

## MAQAŞID AL QURAN IN AL MU‘AMALAT AL-MALIYYAH (ISLAMIC FINANCIAL TRANSACTIONS): AN ASSESSMENT OF ISLAMIC FINANCIAL PRODUCTS IN NIGERIA.

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### ABSTRACT

Maqaşid al-Qur'an means the all-encompassing objectives of the Qur'an in shaping human conduct, which are justice (‘adl), public benefit (maşlahah ammah), and prevention of harm (darar). These essential components of the Shariah system offer a useful evaluative framework for examining the ethical and functional aspects of financial systems. This study delves into the application of Maqaşid al-Qur'an (the objectives of the Qur'an) in the sphere of al-Mu‘amalat al-Maliyyah (financial transactions), with reference to practices in alignment with Islamic finance in Nigeria. The study employs a qualitative case study method, concentrating on a group of Islamic financial institutions in Nigeria and their products. It examines how their financial instruments such as spanning non-interest banking, profit-and-loss sharing frameworks, and zakat-based products capture the Qur'anic goals of attaining socio-economic equilibrium, expanding financial inclusion, and safeguarding wealth using permissible means. The research also evaluates how far the institutions surmount the practical hurdles thrown up by Nigeria's dualistic financial and legal structure, the predominance of conventional banking, regulatory limitations, and levels of public awareness. The results reveal that, while Nigeria’s Islamic finance has expanded remarkably and is aligned with fundamental maqaşid principles, challenges such as implementation flaws, limited public engagement, and institutional development persist. The paper concludes by recommending a series of policy, regulatory, and educational reforms for the maximization of Maqaşid al-Qur'an approach in Nigeria's Islamic finance.

**Keyword:** Maqaşid al-Qur'an; al-Mu‘amalat al-Maliyyah, Islamic Financial Products; Public Benefit.

### INTRODUCTION

Qur'an is a special book that leaves no stone unturned vis-a-vis the spiritual and mundane affairs of man. It is equally an all-pervading, all-embracing, and all-encompassing book that talks about the past, present, and future<sup>1</sup>. This fact is supported by numerous Quranic verses, one of which reads:

وَتَزَكُّنَا عَلَيْكَ الْكِتَابَ تَبَيَّنَا لِكُلِّ شَيْءٍ

<sup>1</sup> Quran Talk Blog "Complete Book" accessed on July 8,2025, <https://qurantalkblog.com/2021/10/15/complete-book/comment-page-1/>.

Meaning: "And We have sent down to you the Book as a clarification for all things.."

(Quran 16:89)

It is apposite to mention that the verse has been interpreted differently by different mufasssiron (Exegetes). According to Ibn Mas'ūd, the verse confirms and affirms the completeness of the Quran. Mujahid asserts that it clarifies every halal (lawful) and haram (unlawful) matter. However, al-Awza'ī submits that it establishes the Quran's role in explaining every matter through the Sunnah (Prophetic tradition)<sup>1</sup>.

Additionally, to affirm the completeness and superiority of the book, the Prophet ﷺ was reported to have said while delivering a sermon:

"كان النبي, إذا خطب احمرت عيناه، وعلا صوته، واشتد غضبه ويقول: أما بعد، فإن خير الحديث كتاب الله، وخير الهدي هدي

محمد

"The Prophet SAW, when delivering a sermon, would have red eyes, raise his voice, and become very angry, and he would say: "The best speech is the Book of Allah, and the best guidance is the guidance of Muhammad"<sup>2</sup>

Similarly, a Christian scholar, Laura Veccia Vagileri, has highlighted the uniqueness and completeness of the Qur'an. He remarked thus:

"The heavenly book of Islam is miraculous and inimitable. Its style is totally unprecedented in Arabic literature, and its peculiar impact on the spirit of the human being derives from its special and superior characteristics. How is it possible that such a book should be the work of Muhammad, an Arab who had never studied? We find in this book a treasury of knowledge beyond the capacity of the greatest philosophers and statesman, and for this reason it is also impossible to regard the Qur'an as the work of an educated person"<sup>3</sup>

Pertinently, the objectives of the Qur'an, which aim at molding human behavior, are known as Maqasid al-Qur'an. The term, historically, first surfaced in the 11th century in al-Ghazali's work, *Jawahir al-Qur'an*. After him, al-Baghawī, al-Razī, and a host of others paid attention to it. In modern times, Rashid Riḍa, Ḥasan al-Banna and others contributed immensely to its development<sup>4</sup>.

