IMPACTS OF *AL-SŪQ AL-MĀLIYYAH AL-ISLĀMIYYAH* (ISLAMIC CAPITAL MARKET) ON ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract

Al-Sūq al-Māliyyah al-Islāmiyyah presents a sustainable, albeit predominantly neglected, paradigm for mitigating Nigeria's socio-economic exigencies, exacerbated by infrastructural deficits, escalating sovereign indebtedness, and contemporary contractionary cycles. Consequently, the study examined the impact of al-Sūq al-Mālīyyah al-Islāmiyyah on Nigeria's economic growth and development, with a view to contributing to the attainment of broader national development objectives. A descriptive research design was adopted, employing a self-designed questionnaire and a structured interview guide to collect data from 4,000 respondents across selected Nigerian states through multi-stage sampling, with Lagos and Abuja purposively included for their strategic significance. Additionally, 13 critical stakeholders from the Nigerian Exchange Group (NGX) were interviewed. Data were analysed both quantitatively and qualitatively. Findings indicated a low level of awareness about the Islamic capital market at the Nigerian Exchange Group ($\bar{x} = 2.4648$, $\sigma = 0.62881$). However, a significant number of respondents believed that the market has promoted financial inclusion ($\bar{x} = 3.8480$, $\sigma = 0.35911$), provided capital to SMEs ($\bar{x} = 3.1775$, $\sigma = 0.93103$), and contributed to job creation ($\bar{x} = 3.8382$, $\sigma = 0.36828$). Furthermore, the market was recognised for facilitating infrastructural development in Nigeria ($\bar{x} = 3.5630$, $\sigma = 0.49608$). The study concluded that al-Sūq al-Māliyyah al-Islāmiyyah had significantly contributed to Nigeria's real sector, particularly through job creation and infrastructure development. To fully harness its potential, it was recommended that regulators and market operators enhance public awareness through targeted sensitisation campaigns; the Nigerian

Exchange Group and Lotus Capital should expand the equities listed on the NSE Lotus Islamic Index, while the government at all levels should increase investment in critical infrastructure through ṣukūk.

Keywords: *Al-Sūq Al-Māliyyah Al-Islāmiyyah*, Economic Development, Lotus Islamic Index, Nigerian Exchange Group, Nigeria

Introduction

Empirical evidence indicates that Africa has experienced sustained economic growth over the past three decades. In 2022, the continent's real Gross Domestic Product (GDP) growth was estimated at 3.8%, a decline from 4.8% in 2021, yet surpassing the global average of 3.4%. This deceleration was primarily attributed to the tightening of global financial conditions and persistent supply chain disruptions, both of which were exacerbated by heightened geopolitical tensions, most notably, the Russian Federation's invasion of Ukraine, which collectively dampened global economic growth (African Development Bank, 2023).

During the same review period, Nigeria's macroeconomic indices reflected a tempered growth pattern. As reported by the African Development Bank (2023), real Gross Domestic Product (GDP) growth moderated to 3.3% in 2022, compared to 3.6% in 2021. This deceleration was primarily attributable to a sustained decline in crude oil production, which led to a 5% reduction in the industrial sector's real GDP growth. Notwithstanding this decline, positive growth was recorded in the services and agricultural sectors, which expanded by 7% and 2%, respectively. From a demand-side perspective, the decline in GDP growth was driven largely by a 2.5% contraction in public consumption and a pronounced 80% reduction in net exports.

Moreover, per capita income growth decelerated to 0.8%, relative to 1.2% in the preceding year, reflecting persistent economic vulnerabilities. In fiscal terms, the budget deficit narrowed slightly to 4.9% of GDP in 2022 from 5.2% in 2021. This fiscal gap was predominantly financed through increased public borrowing, which resulted in a rise in total public debt to US$103.1 billion, equivalent to approximately 22% of GDP, up from US$92.6 billion in 2021. Concurrently, inflation accelerated to a two-decade peak of 18.8%, driven by rising energy and food prices, alongside the pass-through effects of exchange rate depreciation Oyesanya, 2022).

In response to escalating inflationary pressures, the Central Bank of Nigeria (CBN) implemented successive increases in the monetary policy rate, which rose from 11.5% at the beginning of the year to a peak of 16.5% in November 2022. Concurrently, a modest improvement in oil export performance led to a slight fiscal surplus amounting to 0.1% of Gross Domestic Product (GDP) in 2022, thereby reversing a trend of fiscal deficits sustained over the preceding three years. Gross international reserves declined by 7.5% to $37.1 billion. The nonperforming loans ratio stood at 4.2% in 2022, below the regulatory threshold of 5%, while the capital adequacy ratio, at 13.8%, exceeded the regulatory benchmark of 10%. Despite these improvements, multidimensional poverty remained high at 63%, and unemployment was at 33.3%. These indicators suggest that, notwithstanding relative progress, Nigeria continues to face significant economic and financial challenges (Oyesanya, 2022).

The conventional financial system, upon which the economies of many nations, including Nigeria, are based, comprises principles and instruments that do not conform to the Sharīʻah and are insufficient to address the financial needs of these countries. Islamic finance has thus emerged as an alternative institution. It involves the provision of financial products and services by institutions offering Islamic financial services for Sharīʻah-approved transactions and economic activities, based on contracts that comply with Islamic law and the financial industry's rules and regulations (Oyesanya, 2022). Islamic financial markets, integral to this alternative system, encompass money and capital markets and operate free of ribā (interest/usury), adhering to principles consistent with the Sharīʻah.

The development of a distinctive *al-Sūq al-Māliyyah al-Islāmiyyah* is a natural progression in the Islamisation of the global financial services industry. It plays a pivotal role in the global financial ecosystem by providing Sharīʻah-compliant investment avenues that promote ethical finance, risk-sharing, and socio-economic justice. Unlike conventional financial markets, the Islamic capital market prohibits *ribā*, *gharar*, and investment in non-*ḥalāl* activities, thereby aligning financial transactions with Islamic ethical standards (Usmani, 2020). In recent years, this market has gained considerable recognition globally, including in Nigeria, where it is increasingly viewed as a viable alternative for driving economic development, fostering financial inclusion, and addressing socio-economic disparities (Alaro & Alalubosa, 2018).

To address liquidity management issues and enhance the effectiveness and efficiency of Islamic banks, windows, *takāful* (Islamic insurance), re-*takāful* operators, and other peripheral financial intermediation services, several countries – including Malaysia, Saudi Arabia, Bahrain, Kuwait, Sudan, and Iran – have introduced *al-Sūq al-Māliyyah al-Islāmiyyah* to facilitate the management of assets of Islamic financial institutions. Nigeria has embraced this initiative. Consequently, in 2012, the Securities and Exchange Commission (SEC), in partnership with the private Islamic fund management firm Lotus Capital, launched the NSE-Lotus Islamic Index (NSE-LII), which commenced with a combined market capitalisation of approximately ₦2.87 billion (US$18 million) (Oyesanya, 2022). Although the Islamic capital market in Nigeria remains in its formative stages, its activities have been concentrated in three key sectoral domains: *ṣukūk* (Islamic bonds), Islamic investment funds, and equities.

