

# Impacts of Islamic economics on socioeconomic development in Nigeria

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## Abstract

The purpose of this study is to explain the meaning of Islamic Economics. This study gives brief analysis of Islamic Economics, its operation in Nigeria. This study also investigates the Impacts of Islamic Economics on Socioeconomic development in Nigeria, West Africa. Researchers adopted descriptive analysis with the Islamic Economic Principles of (Sharia). Divine methodology from Qur'an (the Holy Book of Allah), and the Hadith of Prophet Muhammad (Salallahu Alayi Wasalam) strictly considered best. Data collected from the book of Allah (The Holy Qur'an), the saying and practices of prophet Muhammad, related national and international journal, religion magazines with others magazines, newspapers, government publications, online news and personal experience played enormous roles. From above indicated sources and with the findings therein, researchers concludes that Islamic Economic System has positive impacts on socioeconomic development in Nigeria.

## Introduction

The current global Economic crisis that is facing a lot of countries in West Africa and other parts of the World needs urgent solution. The nature of the conventional economic which has continuing battling with economic depression that put many countries of the World into economics hardships and all efforts of the Western world economics systems are unable to faced the challenges. Initially, one of the problems of Islamic Economics include the fear of a lot of

people around the globe, believing that Islamic economics is a kind of economics system that considered only Muslims as a result of it's concept. Today, Islamic economics is gaining recognition in West Africa, even globally, this is in line with the view of Aburime, (2009), Mouawad, (2009), Awarul Islam, (2021) while Slam, (2020) also supported this view. Faye, (2013) revealed that many West Africans countries in decades ago has been practicing Islamic Economics and advancing till today, such countries includes Cameroon, Nigeria, Senegal e.t.c. Here

in Nigeria, Muslims and non-muslims are major benefactors of the said economics system, this related to the view of Ibrahim, (2016). Islamic economics is a kind of economics system which based on the principles of economics that are in line with the Islamic principles (Sheriah), this related to the view of Gerrard, (1997). Also, the fact remains that "Islamic Economics brings about fresh approach to the human economics problems, it has the potential of ushering in just and more humane civilization". Thus, the sources of said (Sheri'a) are from Qur'an, Hadith, Ijmah and Kiyas. The garmane principle in this kind of economics system emphasized interest (riba) Free economics against the conventional interest (riba) economics. According to Suratul Baqarah Qur'an 2 verse 278 - 279 where Allah declared war on riba, Allah said "O you who believe! Fear Allah and give what remains (due to you) from Ribs (from now onward) if you are (really) believers. A lot of scholars of Islamic economics, such as Tabash, (2014), Ernest, (2013) in their various study has no contradiction on the fact that Islamic economics is an interest (riba) free economics. Presently, almost all West African countries which includes Nigeria were battling with economics depression, anxiety, frustration and nervous breakdowns as a result of hardship economy to such an extent that an American psychologist Nancy Molitor lamented that "I have never in twenty years of practicing this profession seen a day like this. The levels of anxiety break all records". The western economics systems was posed as a system that full of unjust in term of religion (Islamic) view, therefore scholar like Al-Faruqi, (1987) posited that Islamic economics desire to correct the wrong of producing "caricature of the West".

### Scope of the Study

The scope of this study is to examine the operation of Islamic Economics and it's impacts on socioeconomic development in Nigeria, West Africa. Using evidence from Southwestern region, Nigeria, particularly Osun state. The reason based on researchers which recently identified Osun state, Southwestern region, Nigeria as a benefactor of Islamic Economics.

### Literature Review

Considering brief history of Islam before delves into subject matter, the word "Islam" is an Arabic word means "the total submission to the Will of Allah". It is also originated from the same root as the Arabic word "salam", which means "peace". Factually, the religion of Islamic teaches that in order to achieve true peace of mind and surety of heart, one must submit to Allah and live according to His Divinely revealed Law (Sharia). The matter of discuss Islamic Economics has been viewed by scholars in the study of economics in a different ways, such as Aliyu, (2014), Hassan, (2015), Chapra, (1892). Moreover, Al-Faruqi,

(1982) in his study revealed that Islamic Economics has emerged as one of the fastest growing disciplines of study in economics arena, traced to inception of the Islamization of knowledge master plan. Al- Faruqi, (1987) posited that Islamic Economics desire to correct the wrong of producing "caricature of the West". Therefore, it is obvious that exclusion of interest from the Islamic economics system does not necessarily mean that financier cannot earn profit as revealed by Usmani, (2004) and Syed, (2012) posited to similar view. Gerrard and Cunningham (1997) lamented that Qur'an (Muslim Holly Book) clearly deals with economic related matters and how they apply in Islam. The fact still remains that since the inception of Osun state, Nigeria has been swimming in economics hardships and Nigeria at large, the rate of poverty in the state still on increases. All poverty allegation programmes conducted from 1999 till date locally and internationally are not able to fix the national economy. Sulaiman, (2002) and Maren, (1997) both supported this view. Logically, fully acceptance of Islamic economics system brings about the rescue of the global economics imbalance, because Islamic economics focuses on the totality and integrated point of views of human life, this related to the views of Daud, (2015) .

