The Regulatory Challenges for Microfinance Banking among Muslim Communities in Nigeria: Hypothetical Study

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Abstract

The World has been facing challenges in all the three most important dimensions of sustainable development, which include economic, social and environmental challenges. More than 1 billion people are living in abject poverty and income inequality around the globe; this figure is believed to have resulted in huge economic and social costs and may endanger many lives on the planet. Thus, many countries began to adopt the microfinance banking model of Bangladesh, aiming to address these growing economic concerns. Although the model has not been named Islamic, its clear features indicate that it is driven by the core practices of Islamic financing that encourages supporting the poor and vulnerable communities and discourage the concentration of wealth in the hands of a few individuals. However, the nomenclatures and the regulations set up for microfinance banks by financial regulating bodies becomes a clear and radical departure from the originating model to the extent that Muslim communities are mandated to obtain licenses to operate a Microfinance bank which is hitherto named (Islamic). In similar efforts, the Nigerian government adopted the Microfinance system into its regulated financial institutions in 2015 with a major aim to provide finance to economically active poor excluded from financing by conventional banks, provide employment, engender rural development and reduce poverty. However, the regulations for the operations of Microfinance banks are often more inclined towards conventional banking, which compelled Muslim communities to obtain licenses for operating Islamic Microfinance Banks. The Central Bank of Nigeria (CBN) sets stringent rules that could hardly be achieved by intending Muslim communities. This paper theoretically examines the CBN regulations for establishing Islamic Microfinance Banks to propose practical solutions to address the difficulties of establishing these banks in Muslim communities in Nigeria.

Keywords: *Regulatory challenges, Microfinance, Muslim community*.

1. Introduction

Although the term Microfinance finance is a newly invented word in the field of economics, it has recently gained popularity among economists, especially those working on the reduction of poverty reduction and economic developments among societies. The popularity of Microfinance transcends the circles of economics to agriculture, transportation, and housing. It has become a key component term regularly used by national and global financial sectors. Microfinance has become a leading economic instrument used to promote financial inclusion, poverty reduction, social welfare establishment, and economic regeneration initiatives (Roy, 2010). Yaidoo and Vishwanatha (2018) maintained that Microfinance has also been used as an active mechanism to support communities affected by disaster, economic structural adjustment or even as a proposal for national debt cancellation worldwide (Muhammad and Khalil, 2021). It has been described as being "one of the most important economic phenomena since the advent of capitalism and Adam Smith,"(Muhammad and Melemi, 2019). Microfinance refers to a system that provides financial services such as deposits, withdrawals, loans, payment services, money transfers and insurance to an identified community or targeted range of customers. Microfinance targets poor and low-income households to improve their living standard and their micro-enterprises through short-term lending and recycling of loans and repayments (Weber, 2004). Microfinance is a system that has always been defined to its users- rather than concerning other forms of finance- as the supply of savings, credit, insurance and payment services to relatively poor people (Tarazi M. and Reille 2008). Thus, all definitions of Microfinance end at an initiative to help poor and vulnerable communities, to provide them with alternatives to absorb shocks of poverty caused by natural disasters such as floods or fire. It also provides efforts to encourage wider participation of the poor in economic activities (Karlan and Zinman, 2010).

2. Problem Statement

Practically, microfinance is the most commonly used word among economists. The two terms microcredit and microfinance are often used interchangeably. Microfinance is generally understood as a system that considers the limitations of the poor regard to access to finance, especially with stiff collateral requirements. Thus it tends to emphasize the abolition of physical collateral. Contrary to formal banking practices, the microfinance systems use alternative methods like the assessment of clients' repayment potential by running cash-flow analysis, the integrity of the loaned and sustainability of the business, which is based on the stream of cash-flows generated from activities for which loans are advanced Armendáriz B. and Szafarz A. (2011). Studies revealed that countries that ensure flexible, well-organized and efficient financial innovations like Microfinance Banks (Kalirajan & Smith, 2009; Yang et al., 2011). Microfinance involves rendering financial services to the poor and low-income earners. It is widely understood that Microfinance is identified as an effective tool to solve the poverty problem worldwide. It is an essential aid for increasing in productivity of the poor and an essential ingredient for economic development (Comim, 2007). However, Microfinance enhances the standard of living if properly managed (Bashir et al., 2010; Muller & Bibi, 2010). The operation of Microfinance can only thrive if the customers' repayment schedule is met promptly. Therefore, the paper theoretically examines the CBN regulations for establishing Islamic Microfinance Banks to propose practical solutions to address the difficulties of establishing these banks in Muslim communities in Nigeria.

