ease of doing business is receiving attention at the highest level. The promotion of SMEs is also receiving attention.

However, some state governments are paying lip service to the development of SMEs, as a lot of their projects and supports for SMEs are mere propaganda and political sloganeering. There is

the need to separate SMEs development from poverty alleviation programmes. They look similar but they are not the same. Most of the SMEs support programmes of state governments are towards poverty alleviation. SMEs development requires helping start-ups to commence and overcome the challenges of early death; the focus should be to help build sustainable businesses. The business environment, access to market, capacity development and friendly regulations are all important to achieve this. While I do not discourage the idea of giving grants and subsidized loans to SMEs, a re-evaluation of the effectiveness of the various schemes is important. Besides, an important aspect of such programmes must be how to mainstream such beneficiary businesses into main line access to finance in loans and equity.

Nigeria should give special attention to innovation-driven SMEs in agriculture, ICT, tourism and fashion. These sectors are capable of absorbing SMEs, reward innovation, provide employment and promote necessary linkages. And this will also address poverty. When the states formulate policies, and provide infrastructure that stimulate the setting up and growth of small businesses, it will improve employment opportunities. In the medium and long term, when the productive sectors are virile, internally generated revenue will increase.

I have also observed that the federal government and most states established various initiatives and schemes to support access to finance for SMEs and those who would like to go into business. There are special intervention funds with considerable generous reduced interest rates either directly by governments or through special vehicles or agencies created for that purpose, such as the Bank of Industry, and Bank of Agriculture at the federal level and the Lagos State Employment Trust Fund by Lagos State. In all of these, there have been no role or consideration for non-interest finance.

States government should support SMEs by establishing enterprise agencies or in collaboration with private entities to address non-finance issues confronting micro and small businesses. Governments should support SMEs by encouraging the special vehicles created to introduce non-interest products such as Murabaha (trade with mark-up or cost-plus sale), Ijarah (operational and financial leasing contracts), Mudaraba (trustee financing contracts), Musharaka (equity participation contract) and deferred payment and deferred delivery sales. Banks such as the Bank of Industry, Bank of Agriculture and the newly established Development Bank of Nigeria should be encouraged to develop Islamic or interest-free finance products to increase access to finance and help wealth creation, especially among those who do not believe in interest-based loans, no matter the level of concessions. It is thus a veritable strategy of enhancing financial inclusion and equitable availability of funds.

C. Financial Inclusion and Social Safety Nets

Finance literature has established a positive correlation between access to finance and economic development. Finance exerts a significant and positive influence on growth. Financial sector development can contribute to achieving the goal of poverty reduction in Nigeria.

When people do not have access to financial services, they are unable to do a lot of transactions or projects that can improve their lives, including access to credit and cultivation of savings habits. In Nigeria, the banking system is far from the people as banks are concentrated where they consider to be commercially viable locations, especially in the cities and places with special projects like industries or educational institutions or government agencies. Let me give some statistics to buttress my position.

Total loans to the private sector by the 22 commercial banks as at June 2017 was N22 trillion to less than ten million people out of over 90 million bankable Nigerians. Credit penetration in Nigeria is among the lowest in the world because banking penetration itself is low. Besides, millions of Muslims do not believe and do not apply for loans under the conventional banking system.

There are 22 commercial banks in Nigeria with 5,568 branches/locations. Of these, the Muslim dominated states have the least number of branches. The North East has the lowest bank branches of 271, representing 5%; North Central is slightly better at 423 branches or 8% and North West has 560 branches or 10%. There are 421 bank branches in the FCT alone, almost the same number with the North Central that has 423 but far greater than the whole of North East of 271 branches.

Similarly, there are 984 CBN-licensed microfinance banks in Nigeria. Of these, the North West, North East and North Central geo-political zones with high concentration of Muslim population have 298 microfinance banks, representing 30%. In fact, most of the states have less than ten microfinance banks. For example, there are only 4 in Sokoto, 5 in Zamfara, 9 in Adamawa, 4 in Borno, 5 in Gombe, 4 in Taraba and only 2 in Yobe. An analysis of poverty on a regional basis shows that these three regions have the highest level of poverty rate. With absence of financial institutions, there is a limit to the level of economic activities than can take place. It has become a vicious cycle. Low economic activities could account for low number of financial institutions and as such high poverty rates. It is also possible to state that the absence of financial institutions, who are enablers, could have been responsible for the low economic activities and consequently high poverty level. Whatever it is, the regions undoubtedly require deeper presence of financial institutions as the regions with the lowest financial penetration, measured by the presence of financial services, have the highest rate of poverty and misery index.

A major contribution to the phenomenon is the reluctance of the people in Muslim dominated areas to patronize conventional banks. They shun these banks in obedience to the provisions of the Quran and the Hadith that prohibits usury as enshrined in Quran Surat 2: 275-276 and 3:130.

Quran 2: 275-275 state: ***“Those who devour interest will not stand except as stands one whom the evil one by his touch has driven to madness. That is because they say: “Trade is like usury”, but Allah has permitted trade and forbidden usury. Those who, after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat the offence are companions of the Fire: they will abide therein (for ever). Allah will***

deprive usury of all growth, but will give increase for deeds of charity: for He loves not creatures ungrateful and wicked.”

