THE ROLE OF REGULATORY SECTORS IN ENSURING THE OPERATION OF ISLAMIC BANKING AND FINANCE SYSTEM IN NIGERIA.

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Abstract:

Despite enormous opportunities for social development and economic harmony in Islamic banking, Nigeria's Islamic banking sector accounts for merely 1.7 percent of the entire banking industry.[2] The regulatory sectors play a crucial role in promoting the Islamic banking and financial system in the country. Applying the doctrinal research method, this study examines the role of government of Nigeria's regulatory sectors play in ensuring the operation and growth of Islamic banking and finance. It explores and analyses the legal frameworks, policies, and initiatives implemented by the regulatory sectors to address and promote the non-interest bank in the country. It sight-sees the related opportunities and risks attached in operation of Islamic banks. The study highlights the importance of integrating change considerations into Islamic financial decision-making, promoting sustainable Islamic finance, and improving communities' income and economy initiatives. The findings of this study provide insights into the challenges and opportunities faced by the regulatory sectors in addressing Islamic banking and finance change in the financial sector and offer recommendations for policymakers and regulators.

Keywords: Regulatory sectors, Islamic Banking System, Islamic Financial Sector, Policymakers and Regulators.

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[2] See, CNBC Africa> https://www.cnbcafrica.com> accessed on the 21th of March, 2026

1. Introduction

The regulatory sectors of the Federal Republic of Nigeria oversee the incorporation, operation and promotion of Islamic banking and finance system, including the constitution of Federal Republic of Nigeria, the Central Bank of Nigeria, Corporate Affairs Commission, Federal Inland Revenue Services, Nigerian Deposit Insurance Corporation and Securities and Exchange Commission. Indeed, the constitution of the Federal Republic of Nigeria is not silent on the welfare of the non-interest banks and customers of the banks in Nigeria.

2. Conceptual Framework

Islamic banking in Nigeria operates as a non-interest financial system regulated by the Central Bank of Nigeria (CBN) and based its operation on the principles of *Shariah,* it prohibiting *riba* (interest) and promoting profit-and-loss sharing system. It offers services like Murabaha (cost-plus financing) and Mudarabah (profit-sharing), *Musharakah* (diminishing partnership for assets) and *Ijarah* (leasing/hire purchase) asset-backed financing, with growth supported by the Securities and Exchange Commission's (SEC) focus on Sukuk investment certificates (Islamic bonds) that it has be used for infrastructure financing, often issued by the federal government and halal investments (Adeyemo, 2020).

The CBN categorizes Islamic banks as "Non-Interest Financial Institutions" (NIFIs) and provides guidelines for both national (N10 billion capital base) and regional (N5 billion) operations. Islamic banks are supervised by a Shariah Advisory Committee to ensure compliance with ethical of the Islamic principles, prohibiting investment in businesses involved in alcohol, gambling, or tobacco.

The sectors face challenges including limited public awareness, scarcity of skilled experts in Islamic accounting, inadequate Shariah-compliant, liquidity management instruments, and competition with conventional banking, despite with these challenges, Nigeria is positioned as a potential hub for Islamic finance in Africa, with increasing interest in halal funds and growing investment in Islamic banking products and services (Oladimeji, 2016)

3. The Constitutional legal basis for the operation of Islamic banking and finance System

In terms of legislation, Nigerian Muslims used the opportunity of Nigeria's embracement of constitutional democracy to incorporate a full-fledge Islamic bank (Abikan, 2013). The 1999

Constitution, which is the supreme law of the land, coupled with its provisions which are binding on all authorities and persons in the country, has provisions that support the operation of Islamic banking in the country. Chapter two of the constitution deals with the fundamental objectives and directive principles of the state policy; Section 13 and Section 16 (1) (b) mandate the Government, its organs and authorities to provide and protect the right of participation in one's chosen economic activity (CFRN, 1999). For the affirmation of the above sections, the Court of Appeal in *Okogie and others v. Attorney General of Lagos State* [1981] 2 NCLR 337, while interpreting a similar provision, ruled that every Nigerian citizen or corporation has the right to carry on his chosen economic activities. The decision of the court together with other constitutional and legal grounds reinforced the belief of Nigerian Muslims in the possibility and the resultant establishment of an Islamic bank in Nigeria.