3. Research Questions

The study attempts to address the following question:
What are the CBN regulations for establishing Islamic Microfinance Banks to propose practical solutions to address the difficulties of Muslim communities in Nigeria?

4. Research Objectives

The objective of the study is to provide a practical regulations for establishing Islamic Microfinance Banks to address the difficulties of Muslim communities in Nigeria.

5. Literature Review

Many scholars argue that microfinance is the most suitable banking approach for supporting vulnerable communities through the provision of individual self-help efforts and improving their livelihood and development. Just like charities, microfinance is also designed to have a 'humanist proposition' which can rely on the social capital ethos to improve livelihoods. To support this view, Counts (2008) points out that microfinance systems cannot be assessed based on their loan portfolio. However, the high-quality relationships it's established with millions of customers and poor entrepreneurs who cannot ordinarily patronize commercial banks. Counts A. (2008). The microfinance sector began to receive interest in Africa in the early 1990s (Buckley, 1997). In the study, Buckley (1997) agreed that although Kenya and Malawi have accepted the Microfinance system, it impacts the growth and development of entrepreneurship in these African countries. Similarly, Basu et al. (2004) found a gap between the number of entrepreneurs seeking microfinance services with what is provided. Van Rooyen et al. (2012) also opined that microfinance operations in sub-Saharan Africa did not achieve their desired aims in terms of entrepreneurship development or poverty alleviation; he believes that in some instances, the bank's operations tend to exploit women and vulnerable groups.

Studies revealed that about 650 million Muslims live on less than USD2 per day (GIFR, 2016); thus, the roles of Islamic microfinance banks in poverty reduction and improving the economic well-being of poor households cannot be over-emphasized. Muslim nations and communities have begun to move towards Islamic financing. After the 2008 world economic crisis, many banks and other financial institutes have found an alternative model in Islamic financing among Muslim countries and non-Muslim communities worldwide. The idea of Islamic financing continues to grow speedily to the extent that some micro-financial institutions have joined the queue to introduce Islamic micro-financing products. In Pakistan, for instance, a study by Naveed (2014) analyzes the role of Islamic microfinance banks in Pakistan towards poverty alleviation. It explores the impacts and people's satisfaction levels and assesses its prospects in Pakistan. The study results conclude that Islamic microfinance plays an important role in improving the living standard, per capita income, awareness level, sustainability, ethical values, profitability, infrastructure position, and employment level in the society, helping to control inflation and unequal distribution of wealth. The study also finds that people become more interested in it due to its religious inclinations. Thus, the study recommends that proper government regulations and control are needed to sustain the system and get fruitful results. Abdul Rahman and Dean (2013) maintained that Islamic Microfinance institutions face numerous challenges but summarized them into four main challenges: market penetration, high transaction costs, and the effectiveness of Islamic microfinance in alleviating poverty. These challenges are not far away from the challenges faced by conventional microfinance providers, as identified by Ahmed (2002). It is clear that operating an Islamic microfinance institution requires high transaction costs to maintain economic viability, and it must be focused on poverty alleviation to maintain acceptability.

