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Original Research Article

Public Perception of the Role of CBN in the Establishment and Operation of Islamic Banks in Nigeria

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Abstract

The study focused on public perception of the role of CBN in the establishment and operation of Islamic banks in Nigeria. The study sample composed of 100 questionnaires, eighty-five per cent of which were returned and functional. SPSS version 18.0 was employed and the data collected were subjected to statistical analysis and one-sample, and independent-sample t-tests were used for analyses. The finding revealed that the CBN's role in establishing and operating Islamic Banking in Nigeria is irrelevant. Nonetheless, this result is categorised as Type II error since it contradicts the established theoretical and empirical evidence in the world of central banking. Certain findings suggest that the CBN should actively encourage appropriate Islamic banking studies, further improve the legal framework of Islamic banking and that the CBN should partner with the Judiciary in creating Shariah courts to adjudicate Islamic cases.

Keywords: Islam, Sharia law, banks, non-Interest, financial innovation,

JEL Classification Codes: E58

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INTRODUCTION

In a modern economy, the role and purpose of the banking system are of considerable significance in the growth cycle and is hence often seen as the cornerstone of every productive economy (Fakhrul-Ahsan, 1998; & Usman, 2003). In this respect, Islamic banking is the most exciting and revolutionary economic and financial innovation of the 20th century in the Muslim world. Non-interest bank is a non-conventional financial institution mobilising financial resources into a competitive portfolio to achieve planned social and financial sustainability under Islamic Commercial Jurisprudence concepts. Nigeria's operation of non-interest banks and financial institutions is a distributive justice based on Islamic Commercial Jurisprudence Principles. Consequently, non-interest banks and financial institutions would undoubtedly make a considerable contribution to the national economy in the next few decades. This could, however, be accomplished with the help of government and related stakeholders by developing appropriate and efficient rules and regulations for the functioning of non-interest banks and financial institutions under the Shariah principles. This work was prepared to light up the way for students of Law, Banking, Legal Practitioners, banking and investment Regulatory Authorities, and members of the public who may transact business with or wish to incorporate non-interest bank in Nigeria.

The notion of banking in an Islamic way is reasonably recent in Nigerian history. The only experience to this day is that the Habib Bank (NOW Bank PHB) founded in 1998 (Alaro, 2009) a shariah-compliant transaction window or network, unlike Non-Interest Banking (NIB). Eze and Chiejina

(2011) opine that the banking system in Nigeria has developed steadily in recent years, despite comprehensive reforms implemented by the Central Bank of Nigeria (CBN). The focus of policy at the outset of these reforms was not only on growing banking but also on operating output and playing a crucial part in driving growth in other economic sectors. Mergers and acquisitions became the Most significant banking reform introduced in 2004 when Charles Soludo was governor of the CBN group when the capital base of those banks rose to the total CBN-led of N25 billion from N2 billion. The banks thus played their intended role in corporate finance with greater financial robustness. The draft Islamic Banking Structure was published in March 2009, by Chukwuma Soludo, with an initiative to provide a platform to connect seamlessly and comprehensively with international financial markets. The initiative of Interest Banking CBN Act 2007, which governs Islamic banking, was also introduced.

CBN then announced that establishment of Islamic banking is part of Nigeria's efforts to improve the economy and foster financial inclusions through the introduction of alternative products without disturbing any party or participation in the count in June 2011, in the name of Mr Mallam Lamido Sanusi. The CBN has also identified two types of low-interest banking, which include: non-interest financial services and products based on principles of Islamic corporate law, as well as financial products and services based on laws and principles in force. The CBN incorporated that it was prepared to advise persons and organisations who want to follow non-interest banking under laws and standards other than Islam, which will extend to other types of banks. To date, the CBN has

approved two banks to pursue Islamic banking in Nigeria. Among them are Jaiz International and Stanbic IBTC, a subsidiary of the South African Standard Bank. The controversy continues alive, in any case. Thus, Nigeria's Islamic banking network is already on its full development path.