It is of interest to know that the term has been defined differently by different scholars. According to Abu Hamid Al-Ghazali, Maqasidul Qur'an means the overall objectives of the Quran. In his celebrated books titled "*Jawahiru al-Qur'an*" and "*Ihya' Ulum al-din*", he extensively discussed the term. He stated that the

1 Ismail bn Umar bn Kathir, *Tafseer-l-Qur'an-l-Azeem* (Beirut:Darul Kutub Al-ilimiyyah), 510.

2 Muslim ibn al-Hajjāj, *Ṣaḥīḥ Muslim*, Book of Jumu'ah, ḥadīth no. 867, trans. Nasiruddin al-Khattab (Riyadh: Darussalam,2007), 591.

3 Reddit "Are the claims of Non-Muslim Scholars Accepting the Quran as Miraculous Reliable?", accessed on July 7,2025, [www.reddit.com](http://www.reddit.com)

4 Tazul Islam, "Maqasid Al-Qur'an:Search for a Scholarly Definition," *Al-Bayan Journal of Qur'an and Ḥadīth Studies*, accessed July 8,2025,<https://www.researchgate.net/publication/326331201>).

the hereafter and accountability, and education and legislation. Muḥammad ‘Abduh opined that the objectives of the Quran are the reward promised to its followers and good news of a fine reward, warning for the disobedient and threats of painful punishment; that worship brings hearts back to life; the elucidation of the path of felicity; and recounting (stories).<sup>1</sup>

Appropriately, Muḥammad Ṭahir ibn ‘Ashūr submitted that the goal of the Qur'an is the reformation of individual, collective, and civilizational affairs. Individual reformation relies on the purification and refinement of the soul, the essence of which is the correctness of belief, for belief is the origin of ethics and intellect alike. Then comes the correction of one's inner self, such as outward acts of worship, such as prayer, and inner moral qualities, such as leaving envy, hatred, and arrogance. As for collective reformation, it is a byproduct of individual reformation, since individuals constitute society, and the whole cannot be corrected unless its parts are corrected. Al-Shatībī stated that divine Unity, Prophethood, and Resurrection are the objectives of the Quran. And he said that they derive from one essence, which is the summons to worship.<sup>2</sup> Ibn Al-Qayyim opined that the Qur'an aims at acquainting the servant with the Lord who is being called upon, the way that leads to Him, and the honour that the one who reaches Him will get. It also acquaints him (the servant) with what Satan is calling to, the path that leads to him (Satan) and the punishment and humiliation that those who respond to his call.<sup>3</sup>

Taha Jabir al-Alwani posited that tawheed (belief in the oneness of Allah), tazkiyyah (purification), and umran (civilization) are the objectives of the Qur'an.<sup>4</sup> Yusuf Al-Qaradawi stated that the Qur'an corrects beliefs and perceptions, establishes human dignity and rights, enjoins the worship of Allah and piety, promotes purification of the human soul and formation of a family, encourages justice to women, and promotes building a nation that ties itself to the fabric of humanity.<sup>5</sup> Undoubtedly, the global growth of Islamic finance has allowed many Muslim-minority and majority countries to witness the emergence of financial systems complying with Islamic ethical and legal norms. For instance, Nigeria, a multi-religious country, has increasingly embraced Islamic financial products and institutions.<sup>6</sup>

However, the compliance of the products (Murabahah, Musharakah, Ijarah, among others) in the country with the objectives of the Qur'an remains a point of contention; hence, this paper intends to assess how these products correspond with the objectives of the Qur'an. By examining the products, the work assesses whether these instruments meet the moral and social goals contained in the Qur'an. It equally looks into the

1 Ziyad Khalil Mohammad "Maqasidu al-Qur'anfi Fikr Badi al-Zaman Sa'id al-Nursi" .Retrieved from researchgate.net, accessed on August 1,2025.

2 Ziyad Khalil Mohammad "Maqasidu al-Qur'anfi Fikr Badi al-Zaman Sa'id al-Nursi" .Retrieved from researchgate.net, accessed on August 1,2025.

