

PIONEERING ISLAMIC BANKING IN NIGERIA

THE PROPOSED JAIZ BANK STORY

BY

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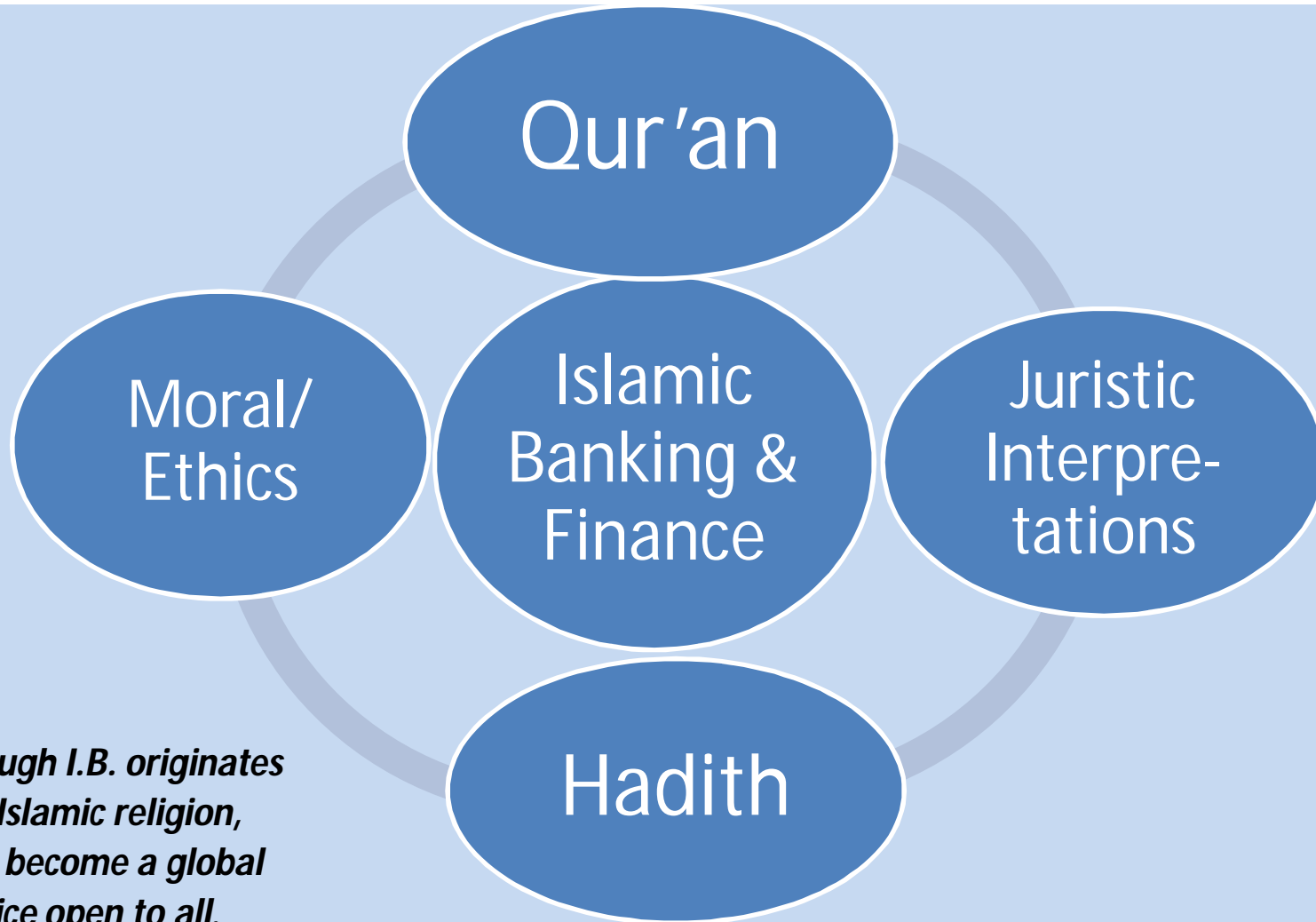
Outline

1. Introduction to Islamic Banking
2. Opportunities for Islamic Banking in Nigeria
3. JAIZ'S Pioneering Role
4. Challenges of A Pioneer
5. Benefits of Islamic Banking
6. Conclusion

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Introduction to Islamic Banking

Introduction to Islamic Banking Concept and Principles



Although I.B. originates from Islamic religion, it has become a global practice open to all.