The Research Problem

Countries as Pakistan, Iran and Sudan have adopted the mainstream banking and economic practices of the Islamic financial system. The dual banking structure was introduced in several countries such as Egypt, Algeria Saudi Arabia, Malaysia and Bahrain. In Nigeria, sadly, none of these two types exists, despite the large Muslim population of over 80 million, which almost matches the overall Muslim population of Tunisia, Algeria and Morocco. Over the past two decades, this circumstance has continued to generate much anxiety, and this situation has justified the tremendous attempts made over the years to ensure the establishment and activity of Islamic banks in Nigeria. The agitations for Islamic banks in Nigeria, however, date back to the 1990s, when the proposal was first introduced. The attempts acquired more excellent traction with the promulgation of the 1991 Banks, and Other Financial Institutions (BOFID) Decrees 24 and 25, which repealed the 1969 Banking Act. This is given the country's historical rules for developing non-interest banking.

There were two licences later issued in 1992, but neither were able to open operations until a non-interest banking window was established in 1999 (Umar, 2011; & Usman, 2003) by the previous Habib Nigeria Bank Limited (now Bank PHB). Given this tremendous bank change, because of the lack of political will and

commitment, the impetus for stability could not be maintained. Despite this hideous development, the Central Bank of Nigeria (CBN) recently adopted new regulations on the operation of Islamic banking, through what is planned as "Non-Interest Banking Institutions," has emerged as a new dawn for Nigeria's banking industry. Nonetheless, this newly released Non-Interest Financial Institutions structure has brought much promise and dynamism to the country's Islamic Banking programme. So this CBN brave effort and action indicated a bright new future for the country's Islamic banking industry. The possible issues and obstacles to an immediate start-up would also include general assumptions concerning the status of the CBN, inadequate resources and lack of governance structures for Shari'ah, lack of adequate, trained personnel, and phobias for non-Muslims among other things. This paper aims to research Nigerians' views on the perceived CBN's position in Nigeria's Islamic Bank growth and management empirically. Their schooling, popularity and Islamic presence are essential variables that affect people's views. This is because of their education level. Besides, this group's positive observations will contribute to the industry's patronage, publicity, and growth in no small measure. Against this background, the broad objective of this study is to examine public perception of the role of CBN in the establishment and operation of Islamic banks in Nigeria. The specific objectives are to: ascertain if the CBN presumed position affects the development and survival of the Islamic banking in Nigeria; and determine if the problems and difficulties of Islamic banks are significant for its setting-up and activity in Nigeria. The following are the research questions that naturally flow from the study: Does CBN's presumed position mean that Islamic banking in Nigeria can be

developed and survived? Are the perceived problems and difficulties inimical to the setting-up and activity of Islamic banking in Nigeria?

LITERATURE REVIEW

Concept of Islamic Banking

Islamic banking is usually regarded as conservative, interest-free banking with new contracts which are not included in the word 'interests' and are structured in a complicated process of sales and purchase where the buyer transferred credit to the supplier or financial company to sell it to the ultimate supplier (Abdul-Rahman, 2010). The Islamic Bank is linked by its origin to Islamic law, that is to say with Sharia law (formally the Sharia, typically the Shari'ah or shari'ah). in the literal sense of the Arabic word, shari'a is the road to the root of life and it is now used to refer literally to a legal structure consistent with the code of ethics and hadith (the real tradition) prescribed by the Holy Quran (Algaoud & Lewis, 2007). The Islamic banking system, thus, is run on the basis of the laws and instructions of Sharia law.

Non-interest Banking

CBN is known by the Non-Interest Financial Institution as a Bank or another financial institution (OFI) under the competence of the CBN, performing banking, engaging in manufacturing, commercial, investment, and financial goods, and offering services in line with the current definition of non-interest banking (Panafrican Finance, n.d). Non-interest banking is a kind of banking that does not rely on the principle of income- and loss-sharing, or take an interest.

Theoretical Literature

The Stakeholder theory and the Central

Agent Structure will be used for this review. Alternatively, stakeholder theory is also used as a kind of approach to addressing the perception of an organisation and its continuing activities by stakeholders. Therefore, a stakeholder is identified as a person who has an interest in or is involved in an object. Therefore, all stakeholders are conscious of their beliefs, which, even if not apparent, are considered intrinsically essential. Freeman (1984) explains stakeholders as: "any community or individual who may influence the achievement of the corporation's goals or who may be influenced by them.