Smolo and Ismail (2011) believe that shortage of funds is part of the challenges Islamic microfinance providers face; they fail to explore other sources of Islamic financial instruments meant for poverty alleviation and regeneration of wealth; especially that religious endowment such as waqf and zakat which could have been considered a major sources to fund the institutions. Moreover, microfinance services are meant to help people out of poverty by regenerating wealth among the communities (GIFR, 2016). Another practical challenge microfinance banks face borrowers' limited necessary skills to run a successful business. Consequently, they cannot repay the loan (Abdul Rahman & Dean, 2013; GIFR, 2016). Factors such as market opportunity, physical health, consumer demand, and adverse weather are among the adverse ability of borrowers to repay their loans. To address this concern, Abdul Rahman and Dean (2013) recommend combining microfinance services with educational programs. To actualize this requires the participation of other relevant sectors, making it difficult to coordinate. Empirically, the Grameen bank microfinance has exhibited excellent performance in alleviating poverty through microfinance institutions. It is, argued that the successes of the Grameen bank are criticized because others maintained that it could not have been achieved without grants (Abdul Rahman & Dean, 2013). Successive government in Nigeria has made several efforts to address the growing poverty rate, which has become among the most visible phenomena in Nigeria. Several programs were established to achieve this objective, including the National Accelerated Food Production Program in 1972, a program inaugurated to boost food production through a lending fund from the Nigeria Agricultural and Cooperative Bank. In 1976, another project, Operation Feed the Nation, was established, mainly focusing on providing extension services to rural farmers. Other programs include The Green revolution program of 1979, The Directorate of Food Road and Rural Infrastructure (DFRRI) in 1986, The Community Banks of Nigeria. The Peoples Bank, The Family Economic Advancement Program (FEAP), The Mass Mobilization for Self-Reliance (MAMSER), the Better Life Programme (BLP), The Family Support Programme (FSP) in 1993, The National Directorate of Employment (NDE), The Petroleum Special Trust Fund (PTF), The Mass Transit Program (MTP), The Agency for Mass Literacy, National Economic Empowerment and Development Strategy (NEEDS); and the Microfinance Banks. Despite all these efforts, the poverty indices have continued to rise tremendously (Muhammad & Dauda, 2018). The Nigerian government have tried through the Central Bank of Nigeria (CBN), the apex monetary authority of Nigeria, to promote financial inclusion by establishing the CBN Act of 1958, which commenced operations on July 1, 1959. The CBN Act was amended to suit Nigeria and Nigerians' emerging needs and circumstances in 1991, 1993, 1997, 1998, 1999 and 2007. This indicates that the Nigerian economy has been moving with the changes of time and answering to the people's financial aspirations. As financial inclusion continues to form another basic objective for central banks around the globe among policymakers, researchers also continue to advocate its significance as a tool for economic development. Financial inclusion has played a big role in poverty reduction, employment generation, wealth creation and improving welfare and general standard of living. However, despite appreciable rising financial inclusion figures in Nigeria, the Northern part of the country has remained the largest region whose community is under-banked. A study conducted in 2008 by Enhancing Financial Innovation and Access revealed that about 53.0% of adults were excluded from financial services. However, this figure was reduced to 46.3 % in 2010. In promoting financial inclusion, the Central Bank of Nigeria continues to advocate for financial inclusion by launching the National Financial Inclusion Strategy on 23rd October 2012. The project piloted in Borno State aims to reduce the financial exclusion rate to 20% by 2020. The implementation of this project has yielded a positive result that all the geopolitical zones in Nigeria equally recorded improvements, with the exclusion rate declining between 2010 and 2012 as follows: North East, 68.3% to 59.5%, North West, 68.1% to 63.8%, North Central, 44.2% to 32.4%, South East, 31.9% to 25.6%, South West, 33.1% to 24.8% and South-South, 36.4% to 30.1%. Studies on Islamic Microfinance in Nigeria indicate numerous challenges facing Islamic Microfinance banking and its entire prospects in Nigeria, including government regulations and policies. Muhammad and Hassan (2008) suggest that there is a high prospect for Islamic banking in Nigeria, a country with a Muslim majority, to serve as an alternative to conventional banking, which is discouraged by the Islamic legal