Introduction to Islamic Banking

Concept and Principles

❖ Bible:

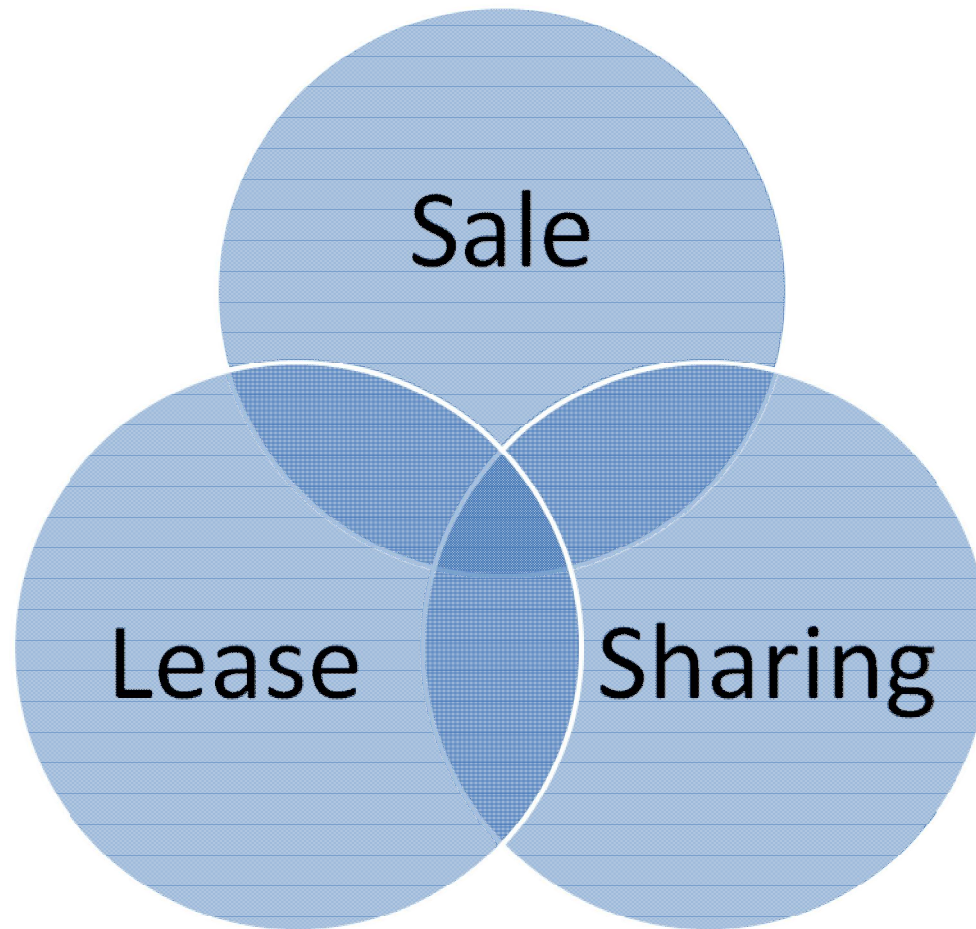
“Do not charge your brother money or food or anything else that may earn interest”

Deuteronomy 23 verse 19

“He who lends money without usury and does not accept bribe against the innocent shall never be shaken”