Freeman, Wicks and Parmar (2004) found the stakeholders to be those individuals that are essential to an organisation's sustainability. Similarly, Donaldson and Preston (1995) observed that the principle of stakeholders assumes that any legal person involved in a firm's operations is primarily concerned about the profits to be obtained. The principal-agent often deals in the same manner with the problem of value and the ability to defend it. Therefore, the theory is a case in which one person works for another, for case the connection between owners and management or between managers and workers of a business. Also, this relationship differs from basic to advance as it is currently the case in some countries between the Central Bank and Islamic banks. Al-Jarhi (2006) explains bank theory explores finance as a mechanism operating through three parties: a principal, an agent and an intermediary, where both the principal and the agent jointly financed a project controlled by the agent and partially funded by the principal." Accordingly, the CB is the principal who must ensure that other institutions, such as deposit money banks and the principal, are funded jointly.

Empirical Literature

Islamic banking roots can be traced back to an early stage in Islamic history when Muslims could develop a non-interest network to raise capital in order to fund productive activities and consumption needs. The structure was prevalent during and decades later in Islamic society (Iqbal & Molyneux, 2005). Goitein argued that collaboration and the sharing of profits formed the basis for trade and industry rather than interest-based investment and lending in the Mediterranean region in the twelfth and thirteenth centuries. With the centre of economic gravity moving to the West over the years, Western financial institutions (including banks) became dominant while the Islamic cultural community remained sleepy. Moreover, Iqbal & Molyneux (2005) note that the vast majority of Muslim scholars, as after the Industrial Revolution Commercial Banking emerged, have voiced serious reservations about this financial intermediary models because they relied on interest rate structures. The Islamic masses had abstained from dealing with commercial banks to a considerable degree. However, in ever more monetising markets, the growing needs of traders, industry and other entrepreneurs were pressing.

Muslim academics and banks have taken up the task of developing a modern financial intermediation system. At the beginning of the 19th century, significant theoretical work was carried out. The Muslim world at the time was still subject to colonial rule. As Muslim countries became autonomous after the Second World War, there were restricted and gradually increased practical studies in interest-free financing. Nasser Social Credit, the first interest-free organisation, was established in Egypt in 1971 as well. While

social initiatives were primarily targeted at the Social Bank of Nasser, such as providing interest-free loans for poor and disadvantaged citizens, student bursaries, and small-scale profit-sharing micro-credits, the interest-free banking involvement of public authorities sent major signals to Muslims who had surplus funds. In 1975, the Dubai Islamic Bank was established by a consortium of business people based in Dubai, United Arab Emirates (UAE). This was the first private project of the Islamic Bank. Nevertheless, official support was essential to the donation by the UAE and the Kuwait governments of 20 and 10% capital (Venardos, 2005; Islamic World, 2009, Marimuthu, 2010; Abdul-Rahman, 2010).

In 1975, when the Islamic Development Bank (IDB) was set up, Islamic bank history developed in particular. Iqbal (2007) states that the IDB was founded as an international financing organisation following a statement by the IDB Ministers of Finance in Jeddah, Saudi Arabia, released in December 1973. In the history of Islamic financial industries, the period from 1975 to 1990 was the most crucial time. During this time, it became a viable alternative model of financial intermediation. This gained admiration and prestige in both theoretical and practical terms. Many of its compatible financial products were developed on one side, and Islamic banks have achieved results from the use of these goods (Islamic World 2008; Venardos, 2005, as reported in Abdul-Rahman, 2010; Marimuthu et al. 2010). Evan Tarver 2020, states that there are more than 300 banks and 250 mutual funds around the world that comply with Islamic principles. Between 2000 and 2016, Islamic banks' capital grew from \$200 billion to close to \$3 trillion in 2016. This growth is due primarily to the rising economies of Muslim countries (especially those that have

benefited from the rising price of oil). Against the backdrop of the gaps identified in the empirical literature, the following propositions in null form were tested in the study: H_{01} : There is no significant relationship between CBN's presumed position and development and survival of Islamic banking in Nigeria; and H_{02} : There is no significant relationship between perceived problems and difficulties and the development and survival of Islamic banks in Nigeria.

METHODOLOGY

This study aims to explore empirically, Nigerian views on the perceived role of the CBN in developing and running Islamic banks in Nigeria. The work concentrates mainly on the recent CBN Circular and Guidelines for the operation of non-interest banking under the principles of Islamic Commercial Jurisprudence in Nigeria with particular reference to the existing relevant Legislations, rules and guidelines. Covering the period from 2010 to 2019.