Moreover, the operations of *al-Sūq al-Mālīyyah al-Islāmiyyah* extend across both the Nigerian Stock Exchange and the Financial Markets Dealers Quotations (FMDQ) Exchange. Therefore, this study assesses the impact of *al-Sūq al-Mālīyyah al-Islāmiyyah* on economic development in Nigeria, with a view to offering policy-relevant recommendations aimed at enhancing its operational efficacy and unlocking its full potential for fostering accelerated national economic growth and development.

Objectives of the Study

The main objective of this study is to examine the impact of *al-Sūq al-Mālīyyah al-Islāmiyyah* on economic development in Nigeria, with a view to proposing recommendations for enhancing its operational effectiveness and harnessing its full potential in fostering greater national economic growth and development. The specific objectives are as follows:

i. examining the Nigerian populace's awareness of the existence, nature, and forms of Islamic ethical securities listed on the Nigerian Capital Market;
ii. assessing the impact of the Islamic Capital Market on economic development in Nigeria;
iii. identifying the challenges facing the operations of the Islamic securities market in Nigeria; and
iv. drawing out the prospects of the operations of the Islamic Capital Market in Nigeria.

Research Questions

The following research questions were formulated to enable the study to attain the stated objectives:

i. What is the level of awareness of the Nigerian populace of the existence, nature, and forms of Islamic ethical securities listed on the Nigerian Capital Market?
ii. What are the impacts of the Islamic capital market on the economic development of Nigeria?
iii. What are the challenges confronting the operations of the Islamic securities market in Nigeria?
iv. What are the prospects of the operations of the Islamic capital market in Nigeria?

Methodology

The study employed a descriptive research design of the ex-post facto type, complemented by an analytical approach, to evaluate the impact of *al-Sūq al-Mālīyyah al-Islāmiyyah* on Nigeria's economic development. The target population encompassed the Nigerian populace and employed a multistage sampling technique to select respondents. At the first stage, one state was randomly chosen from each of the six geopolitical zones, namely Ogun, Kwara, Kano, Gombe, Rivers, and Enugu States. At the second stage, the state capitals were purposively selected due to their concentration of economic and financial activities, including Nigerian Stock Exchange operations. At the third stage, stratified sampling was used to select 500 respondents from each geopolitical zone, with additional purposive samples of 500 each from Lagos and Abuja, giving a total of 4,000 participants. Furthermore, 13 participants from the Nigerian capital market, including regulatory officials, financial professionals, and Islamic finance institutions, were purposively selected for interviews.

Data collection involved the use of two instruments: a researcher-designed questionnaire for the quantitative component and a structured interview schedule for gathering qualitative data. To ascertain the reliability of these instruments, a pilot study was conducted over three weeks involving 50 participants in Ibadan, Oyo State. The Cronbach's alpha coefficients, which ranged from 0.501 to 0.766, demonstrated an acceptable level of internal consistency and reliability for the questionnaire (George & Mallery, 2022). Data analysis involved both quantitative and qualitative methods. Quantitative data from the questionnaire were cleaned, and incomplete responses were excluded. The data were analysed using the Statistical Package for the Social Sciences (SPSS, version 29), with frequency distributions and mean deviation employed to identify trends and measure central tendencies (Pallant, 2023). Qualitative data from the structured interviews were analysed through thematic analysis, allowing for the identification of recurring patterns and expert perspectives (Braun & Clarke, 2022). This mixed-methods approach provided a comprehensive understanding of the role of *al-Sūq al-Māliyyah al-Islāmiyyah* in fostering economic growth while ensuring the integration of both statistical evidence and expert insights to enhance the study's validity and depth.

Review of Related Literature

Islam and Economic Development

Islam conceptualises economic development within the broader framework of human development, integrating moral, spiritual, and socio-economic dimensions (Ahmad, 1981). The religion's primary objective is to guide human development in a manner that fosters a comprehensive and indivisible philosophy of socio-economic welfare. According to Ahmad (1981), the philosophical foundation of Islam's approach to development is entrenched in four main concepts: *tawḥid* (the unity and sovereignty of God), *rubūbiyyah* (divine provisions for sustenance), *khilāfah* (humanity's vicegerency on earth), and *tazkiyah* (purification and growth). Within this framework, *tazkiyah* serves as the core of the Islamic development paradigm, reflecting a commitment to holistic growth, ethical refinement, and social justice. This process of self-purification leads to *falāḥ*, prosperity, and success in both worldly life and the hereafter (Ahmad, 1981, p. 179). Islam's view of development is, therefore, not limited to material growth but encompasses the moral and spiritual elevation of individuals and society (Askari et al., 2015).

The Qur'ān provides the foundational normative framework for economic development in Islam, the principles of which are practically operationalised through the Sunnah of the Prophet Muḥammad (SAAS). The Prophetic implementation of Qur'ānic directives in Madīnah represents a historically grounded and practically viable model for integrated socio-economic development (Askari et al., 2015). As articulated by Askari, Iqbal, Krichene, and Mirakhor (2015), the Qur'ānic paradigm of development is structured around three interdependent dimensions: *rushd* (individual moral and intellectual refinement), *istiʿmār* (the constructive development and utilisation of the earth), and the collective advancement of human society towards justice and cohesion. The dimension of *istiʿmār* is explicitly grounded in the Qur'ānic assertion of humanity's stewardship over the earth and the sufficiency of its resources. Allah declares: "It is He who created for you all that is on the earth…" (Qur'ān 2:29).

This verse underscores the principle that the earth's resources are divinely endowed for human benefit, thereby establishing a theological basis for economic productivity, resource utilisation, and sustainable development. Similarly, the Qur'ān affirms the adequacy and measured distribution of resources: "And there is no creature on earth except that upon Allah is its provision…" (Qur'ān 11:6). This verse challenges the conventional economic assumption of absolute scarcity by asserting that *rizq* (provision) is divinely guaranteed, thereby reframing economic discourse within a paradigm of sufficiency, trust, and responsible management. However, while resources are fundamentally sufficient at the macro level, the Qur'ān recognises that variations in wealth and material conditions occur as part of a divine test. As Allah states: "As for man, when his Lord tests him and honours him and favours him, he says: 'My Lord has honoured me.' But when He tests him and restricts his provision, he says: 'My Lord has humiliated me.' Nay!…" (Qur'ān 89:15–17).

The Qur'ānic framework is further reinforced and operationalised through the Sunnah. The Prophet Muḥammad (SAAS) emphasised the dignity and virtue of productive economic engagement: "No one has ever eaten better food than that which he eats from the work of his own hands" (al-Bukhārī, n.d., ḥadīth no. 2072). This ḥadīth establishes the ethical primacy of lawful labour and self-reliance, thereby encouraging productivity and discouraging dependency. In another tradition, the Prophet (SAAS) underscores the moral value of economic contribution to society: "The best of people are those who are most beneficial to others" (al-Ṭabarānī, n.d.). This statement situates economic activity within a broader framework of social utility, indicating that development in Islam is inherently people-centred and welfare-oriented. Furthermore, the Prophet (SAAS) strongly emphasised ethical conduct in market transactions: "The truthful and trustworthy merchant will be with the Prophets, the truthful, and the martyrs" (al-Tirmidhī, n.d., ḥadīth no. 1209). The implication of this ḥadīth is that commercial activity, when conducted with integrity and trustworthiness, attains a rank of spiritual excellence, thereby integrating economic life into the broader pursuit of *iḥsān* (excellence).