Psalms 15 verse 5

Introduction to Islamic Banking Concept and Principles

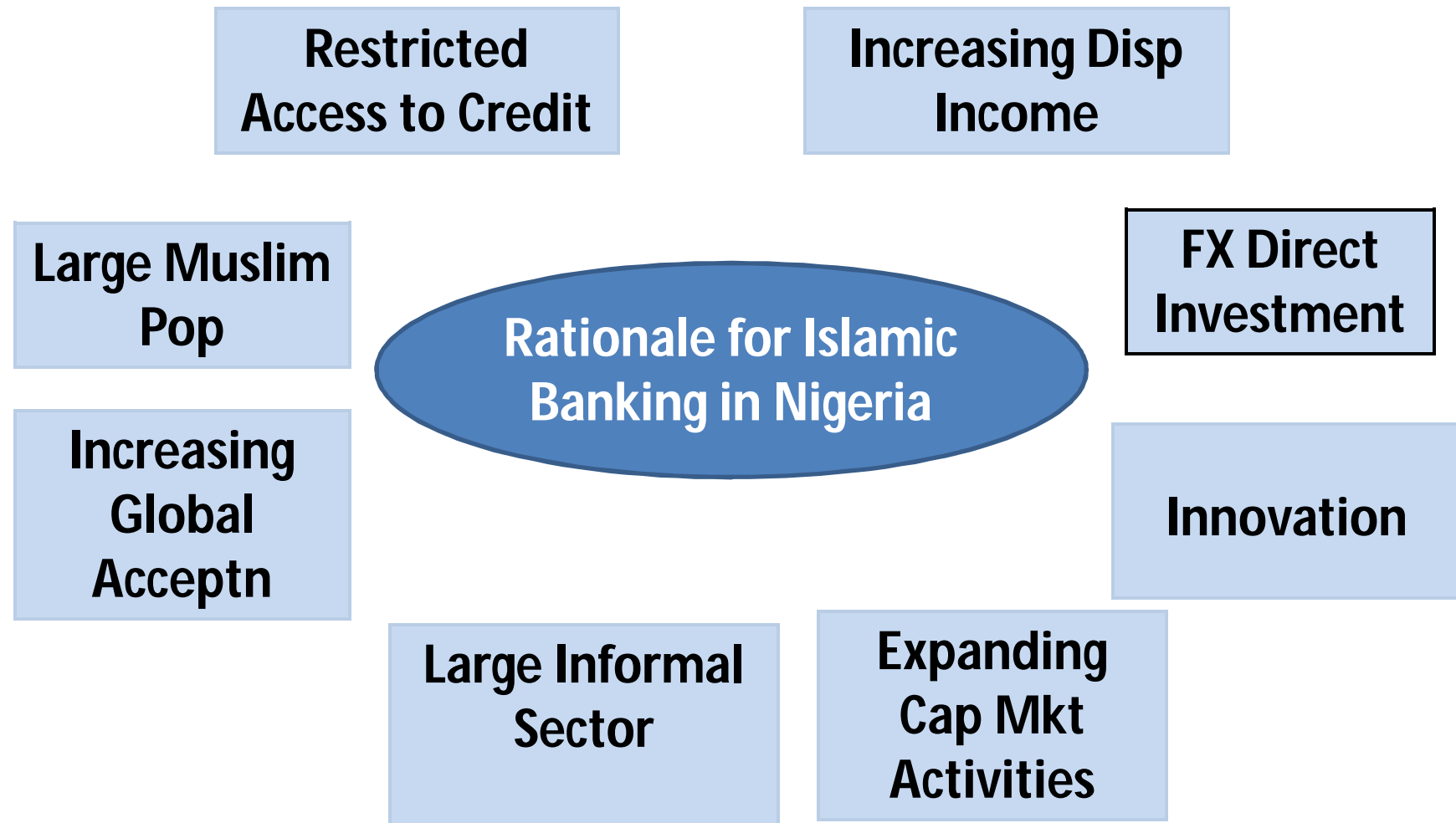


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Opportunities for Islamic Banking in Nigeria

Opportunities for Islamic Banking in Nigeria

Rationale for Islamic Banking in Nigeria



Opportunities for Islamic Banking in Nigeria

Analysis of Potential Demand (Cntd.)

- ❖ Estimated Islamic Banking Market Size is N4.35 trillion, representing 44% of total industry deposit liabilities (N9.9Trillion) as at Dec 2008.
- ❖ Estimate is based on distribution of deposits in some leading Nigerian Banks (by KPMG).
- ❖ Deposits are expected to grow at a CAGR of 25% for the next five years.

3 JAIZ'S Pioneering Role

JAIZ'S Pioneering Role

- ❖ Raised Required Cap. Of N2 b in 2003;
- ❖ Applied for licence March 2004;
- ❖ New Cap of N25 b introduced July 2004;
- ❖ Back to the trenches:
 - Private Placement;
 - International Road Shows- Cap + Str. Partner;
 - Legal & Regulatory Framework;
 - Continuous awareness creation.

JAIZ'S Pioneering Role

❖ Key Issues to be addressed:

- Complete Capital Raising;
- Obtain final licence
- Sign on Strategic/Technical Partner;
- Recruitment & Training;
- Infrastructure acquisition
- Promotion
- Roll Out

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Challenges

Challenges Of Estb. Islamic Banking in Nig

❖ No Regulatory/Supervisory Framework

❖ Size of capital required

- N25 billion set up by regulatory fiat
- Serious barrier to entry
- Sub-optimal utilization of capital
- Weak KPIs – initial years

Challenges Of Estb. Islamic Banking in Nig

❖ Fiscal Issues

- Nature of IB Products
- Need for tax neutrality (FIRS/MoF)
- Lack of sufficient Political support