The business of banking, be it conventional or Islamic, falls within the economic activities permitted and guaranteed under Chapter two of the Nigerian Constitution. Thus, a Nigerian citizen is constitutionally entitled to participate in a banking business of his choice. Once a citizen has decided on a banking business of his own choice, this right must be recognized and protected by the Government, its agents and authorities, as directed by the Constitution and the judicial authorities (Adeyemo, 2020).

Meanwhile, Section 38(1) of the 1999 Nigerian Constitution (repealed 2004), which also recognizes and guarantees freedom of religion, entitles one to establish and participate in a banking business which is consistent with one's religious belief and practice. Thus, a citizen can enjoy his fundamental right to freedom to practice the religion of his choice. The same constitution prohibits discrimination on account of religion under Section 42, among other rights. By the provisions of this section, every Nigerian is guaranteed against being subjected either expressly by or in the practical application of any law enforced in Nigeria or any executive or administrative action of the Government in respect of disabilities or restrictions to which citizens of Nigeria from other communities, ethnic groups and place of origin or political opinions are not made subject to. (Adeyemo, 2023).

4. 0 The Central Bank of Nigeria (CBN)

The Central Bank of Nigeria (CBN) is the apex regulatory authority of the financial system in Nigeria. It was established by the CBN Act of 1958 and commenced operation in 1959. CBN oversees the procedures of other operating banking system and act as a banker of last resort to the banks in the country. It manages and control the growth of money in the government budget. The Central Bank of Nigeria objectives is to promote monetary stability and sound financial system. It issues and revokes license of the banks in Nigeria. The Central Bank of Nigeria duty is to encourage the growth and development of financial institutions. It has been the controlling bank discharging its role of leadership. It bails out other banks in Nigeria suffering from financial problems (CBN, 2011). It gives loans to those banks at the time of liquidity crunch. The instruments used by the Central Bank of Nigeria (CBN) for monetary policy operations are all structured based on interest. CBN serves as a judge in settling matters between the banks and their customers CBN, 2011).

The CBN by virtue of its role of control, promoting climate action in the financial sector, regulation and supervision is considered as the principal stakeholder who ensures that the financial system remains healthy and vibrant at all times, so as to avoid systemic collapse of economy. The functions of the Central Bank of Nigeria include to act as a banker and financial adviser to the Federal Government, it keeps a track of government transactions such as the revenues and expenditures under different heads. CBN advises the government on various matters concerning the monetary and credit policies. It is the sole decision maker with respect to the fixation of interest rates of bank deposits and loans. It issues currency and control the currency in the circulation by way of issue directive in cash reserve and to provide monetary guideline for other banks (Adeyemo, 2020). The CBN Promotion of Financial Market Growth for the mobilization of short-term and long-term funds and ensuring foreign Exchange utilization according to the economic priorities of Nigeria. The function of the central bank is to formulate, execute and monitor the country's monetary policy, with an aim of maintaining the price stability, so as to accelerate growth.

Subsequent legislation/amendments contained in the CBN Act 24 of 1991 (amended in 1997, 1998, 1999 and 2007) as well as the Banks and Other Financial Institutions (BOFI) Act No. 25 of 1991

(amended in 1997, 1998 and 1999). In addition, the new CBN Act (2007) reinforced its mandate to ensure monetary and price stability as well as promoting climate action in the financial sector. The enabling Law made is also gave the Central Bank of Nigeria more flexibility in regulating and overseeing the banking sector, Central Bank of Nigeria controls the conventional and the Islamic banks companies; and licensing finance companies which previously operated outside any regulatory framework. These include: primary mortgage institutions, finance companies and development finance institutions. With this development, the CBN became the overall regulator of all financial institutions in Nigeria. It is through this amendment that the CBN New Banking Model group the operating bank in Nigeria to three. They are Commercial Banks, Specialised Banks and Merchant Banks.

4.1 Commercial Banks

Commercial banks are financial institutions that offer basic investment products like savings account, current account to individual and corporate customers. They provide a range of financial services to the general public such as accepting deposit, granting loans and advances to the customers. It is profit making company, which pays interest at a low rate to the depositors and charges higher rate of interest to the borrowers and in this way the bank earns the profit (Yahaya, 2016).

They are the largest and most significant providers of funds in the banking system in Nigeria. The main functions of commercial banks are to provide retail banking services such as the acceptance of deposit, granting of loans and advances, and financial guarantees. The functions include Trade financing facilities such as letters of credit, discounting of trade bills, shipping guarantees and trust receipts. The functions of commercial banks extend to banker's acceptances such as treasury, cross border payment services. It also provides custody services such as safe deposits and share custody. Commercial banks are authorized to deal in foreign exchange and are the only financial institution allowed to provide current account facilities. The mandate of the commercial banks includes the provision of banking services and facilities to stimulate, assist and encourage productive and profitable utilization of available funds for investment, paramount and promotions of export (Adeyemo, 2020).