The development of human collectivity in Islam is closely linked to the concept of legitimate authority, which rests upon adherence to divine law. The Qur'ān (59:4) emphasises that those in positions of leadership must demonstrate profound faith and moral integrity. Authority in Islamic governance is legitimised through compliance with Qur'ānic injunctions and the Prophetic traditions, leaving no room for arbitrary rule (Askari et al., 2015). Furthermore, Islam's emphasis on economic development is inseparable from the principle of social justice. Ahmad (1979) argues that Islamic economic development is a value-driven process that prioritises human well-being and collective prosperity. This holistic vision implies that development must address both material and spiritual dimensions, ensuring the equitable distribution of resources and social welfare.

Islamic economists have identified two primary approaches to economic development: the top-down and bottom-up approaches (Karwai, 2012). The top-down approach asserts that effective economic development requires the central coordination and regulation of economic activities by the government (Karwai, 2012). According to Salleh (1997, as cited in Karwai, 2012), state-driven policies play a critical role in implementing developmental agendas, as demonstrated by the success of Islamic financial and educational institutions such as Islamic banks and universities. Conversely, the bottom-up approach focuses on empowering individuals and communities to drive economic growth through ethical and theological frameworks (Karwai, 2012). This approach emphasises individual agency and grassroots initiatives to achieve sustainable development aligned with Islamic ethical values. Both approaches reflect Islam's dual commitment to institutional governance and individual responsibility, fostering a balanced model for economic development that is consistent with social justice and moral integrity.

Concept of *Al-Sūq Al-Māliyyah Al-Islāmiyyah*

Operationally, *al-Sūq al-Māliyyah al-Islāmiyyah* comprises two main components: the stock market and the *ṣukūk* market (Oyesanya, 2022). The stock/equity market involves the emergence and development of Sharī'ah-compliant securities based on *mushārakah* (equity participation). These stocks are classified as Sharī'ah-compliant only if the business activities of the companies issuing them are not related to prohibited sectors as identified by

Sharīʻah scholars. Prohibited activities include those associated with conventional commercial banks, investment companies, insurance firms, and other financial institutions that violate Islamic law, as well as industries dealing with alcohol, pork products, tobacco, illegal drugs, weapons of mass destruction, and entertainment products that promote pornography (Oyesanya, 2022). The *ṣukūk* market pertains to the sale of debt arising from trade and service transactions, structured as deferred payment sales. This form of debt trading is universally accepted across Islamic juristic schools of thought, provided that the debt is paid in full, ensuring no benefit accrues to the purchaser (Oyesanya, 2022).

Empirical evidence suggests that the most developed Islamic capital markets are currently situated in Malaysia, the United Arab Emirates, Kuwait, and Qatar (Oyesanya, 2022). The Islamic capital market plays a pivotal role in mobilising savings and allocating them towards productive ventures in accordance with the principles of the Sharīʿah. Analogous to its conventional counterpart, the Islamic capital market comprises both primary and secondary segments. The primary market is directly responsible for facilitating the provision of capital for investment in productive activities, whereas the secondary market supports this process indirectly.

Liquidity and the efficient pricing of risk and return within the secondary market serve to incentivise small-scale savers to augment their savings, while also motivating entrepreneurs to allocate capital more effectively and efficiently. This occurs when the market accurately reflects entrepreneurial performance through corresponding fluctuations in stock values, either appreciation or depreciation. In addition, individual Islamic financial instruments, alongside both static and dynamic portfolios derived from them, offer significant opportunities for risk diversification across different societal groups and temporal horizons. These attributes render the Islamic capital market particularly appealing to both providers and users of capital.

Since 1990, *al-Sūq al-Mālīyyah al-Islāmiyyah* has undergone significant and rapid expansion, transitioning from its initial stronghold in Southeast Asia to encompass the Gulf Cooperation Council (GCC) region and parts of Europe, thereby establishing itself as a genuinely international platform for capital mobilisation (Securities & Exchange Commission, 2014). This remarkable growth has been primarily driven by increased revenues among oil-exporting nations, resulting from elevated global oil prices. The market's evolution has attracted the participation of a diverse range of institutions, including multilateral organisations such as the World Bank and the Islamic Development Bank (IDB), as well as both Islamic and conventional corporate entities.

According to the Islamic Financial Services Board (2013), the introduction of global Islamic indices in 1999 marked a pivotal moment in the development of Islamic capital markets, leading to a substantial expansion in the range of benchmark indices across diverse regional and economic contexts. At present, four major global providers dominate the Islamic equity market: the Dow Jones Islamic Market Indices (DJIM), S&P Sharīʿah Indices, MSCI Global Islamic Indices, and FTSE Global Islamic Indices. The Islamic Financial Services Board (2013) further observes that the DJIM family has broadened its coverage to include Sharīʿah-compliant securities across sixty-nine countries, encompassing both developed and emerging economies such as Canada, China, and Kuwait. In addition to a broad geographic reach, DJIM offers indices tailored to regional markets, industry sectors, market capitalisation segments, as well as specialised indices and bespoke benchmarks.

In response to the increasing demand for Islamic equity indices, Standard & Poor's (S&P) initiated the application of Sharīʿah screening criteria to three of its major indices, the S&P 500, the S&P Europe 350, and the S&P Japan 500, as early as 2006. According to the Islamic Financial Services Board (2013), S&P expanded its Islamic index offerings in 2007 with the introduction of the S&P GCC Sharīʿah and S&P Pan Asia Sharīʿah Indices. This expansion continued in 2008 with a comprehensive review of the S&P Global Broad Market Index (BMI), which encompasses more than 11,000 companies globally. As a result of this review, the S&P Global BMI Sharīʿah Index was established, incorporating nearly 6,000 Sharīʿah-compliant constituents across ten sectors, forty-seven countries, and various regional sub-indices.

Beyond the equity segment, *ṣukūk* have emerged as a rapidly expanding financing instrument within the Islamic capital market, enabling sovereigns and corporate entities to access alternative sources of capital while providing investors with a distinct Sharīʿah-compliant asset class (Islamic Financial Services Board [IFSB], 2014). Their utility has been particularly evident in financing infrastructure projects across a range of jurisdictions, as many such assets are inherently Sharīʿah- compatible. According to the IFSB (2014), global *ṣukūk* issuance followed an exponential trajectory, despite a brief contraction in 2008, recording a compound annual growth rate of 50.5 per cent between 2008 and 2013; by the end of 2013, outstanding *ṣukūk* totalled US$ $270.1 billion. Continued infrastructure funding requirements in the GCC and Asian regions have further fuelled this expansion, while traditional bond issuers have increasingly adopted ṣukūk structures to meet the burgeoning demand for Sharīʿah-compliant investment products (IFSB, 2014).