3 Mahran Mahir Uthman " Maqasid al-Qur'an Inda Ibn Qayyum".Retrieved from Mahranmahir.net, accessed on August 1, 2025.

4 Sahlawati Abubakar, Haziyah Hussin and Wan Nasyrudeen "The Interconnection between Quranic Maqasid and the Interpretation of Mawd'I". Retrieved from psychosocial.com, accessed on August ,2025.

5 Ahamd Hamoud Mutlaq "Maqasid aal-Qur'an Inda Shaykh Al-Qardowy". Retrieved from <https://quni.edu.ye/journal/index.php/alqalam/article/view/792>,accessed on August 4, 2025.

6 Cfi "Is Islamic Finance Now Mainstream?" accessed on July 8,2025, <https://cfi.co/banking/2024/11/is-islamic-finance-now-mainstream>

The article, employing a qualitative research method, examines the extent to which Islamic financial products conform to *maqasidul Qur'an* (objectives of the Qur'an) in Nigeria. It comprises six themes: introduction, the concept of *Maqasid al-Qur'an* and Its relevance to financial ethics, the meaning, and principles of *al-Mu'amalat al-Maliyyah* (Islamic Financial Transactions), global Origins of Islamic finance and its development in Nigeria, major Islamic financial products in Nigeria, assessment of Islamic financial products in Nigeria, and conclusion. In the first theme, the article sets the aims and objectives of the paper. It also discusses the term "*Maqasidul Qur'an*" extensively, highlighting different scholarly definitions of the term. The second theme delves into the meaning and historical development of the concept.

The third theme focuses on the concept and principles of Islamic financial transactions. It unveils the conditions that a transaction must meet before it can be considered Islamic. Global origins of Islamic finance and its development in Nigeria are discussed in the fourth theme. The next theme examines Islamic financial products in Nigeria, focusing on the popular Islamic financial products in Nigeria. Then the conclusion observes that the operation of Islamic financial products in Nigeria (under Islamic law) aligns with the objectives of the Qur'an. This is because these products do not contravene the principles of Shari'ah, which advocate for fairness, transparency, and justice. However, to fully realise Shari'ah's vision of justice, communal support, and financial inclusion, Nigerian Islamic financial institutions are encouraged to integrate mechanisms such as *zakat*, *sadaqah*, and *waqf* into their operational frameworks. It is equally important that the pursuit of profit does not lead to disguising conventional products in the garb of Islamic finance.

### **The Concept of *Maqasid al-Qur'an* and Its Relevance to Financial Ethics**

'Maqasid' is the plural form of the word 'maqsod', which means objective, while Qur'an is a verbal noun (*masdar*)<sup>1</sup> that linguistically means 'reading' and technically denotes the word of Allah revealed to Prophet Muhammad (PBUH), transferred to us through narration chains known as 'Tawator' on seven ahraf, recited as a form of worship and miraculous in its words and meanings. It can also be defined as Allah's speech compiled between the two covers of the *muṣḥaf*, beginning with Surah *al-Fatihah* and ending with Surah *al-Nas*. It was revealed to Muhammad (peace be upon him) through Jibril (peace be upon him), recited as an act of worship, miraculous in its wording, meaning, and structure, transmitted to us through *tawatur* (mass narration), preserved in hearts, written in scrolls, and it comprises both the wording and the meaning."<sup>2</sup>

A rider to this, the Quran is a complete and all-embracing book, protected from all forms of corruption and deficiency. It is also a divine and unique book whose messages are appealing to every age. This fact is attested to by a Christian scholar, Arthur J. Arberry, thus: "A totally objective examination of it (the Qur'an) in the light of modern knowledge leads us to recognize the agreement between the two, as has been noted on repeated occasions. It makes us deem it quite unthinkable for a man of Muhammad's time to have been the author of such statements on account of the state of knowledge in his day.