However, as the instruments used by the CBN for financial policy procedures are all structured based on interest. In addition, commercial banks are participating in Interbank Money Market whereby the bank that is short of funds is allowed to get money from other bank that has a surplus with interest. The current inter-bank market among the commercial banks is structurally interest-based (Sanusi, 2011).

4.2 Specialised Banks

The Law that enacted the Specialised Banks in Nigeria is Banks and Other Financial Institutions Act (BOFIA, 1991) (as repealed 2007). The main aim of the federal government for the establishment of Specialised Banks is to assist and encourage the industry and poor citizen who are owing to poor assets quality and low capital base. The government also set up of the bank through the CBN for the purpose of promoting the development of indigenous technology or a new venture in Nigeria. Thus, the share capital for the banks' establishment has been made small (five million and ten million for Regional and Nation respectively) for the encouragement of medium-scale industries and agricultural enterprises. By virtue of section 22(d) BOFIA, 1991 the aggregate value of the equitable participation of the Specialised Banks in all enterprises purchase does not anytime exceed in the case of Commercial Bank, twenty per cent of its shareholder fund unimpaired by losses or in the case of Merchant bank, not more than fifty per cent of its shareholders' fund unimpaired by losses. Besides the exception Specialised Banks shall be treated in the same manner as other banks with respect to the requirement of CBN banking regulation.

Specialised Banks set up to address development issues in Nigeria. The objective of the guidelines for specialised banks is to provide minimum standards for the operation of banking institution falling in its category. The development finance institutions were established primarily to address the slow pace of economic growth and development by mobilizing enormous resources for investment in the critical sectors of the economy. Specialised Banks include bank of industry, bank of agriculture, non-interest banks., microfinance bank, development banks, mortgage banks and such other banks as may be designated by the CBN from time to time (BOFIA, 1991).

However, Islamic banks are categorized among the Specialised Banks. These banks are defined by Section 61 of BOFIA 1991 as: "A bank which transacts investment and banking business and maintains profit and loss sharing accounts". Under section 23(1) of the BOFIA 1991, profit and

loss sharing banks are exempted from displaying their lending and deposit interest rates in their offices, because they are not allowed to charge interest in their dealings. Similarly, Sections 21 and 26 of the BOFIA, 1991 also empowered profit and loss sharing banks to engage in equipment leasing, a whole or retail trade, export and import trades and to acquire or hold share capital of any agricultural, industrial or venture company and the share capital of other businesses. Besides, CBN in its efforts to allow non-interest banking system, and pursuant to its power under section 57 of the BIOFA, issues guidelines that are binding on all non-interest financial institutions to establish *Shariah* Advisory Committee (now Advisory Committee of Experts) to oversee *Shariah* compliance of the non-interest financial institutions (NIFIs) (Adeyemo, 2020).

Under the Specialised banks is non-interest bank based on Islamic models or others. The promoters of Islamic Banks always apply under Specialised Banks and the license to operate Islamic banks will be given based on model operation of non-interest bank. The emphasis of this guideline is on Non-Interest Financial Institutions operating under the principle of Islamic Commercial jurisprudence.

In addition, other guidelines in the conduct of banking under the principles of Islamic Commercial jurisprudence, for instance, operational, corporate governance, and products compliance will be issued in due course. However, the objection of guidelines is to provide minimum standards for the operation of Islamic Financial Institutions in Nigeria. Accordingly, the guidelines are applicable to Institutions offering Islamic Financial services only and do not seek to regulate other Non-Interest Financial Institutions which may be established from time to time. The amendment also compels the non-interest banks i.e., Islamic banks through the CBN to follow the guidelines on these Federal Government parastatals before the license can be issued by CBN.

4.3 Merchant Banks

Merchant banks are also known as Investment banks, they are bank whose business includes receiving deposits on deposit account, provision of finance, consultancy and advisory services relating to corporate and investment matters making or managing investments on behalf of any person (BOFIA, 1991). Merchant banks making an important milestone in the development of the financial system alongside the corporate development of Nigeria. The skill-oriented professional service provided by Merchant banks to their clients are issues concerning the clients' financial

needs, for adequate consideration in form of fee. They provide advisory service to the institution investors, on account of investment decision.