systems. The study further recommends adopting Islamic micro-financing to help convert poverty in the country. Dogarawa (2009) has adopted a descriptive technique to provide a framework for establishing the Islamic Microfinance Bank. The study provides specific roles for various stakeholders to establish a workable system for the Islamic microfinance bank in the country. He also concluded that giving Islamic microfinance banking the necessary attention it requires could be the only solution to the poverty prevalence among the people of Northern Nigeria. Abdulrahim (2010) examined the impact of Islamic Microfinance on poverty alleviation in Nigeria. The study concludes that there is huge potential for Islamic microfinance banking in Nigeria, especially in socio-economic development and improvement in the lives of the groups of micro-entrepreneurs. The study recommends the adoption of Qardhul Hasan, Murabahah, Ijarah, mudarabah and musharakah as components of Islamic micro-financing models for adoption in Nigeria. Alameen (2016) suggest an element of inequity in the Nigerian financial systems regulations that tends to limit the operationalization of Islamic microfinance institutions in the country. He further stressed that it could be considered a breach of rights against Muslim communities despite their large numbers. He cited examples of the absence of sharia-compliant avenues for government-funded schemes. Another effort to develop an Islamic microfinance model is conducted by (Muhammad & Zakaullah, 2013). The study adopts qualitative interviews with selected experts and concludes that the model is less susceptible to the current problems of microfinance in Nigeria. Their findings suggested adopting the newly invented Islamic Micro-investment Model for application in Kano State, Nigeria. They believed it could attract benefits for micro-businesses in the state and the country. Onakoya and Onakoya (2014) explores the roles of Islamic microfinance in poverty alleviation in Nigeria. The study examines the principles of Islamic finance and how it can be applied as a tool for poverty alleviation compared to conventional systems. It also analyses the relationships between the concepts of economic development from the concept of Islam. The study's results acknowledge the existing religious tension against various groups in Nigeria. However, the results insist that the differences could not affect Nigeria's operationalization of Islamic microfinance banks. This is to support the fact that Islamic microfinance has helped in the reduction of poverty among the people in Nigeria. Ibrahim and Murtala (2018) studied the perceptions of the customers of Tijarah Microfinance Bank (Islamic) in Bauchi state of Nigeria on the performance, acceptability and role of the institution in poverty reduction in Bauchi state. The results of the study reveal that both the customers and the staff of Tijarah highly believe that the institution has the potential to alleviate poverty in Bauchi State. However, the study observed a serious gap and limited awareness in understanding Islamic financing and recommends that players in the Islamic financial sector continue to devote more resources to educating the community. Looking at the figures and changes above, it is clear that Northern Nigeria, which hosts the Muslim majority, and its Southern counterpart, hosts the Christian majority in terms of financial inclusion. The question that will rise is what could be the factors leading to these figures? Nigerian financial regulators have adopted the view that microfinance banks play an important role in providing financial services to low-income earners, and the poor have been identified as a potent instrument for promoting financial inclusion and poverty alleviation (Muhammad, Duku and Yakasai, 2019). Nigeria 2005 introduced and launched the National Microfinance Policy, which provided the supervisory and regulatory framework designed to facilitate the growth of microfinance banking among communities, including market associations, cooperatives, non-governmental organizations and self-help groups. The idea behind establishing the framework was to use it as a major vehicle for the financial inclusion of many people, especially those from the informal sector where the bulk of the unbanked exists. Following the increased confidence and activities of the microfinance banks, the investment indices of Nigerian Microfinance banks, which includes their assets and liabilities, reached N190.7 billion from just N55.1 billion in 2006. The loan portfolios also increased from N16.0 billion in 2006 to over N67.6 billion by end-December 2011. This performance record indicates that microfinance positively impacts the process of growing the financial inclusion level in Nigeria, thus, making the CBN continually revise the microfinance policy to strengthen the institutions and reposition them for enhanced service delivery, Kama & August, (2013).