### Sources of Sharia

Researchers identified the following as sources of Sharia:

1. Qur'an: The Holy Book of Allah
2. Hadith: The practices and the deeds of Prophet Muhammad
3. Ijmah: This referred to as consensus of various school of thoughts
4. Qiyas: This can be referred to as deductive reason of sound religion scholars. Aliyu, (2020) also revealed that is the principle of analogy applied in the interpretation of points of Islamic Law not clearly covered in the Qur'an or Hadith analogical interference or deduction. Note: This principle of analogy applied in the interpretations are done by Notable, reputable and consious religion scholars.

### Instruments of Islamic Economics

This study Identified the following, Mudarabah, Musharakah, Murabaha as Islamic Economics instruments, which also recognized by other scholars of Islamic economic. This work only considered Mudarabah and Murabaha.

Mudarabah: This referred to as a kind of investment partnership. Here capital is provided by the investor (Rab-ul-mal) to another party (Mudarib) in order to undertake a business or investment activities. Thus, profits realised are shared according to preagreeable proportions, and any loss on the investment, the investor and the mudarib now loses

expected income share. This view is in line with Aliyu, (2020).

Murabaha: Tawarruq (the opposite of Murabaha). This means purchase and resale. This differ to lending money, the capital provider purchases the required asset or product (for which loan would otherwise have been taken out) from a third party. The asset then resold at a higher price to the capital user. By paying the higher price installment, the capital user effectively get credit without paying interest Aliyu, (2020).

### ***Impacts of Islamic Economics on Socioeconomic Development in Nigeria***

Islamic Economics as a new approach to human economics problems in Nigeria, particularly Osun state, Nigeria. Traced to the kind of economics hardships encountered by the Osun state government which made Socioeconomic development of the state strictly difficult and the then Government used Islamic Economics instruments for it's rescue through Sukuk (Islamic Bond). Sukuk was launched by the Government of Osun State ("OSG") through a wholly owned Special Purpose Company, Osun Sukuk Company Plc issued on the 8th of October, 2013 the first sukuk in Sub-Saharan Africa worth N11.4 billion (\$70.6 million) under the Osun State government N60 Billion Debt Issuance Programme to fund the development of 20 High Schools, 2 Middle Schools and 2 Elementary Schools in Osun State. (OSG) was first to launched such bond. The sukuk was issued at a rate of 14.75% per annum at N1,000 per unit and matures on 08 October, 2020 (Oladunjoye,2014).

As the role of Islamic Economics on socioeconomic development in Osun state, Nigeria progresses. In 2017 the then Governor of Osun State, Nigeria mr Rauf Aregbesola, at a ceremony, said the project is the largest single project in the whole of Western region Josiah, (2017) stated. Mr. Aregbesola further explained how he sought the assistance of Islamic Development Bank for the project traced back in 2011, and expressed delight that the project had come to reality. The government flagged up a titanic project. A 60,000 cubic metre capacity water supply cum sanitation project was inaugurated in Ilesa, Osun State Nigeria, with the support of the World Bank, Islamic Development Bank and the Federal Government of Nigeria. The project, which gulp N48.7 billion, built in 24 months and has a completion date of 2019. The Governor of Osun State, Nigeria mr Rauf Aregbesola, at the ceremony, said the project is the largest single project in the whole of Western region. Mr. Aregbesola also explained how he sought the assistance of Islamic Development Bank for the project way back in 2011, and expressed delight that the project had come to reality. All the aforementioned projects has positive impact in the lives of the people of Osun state, Nigeria.

### **Principles of Islamic Economics**

This research adopted the divine principles as clearly stated in the Book of Allah, the Sunnah of His Messenger (salallahu alayhi wa sallam). Logically, Islamic economics strictly adherence to Islamic principle (Sharia) which based on Divine theory. This theory guide against all act of Haram economics and preaches Halal form of economics with conformity with the Islamic economics theory which is Sharia justification for the above assertion traced to an Hadith's reported by "Abu Hurayrah (RA) narrated that the Prophet (salallahu alayhi was sallam) said: "O people! Allah is at-Tayyib [Pure] and He only accepts that which is pure! Allah has commanded the believers with what He has commanded the Messengers! Eat from the pure foods, and do right,' and He said.'O you who believed! Eat from the pure and good foods we have given you,"(Muslim). This Hadith related to the verse of the (Qur'an [Suratul Mu'min] verse 51) therein, Allah says, "O Messengers! Eat of the good foods and do righteous deeds. Verily, I am well acquainted with what you o". Logically, good here means Halaal.

According to Imaam Abu Hammeed al-Ghazalee (RAH) explained that the term "good foods" denotes those things that are [permissible]. If one consumes what is haraam, whether in the form of haram earnings, or haram food, or otherwise engages in activities, one's good deeds will suffer as a result. Clearly the halaal alluded to in the verse include halaal earnings" Muddaththir, (2009).