Quran 3:110 states: ***“O you who believe! Devour not interest, doubled and multiplied; but fear Allah; that you may really prosper.”***

A significant improvement is therefore expected with the availability of non-interest/Islamic banking system at both the commercial and microfinance banking levels. Interestingly, the Nigerian banking system especially the commercial and microfinance banks have seen the beauty of non-interest banking.

About eight out of the 22 commercial banks have non-interest banking windows, while one is a full-fledged Islamic bank. The Central Bank has also released the guidelines for Islamic microfinance banking in April 2017 which private sector operators are keying into. The development banks also need to follow in this direction, if they are to achieve their objectives and goals. The new banking models have made choices available and we believe this will drive financial inclusion and access to finance. The call is now on us as Muslims to take advantage of the opportunity and maximize the benefits that can be derived from this inclusive banking system.

D. Tackling Corruption

The World Bank defines corruption as “the abuse of public office for private gain”. In Islam, corruption has a broader definition and scope. In the Quran and Sunnah, corruption refers to a broad range of behavioural digressions that threaten the social, economic and ecological balance.

Corruption includes mischief, abuse, dishonesty, iniquity, wickedness, pervertedness, fraud, stealing, bribery, illegal earnings, falsehood, deception, etc. See Quran Surah Al-Baqarah 2:188 for example, which states: ***“And do not eat up your property among yourselves for vanities, nor use it as bait for the judges, with intent that you may eat up wrongfully and knowingly a little of (other) people’s property.”***

Corruption is one of the most significant challenges that has undermined the growth and development of the Nigerian state. The revelations in the last two years in the media, courts, governments agencies and anti-corruption bodies are mind-bungling and attest to its heights and dimensions. Islam supports severe punishments for corruption to punish, deter and rehabilitate. In addition, Islam advocates for institutional building that discourages, insulates or makes it difficult for corrupt practices. No Muslim who fears to meet His Lord should be found among Nigerian looters and the corrupt because the punishment for corruption in Islam is harsh. We should also not condone all acts of corruption which Islam frowns at, irrespective of the status of the person. Islam treats both the rich and the poor as equals. There are various instances in the Sunnah to prove this. The Prophet (SWT) was said to have said that his own daughter would not be spared the punishment, if found to have committed theft. In response to an appeal to waive

the punishment for a noble woman, the Prophet said: ***“O Usamah, how dare you recommend in a matter concerning Allah’s ruling? O people, communities before you perished because they pardoned the accused if he was a man from a noble class but enforced the law on the culprit if he was found to hail from the poor class. By the one whose hands lie my life, even if Fatimah bint Muhammad committed theft I would cut her hand off”***. We should be role models as the Quran describes us as the best evolve for mankind. In addition, we should support strict application of the law to all corrupt cases and corrupt people.

E. Human Capital Development

Our productivity is low. This stems from the quality of our education and health-care. We need to pay more attention to education, skills acquisition and capacity development. Islam advocates education as a solution to address ignorance and build the capacity of citizens for high productivity. Prophet Muhammad (SWT) emphasized the importance of education and urged Muslims to seek for it in any part of the world. I call on all the tiers of government to give significant importance to education of citizens under their constitutional responsibility. What makes a nation is the quality of human beings and not the physical and natural endowments. We can only be as great as the quality of human development.

CONCLUDING REMARKS

The Federal Government has effectively eliminated the structure and policies that limit financial investments and access to finance for Muslims. The windows of non-interest investment opportunities and banking services at the commercial and microfinance banking levels have eliminated barriers for Muslims who do wish to fulfil Allah’s injunctions in **Surah Al-Baqarah 2: 275-276** where Allah prohibits usury. We need to embrace these opportunities as investors, entrepreneurs and consumers. The test case was the just-concluded N100 billion Sukuk, which was over-subscribed. We hope that this will encourage future issuance of Islamic or non-interest/ethical instruments to further deepen our presence on the global financial scene.

In the same manner, we should also take advantage of the presence of various products and services on non-interest banking accounts of the banks and insurance companies that have windows for Islamic financial and non-banking financial services. The era of Muslim consumers and entrepreneurs not using the banking system because of the absence of non-interest banking services is gone. In addition, I urge entrepreneurs and Islamic organizations to venture into the establishment of non-interest microfinance banks to promote financial inclusion and make banking services available to millions of Muslims who have been yearning for this.

Allah enjoins Muslims to pursue legitimate economic and commercial activities. Surat Al-Baqarah 2:201 is a good prayer point asking Allah to give us good in this world, and good in the life to come. In few other verses I referred to before, Allah permits us to engage in trade. Foremost

Islamic states flourished in commerce and a lot of Islamic countries still do. Allah frowns at indolence and begging. Allah loves those who work hard and earn legitimate income and pay zakat and perform charities through them.

The post-recession management of our economy should focus on policies, initiatives, and programmes that would make us realise the noble economic objectives enshrined in our constitution to promote the prosperity of individuals and the nation, balanced growth and securing the maximum welfare and happiness of every citizen.

The objectives accord with the principles of Islam. But such a state will be achieved only if we achieve economic growth that is inclusive and minimize inequality. We also believe that this will make a lot of Nigerians to be better off, without making anyone worse off.

May Allah forgive me of my inadequacies in this presentation. May He grant us all His favours without defects.

Thank you for your attention.

As-Salam alaikun waharamatullah wabarakatuh.

AHMED 'TUNDE POPOOLA, FCA
SEPTEMBER 29, 2017/MUHARRAM 9, 1439 AH.