Research Design

This study considered in the sense of positivism, has used a deductive approach and the framework used in this work is the quantitative process; thus, a survey is part of that paradigm and is the most common strategy to be used for this research (Saunders, 2009). Furthermore, this research is an explanatory test, and, as stated by Gray (2004), a survey is an appropriate technique for explanatory research. Thirdly the use of the survey technique helped us to understand the connection between the variables of the sample. Using random samples of a population used to generalise the outcomes renders the survey the most suitable method.

Population and Sample

The population of the study consists of all informed public in Nigeria with a focus on Edo-State, Nigeria.

Methods of data collection

This research used secondary data for profundity purposes and familiarity with the subject matter. The primary data were then collected via questionnaire. The questionnaire is made up of four parts were part of the questionnaire. The first section raised questions concerning the demographic characteristics of the respondents, while the second section raised questions about Islamic banking knowledge and understanding. The third section deals with the problems and difficulties that Islamic banks face in Nigeria. Information about the perceived CBN role in the development and management of Islamic banks were requested by the fourth chapter. The questionnaire used Likert's 7-point options scale and the ranking scale applied, i.e. 1-7, allowed respondents to select across the Strongly Disagreed to Strongly Agree range. Therefore Heavy Disagreement is expressed by 1, Disagreement (2), Mild Disagreement (3), Indifferent (4), Slightly Agreement (5), Agreement (6) and Firm Agreement (7). From several similar perceptions studies on Islamic banks and other interrelated studies such as Ahmad & Shabbir (2006), Ahmad et al. (2010), and Bley and Kuehn (2004), the contents of the questionnaire were adapted.

Methods of data analysis

The collected data was examined using SPSS software version 18.0. Moreover, this study was subjected to descriptive and inferential statistics which used frequency analysis to define the profiles of the respondents. The frequency of the respondents (i.e. the Nigerian) depended on

their demographic details, such as university name, gender, age, type of program, course of study and state of origin. While reliability testing was carried out using Cronbach's Alpha statistics, it shows that the value was .774, statistical measures such as normality tests using the skewness and kurtosis statistics were also used. The parametrical analysis was also used to show the respondents in keeping with the empirical characteristics of SPSS 'views on Islamic banks. The testing of the hypothesis was, therefore performed using one sample to determine the experiences of the respondents. The writers used a convenient approach to sampling for the study. The survey was conducted individually. The copies of the questionnaire were hand-delivered to the respondents.

ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

In this section, the quantitative data gathering analyses and observations are discussed. This starts with the descriptive statistics of personal information accompanied by the key survey and each latent variable of this study's central model. The 100 questionnaires provided to universities in Nigeria reported an 85 per cent response rate. The degree students, therefore, account for 23.53 per cent of the total statistics obtained from Table 1 below, although 25.88 are the master students and 50.59 % are the doctoral students. The majority of respondents are between the ages of 36-45 (i.e. 47.06%). 88.24% of respondents are masculine and mainly graduate students between 36 and 45 years of age. Most citizens have also lived in Nigeria for over two years, i.e. 68.24%. It indicates that Nigeria's Islamic demographic features will become more common.

However, it is important to note the division of 19 objects in the questionnaires into 3 dimensions. As such, the constructs of three dimensions are i—awareness and knowledge with the "Awareness" label; ii. "Difficulties" reflect challenges and problems; and, iii. "Task" reflects the perceived task of the CBN. The two research hypotheses that are to be tested in this analysis, essentially using three-dimensional structures: i. That CBN's perceived position is important to the establishment and survival of Islamic banks in the country; and ii. The fact that Islamic banks face perceived problems and challenges to their formation and management in Nigeria. Towards this end, summary information on respondents' demographic characteristics is given in the table below.

Table 1: Respondent's profile

S/N	Items	N	%
1.	Program:		
	Degree	20	23.5
	Master	22	25.9
	PhD	43	50.6
		<u>85</u>	<u>100</u>
2.	Age:		
	18-25	10	11.8
	26-35	27	31.7
	36-45	40	47.1
	46-55	08	09.4
	55 above	---	----
		<u>85</u>	<u>100</u>
3.	Gender:		
	Male	75	88.2
	Female	10	11.8
		<u>85</u>	<u>100</u>
4.	Years in Malaysia:		
	0-1	27	31.7
	2-4	40	47.1
	5 above	18	21.2
		<u>85</u>	<u>100</u>

Source: Authors' Computation 2020

The Normality and Reliability Tests

The normality test results show that the data had a normal distribution, as shown in the table below. The test was conducted using controls on skewness and kurtosis. Thus it is concluded that the data is symmetrical since skewness and kurtosis values are lower than -1.0 for all three-dimensional

sample structures. As an outstanding value, a value of + 1.0 for skewness or kurtosis has been recorded (George & Mallery, 2006). It is thus assumed that the data for this analysis are normally distributed, and therefore parametric tests were used. The result information for the normality test is given in Table 2 below.