Islamic Capital Market in Nigeria

The institutionalisation of Islamic finance in Nigeria can be traced back to 1961, when the first Islamic bank, the Muslim Bank of West Africa Ltd, was established. However, this bank was believed to have been closed by the then Minister of Finance in 1962, following two court cases aimed at defending its existence (Orisankoko, 2010). This historical fact challenges the common belief that Islamic finance began in 1990 with the enactment of the Banks and Other Financial Institutions Decrees (BOFID) 24 and 25 of 1991, which replaced the Banking Act of 1969 and led to the establishment of Jaiz Bank in the 2000s as the first Islamic bank in the country.

The development of Islamic finance in Nigeria was further bolstered by the Nigerian Securities and Exchange Commission's decision to launch the NSE-Lotus Islamic Index (NSE-LII) in 2012, marking the beginning of the Islamic capital market in Nigeria. In collaboration with Lotus Capital, a private Islamic funds management company, the Nigerian Stock Exchange (NSE) introduced the NSE-LII, which had an initial market capitalisation of approximately ₦2.87 billion ($18 million). The index excluded banks, companies with high levels of debt or leverage, and other stocks inconsistent with Islamic principles (Umar, 2013). Notably, Lotus Capital was already operational before the Central Bank of Nigeria's (CBN) conceptualisation of the Nigerian Islamic Financial Institutions (NIFIs).

Lotus Capital, established in 2004, was the first Islamic financial institution to operate within Nigeria's capital market. It was founded with the principal objective of addressing the investment needs of ethically inclined individuals, businesses, and organisations across the West African sub-region. As a pioneer in the nascent field of Islamic finance, Lotus Capital emerged at a time when the sector was recognised as the fastest-growing segment of the global financial industry, with total assets valued at over US$1.3 trillion by 2013 and exhibiting an annual growth rate of between 15 and 20% since 2006 (Lotus Capital Limited, n.d.). In a parallel development, Jaiz Bank, the only fully fledged Islamic bank in Nigeria at that time (Kareem, 2016), also commenced operations in 2004, having fulfiled all regulatory prerequisites for the issuance of a banking licence in December 2003. The bank successfully raised ₦2.5 billion through a public offering; however, the introduction of new capital requirements by the Central Bank of Nigeria (CBN) in July 2004 posed considerable challenges, ultimately hindering the full operationalisation of the bank.

The NSE-Lotus Islamic Index (NSE-LII) was established by the Securities and Exchange Commission as an equity index designed to monitor the performance of selected Sharīʿah-compliant and fundamentally strong equities listed on the Nigerian Stock Exchange. The index comprised fifteen (15) equities drawn from various sub-sectors, including agriculture, consumer goods, conglomerates, and industrial goods. As of June 2014, the market featured five Sharīʿah-compliant unit trust schemes, collectively accounting for a Net Asset Value (NAV) of ₦35.8 billion. This figure represented 19.6% of the total NAV of the unit trust industry at that time (Nigerian Securities and Exchange Commission, 2014).

Table 1: Registered Ethical/*Sharī'ah*-Based Fund Managers in Nigeria

S/N	Name of Fund	Fund Manager	Net Asset Value (₦)	Remarks
1.	Zenith Ethical Fund	Zenith Bank Plc.	**89,3591,047.14**	**(Historical – NAV Discontinued)**
2.	Lotus *Ḥalāl* Investment Fund	Lotus Capital Limited	**3,500,000,000.00**	**Active**
3.	Afrinvest Halal Fund	Afrinvest Asset Management	**2,500,000,000.00**	**Active**
4.	Stanbic IBTC Ethical Fund	Stanbic IBTC Asset Mgt. Co. Limited	**3,224,472,849.91**	**(Historical – NAV Discontinued)**
5.	ARM Ethical Fund	Asset & Resources Mgt. Limited	**314,105,898**	**(Historical – NAV Discontinued)**
6.	Stanbic IBTC Iman Fund	Stanbic IBTC Asset Mgt. Co. Limited	**188,511,090.87**	**(Historical – NAV Discontinued)**
7	CFG Africa Ethical Fund	CFG Africa	**1,000,000,000.00**	**Active**
	Total		**11,620,680,885.92**	

Source: Adapted from Oyesanya (2022), with updates by the authors.

Apart from the ethical funds, fifteen (15) stocks are on the Islamic Capital Market. They are presented in Table 2 below:

Table 2: Registered Ethical/*Sharī'ah*-Based Equities in Nigeria

S/N	Name of Equities	Managers of Equities	Market Capitalisation (₦)
1.	PZ	PZ Cussons Nig. PLC	**83,242,423,845.00**
2.	Mobil	11 PLC (Mobil Oil)	**306,880,281,925.00**
3.	Cadbury	Cadbury Nigeria PLC	**29,689,124,851.50**
4.	DANGCEM	Dangote Cement PLC	**1,610,627,849,800.00**
5.	CAP	CAP PLC	**112,337,020,125.00**
6.	PRESCO	PRESCO PLC	**257,742,946,645.00**
7.	NASCON	NASCON Allied Industries PLC	**81,556,209,745.00**
8.	OKUMUOIL	OKOMU Oil Palm PLC	**370,187,041,967.40**
9.	Total	Total Oil PLC	**302,154,955,608.00**
10.	GLAXOSMITH	Glaxo Smithkline Consumer	**81,709,691,588.60**

		Nigeria PLC	
11.	DANGSUGAR	Dangote Sugar PLC	**293,514,839,803.50**
12.	NAHCO	Nigerian Aviation Handling Company PLC	**25,828,738,300.56**
13.	UNILEVER	UNILEVER PLC	**415,825,561,180.50**
14.	CCNN	Cement Co. of North Nigeria PLC	**152,782,938,850.00**
15.	NESTLE	NESTLE Nigeria PLC	**1,241,349,200,280.00**
16.	JAIZ Bank	JAIZ Bank Plc	**15,026,767,143.00**

Source: Oyesanya (2022)

In a significant move to develop Nigeria's Islamic capital market, the Federal Government announced the issuance of its first Ṣukūk instrument on June 28, 2017, aiming to raise ₦100 billion through the non-interest capital market. The funds raised were to be directed towards infrastructure development and financial inclusion. This initiative was the culmination of years of collaborative efforts by financial service regulators, including the Central Bank of Nigeria, the Securities and Exchange Commission, and other key institutions. The Ṣukūk was targeted for the construction of twenty-six major federal roads and bridges across the country’s six geopolitical zones (Debt Management Office, 2019). The first Ṣukūk, issued by Osun State Government in 2017, yielded a 14.75% gain, valued at ₦11.4 billion (about $62 million), and was structured based on an *ijārah* (lease) model, marking a milestone for Islamic finance in sub-Saharan Africa (Oyesanya, 2022).

Subsequent Ṣukūk offerings included a ₦100 billion Sovereign Ṣukūk issued by the Federal Government on December 28, 2018, aimed at financing road projects. This offer garnered significant interest, with total subscriptions amounting to ₦132.2 billion, representing a subscription rate of 132.2% (Debt Management Office, 2019). The third Sovereign Ṣukūk, issued in May 2020, attracted a markedly high level of investor confidence, recording total subscriptions of approximately ₦669.124 billion, which represented an oversubscription rate of about 446 per cent, thereby signalling a significant expansion in market participation and acceptance of Sharīʿah-compliant instruments within Nigeria’s financial system. This positive trajectory was sustained in subsequent issuances, as the fourth Sovereign Ṣukūk, issued in December 2021 at ₦250 billion, was fully subscribed, reflecting continued investor appetite and institutional confidence; the fifth issuance in 2022, valued at ₦150 billion, similarly recorded strong demand; while the sixth Sovereign Ṣukūk, issued in 2023 with an initial offer of ₦150 billion, attracted subscriptions of about ₦652.827 billion, leading to an increased allotment of ₦350 billion. By this stage, cumulative Sovereign Ṣukūk issuances had exceeded ₦1 trillion, financing critical road infrastructure across the federation.