1 Cfi "Is Islamic Finance Now Mainstream?" accessed on July 8, 2025, <https://cfi.co/banking/2024/11/is-islamic-finance-now-mainstream>

2 Abdul Qadir Salman, *Manahilu Zomhani fi Ulumi-l-Qur'an* (Ilorin: Al-Mudeef, 2015)7.

Such considerations are part of what gives the Quranic Revelations its unique and forces the impartial scientist to admit his inability to provide an explanation that calls solely upon materialistic reasoning." <sup>1</sup>

Interestingly, the term Maqasid al-Qur'an, which is often translated as "the objective of the Qur'an, has been defined varyingly by different scholars. Muhammad Khahl defined it as Allah's intentions taken from the Quranic texts. Al-Ghazali submitted that the maqṣod of the Quran (objective of the Quran) is divided into two: primary and secondary. According to him, the former is calling to the worship of Allah while the latter is knowing the situation of those who are safe (prophets, angels, and others) and those who are wretched (Pharaoh, Namrud, and others). Ibn Ashru opined that the objectives of the Qur'an revolve around reforming individuals and societies by instilling sound beliefs, noble morals, and just conduct. He highlighted that the Qur'an seeks to establish justice, ensure public welfare (maṣlaḥah), and protect human dignity and freedom. Abdul Karim succinctly put it as the reasons behind the revelation of the Qura.<sup>2</sup>

Historically speaking, the term Maqasid al-Qur'an first surfaced in the 11th century in Al-Ghazali's work, *Jawahir al-Qur'an*. The work introduced the theoretical framework on the subject, making a pioneering contribution in the field. After him (Al-Ghazali), scholars such as al-Baghawi and al-Razi, among others, gave it considerable attention. In modern times, figures like Muhammad Abduh, Rashid Rida, Hassan al-Banna, and Muhammad al-Ghazali have made significant contributions to its development.<sup>3</sup> It is apt to mention here that Maqasid al-Qur'an (objectives of the Quran) and Maqasid Shariah (objectives of Shariah) stem from divine revelation. Equally, they both promote human welfare. However, the former is more general than the latter. Therefore, Shariah (Islamic law) is only part of the contents of the Quran, not the whole of it.<sup>4</sup>

Importantly, Islamic financial products like Murabahah, Musharakah, Mudarabah and others ensure justice, public welfare, and noble morals such as transparency in business<sup>5</sup>, which Ibn Ashur and others have identified as among the objectives of the Qur'an. This indicates the alignment of Islamic financial products with the objectives of the Quran.<sup>6</sup>

## **The Meaning and Principles of al-Mu‘amalat al-Maliyyah (Islamic Financial Transactions)**

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1 Gain Peace "What Non-Muslim Scholars Say About the Quran?", accessed on July 7, 2025, [www.gainpeace.com](http://www.gainpeace.com)

2 Tazul Islam, "Maqasid Al-Qur'an: Search for a Scholarly Definition," *Al-Bayan Journal of Qur'an and Hadith Studies*, accessed July 8, 2025, <https://www.researchgate.net/publication/326331201>.

3 Tazul Islam, "Maqasid Al-Qur'an: Search for a Scholarly Definition," *Al-Bayan Journal of Qur'an and Hadith Studies*, accessed July 8, 2025, <https://www.researchgate.net/publication/326331201>.

4 AIMS, "Islamic Banking Products: Types of Financial Instruments/Mode", accessed on July 8, 2025, <https://aims.education/study-online/islamic-financial-instrument>

5 Tazul Islam, "Maqasid Al-Qur'an: Search for a Scholarly Definition," *Al-Bayan Journal of Qur'an and Hadith Studies*, accessed July 8, 2025, <https://www.researchgate.net/publication/326331201>.

6 Tazul Islam, "Maqasid Al-Qur'an: Search for a Scholarly Definition," *Al-Bayan Journal of Qur'an and Hadith Studies*, accessed July 8, 2025, <https://www.researchgate.net/publication/326331201>

Islamic financial transactions are the transactions that are based on ethical and legal principles of Shari'ah. It can also be defined as equity-based, asset-backed, ethical, and sustainable transactions. Equally, it denotes transactions governed by Islamic commercial jurisprudence (fiqh al-mu'amalat).<sup>1</sup>

In order to promote fairness, justice, transparency, and welfare in all financial transactions, Islam has laid down a set of guiding principles. These principles include:

### 1. Prohibition of Riba (Usury or Interest)

Riba linguistically means “excess” and technically denotes a prohibited increase in capital derived either from loans or sales. It is divided into two: riba an-nasia and riba al-fadl. The former means an increment in the debt amount because of a delay in its settlement, while the latter entails giving an excess by the debtor to the creditor in exchange for commodities of the same type.<sup>2</sup>

Added to this, riba is strictly prohibited by Islam. The reason behind the prohibition is that wealth should be made through actual trade and productive investment, not by lending money and charging interest. Allah says:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَتَغَيَّرُونَ إِلَّا كَمَا يُغَيَّرُ الَّذِي يَخْبَثُ الشَّيْطَانُ مِنَ الْمَسِّ... وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا

“Those who consume interest will not stand [on the Day of Judgment] except as one stands who is being beaten by Satan into insanity... But Allah has permitted trade and forbidden interest.”

يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ

“O you who believe, fear Allah and give up what remains [due to you] of interest, if you are truly believers.” In the same vein, the prophet is reported to have cursed the following individuals in connection with riba thus:

لَعَنَ رَسُولُ اللَّهِ ﷺ أَكِلَ الرِّبَا، وَمُوكَلَّهُ، وَكَاتِبَهُ، وَشَاهِدَيْهِ، وَقَالَ: هُمْ سَوَاءٌ

“The Messenger of Allah ﷺ cursed the one who consumes riba, the one who pays it, the one who writes it down, and the two witnesses. He said: They are all the same.”<sup>3</sup>

1 AIMS, "Islamic Banking Products: Types of Financial Instruments/Mode" Retrieved from <https://aims.education/study-online/islamic-financial-instruments>, accessed on July 7, 2025.

2 Adam Hayes, “What Is Riba in Islam, and Why Is It Forbidden?,” accessed on July 8, 2025, <https://www.investopedia.com/terms/r/riba.asp>15.

3 Muslim ibn al-Hajjaj, Sahih Muslim, Book 10, Hadith 3881. Retrieved from <https://sunnah.com/muslim:1>, accessed on August 5, 2025

## 2. Risk sharing (al-Ghunm bi al-Ghurm)

Risk-sharing is promoted by Islamic finance. Unlike conventional finance, Islamic finance seeks to reduce the burden of risk by requiring it to be shared equitably among all parties involved in contracts such as Mudarabah, Musharakah, and others. This is rooted in the Islamic legal maxim, "Gain is justified by liability", emphasizing that profit can only be earned by bearing risk.

## 3. Prohibition of Gharar (Uncertainty and Ambiguity)

Islamic law prohibits participation in transactions that are ambiguous or uncertain. According to Islamic law, both parties involved in a business agreement must have a clear and mutual understanding of the contract terms. Each party should maintain adequate control over its

respective roles, and all essential information must be fully disclosed. This transparency ensures justice and facilitate the fair sharing of both profit and loss.<sup>1</sup>

تَهَى رَسُولُ اللَّهِ ﷺ عَنْ بَيْعِ الْغَرَرِ

“The Messenger of Allah ﷺ forbade transactions involving uncertainty (gharar).<sup>2</sup>

## 4. Prohibition of gambling

Islam prohibits the acquisition of wealth through illicit means or engagement in maysir (gambling). The prohibition of conventional insurance products stems from the fact that they involve ungodly acts such as gambling, which is completely forbidden in Islam. To replace these products, Islamic banking offers Takaful insurance, which is based on mutual responsibility and shared risks<sup>3</sup>

Allah says in the Qur'an:

إِنَّمَا الْحَمْرُ وَالْمَيْسِرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رِجْسٌ مِّنْ عَمَلِ الشَّيْطَانِ فَاجْتَنِبُوهُ لَعَلَّكُمْ تُفْلِحُونَ

“Intoxicants, gambling, idolatry, and divining arrows are an abomination of Satan's handiwork. So, avoid them that you may succeed.”

1 Hill Dickinson LLP, "An introduction to Islamic finance ". Accessed on 8 July 8, 2025, <https://www.hilldickinson.com/insights/articles/introduction-islamic-finance>

2 Muslim ibn al-Hajjaj, Sahih Muslim, Book 10, Hadith 3614. Retrieved from <https://sunnah.com/muslim:1513>, accessed on August 5, 2025.