Table 2: Result of Normality Test

Label for Dimensions	N	Mini.	Maxi.	Std. Dev.	Skewness		Kurtosis	
	Stat.	Stat.	Stat.	Stat.	Stat.	Std. Error	Stat.	Std. Error
Aware	85	4.00	6.60	.63132	-.407	.261	-.449	.517
Challenges	85	4.00	6.60	.63132	-.407	.261	-.449	.517
Role	85	4.20	7.00	.63709	-.567	.261	-.059	.517
Valid Number	85							

Source: Authors' Computation 2020

The result of the reliability test showed that the Alpha value of .774 had been obtained for Cronbach using 19 items in the questionnaires. The alpha values of 7 above are deemed acceptable, while values of 8 above are preferred to demonstrate a high degree of internal consistency in the results (Pallant, 2007). Thus items 3 and 8 (see

Appendix B) have been omitted to boost reliability verification. Furthermore, the alpha value of .801 for the new Cronbach was reached. It is considered a good alpha feature because it gives the work greater credibility in its findings (George & Mallery 2006).

Table 3: Result of Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	N of Items
0.801	0.807	17

Source: Authors' Computation 2020

The One-Sample and Independent Samples T-Tests

The two key hypotheses of the study are i. These parametric approaches have been used to evaluate. For the establishment and survival of the Islamic banks of the country, the perceived role of CBN is crucial; and ii. Islamic banks are essential to their establishment and

activity in Nigeria to face the perceived problems and challenges. Therefore, problems and position are the two-dimensional structures used. In this case, five objects with a mean value of 5,6376 are the challenge factor. The study 'statistical quality is – .911 with a measured P-worthiness of .365.

Nevertheless, the latest P-value is.183, because it is one tail sample. This is not statistically relevant, since it approaches the observed Probability value of.05. Thus, the null hypothesis should be

believed, i.e. the claims of problems and difficulty with the establishment and activity of Islamic banks in Nigeria are unrelated. The following table contains performance details.

Table 4: Statistic on Challenges Dimension

	Test Value = 5.7					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Challenges	-0.911	84	0.365	-0.06235	-.01985	0.0738

Source: Authors' Computation 2020

Five elements are also formed in the role component. The predicted P-value is 0.277, and the real P-value is 0.139 if separated by 2 as it is 1-tailed. This further indicates a higher approximate P-value of.05 than observed and hence the zero hypothesis, i.e.

that the status of the CBN is insignificant for the founding and operation of Islamic banks in Nigeria. The above is not to be dismissed. The following table provides more information on the results.

Table 5: Statistic on Role Dimension

	Test Value = 5.7					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Role	1.095	84	0.277	0.07569	-0.0617	0.2131

Source: Authors' Computation 2020

Moreover, the Independent t-Test Samples for the measurement of variance and heterogeneity were used to compare an average of two classes for a particular dimension structure. Therefore, the classification of gender was considered to be the most appropriate class in this review.

In this respect, the study compared the male and female participants' mean numbers to determine their significance. The statistics show that for the two classes in Table 6 below the mean female is higher than the mean male.

Table 6: Gender Group Statistics

Dimensional Constructs	Gender	N	Mean	Std. Deviation	Std. Error Mean
Challenges	Male	75	5.6080	.65052	.07512
	Female	10	5.8600	.42216	.13350
Role	Male	75	5.7351	.65336	.07544
	Female	10	6.0800	.40222	.12719

Source: Authors' Computation 2020

The sense of the position of both men and women is substantially higher than the dimension of challenges. The female means all tasks and responsibilities were better than their male equivalents. This indicates that the female group likes higher than the male group on average. However, if we take a Levene search for the variance Stability test from Table 7 below, the Sig Dimension of Challenges values is .042. It means that the two variances vary greatly and that similar variations are not required. Although the Sig, the value is .222 for the Position dimension and therefore does not differ significantly between the two variances. Both variances are nearly similar. In general, the values above an independent sample testing table (under a t-test for medium equality) are interpreted when the variances are approximately equal.