The seventh issuance, structured around ₦300 billion in the 2024/2025 cycle, further underscores the consolidation of Ṣukūk as a mainstream public financing instrument in Nigeria. Collectively, these trends indicate a deepening domestic capital market, sustained investor confidence, and the growing capacity of *al-Sūq al-Māliyyah al-Islāmiyyah* to mobilise long-term funds for infrastructural development, thereby reinforcing its strategic relevance for sustainable economic growth and financial inclusion in Nigeria.

Table 3: Registered Ethical/*Sharī'ah*-Based Bond (*Ṣukūk*) in Nigeria

S/N	Name of Bond	Managers of Bond	Market Value (₦)
1	Federal Government Sovereign *Ṣukūk* Series I–VII	Federal Government of Nigeria / Debt Management Office (DMO)	**1,400,000,000,000.00**
2	Osun State *Ṣukūk* (2013)	Osun State Government / Osun Sukuk Company Plc	**11,000,400,000.00**
	Total		**1,411,400,000,000.00**

Source: Adapted from Oyesanya (2022), with updates by the authors.

This growing trend in the issuance and subscription of Ṣukūk in Nigeria signals the increasing development and acceptance of Sharī'ah-compliant financial instruments in the country's capital markets.

Results and Discussion

Demographic Presentation of Results

A. Distribution of Respondents by Gender

Figure 1: A Histogram Showing the Distribution of Respondents by Gender

The gender-based chart reveals that 55% of the respondents were male, while 45% were female, as reflected in Figure 1. This modest disparity reflects a relatively balanced representation, although males were marginally more involved. This may suggest greater male engagement in capital market activities or a higher accessibility of men to financial institutions in the surveyed areas.

B. Distribution of Respondents by Age

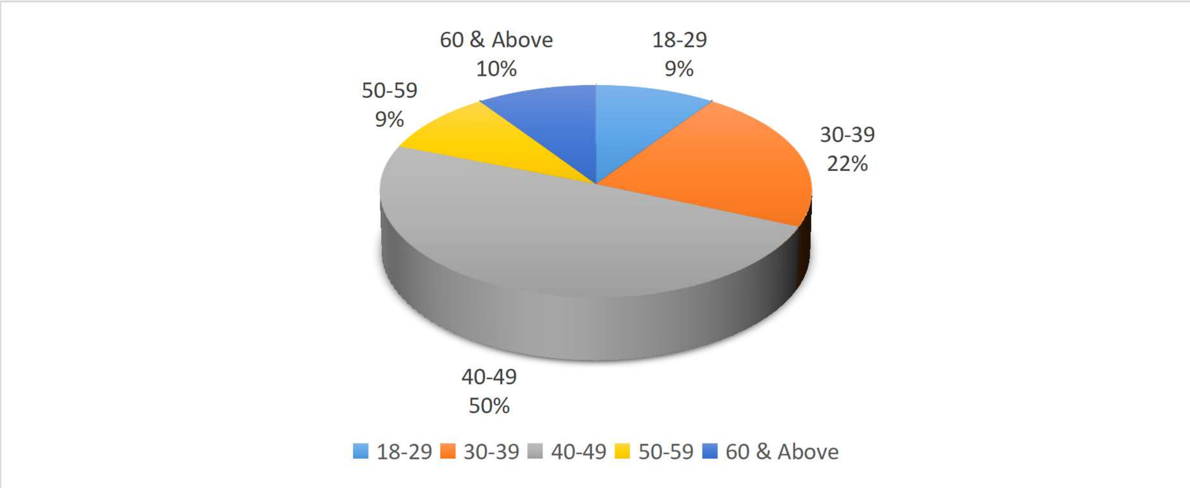

Figure 2: A Pie Chart Showing the Distribution of Respondents by Age

The dominant age group in Figure 2 was 40–49 years, accounting for 50% of the sample. This was followed by respondents aged 30–39 years **(**22%**)**, 60 years and above **(**10%**)**, 50–59 years **(**9%**)**, and 18–29 years **(**9%**)**. The prevalence of middle-aged participants indicates a mature demographic, likely characterised by economic responsibility, investment experience, and familiarity with financial products; attributes essential for informed responses.

C. Distribution of Respondents by Marital Status

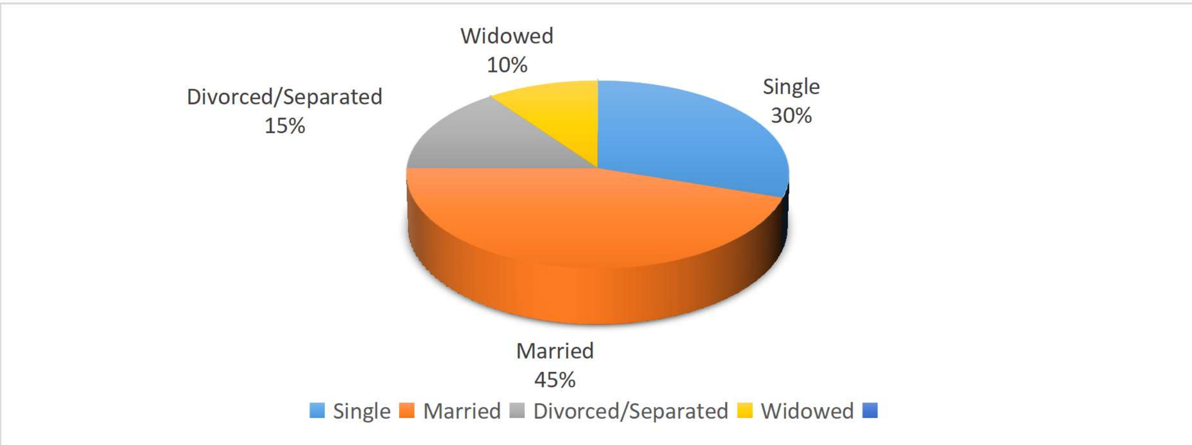

Figure 3: Pie Chart Showing the Distribution of Respondents by Marital Status

A significant majority **(**45%**)** of respondents, in Figure 3, were married, while 30% were single, 15% were divorced or separated, and 10% were widowed. This distribution suggests a substantial portion of the sample is in stable family settings, which may influence their financial behaviour and investment decisions, particularly in seeking Sharīʿah-compliant financial alternatives that conform with familial values.