3 Hill Dickinson LLP, "An introduction to Islamic finance ". Accessed on 8 July 8, 2025, <https://www.hilldickinson.com/insights/articles/introduction-islamic-finance>

## 5. No Investment in Prohibited Industries

Investment or participation in mutual funds that support industries such as pornography, prostitution, alcohol, pork, and drugs, which are harmful to society or pose a threat to social responsibility, is strictly forbidden in Islam.<sup>1</sup> Allah says:

وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۗ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

"And cooperate in righteousness and piety, but do not cooperate in sin and aggression. And fear Allah; indeed, Allah is severe in penalty."

(Surah al-Ma'idah 5:2)

Likewise, Messenger of Allah ﷺ has cursed ten types of people in connection with alcohol, thus:

لَعَنَ رَسُولُ اللَّهِ ﷺ فِي الْحُمْرِ عَشْرَةَ: عَاصِرِهَا، وَمُعْتَصِرِهَا، وَشَارِبِهَا، وَحَامِلِهَا، وَالْمَحْمُولَةَ إِلَيْهِ، وَسَاقِيَهَا، وَبَائِعِهَا، وَآكِلَ ثَمَنِهَا، وَالْمُشْتَرِيَ لَهَا،  
وَالْمُشْتَرَاةَ لَهَا.

"The Messenger of Allah (ﷺ) cursed ten people in connection with alcohol: "The one who presses it (the wine maker), the one for whom it is pressed, the one who drinks it, the one who carries it, the one to whom it is carried, the one who serves it, the one who sells it, the one who consumes its price, the one who buys it and the one for whom it is bought."<sup>2</sup>

## Global Origins of Islamic Finance and Its Development in Nigeria

Islamic finance came into being during the time of the Prophet (SAW). The Prophet constantly warned his companions against riba, ambiguous transactions, and participation in unlawful businesses. Also, he practiced Mudarabah with Khadijah and permitted people to use Islamic financial instruments such as Musharakah (full partnership) and bay salam (forward sale). Equally, the first Baitul-Mal (Public treasury) was established during his time. This same financial institution was used during the eras of the Caliphs, as well as the Umayyad and Abbasid periods. However, the creation of local savings banks in Egypt in 1963 by Dr. Ahmad al-Najjar in the city of Mit Ghamer marked the beginning of the modern Islamic finance movement<sup>3</sup>

Notably, before the emergence of Islamic financial institutions in 1963, Muslims engaged in transactions that were free from riba (interest). However, in 1973, a conference was held by ministers of finance, and they

1 Hill Dickinson LLP, "An introduction to Islamic finance". Accessed on 8 July 8, 2025, <https://www.hilldickinson.com/insights/articles/introduction-islamic-finance>

2 Muḥammad ibn 'Īsā al-Tirmidhī, Jāmi' al-Tirmidhī, hadith no. 1295, accessed July 8, 2025, <https://sunnah.com/tirmidhi:1295>.

3 Ahamad Ogunbado, Umar Ahmed and Yusuf Abubakar "Islamic Banking and Finance in Nigeria: Exploration of its Opportunities and Challenges" International Journal of Innovative Knowledge Concepts 5 (2017) :2454-2415

In the same year, the Dubai Bank was established and became the first Islamic institution to provide Islamic financing contracts. It was followed by other Islamic banks.<sup>1</sup>

In Africa, countries such as Sudan, Libya, Tunisia, Morocco, and Gambia have institutionalized Islamic finance in their various financial systems. Thereafter, Nigeria joined the Islamic Development Bank. In 1992, Bank PHB (formerly Habib Nigeria Bank Limited) was licensed to commence non-interest banking on a window basis but began operation in 1999. In 2004, Lotus, the first ethical investment company, was established. Added to this, Jaiz, the first full-fledged Islamic bank, and Al-Barakah, the first microfinance bank, were established in 2010.<sup>2</sup> Today, there are five full-fledged banks, two Islamic windows within conventional banks, five Islamic insurance operators and fifteen Islamic micro finance institutions in the country

### **Major Islamic Financial Products in Nigeria**

Islamic Financial Products are contracts that are Shariah-compliant. In Nigeria, there are numerous Islamic Financial products. However, the major ones are:

#### **1-Mudarabah**

It is an Islamic financial instrument in which a party participates with money and the other with efforts. In other words, a party contributes the capital (rabul mal) and the other party the entrepreneurship (Mudarib). The profits and losses will be shared equally by the contracting parties.