The Central Bank of Nigeria observed the slow growth of financial inclusion in Northern Nigeria, especially among the Muslims of the North. It is clearly understood that the reasons for having a high number of unbanked communities in the North, as mentioned above, were based on the fact that the religious and cultural beliefs of Muslims see banks as tools for promoting usury (riba) which is prohibited in Islam. The CBN introduced a new framework for Non-Interest Financial Institutions (NIFIs) in June 2011 and granted two preliminary licenses by December 2011. The main expectation of the CBN was that the products offered by the Islamic banks would help bring into the banking sector a large number of the country's population that had hitherto steered away from the organized conventional financial services due to their aversion to interest and interest-based products. The introduction of Islamic banks will further help attract foreign direct investment (FDI) from Muslim majority countries, specifically in the Middle East, where many investors have funds waiting to be invested in Shari'ah-compliant financial products, Kama & August, (2013). Several studies have discussed various challenges facing the establishment and operations of Islamic financial institutions, which include Islamic microfinance banks. The challenges range from regulatory difficulties impeding the establishment of the institutions to operational guidelines that make operationalizing the institutions

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difficult, if not impossible. Although every research has peculiar motivators, some of the identified challenges can be attributed to the challenges faced by the Muslim communities in Nigeria. Bhuiyan et al. (2011) mentioned many challenges facing the Islamic banking sector, including; the lack of proper institutional framework, lack of appropriate legal framework, lack of equity institutions, maintaining of proper accounting standards, cost and competitiveness of cross-jurisdictions, lack of equal field for Islamic and Conventional banking and challenges for deposit insurers. Saidu (2018) to determine the factors militating against the development of Islamic financial institutions in Nigeria includes; religious and cultural differences, inadequate human resources, inadequate financial innovations, lack of adequate knowledge, double taxation issues, competition with existing financial institutions, shari'ah related issues and poor supervisory framework. This study recognizes religious and cultural differences, limited knowledge among the policymakers and regulators of the CBN and competition among co-institutions as one of the major factors that can lead to stiff regulatory framework and requirements that could hardly be achieved by the Islamic financial institutions, including microfinance banks. Umar (2011) supports these facts by insisting that having a sound legal basis under the governing law for the establishment and operation of Islamic banks attracts the confidence of the public members, either as shareholders as, depositors or other stakeholders in Islamic banks. He also maintained that another important element to be considered in regulating Islamic banks is limited or inadequate capital, as all organizations that incur liability require some form of capital backing to support those liabilities. The absence of Islamic insurance systems, lack of a robust and comprehensive legal framework that is sacrosanct to the existing realities of Islamic laws and conditions of Muslim communities, failure of the Islamic financial institutions to access the loans and advances of the CBN, dearth of Shariah scholars knowledgeable in conventional economics, law, accounting, banking and finance, which places severe constraints on the regulatory Shariah-compliance mechanism and multiple taxations are among the impediments of Islamic banks in Nigeria (Umar, 2011).

6. Method

This study adopts the hypothetical method of research to find data. The hypothetical research method has been traced back to ancient Greek history. Socrates, for instance, adopts hypothetical methods in trying to identify errors in conventional views about knowledge and truth by what was referred to as hypothetical argument Harvey (1962). At Harvard Law School, for instance, Garner (2000) agreed that the Socratic Method was useful in finding solutions to many problems; it gives the student the courage to question the validity and applicability of every generalization. The hypothetical study is a research process driven by dialogue and factious communications among the researchers; through these communications, detailed answers are provided based on experiences, interactions, or relations with the matter in question. This makes the hypothetical study falls within the scope of the interpretive research social research approach. This kind of research aims to develop a process that will help in the understanding of social life and discover the meanings of action and understand people's reactions towards happenings in natural settings (Neuman, 2000).

Neuman (2000) listed five reasons in which hypothetical study is adopted; a) studies conducted on people participating in the research process, b) studies on popular or common knowledge, c) studies that focus on power with a goal of empowerment, d) studies that seek to raise general awareness e) studies that are politically driven. As Neuman (2000) presented, this study is directly linked to four of the five listed items; the study discusses a popular trend of reducing income inequality among Muslims in Northern Nigeria by promoting financial inclusion through Islamic microfinance practice to empower them economically. The study also relates to speaking to the policymakers who are the political leaders, thus making it politically vulnerable. The major objective was to raise general awareness of the role of Islamic microfinance banks in poverty alleviation among Muslims in Northern Nigeria.

7. Findings and Discussion

7.1 Lopsidedness in BOFIA Act

The Banking and Other Financial Institutions Act (BOFIA) does not take into cognizance the principles of Islamic Finance to create an enabling environment for the people of the North to participate fully in financial services. Hence, the absence of other Islamic products such as Takaful, Sukuk, and Islamic pension services is very glaring in many aspects of the Nigerian economy. Considering the lopsided nature of the Nigerian financial market and the economy, it is critical to consider Islamic Banking and other Islamic financial services in the country.

7.2 One Size Fit All Approach

It is very illogical that the CBN knows better the low level of GDP and high rate of financial exclusion in Muslim-dominated Northern Nigeria, but the same CBN issues regulations that will have to abide by all regions despite clear ideological, traditional and religious differences

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between the regions, a situation where the rules, regulations and requirements set for Microfinance Bank's (MFB) in Lagos is applied to an MFB in Yobe is unjust and clear action and deliberate attempt to gradually phase out the North out of the Nigerian financial sector.