D. Distribution of Respondents by Religion

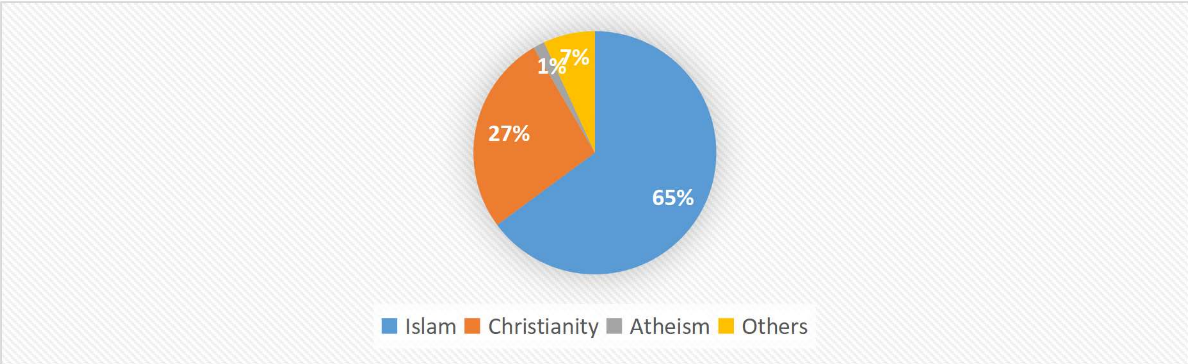

Figure 4: A Pie Chart Showing the Distribution of Respondents by Religion

The data in Figure 4 shows that Muslims constituted 65% of the respondents, while Christians comprised 27%. Those identifying with other religions made up 7%, and atheists accounted for 1%. This predominance of Muslim respondents is contextually appropriate, given the focus on Islamic finance, and reflects the religious demography of the geopolitical zones sampled. It also enhances the credibility of insights drawn on the awareness and perception of Islamic financial instruments.

E. Distribution of Respondents by Geo-Political Zones

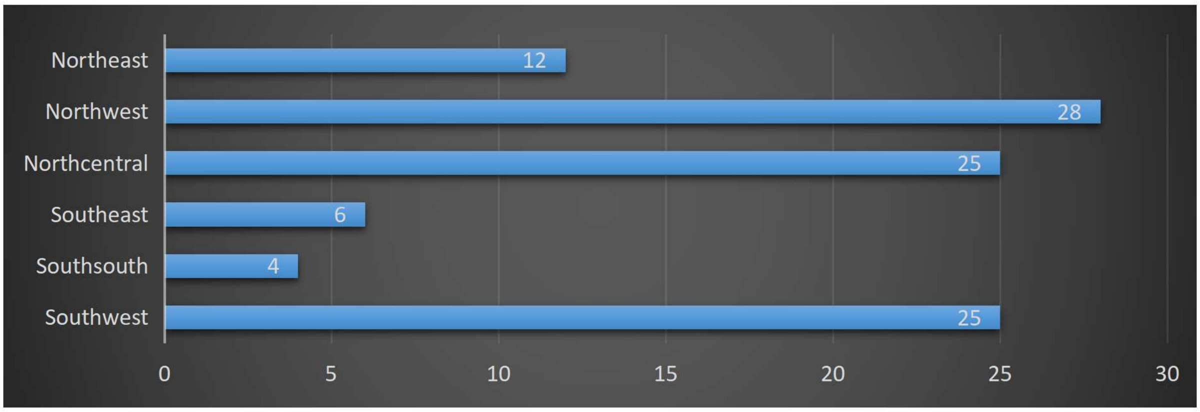

Figure 5: A Bar Chart Showing the Distribution of Respondents by Zones

Respondents in Figure 5 were distributed across Nigeria's six geopolitical zones. The Northwest recorded the highest participation (28%), followed by the Northcentral and Southwest zones (each at 25%). The Northeast had 12%, while the Southeast and South-South zones had 6% and 4%, respectively. The high representation from northern and southwestern zones is noteworthy, as these areas house a significant Muslim population and active Islamic financial institutions.

F. Distribution of Respondents by Occupation

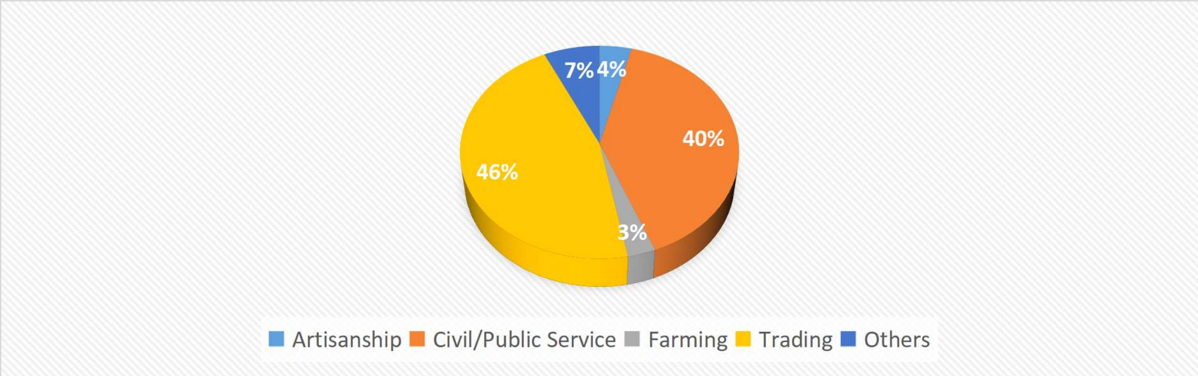

Figure 6: A Pie Chart Showing the Distribution of Respondents by Occupation

Occupational analysis in Figure 6 reveals that traders formed the largest group (46%), followed by civil/public servants (40%). Artisans accounted for 4%, farmers for 3%, and others for 7%. The dominance of traders and public servants may reflect the primary socioeconomic classes engaging with capital market products, including *ṣukūk*, Islamic mutual funds, and Sharī'ah-compliant equities.

G. Distribution of Respondents by Year of Participation in the Capital Market

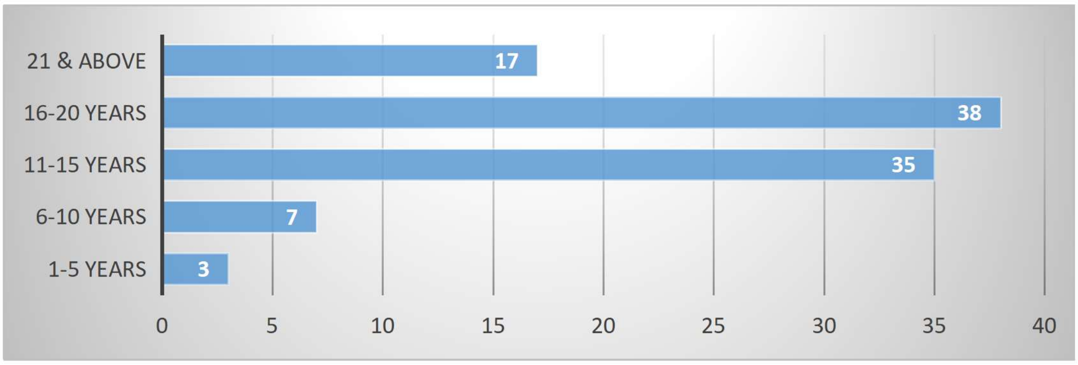

Figure 7: A Bar Chart Showing the Distribution of Respondents by Year of Participation

in the Capital Market

In terms of experience, 38% of respondents had engaged in capital market activities for 16–20 years, while 35% had 11–15 years of experience. 17% had participated for more than 21 years, whereas 7% and 3% had 6–10 years and 1–5 years, respectively. This trend illustrates a knowledgeable and seasoned group of participants, likely to offer reliable evaluations of the market's performance and Sharīʻah-compliance standards.