As this test is a 1-tailed test, and as 2-tail test results in the following table, it needs to be divided by 2 to produce valid Sig. value (Carver & Nash 2009). It is also evident from the table below that the same variances are not considered in the aspect of the challenges because they have a Sig.06 interest. Interest. Interest. That means there is no essential difference between the two groups when the sensory value exceeds 0.05. The meaning element also is 0.05, which indicates that there is a large difference between the two groups. Therefore, we can assume confidently that the position of CBN between the male and the female groups varies considerably. Besides, the aspirations of the female group are greater than those of the male group, as the average females are greater than the males. The table below shows more features on the test.

Table 7: Result for Independent-Samples Test

Label for Dimensions		Levene's Test for Equality of Variances		t-test for Equality of Means					
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Diff.	Std. Error Diffs.	95% Conf.
									Lower
Challenges	Equal variances assumed	4.254	.042	-1.189	83	.238	-.25200	.21201	-.67369
	Equal			-1.645	15.413	.120	-.25200	.15318	-.57774

	variances not assumed								
Role	Equal variances assumed	1.513	.222	-1.624	83	.108	-.34489	.21242	-.76738
	Equal variances not assumed			-2.332	16.203	.033	-.34489	.14788	-.65807

Source: Authors' Computation

Discussion of Findings

The measurements of challenges are approximately 5.638, with a tab-value of -0.911 and a Probability value of 0.183 calculated. The calculated P-value has therefore not been observed statistically significant, because it is higher than the stated Probability value of 5, and this means that the null hypothesis is accepted. The problems and issues perceived in Islamic banks are thus of no importance for its creation and management in Nigeria. This may be called into question to some extent because the legal and supervision issues are seen as one of the many problems faced by most Islamic banks in the Muslim world, for a start-up country like Nigeria in particular, according to Obiyo (2008) and Yasin (2006). However, the result is accurate because only 2 articles, i.e. 11 and 12 of the 5 articles have been classified as marginally relevant, whereas others have been statistically unimportant. These 2 items show that they favourably contribute to the development of Islamic banks, but do not bear as strong ties as items 19, 8 and 18 (see Annex C).

It is noteworthy that the t-value of 1.095, measured with Prob-value.139, is statistically insignificant. That means the Null hypothesis is accepted as well. This

states that CBN's perceived role in the development and maintenance of Islamic banks in the region does not matter. The truth and reality of any central bank's major role as the apex bank in the economy are contradictory. The various works of central bank researchers and authors explicitly contradict this claim. The most prominent among them are Chapra (2009), Obiyo (2008), Toutounchian (2009), Usman (2003), Yasin (2006). The main role of the CB in the economic development and development of the financial system as a whole has been outlined. Therefore, the finding that the status of CBN in Nigeria is irrelevant for the creation and operation of Islamic banks is described as an error of type 2 because the null hypothesis should not be approved or rejected. In Kendrick (2005), this error was considered a Typ II error and was therefore calculated appropriately for the role of CBN when such a condition arises in social science research. In this context, the outcome showed the likelihood of the respondents of inadequate knowledge about the functioning of the financial system and institutions such as CBN, as well as the likelihood of a sample error. The fact that Islamic banks expand and flourish in a country such as Nigeria, in which they are seen as a central player and regulatory body of the financial

system, has a good interaction with and cooperation between Islamic banks and the CBN. CBN must lead the fruitful relationship between banks and financial institutions in the region. Given the new legal structure recently introduced by CBN on non-interest banking in the country, this situation reflects the region's fact. Besides, NIFI (non-interest-free institutions) should comply carefully with the recently developed banking regulations (see Appendix A).