7.2.1. Stringent Regulatory Policies

Regulatory policies especially those related to the establishment of microfinance banks, are very strict and difficult to be achieved for Muslim communities, especially those living in Northern Nigeria, where many poverty indices are reported. This condition paves the way for other communities to take advantage of their financial weakness and inability to meet the requirements to establish more banks and access more funds, which in turn will impoverish the Muslim communities and deny them access to financial services; these instances are found in the following regulations:

7.2.2. Capital Requirement for the Establishment of Microfinance Banks in Nigeria

Although the Central Bank of Nigeria has been advocating for the status quo of microfinance banks to sell monetary inclusion and the reality that Microfinance Banks are the nearest monetary group to the poor, Three is a persistent attempt to complement the bid to help the improvement and sustainability of Microfinance. The CBN has issued guidelines for the Regulation and Supervision of Microfinance Banks in Nigeria, 2020 ("the draft suggestions"). When carried out in April 2020, the draft suggestions will amend the Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria issued in 2012. The new CBN regulation, as withinside the Circular dated April 29 2020, titled Re: Review Of Minimum Capital Requirements For Microfinance Banks In Nigeria, asked for a minimal capital requirement of N5 Billion Naira to set up a National Microfinance Banks, N1 Billion Naira to set up a nation Microfinance Banks, N200,000,000 Million for Tier 1 Microfinance Banks and 50 million for Tier 2 Microfinance Banks. However, the extended minimal percentage capital will be undertaking banks and organizations maintaining an MFB license or wishing to attain an MFB license.

7.2.3. Manpower Requirement for Microfinance Banks

The CBN guidelines and conditions for appointing a Managing Director in any Bank, including the Microfinance Banks, require that for a person to assume the capacity of managing director, he must have served (8) years in the banking sector and a minimum (5) in a management position. Similar conditions go to other heads of departments of the Bank. The condition reads thus.

"The following minimum qualifications and experiences are mandatory for officers who would occupy key/top management positions in an MFB:
a. Managing Director/Executive Director:
i. A minimum of first degree or its equivalent in any discipline (additional qualification or degree in any finance or business related discipline may be an advantage).
ii. Minimum of eight (8) years post-qualification experience out of which, at least, five (5) must be in the financial services industry and at least, three (3) at the senior management level.
iii. Evidence that the candidate possesses proven skills and competences in practical microfinance banking and has undergone the Microfinance Certification Programme and obtained a Certificate in Microfinance Banking issued by the Chartered Institute of Bankers of Nigeria (CIBN).
b. Departmental Head:
i. A minimum of first degree or its equivalent in any discipline (additional qualification or degree in any finance or business related discipline may be an advantage).
ii. A minimum of five (5) years post-qualification experience out of which, at least four
(4) Must have been in the financial services industry and at least, two (2) at the senior management level.
iii. Evidence that the candidate possesses proven skills and competences in practical microfinance banking and has undergone the Microfinance Certification Programme and obtained a Certificate in Microfinance Banking issued by the Chartered Institute of Bankers of Nigeria (CIBN)".

Considering the qualifications requirements, conditions of service, the financial abilities of Microfinance banks, especially in Northern Nigeria, nature of wages, it is very difficult for the banks to afford the salary requirements of a person who must have to attain that position in the banking sector, the person may feel relegated in his financial position and thus may not be interested in applying or accepting their job offer even as Managing Director or heads of a department.

7.2.4. Unfavorable Conditions for Loans and Advancements

A large number of people in Northern Nigeria have been consistently refusing to transact with banks as a result of traditional beliefs that asked them to refrain from interests, we recognize the efforts made by the CBN by issuing licenses to some banks to operate the Islamic/ethical banking, and the establishment of guidelines to access finances from CBN interventions using the same Islamic/ethical model. However, the conditions for accessing such loans are too difficult to be met by Microfinance banks, especially in Northern Nigeria, coupled with the limited number of such banks in the region. The CBN loans for lending to their customers. In this case, the scenario is that Muslims in Northern Nigeria produce money mainly through agriculture and other trades and deposit these monies in the banks. In contrast, people of the different regions consumed the same deposits through commercial loans and used them to produce goods which in turn sold to the people in the North.