They also trade in securities on behalf of their clients, with the aim of providing them portfolio management services. Merchant banks raise funds from international and domestic market, by issuing securities such as shares and debentures, which can be deployed for starting a new business or expansion activities. The banks assist their clients to promote their business enterprise at initial stage, right from conceiving the idea to obtain government approval and provision of technical assistance to business enterprise. Merchant banks provide loan syndication by way of raising credit from bank and financial institutions to finance the project cost or provision of working capital of client's project. The banks also render the leasing service to their clients by way of coordinating the banks which maintain venture capital funds to assist the customer who is entrepreneurs (Adeyemo, 2020).

However, CBN restricts Merchant banks on the acceptance of any deposit withdrawable by cheque. The banks shall not hold equity interest acquired from company more than 6 months, if Merchant banks fail to comply, it will be liable to fine not exceeding twenty-five thousand Naira only for each day during as offence continues. As Merchant Banks presently operate under the supervision of CBN within the ambit of BOIFA 1991, they play a role in the short-time money market and capital raising activities including financing, specialising in syndication, corporate finance and management advisory services, arranging for the issue and listing of shares and investment portfolio management. Merchant banks operate on the ambit of interest (Adeyemo, 2020).

4.4 The Roles of the Central Bank of Nigeria in regulating the Islamic banking and Finance

The Central Bank of Nigeria (CBN) issued license to the banks in the country either conventional or Islamic bank. However, the enactment of the Banks and Other Financial Institutions Act in 1991 (BOFIA, 1991) (as amended in 2010) which provided for the practice of profit and loss sharing banking system, a feature which is more peculiar to Islamic banking system. Thus, the Act therefore paved way for the establishment of a profit and loss sharing banking system, which included Islamic banks. Meanwhile, the profit and loss sharing banks operating in Nigeria have to meet international standards in respect of Islamic banking products by following International

Islamic Banking and Finance Standards such as Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) which addresses issues relating to the operation of Islamic finance. The Islamic Financial Services Board (IFSB) also addresses issues relating to the rules governing Islamic banking and finance (Abikan, 2013). Nigeria is a member of the AAOIFI and IFSB, and is complying with the various regulations of these organisations as guiding principles in regulating the affairs of its Islamic banks and finance institutions (Dogarawa, 2014).

In respect of the *Shariah* Governance and Supervision, **t**he Central Bank of Nigeria mandates a robust *Shariah* governance framework for the easy operation of Islamic banks in the country by established the Financial Regulation Advisory Council of Experts (FRACE) at the regulatory level and Advisory Committee of Experts (ACE) at the institutional level to ensure all products are compliant with Islamic principles.

The central bank of Nigeria develops its regulatory framework by way of **t**he CBN Act (2007) and the Banks and Other Financial Institutions Act (BOFIA) 1991 which are the primary laws governing operations, with tailored guidelines for non-interest banking. The central bank of Nigeria supervises Islamic finance through the security exchange commission. The commission gives license and prudential monitoring of Islamic finance to ensure compliance with *Shariah* law, transparency, and risk management (asset-backed financing) (Adeyemo, 2020).

Furthermore, the promoting financial inclusion is also encouraged by the central bank by way of the establishment of Islamic microfinance banks to offer alternative services to the unbanked citizens and addressing constraints faced by low-income groups in the society. The regulatory authorities collaborate to align Nigerian practices with global standards, including organizing workshops and training to enhance skills in Islamic finance.

Presently as a result of the regulatory sectors in the country, there are many Islamic Banks, that are operating full Islamic banking activities, such as Jaiz Bank Plc (2011), Taj Bank LTD (2022) and Lotus Bank LTD (2021) (Business news Nigeria https://businessday.ng access on 18th March, 2026 at IUIU Faculty of Law Library at about 4.30pm), while Stanbic IBTC Bank Plc. and Sterling Bank Plc. were granted license by the Central Bank of Nigeria to operate interest-free banking through a special window in 2012 and 2013 respectively. The number of banks operating full Islamic banking activities and the conventional banks operating partial Islamic banking activities. Both the banks operate with full-fledged and those operate interest-free banking through a special window were granted license by the Central Bank of Nigeria to operate (Adeyemo, 2020).

The CBN however ordered that the both banks which are operating either with full-fledged or window must have *Shariah* Advisory Committees of Experts to monitor the products and services of the banks. The *Shariah* Advisory Committee of experts must regulate and control the activities of the banks. The Islamic bank also performs the same activities and functions like the conventional bank in Nigeria.