❖ Lack of Liquidity Mgt. Instruments

- 25% Liquidity Ratio
- Interim measures required for IB

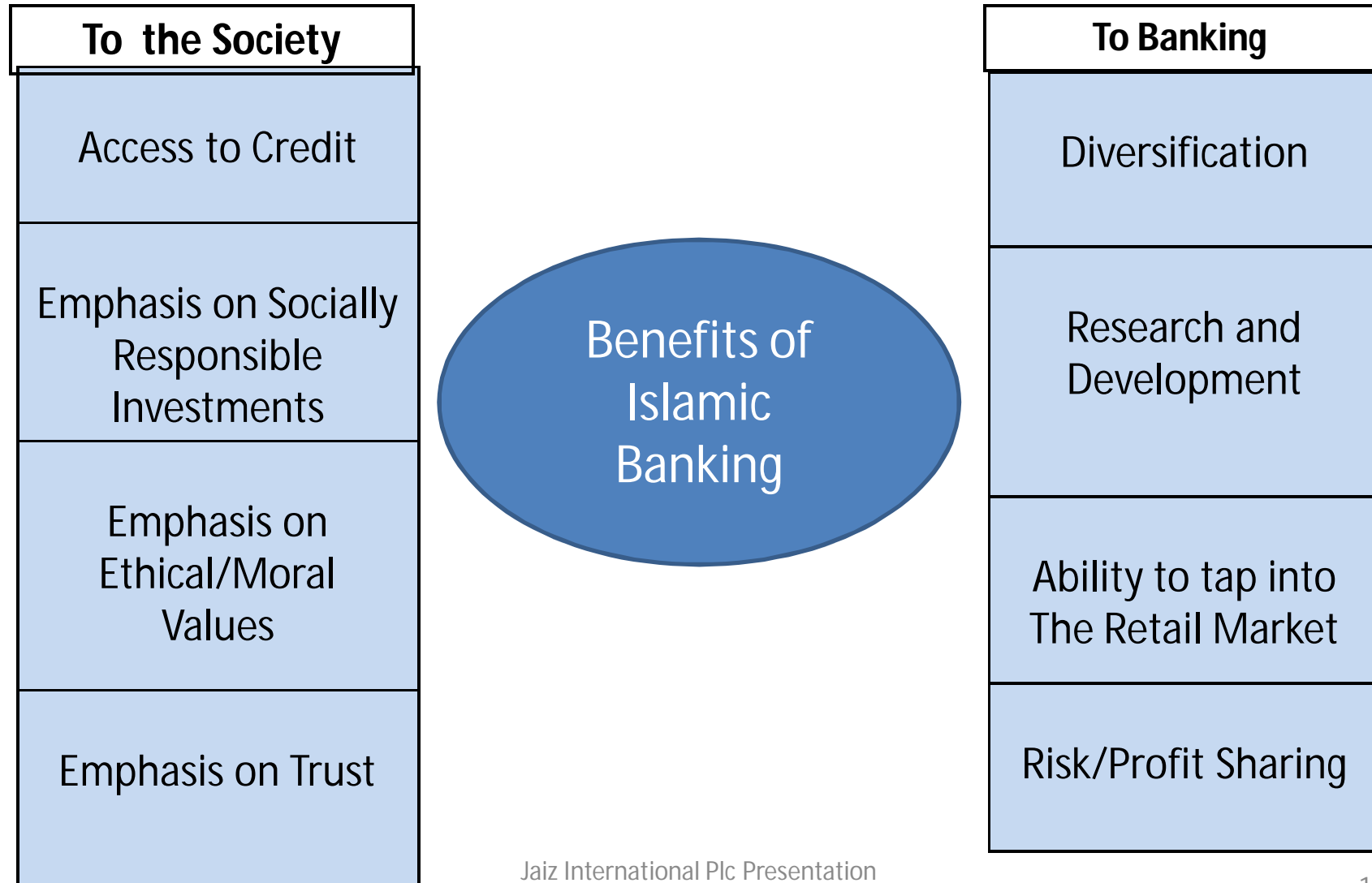
Challenges Of Estb. Islamic Banking in Nig

❖ Knowledge Gap

- Trained manpower;
- Lack of training facilities;
- Lack of sufficient understanding of IB
 - Regulators
 - Operators
 - General Public
- Misinformation / skewed understanding

5 Benefits of Islamic Banking

Benefits of Islamic Banking



Benefits of Islamic Banking

- ❖ Diversification & Deepening the market;
- ❖ Reducing the size of the unbanked;
- ❖ Skill acquisition;
- ❖ New sources of international capital flow;
- ❖ Improves regional competitiveness;

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Conclusion

Conclusion

- ❖ Islamic Banking is very profitable;
- ❖ Nigeria should not be left out of this growing global phenomenon;
- ❖ Islamic Banking can empower our people by bringing in the informal sectors;
- ❖ In line with CBN's FSS 2020.
- ❖ We need the cooperation of all stakeholders, esp the Regulators, for all of us to benefit from Islamic Banking

THANK YOU