#### **2-Murabahah**

It linguistically denotes an increase in capital or profit, and technically, it is one of the Islamic banking products where the seller discloses the acquisition cost of the commodity and the markup or profit. The main distinctive feature of this type of sale is that the seller explicitly discloses to the purchaser how much cost he has incurred and how much profit he is going to earn in this sale.

#### **3-Musarakah**

It is a business contract in which all contracting parties will contribute capital and effort, with profits shared according to the agreed-upon ratio. Equally, as the contracting parties share profits, so they do share losses

#### **4-Ijarah**

It can be simply put as a lease or rent. In this type of contract, the bank makes an asset available for a fixed period and for rent. It is only the right of usage that is transferred to the lessee; the lessor remains the owner of the leased commodity.

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1 Abdullahi, Ismail S“Islamic Banking in Nigeria: Issues and Prospects,” Bullion:34, no. 2 (2010): 36–42.Retrieved from <https://dc.cbn.gov.ng/bullion/vol34/iss2/5>, accessed on August 5, 2025

2 Abdullahi, Ismail S“Islamic Banking in Nigeria: Issues and Prospects,” Bullion:34, no. 2 (2010): 36–42.Retrieved from <https://dc.cbn.gov.ng/bullion/vol34/iss2/5>, accessed on August 5, 2025

## 5. Salam Contract

It is one of the Shariah-compliant financing methods in which the buyer pays the full price in advance for the goods agreed to be delivered by the seller at a future date. The full payment in advance is a necessary condition; otherwise, the transaction would be equivalent to the exchange of debt for debt, which is prohibited (haram) in Islam

## 6. Istisna' Contract

Istisna' is a financial instrument of Islamic finance in which the buyer orders the production, assembly, or construction of a specific item for a predetermined price, with delivery to be made at a future date. The item's specifications should be clearly defined in relation to its type, category, quality, and quantity. The price should be clearly stated and may be paid as a lump sum or according to mutually agreed instalments.

## 7-Takaful

It is derived from the Arabic word 'Kafalah,' which means guaranteeing one another or joint guarantee. Technically, it refers to a contract among a group of individuals who mutually agree to guarantee each other against loss or damage. Unlike conventional insurance companies, Takaful operators do not function as risk bearers but instead manage the Takaful fund on behalf of the participants and charge a fee for the services rendered.

## Assessment of Islamic Financial Products in Nigeria

Islamic financial institutions in Nigeria function under a setup regulated by the moral and legal teachings of Islam. These teachings promote justice, fairness, transparency, and the removal of exploitation from all financial transactions. In contrast to their conventional counterparts, Islamic financial institutions (IFIs) are essentially barred from transactions based on riba (interest), gharar (excessive uncertainty), and other unjust or unethical practices. Rather, they seek to align their activities with the objectives of the Qur'an, ensuring that finance serves as an instrument of social equity and economic justice. The Qur'an explicitly condemns riba in unequivocal terms:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُّؤْمِنِينَ

"O you who believe. Fear Allah and give up what remains from usury, if you are indeed believers."

(Surah al-Baqarah 2:278)

Also, the Qur'an strictly prohibits all kinds of illegal enrichment and exploitation:

وَلَا تَأْكُلُوا أَمْوَالَكُم بَيْنَكُم بِالْبَاطِلِ وَتُدْلُوا بِهَا إِلَى الْحُكَّامِ لِيَأْكُلُوا فَرِيقًا مِّنْ أَمْوَالِ النَّاسِ بِالْإِثْمِ وَأَنْتُمْ تَعْلَمُونَ

"Do not devour one another's property unjustly, nor employ it for bribing the rulers so that you may devour a part of people's property sinfully, while you know [it is wrong]."