Additionally, 10 of the 19 items examined were significant, and seven were statistically significant (SS) with a value of 0.05 greater than P. In contrast, others were moderately important (MS), i.e. between .05 and .10 in P (see Appendix C). The less Probability -value, the greater the confidence in the unintended outcomes the George and Mallery (2006) acknowledged this. Therefore, the seven statistical considerations are 2, 4, 5, 8, 15, 18 and 19. It means that they are closely connected to their different dimensions. For example, 19 are statistically most essential and read as follows: 'The CBN must promote adequate analysis of the Islamic Bank'. This indicates that the strongest conviction among the respondents is that the CBN supports sufficient research on Islamic banks, as Islamic banks also have to work and thus need some academic study for policy analysis and wording purposes. It is entirely right. As long as its progress has to be taken seriously, including in terms of successful and practical policy design, product creation and project management and human capital growth, appropriate work is undoubtedly required. Nonetheless, the results reaffirmed the compelling and vital role of the CBN in developing and managing Nigerian Islamic banks. The findings nevertheless highlighted the CBN's

significant and critical role in setting up and operating Islamic banks in Nigeria. This is due to the importance and the role that CB positions as the key player in the financial system, works by scholars and writers such as Chapra (2009), Toutounchian (2009), (Usman (2003), Yasin (2006) and many others have noted.

On this vital basis, INCEIF (2006a:318) says as follows: "Virtually all the economists on the topic agree that in an Islamic economy the central bank will carry on with all the functions exercised elsewhere by central banks." The CBN is therefore crucial, indissoluble and fundamental to its establishment and monitoring of Islamic banks in Nigeria. It should also be noted that the CBN matches two of the three most statistically significant items in the study, i.e. items 18 and 19 (see Annex C). The study also found that CBN has a clear positive perception to promote appropriate research to broaden Islamic banks. More information, guidance and understanding of Islamic banks' potential benefits for the Nigerian economy and the public is also needed. The explanation is that customer knowledge, and the emphasis is one way to shape people's understanding of finance, patronage and survival in Islamic banks. Above all, the CBN has been demonstrated with convincing evidence for its significant role and participation in the establishment and survival of the Islamic banks in the region.

The previous presentations and discussions demonstrate that this study focuses primarily on CBN's hopes and problems concerning Islamic banks in Nigeria. This study also showed the CBN's role in the Islamic banking agenda and its participation in it. Because of that, the CBN's position very significant for the financial system's

survival; in particular, the banking sector can be argued safely. According to Usman (2003, p. 39), "a sound banking system is at the core of every solid economy" (p. 41). "The central bank is at the height of the banking system across the world."

This study also showed that CBN strongly supported work to encourage ample expansion of Islamic banks. Again, this study found that more knowledge, guidance and awareness of possible benefits for Nigeria's economy and its citizens are needed from Islamic banks. This is because consumer or stakeholder awareness and advice is one way of influencing the people's understanding of funding, funding and sustaining Islamic banks. The CBN has above all demonstrated with convincing evidence its major position and its participation in the establishment and survival of Islamic banks in the world.

CONCLUSION

Nigeria is commonly referred to as 'Africa's largest.' Nigeria is known as the centre of Africa's economic development. Nevertheless, because of her economic hardship, which has proceeded to escalate annually, Nigeria was far from performing such positions. The low level of industrial development in the world, apart from corruption, is the main cause of this situation. The shortage of financial institutions whose job it is to do this needs this finance and opportunity. Islamic (non-interest) banking has a banking structure which differs over the years from the conventional microfinance banks in the world. The opportunity to open up the commercial field of production in the world is a big capacity of this method.

The expected arrival of Islamic (non-interest) banking has already started to be

viewed by Nigerians as having ulterior detrimental motives. It is correct that each program has its opportunities and challenges mentioned above; there are more prospects than challenges in the proposed Islamic (non-interest) banking system. Nigeria and its people will learn to adapt to new policies and accept change with the facts mentioned above and arguments. We expect and claim that the selection of buyers and business people in Nigeria can increase a sound of relief by Islamic (non-interest) banking and the economy will significantly benefit from it through increased development and cooperation between the lender and the lender.

Recommendations

- i. The CBN's need to cooperate with the Judiciary to have Shari'ah courts to adjudicate the matters of Islamic Banking. This is because the outcome is very positive for the CBN needs to be more concerned with improving the legal framework for Islamic banking operations in the country with the goal of the industry's development and survival;
- ii. The majority of respondents have also been found to favour the related Islamist bank study with a clear positive opinion of the CBN. The aim is, therefore, to ensure that the design, articulation and formulation of policies on Islamic banks in the country are very relevant in this region.
- iii. The CBN must take the issue of workforce growth very seriously and extend it exclusively to Islamic banks. It would ensure that the workers of the Islamic banks are efficiently and adequately qualified to enable the new industry to spread rapidly and to play a more significant

role in the Nigerian economy.