H. Distribution of Respondents by Forms of Securities

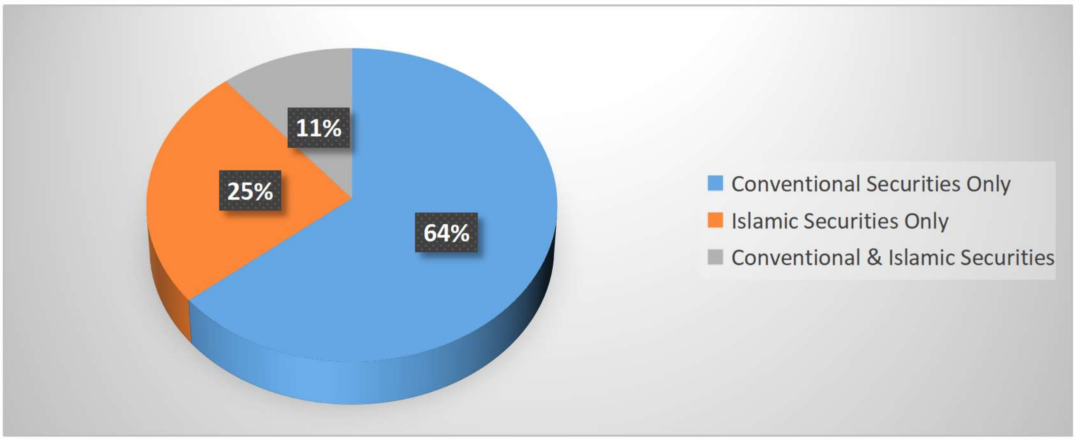

Figure 8: A Pie Chart Showing the Distribution of Respondents by Forms of Securities Involved in

Figure 8 displays the distribution of respondents based on the types of securities they traded. A majority of respondents (64%) traded only in conventional securities, while 25% engaged solely in Islamic securities, and 11% traded in both. This distribution suggests that although Islamic capital market products are gaining visibility, they remain relatively underutilised compared to conventional alternatives. The figures also highlight a growing interest in Sharīʻah-compliant investment options, likely influenced by ethical and religious considerations.

Discussion of Findings

The findings on respondents' perceptions of awareness of *al-Sūq al-Māliyyah al-Islāmiyyah* (Islamic capital market) reveal a pronounced deficit in public knowledge, as the majority of respondents indicated that they were unaware of its existence. This outcome corroborates earlier empirical studies, which consistently identify limited awareness as a critical impediment to the development of Islamic finance in Nigeria. For example, Adepoju (2013) highlights ignorance as a major constraint to the growth of *takāful* (Islamic insurance), noting that even basic conceptual understanding among Muslims remains inadequate. This observation is further substantiated by the works of Kareem (2016), Alaro and Alalubosa (2019), and Baita and Daud (2019), all of whom emphasise the pervasive knowledge gap across different segments of the Islamic financial ecosystem.

Qualitative evidence from expert interviews reinforces this finding. As noted by Mr. Adamu Umar of the International Institute of Islamic Banking and Finance, Bayero University, Kano, even highly educated individuals, including doctoral degree holders, may lack familiarity with fundamental Islamic financial instruments such as *ṣukūk*. The implication of this finding is profound: the challenge facing the Islamic capital market in Nigeria is not merely structural or regulatory, but fundamentally epistemic. Without adequate knowledge dissemination, market participation remains limited, product adoption is constrained, and the broader developmental potential of the sector cannot be realised.

This deficiency in awareness may, in part, be attributed to the generally low level of financial literacy regarding capital market operations in Nigeria. As observed by Professor Binta Tijani Jibril, public understanding of both conventional and Islamic capital markets remains weak, with the latter suffering from even deeper obscurity. While recent *ṣukūk* issuances have marginally improved awareness by stimulating public curiosity and engagement, the overall level of knowledge remains insufficient. The implication here is that episodic financial innovations, such as sovereign ṣukūk, are inadequate as standalone awareness mechanisms; rather, a sustained and institutionalised framework for financial education is required.

With respect to the ethical foundations of *al-Sūq al-Māliyyah al-Islāmiyyah*, the majority of respondents correctly acknowledged its unequivocal prohibition of *ribā* (interest/usury), *gharar* (excessive uncertainty), and *maysir* (gambling), as well as transactions characterised by opacity and injustice. This reflects a relatively high level of normative awareness regarding the moral underpinnings of Islamic finance. These prohibitions are grounded not only in theological injunctions but also in their empirically observed adverse effects on economic stability, distributive justice, and social welfare. This finding implies that while conceptual awareness of Islamic financial ethics exists, it has not yet translated into widespread practical engagement with Sharīʿah-compliant financial instruments, thereby indicating a disconnect between ethical cognition and economic behaviour.

In terms of the structural components of the Islamic capital market, respondents demonstrated adequate awareness of core instruments such as Sharīʿah-compliant equities, Islamic mutual funds, and *ṣukūk*. However, there was noticeable inconsistency in responses relating to Islamic venture capital and Islamic stockbroking services. This disparity can be attributed to the absence of these instruments within the Nigerian financial landscape. Empirical verification through expert interviews confirms that, unlike in more developed Islamic finance jurisdictions such as Malaysia and the Gulf states, these products have not yet been operationalised in Nigeria. The implication is that market awareness is closely correlated with product availability, where instruments are absent, knowledge remains abstract and fragmented, thereby limiting the depth and sophistication of market participation.

A significant empirical contribution of *al-Sūq al-Māliyyah al-Islāmiyyah* to Nigeria's economic landscape, as affirmed by the majority of respondents, lies in its role in facilitating infrastructural development. Sovereign *ṣukūk* issuances by the Federal Government between 2017 and 2020 financed the construction and rehabilitation of major road networks across the country. The first two issuances supported 53 road projects, while the third financed an additional 44. Similarly, the Osun State Government's pioneering *ṣukūk* issuance in 2013, valued at ₦11.4 billion under an *al-ijārah* structure, was directed towards the development of educational infrastructure, resulting in the construction and renovation of 23 public schools.

Field verification and independent monitoring confirm that these projects have been substantially executed, with key infrastructures such as the Lokoja–Benin Road and the Oju–Loko–Oweto Bridge reaching advanced stages of completion. The implication of these findings is unequivocal: Islamic capital market instruments, particularly ṣukūk, demonstrate a high degree of efficiency, transparency, and asset-backing, making them especially suitable for financing public infrastructure in developing economies. Road projects supported under the first phase of *ṣukūk* utilisation include:

1. Oju/Loko–Oweto Bridge over River Benue (Nasarawa/Benue States)
2. Suleja–Minna Road (Phase II) in Niger State
3. Kano–Maiduguri Road (linking Kano, Jigawa, Bauchi, and Yobe)
4. Onitsha–Enugu Expressway (Amansea–Enugu border)
5. Enugu–Port Harcourt Road (Section IV: Aba–Port Harcourt)
6. Lokoja–Benin Road (Section II: Okene–Auchi, Kogi/Edo States)
7. Benin–Ofosu–Ore–Ajebandele–Shagamu Carriageway (Phase IV)
8. Ibadan–Ilorin Road (Section II: Oyo–Ogbomoso, Oyo State)

Moreover, their alignment with Nigeria's Economic Recovery and Growth Plan (ERGP) underscores their strategic relevance within national development frameworks.