(Surah al-Baqarah 2:188)

Interestingly, in view of achieving these divine goals, Islamic financial instruments like Musharakah (equity partnership), Mudarabah (trust-based investment), Murabahah (cost-plus sale), Ijarah (leasing), and Salam (forward sale) are utilized. These contracts are not framed for profit maximization alone but are arranged to promote genuine economic activity, mutuality, and shared risk. However, the use of these instruments in Nigeria is confronted with some practical limitations. Although profit-and-loss sharing contracts such as Musharakah and Mudarabah are theoretically ideal, but they are still not well utilized because of institutional risk aversion. As a result, Nigerian Islamic financial institutions prefer the use of lower-risk, asset-backed instruments such as Murabahah with predictable returns and legal certainty, even if the latter do not necessarily capture the participatory spirit of Islamic finance to the letter.

In addition, even though the Qur'an places a strong focus on social justice and redistribution of wealth through institutions like Zakah, Waqf, and charity, most Islamic financial institutions in Nigeria have yet to include these instruments in their operational structures to the fullest. Consequently, Islamic finance's transformative role towards poverty alleviation, financial inclusion, and community development continues to remain largely untapped. The Qur'an calls for the avoidance of the concentration of wealth:

كَئِذَا لَا يَكُونُ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ

"So that it will not simply pass around among the wealthy among you."

(Surah al-Hashr 59:7)

This verse testifies to Islam's dedication to economic justice and calls for creating a system where wealth flows for the welfare of every section of society. Islamic finance, hence, should go beyond profit-making and positively work for the socio-economic uplift of the community.

It is interesting to know that at the level of governance, the Islamic financial institutions in Nigeria have made significant strides in ensuring ethical behavior and Shari'ah compliance. Institutions like Shari'ah advisory boards, transparency mechanisms in contracts, risk disclosures, and compliance audits ensure financial products are aligned with Islamic legal and moral requirements. These institutions serve to promote confidence, enhance transparency, and ensure moral accountability which are all at the heart of the maqasid al-Qur'an.

Finally, the way Takaful (Islamic cooperative insurance) is being practiced in Nigeria illustrates the social and ethical essence of Islamic finance. It encourages mutual help, common responsibility, and collective well-being, which is in accordance with the Qur'anic ideal of solidarity and brotherhood

وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ

"And cooperate in righteousness and piety, but do not cooperate in sin and transgression."

(Surah al-Ma'idah 5:2)

Another verse nicely augments this idea of togetherness and support:

إِنَّمَا الْمُؤْمِنُونَ إِخْوَةٌ فَأَصْلِحُوا بَيْنَ أَخَوَيْكُمْ ۗ وَاتَّقُوا اللَّهَ لَعَلَّكُمْ تُرْحَمُونَ

"The believers are but a single brotherhood, so make peace between your brothers. And fear Allah so that you may be shown mercy."

(Surah al-Hujurat 49:10)

## CONCLUSION

The Qur'an is an all-encompassing, all-pervading, and divine book that talks about the past, present, and future. Additionally, it is a guide that forbids injustice and preaches justice. Its words and meanings are both accurate and captivating. Also, it is an inimitable book that is divinely protected from distortion and corruption. Notably, Islam encourages trade but sets clear principles to ensure justice, fairness, and transparency. It prohibits riba (usury), gharar (excessive uncertainty), maysir (gambling), and investment in unlawful industries, while promoting risk-sharing and ethical business conduct.

Aptly, Maqasid al-Qur'an are the higher objectives of the Qur'an, while Islamic financial products are contracts that comply with the principles of Shariah. The principles governing these products conform to the objectives of the Qur'an. In other words, both Maqsid al-Qur'an and the principles governing Islamic financial products aim to promote justice, transparency, and social welfare.

Nigeria, though a secular country, is among the African nations where Islamic finance is experiencing remarkable growth. Both Muslims and non-Muslims are increasingly embracing Islamic finance, making the country one of the global hubs where Islamic banking is steadily flourishing.

It is of interest to know that the operation of Islamic financial products in Nigeria aligns with the objectives of the Qur'an. This is because these products do not contravene the principles of Islamic law, which advocate for fairness, transparency, and justice. However, to fully realize Shariah's vision of justice, communal support, and financial inclusion, Nigerian Islamic financial institutions are encouraged to fully integrate mechanisms such as zakat, charity, and waqf into their operational frameworks. It is equally important that the pursuit of profit does not lead to disguising conventional products in the garb of Islamic finance.