7.2.5. Scarcity of Microfinance Banks in Muslim Dominated Northern Nigeria

Access to financial services is critical to financial inclusion, as a community with many financial institutions tends to be more financially capable than those with less or no financial institutions. Take, for instance, while Lagos state is hosting more than 1500 branches of commercial banks across 37 local government areas, Yobe has less than 20 commercial banks, and only 4 out 17 local governments have operational commercial banks. The situation is worse for Microfinance banks as the state has only one state licensed and one private tier 1 Microfinance bank in Damaturu and Bade, respectively. This scenario is the same in many other Northern states.

7.2.6. Language and Culture

The Central Bank of Nigeria recognizes that people in Northern Nigeria are yet to accept English as an alternative language to Hausa. They understood that Hausa remains the lingua franca in the North; thus, it provided Hausa inscription on Naira notes. The general belief is that money has no language and that business could happen anyhow. It could be understood. Therefore the need to communicate or translate CBN documents and use Hausa to advertise banking services is necessary to promote financial inclusion.

7. Conclusion

Northern Nigeria is a Muslim-dominated community that constitutes over half of the Country's population. Reports indicate that the policies and regulatory requirements for microfinance banks are favorable for their establishment among Muslim communities in Nigeria, and the conditions for accessing loans and advances are favorable for the existing institutions among Muslim communities in Nigeria. Muslim communities do not have access to banking services in terms of structure and manpower representation in Nigeria. Muslim communities are not fully aware of the activities and opportunities offered by the CBN due to the language and communication barrier. These conditions confirmed our assumption that the Northern community had been grossly marginalized in the Country's financial sector over the decades of its existence, caused by many factors, including the lack of consideration for socio-religious and cultural differences between the Muslim North and the Christian South parts of the Country in terms of issuing policies and regulations by the Bank and Other Financial Institutions Act (BOFIA), CBN and other financial regulatory agencies, stringent CBN policies for capital requirements, manpower deployments, the interest elements, shortage of banks, communication gaps, etc. This situation leads to financial exclusion and has worsened poverty in the North. It is also observed that the CBN's failure to provide alternatives for the people of Northern Nigeria led to its failure to attain its financial inclusion objectives in the region. No poverty alleviation program, financial intervention, or economic empowerment can be effective. These conditions, therefore, need to be addressed immediately.

8. Recommendation

The study's findings indicate that the Muslim-dominated region of Northern Nigeria has been marginalized in the banking sector, consequently making it difficult for the region to attain economic sustainability. The indicators of such conditions could be observed in the prevalence of poverty and the high number of financially excluded people in the region. To address this situation, this study makes the following recommendations:

1. There is a need for the Nigerian National Assembly, as the body vested with the authority of reviewing laws and regulations in the CountryCountry, to consider the peculiarities of the Muslim communities and review the BOFIA act to enable Muslims to have active participation in the financial sector without losing their religious, traditional or moral guides.

2. The BOFIA Act should be amended to consider regionalization of the banking regulation and decentralization of some of the powers to grant the state or regional branches of CBN the right to decide and approve the banking structure that suits its state or region. The consideration should also be extended to the nature of economic differences between the region and other regions of the CountryCountry. A good example of this practice is in the USA, where regional/state Federal Reserve Bank branches grant licenses to state-based banks while the Reserve Abuja Head Office deals with national banks
3. We call for revising the stringent policies of the CBN guidelines to promote financial inclusion, for instance, revising the minimum capital requirement to establish banks and other financial services and revising the conditions for the appointment of MD's and heads of the banks. This is in consideration of the level of

poverty and economic hardship of the region, the shortage of experts, and difficulties in meeting the salary requirements of the qualified manpower for the senior offices of Microfinance banks as in the CBN guidelines.

4. Revising the commercial bank's guidelines to provide Islamic/ethical banking through operationalizing windows for such services in Microfinance banks and simplifying the requirements for establishing Microfinance banks among the Muslim communities of Northern Nigeria.
5. Provision of profit options as alternatives for interest in the banking operations, in such a way that a customer may have the privilege of choosing the profit option if he so wishes. Our cashbooks and other documents shall bear Interest/profit, not interest only.
6. Consider localization of Microfinance banking through training and employment of local communities in Islamic financial institutions.
7. CBN should consider transcribing its documents to local languages and use local Media in its adverts and advocacy mechanisms.

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