Further evidence from Osun State, as reported by Oyesanya (2022), indicates that *ṣukūk*-financed projects have had a measurable impact on the education sector, particularly in Osogbo and its environs, where multiple schools have been successfully reconstructed and upgraded. Among the reconstructed schools were:

a. Osogbo High School
b. AUD Elementary School, Isale Agbaara
c. St. Andrew Elementary School, Oke Baale
d. AUD Elementary School, Sabo
e. Oduduwa College, Ile-Ife
f. Ataoja School of Science
g. Adenle Middle School, Ayetoro

These outcomes reinforce earlier studies, particularly those of Mustafa and Adebayo (2015) and Baita and Daud (2019), which identify the Osun *ṣukūk* as a benchmark for Islamic infrastructure financing in Africa. The implication here is that subnational adoption of Islamic financial instruments can serve as a viable model for decentralised development financing, thereby expanding the scope of the Islamic capital market beyond federal initiatives.

Respondents affirmed the capacity of the Islamic capital market to strengthen Nigeria's real sector. Given that Islamic financial instruments are inherently asset-backed and project-oriented, they maintain a strong linkage between financial flows and real economic activities. The channelling of *ṣukūk* proceeds into tangible infrastructure, coupled with the dominance of real-sector companies within indices such as the Lotus Islamic Index, underscores this relationship. The implication is that the Islamic capital market offers a structurally resilient alternative to speculative financial systems, with the potential to promote sustainable growth, reduce systemic risk, and enhance economic stability.

Employment generation constitutes a remarkable, albeit still developing, benefit of *al-Sūq al-Māliyyah al-Islāmiyyah* in Nigeria. While the aggregate employment figures remain relatively modest, the market has demonstrably generated both direct and indirect job opportunities across multiple sectors. These include highly skilled professionals, such as accountants, auditors, fund managers, legal practitioners, and stockbrokers, as well as semi-skilled and skilled labour within ancillary industries, particularly artisans and construction workers. Empirical evidence underscores this contribution: Jaiz Bank Plc alone employed 808 staff members as of 2018, excluding contract-based and project-specific engagements. This suggests that the employment impact of Islamic financial institutions, when fully accounted for, is likely to be significantly higher, reflecting their multiplier effect within the broader economy.

Notwithstanding these gains, the data reveal several structural and operational challenges. Foremost among these is the acute deficit of technical expertise in Islamic finance. This concern is quantitatively reinforced by respondents' perceptions of systemic constraints. For instance, Nigeria's multi-religious composition was identified as a significant challenge ($\bar{x} = 3.2910$, $\sigma = 0.86820$), indicating a moderately strong consensus, albeit with some variation in opinion. In contrast, multiculturalism per se was perceived as a less substantial impediment ($\bar{x}$ = 2.7211, σ = 0.76601), suggesting that the issue lies not in diversity itself but in its management and socio-political interpretation. More pronounced challenges include insufficient capital ($\bar{x}$ = 3.4732, σ = 0.81089) and a shortage of skilled professionals ($\bar{x}$ = 3.4840, σ = 0.49981), both of which exhibit relatively high mean scores, indicating strong agreement among respondents. Particularly noteworthy is the issue of low public awareness, which recorded the highest mean score ($\bar{x}$ = 3.8435, σ = 0.36483). This reflects a near-consensus view and minimal dispersion, thereby identifying inadequate awareness as the most critical impediment to the growth and sustainability of the Islamic capital market in Nigeria.

Conversely, certain perceived barriers appear to lack empirical significance. The notion of inadequate liquidity in the secondary market ($\bar{x}$ = 2.4157, σ = 0.76723) was largely dismissed by respondents, as reflected in its relatively low mean score. Similarly, the absence of a unified Islamic commercial legal framework did not attract strong concern, suggesting either a level of adaptability within existing legal structures or a limited appreciation of its long-term implications. However, the absence of independent legal and supervisory institutions was clearly recognised as a major constraint ($\bar{x}$ = 3.3193, σ = 0.63782), indicating the need for more robust governance and regulatory autonomy to ensure Sharīʿah compliance and institutional credibility.

Furthermore, while respondents expressed a degree of scepticism regarding Nigeria's population size and natural resource endowment as immediate catalysts for market expansion, other structural variables were identified as more compelling drivers. Infrastructural deficits ($\bar{x}$ = 3.2266, σ = 0.76834) were acknowledged as a significant constraint, implicitly highlighting the necessity of systemic investment in enabling facilities. More importantly, the imperative of financial inclusion ($\bar{x}$ = 3.5575, σ = 0.55090) emerged as a strong justification for the future expansion of *al-Sūq al-Māliyyah al-Islāmiyyah* in Nigeria. This indicates a broad recognition that Islamic finance possesses both the ethical framework and operational capacity to integrate underserved populations into the formal financial system.

Conclusion and Recommendations

This study has established that the Islamic capital market (ICM) has made significant contributions to Nigeria's economic development and holds substantial potential for future growth. Several factors, including the increasing demand for Islamic capital market products from both Muslim and non-Muslim populations, the market's ethical principles, its socio-economic impact, institutional and legal acceptance, and the country's pressing infrastructural deficits, are identified as key drivers of this potential. Additionally, urbanisation trends, such as population growth in major urban centres and large-scale infrastructure projects in sectors like transportation, energy, water, education, and health, further strengthen the market's outlook.

Although still in its early stages, the Islamic capital market has demonstrated its capacity to support Nigeria's real sector, reduce unemployment, and foster infrastructural development, all of which are crucial for driving economic growth and ensuring sustainable development. In light of these findings, the following recommendations are made:

1. Regulators, operators, and stakeholders should enhance public awareness through targeted sensitisation campaigns, workshops, seminars, and conferences, aimed at educating the public on the benefits and potential of the Islamic capital market.
2. Greater collaboration between regulators, operators, and other Islamic financial institutions should be prioritised to optimise the mobilisation and utilisation of funds, thereby increasing the market's overall efficiency.
3. The Nigerian Exchange Group (NGX) and Lotus Capital Fund should expand the scope of equities listed on the NSE Lotus Islamic Index by incorporating commodities, euro-ṣukūk, and Sharī'ah-compliant insurance products, thereby broadening market participation.
4. NGX and Lotus Capital Fund should further promote the use of ṣukūk instruments, including contracts such as *mudārabah*, *mushārakah*, *murābahah*, *salam*, and *istisnā'*, to drive infrastructure development and foster broader economic growth.
5. The government at all levels should leverage ṣukūk bonds to fund critical infrastructure projects, including the upgrading of airports and seaports, energy infrastructure, environmental restoration, and the expansion of the railway system.

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