Consequent upon the incorporation of Jaiz Bank Plc. in 2011, some universities have given priority to the intellectual and manpower needs of the Islamic banking and finance industry by mounting academic programmes that will lead to the development of Islamic banking and finance related manpower. (Adeyemo, 2020).

5. Corporate Affairs Commission (CAC)

The CAC is established by section 1 of the Companies and Allied Matters Act, 1990 (CAMA) cap C. 20 Laws of the Federation of Nigeria 2004 (as amended). It is the duty of the Commission, among other things, to oversee the registration of companies, business names and registration of mortgages and debentures (Orojo, 2008). The Commission also sees to the supervision of the formation, incorporation, management and winding up of the companies (CAMA, 2004). According to section 7 of the CAMA, 1990, the Commission should maintain company registries and offices in Nigeria, and should have access to the addresses of all registered companies in Nigeria. Corroborating this statutory functional requirement of the CAC, the Court of Appeal affirmed in one of its rulings that the CAC must have access to the addresses of registration of registered companies suitably and adequately equipped to discharge its functions under the law in respect of which it is charged with responsibility (*All State Trust Bank ltd v. Chyke International ltd 2003 FWLR* (*pt.141) p 1903*). In the new amended CAMA, 2020 section 7 extended the functions of the commission to oversee the operations of the company to ensure compliance of the law.

The Commission also manages and conducts investigation into the affairs of any company where the interest of the shareholders and the public so demands (Orojo, 2008). One of the mandatory requirements of the CBN for the licensing of any bank, clearly stipulated in the BOFIA, is the incorporation of such organisations by the Corporate Affairs Commission. As much, there is some relationship between the banks and the Corporate Affairs Commission in Nigeria, as the bank must

first be incorporated by the Commission, and the Commission must have all relevant corporate information about the banks. As such the CBN is promoting climate action in the financial sector.

6. Federal Inland Revenue Services (FIRS)

Information on establishment (including the legal instrument for establishment and date of establishment, etc.). Among the duties of FIRS is to look at the cost of the financial transactions and services of all banks in Nigeria (Zekeri, 2018). Its duty also comprises the payment of stamp duty as prescribed by the Stamp Duty Act Cap 411 Law of the Federation of Nigeria 1990 (as amended 2004) (Ogunbesan, 2015). In the process of the incorporation of any bank the promoters are statutorily required to pay 2.5% of the total capital of the shareholders of the incorporating bank for Stamp Duty as prescribed by Stamp Duty Act Cap S8, Laws of the Federation of Nigeria 2004 (as amended). The payment of 2.5% of this sum has been made mandatory by the Banks and Other Financial Institution Act (BOFIA, 1991) as part of the registration process. The latest amended of the Stamp Duty (2026) maintained that 0.75% of the authorized share capital should be charged (https://taxsmmaries.pwc.com access on 18th March, 2026 at IUIU Faculty of Law Library at about 4.50pm). The payment of tax to FIRS is compulsory on all taxable individuals and incorporate companies including banks (conventional or Islamic) operating in Nigeria. The implication of this is that an Islamic bank must satisfy all these statutory requirements before it was duly incorporated and it has continued to fulfil its statutory obligations to Government through such agencies as the Federal Inland Revenue Services.

7. Nigerian Deposit Insurance Corporation (NDIC)

The NDIC was established in 1989 to provide deposit insurance and related services to banks in order to promote confidence in the banking industry in Nigeria (NDIC, 1989) (amended in By Act 2023 and subsequent 2024. The NDIC complements the regulatory and supervisory role of the CBN, but it is the CBN that reports to the Federal Ministry of Finance. The NDIC helps in guaranteeing deposit payment, at least up to the maximum limit according to the status should there be any failure of a bank who is insured. The NDIC is empowered to examine the books and affairs of banks, as well as other deposit-taking financial institutions (Campbell *et al*, 2009). Thus, all licensed banks are mandated to pay 0.35% and 0.5% of their total assessable deposits liabilities

as insurance premium to the Corporation. The premium is paid solely by the bank not the depositor. (NDIC, 2023).