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Appendix A
Non-Permissible Transactions/Contracts and the Recognised
Instruments/Financing Modes under the NIFI of the CBN

- (a) **Non-Permissible Transactions and Contracts**
1. Interest;
 2. Uncertainty or ambiguity relating to the subject matter, terms or conditions;
 3. Gambling;
 4. Speculation;
 5. Unjust enrichment;
 6. Exploitation/unfair trade practices;
 7. Dealings in pork, alcohol, arms & ammunition, pornography and;
 8. Other transactions, products, goods or services which are not compliant with Shari'ah rules and principles
- (b) **Recognised Instruments/Financing Modes**
1. Murabahah
 2. Mudarabah
 3. Musharakah
 4. Ijarah
 5. Salam
 6. Istisna
 7. Wadiah
 8. Wakalah
 9. Sukuk
 10. Any other financing mode or structure that is Shari'ah-compliant and approved by the CBN.

Source: The CBN Circular on NIFI Framework (2011a).

Appendix B
Statistic on Reliability Test (19 Items)

Label for Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Sincere patronage of Islamic banks	102.1608	83.672	.287	.404	.768
Distributive Justice of Islamic banks	102.0196	78.245	.493	.497	.754

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Risk sharing philosophy	102.2784	85.707	.078	.255	.786
Lesser risk in Islamic banking	102.4667	75.001	.619	.525	.743
Awareness of various modes of Islamic financing	102.0078	85.499	.129	.128	.779
Benefits and challenges of Islamic banking and finance	102.4078	81.641	.378	.500	.762
Transparency, accountability, and social welfare	102.1255	78.515	.558	.524	.751
Product similarity between Islamic and conventional banks	102.7255	84.070	.103	.230	.789
Islamic banking offers a better alternative to conventional	102.3725	77.748	.451	.396	.756
Requirements for customer education and orientation	102.1490	78.338	.513	.447	.753
Manpower challenges facing Islamic banks in Nigeria	102.4431	78.658	.452	.422	.756
Adequacy of Legal framework for Islamic banks in Nigeria	102.4314	81.188	.299	.419	.768
Poverty alleviation potentials of Islamic banks in Nigeria	102.2549	82.080	.343	.336	.765
Inadequacy of project evaluation information	102.2196	83.220	.264	.262	.770
CBN to strengthen IB framework in Nigeria	102.4353	81.844	.355	.359	.764
Islamic banking windows operated by conventional banks	102.3843	82.322	.280	.413	.769
Supervision by Shari'ah Advisory Council	102.1961	82.837	.226	.334	.773
Collaboration between the CBN and Shari'ah Advisory Council	101.9843	80.495	.481	.513	.757
CBN should promote more research on IB	101.8078	81.256	.495	.539	.757

Source: Authors' Computation 2020

Appendix C: Items with Significant Values

S/N	Items No.	Label/Content	P-Value	Remarks
1.	2	Islamic banks shall ensure distributive justice and fairness.	.039	SS
2.	4	Buying and selling arrangements under Islamic banks are less risky compared to conventional banking.	.041	SS
3.	5	I am aware of the various Islamic modes of financing and services like <i>Mudarabah</i> , <i>Musharakah</i> , <i>Murabahah</i> etc.	.026	SS
4.	8	Products of present Islamic banks are similar to those of conventional banking system.	.002	SS
5.	15	The CBN should be more concerned about the strengthening of the legal framework for Islamic banking operation in the country.	.037	SS
6.	18	The CBN needs to collaborate with the Judiciary to have Shari'ah courts for the adjudication of matters on Islamic banking	.007	SS
7.	19	The CBN needs to promote adequate research on Islamic banks.	.000	SS
8.	6	Islamic banking practices will bring numerous benefits and challenges to individuals, organisations and the society at large.	.057	MS
9.	11	Islamic banking operation in Nigeria is likely to face the serious challenge of adequate and qualified manpower.	.053	MS
10.	12	The current legal framework for Islamic banking operation in Nigeria shall facilitate the growth of Islamic finance in the country.	.075	MS

Source: Authors' Computation 2020

Note: SS means Statistically Significant while MS implies Marginally Significant.