The NDIC supervises the activities of the banks in Nigeria in order to help and protect depositors, foster monetary stability and ensure that there is a reduction in the potential risk of bank failure (NDIC, 1989; Oladimeji, 2016). It also helps to ensure the eradication of unsafe and unsound banking practices in Nigeria (Ogunleye, 2010). The Corporation gives assistance to insured banks and protect the interest of depositors especially where there is suspension of payment thread, so that the insured institutions could avoid damage to public confidence in the banking sector (Davis & Obasi, 2009). The Corporation also ensures that every failed bank and every failing bank is supported and the issues in such regards are resolved. Hence, as part of requirements by the CBN, the NDIC has been empowered to examine the books and affairs of Islamic bank operation in Nigeria, meaning that the NDIC has important role to play in the affairs of Islamic Bank in the growth and development the bank's businesses.

8. Securities and Exchange Commission (SEC)

The Securities and Exchange Commission (SEC) was established in 1979 as apex regulatory organ of the capital market (CBN, 2009). The legislative instrument for the establishment of SEC has been reviewed several times since 1979. The current Act on the establishment and functions of SEC is known as the Investment and Securities Act No. 29 of 2007 (ISA, 2007) (amended in 2007 and 2026). Section 13 empowers the Commission to regulate investment and securities business in Nigeria. It registers and regulates all offers of securities by public companies and entities. The code of corporate governance of the SEC is for public companies, and these also apply to all banks since they are to be incorporated under CAC as public companies in Nigerian context (Sanusi, 2011). The Commission renders assistance as may be deemed necessary to promoters and investors wishing to establish public companies in Nigeria (Odedokun, 1998).

The SEC has significantly for Capital Market Operators (CMOs) to strengthen financial resilience with broker-dealer. It is focusing on enhancing market integrity, increasing the market ratio and fostering a safer digital investment March (SEC, 2026).

The Commission facilitates the establishment of a nation-wide system for securities trading in Nigeria public companies in order to protect investors and maintain a fair and orderly business environment (ISA, 2007). It also registers and regulates the workings of bank funds and collective investment scheme in various forms, just as it keeps and maintains a register of foreign portfolio investments (Musibau & Muhammad, 2011). It provides the integrity of securities of public companies against all forms of dealings such as review, approve and regulate mergers acquisitions, takeovers and all forms of business combinations and affected transactions of all companies as defined in the Act (Adewuyi & Olowookere, 2011). As both conventional and Islamic Banks in Nigeria are public company. Therefore, its offer of securities has to be regulated by SEC and it must always follow, the regulations of SEC in its business combinations that affect another company. However, the Islamic financial system plays an important role in the growth and development of Nigeria economics by promoting savings mobilisation and making possible efficient allocation of resources for productive investment (Ogbuanya, 2010). It is compulsory for the Islamic banks to follow the policies of Securities and Exchange Commission on their day-to-day activities by way of protecting the investors and maintain a fair and orderly business environment for their customers.

9. Finding, Recommendation and Conclusion.

The Central Bank of Nigeria (CBN), along with the Securities and Exchange Commission (SEC) and National Insurance Commission (NAICOM), regulates Islamic banking in Nigeria to ensure *Shariah* compliance, financial stability, and public confidence. They establish legal frameworks, oversee product approval via the FRACE, and set capital requirements for Non-Interest Financial Institutions (NIFIs)

The study recommends as dual banking system are operating in the country, where conventional and Islamic banks co-exist, there is the need to have some specific laws for the smooth operation, productivity and effectiveness of the Islamic banking sector. By this, Nigeria should have an Islamic Banking Act, among other relevant laws. This Act should make clear provisions on all matters relating to the practice of Islamic banking system. Alternatively, the existing principal banking laws may be amended to incorporate all areas that are necessary for the recognition and smooth practice of Islamic banking institutions. The amendment should incorporate all the guidelines and policies of the CBN on Islamic banking and its operation in Nigeria. As a way of developing the Nigerian Islamic banking sector too, the CBN should ensure the productivity,

effectiveness and innovativeness of its Islamic Banking Department. The Department should come up with a policy that will enable it receives, consider and utilise researched based recommendations on Islamic banking and finance system. There is need for Islamic banks in Nigeria to collaborate with some of Islamic banks in advanced countries and work together with a view to spreading the virtues of Islam through *Shariah* based banking and finance system. By so doing, the non-Muslims would continue to realize the pristine principles of Islam which have taken care of all aspects of human life including business enterprise.

Finally, it is strongly believed that if these recommendations are considered and adopted by the relevant authorities, the integrity of the Islamic banking institutions in Nigeria will be enhanced, and the sector will be making significant contributions to economic productivity and social development of the citizens and the State.

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