### **Conceptual Review**

**Halaal Economics:** This can be referred to as an act that is permissible in accordance with the Devine Law. Here any economics activities that is pure and in compliance with said Law.

**Haraam Economics:** Here researchers referred to those economics activities that are not pure and strictly impermissible and in compliance with the Devine Law Such economics activities includes gambling, sales of liquor, brothel, prostitution, tampering with measuring tools e.t.c.

**Islam:** This word is an Arabic word that emancipated from the same root as the Arabic word "Salam", means "Peace". As such, the religion of Islam teaches that, to achieve true peace of mind and surety of heart, one must totally submit to Allah and His Prophet Muhammad (salallahu alayhi wasalam) and live according to His Divinely revealed Law Bushra, (2011).

### **Empirical Review**

Researchers considered the review of Ibrahim, (2016) in the study titled: Islamic Finance and Economic Growth: Empirical Evidence from Nigeria, where the study adopted both qualitative and quantitative methods and thereby concluded that Islamic Finance is still a growing industry in

Nigeria and despite its emergence in the financial landscape of Nigeria it is gradually gaining momentum in competing tremendously with other financial institutions that has been in existence. This has led to the establishment of certain Islamic financial institution windows by conventional Financial system in order to withstand the competition in the nearest future.

**Gaps in Literature**

This work contribute to existing knowledge, it also show case the impacts of Islamic Economic on socioeconomic development in Osun state, Southwestern region Nigeria, West Africa. Finally, existing researchers sillent on the Impacts of Islamic Economics on socioeconomic development in Osun southwestern region Nigeria, West Africa.

**Methodology**

This study is descriptive in nature which has been drawn from most contemporary documents in line with the shari'a, field of social sciences both international and local base, with the interest to analyze the impacts of Islamic Economics on socioeconomic development in Osun state southwestern Nigeria, West Africa.

**Research Design**

Those data gathered from secondary sources, such as shari'a (Qur'an and Hadith), personal experience, relevant textbook, international and local journals and quantitative survey, the information gathered from distributed questionnaires to available respondents played a tangible role.

**Sample Size and Sample Technique**

The population investigated in the course of this study 130 respondents which was randomly picked. The survey was captured and their views were discuss. Enumerative sample technique was adopted in this research, multiplying the number of respondent to work out the percentage.

**Result and Discussion of Findings**

The following discussions present the analysis of the data relevant to the research questions. The findings pertinent to hypothesis tested was provided .The required statistical presentation for this study is also presented accordingly.

**Table 1:** Scale of Interpretation

Unit Weigh	Weight Inter	Mean V Descptn
4.	2.5 - 4.0	Strongly Agree
3.	1.5 - 2.49	Agree
2.	1.0 -1.49	Disagree
1.	Below 1.0	Strongly Disagree

The respondents were required to work each statement of fact on the each scale of 1- 4 which is shown above. The presentation and interpretation of data analysis in combined the use of frequency table mean (average) ranking of each statement. The likely scale used for

questionnaire range from 1- 4 (i-e strongly agree, agree, disagree and strongly disagree).The acceptable range of mean for each of the question is >\_ 1.5 as indicated in table 2.

**Table 2:** Workability of Islamic Economics in Osun state Southwestern Nigeria, West Africa

Valid.	Frequency	%	Cum%
Strongly Agree	58	44.62	44.62
Agree.	38	29.23	73.85
Strongly Disagree	14	10.77	84.62
Disagree.	20	15.38	100
<b>Total.</b>	130	100	

The above indicated table revealed that 73.85 of the respondents agreed and confirmed the workability of Islamic Economics in Osun state southwestern region Nigeria, West Africa.



**Table 3:** The Impacts of Islamic Economics on Socioeconomic Development in Osun State Southwestern region Nigeria, West Africa

Valid.	Frequency	%	Cum%
Strongly Agree	90	69.23	69.23
Agree.	18	13.85	83.08
Strongly disagree	12	9.23	92.31
Disagree.	10	7.69	100
<b>Total.</b>	<b>130</b>	<b>100</b>	

Table 3 above revealed that 83.08 of the respondents agreed that Islamic Economics have positive impacts on socioeconomic development in Osun state southwestern region Nigeria, West Africa.

### Conclusion

After rigorous investigation, researchers concludes that, Islamic Economics provides solutions and reduces previous economics crisis that hindered socioeconomic development in Osun state southwestern region Nigeria, West Africa and those evidences are still on ground for references. Finally, if maximum opportunity is given to the fully operation of Islamic Economics here in Osun state southwestern region Nigeria, West Africa and the World at large. Thus, will therefore rescue the global village from present economics crisis. Hence, all Western economics reviewed systems, still unable to fix the economics of Osun state southwestern region, Nigeria and the World at large.

### Recommendation

Researchers recommended that Islamic Economics should be given absolute support to fully operate in Osun state southwestern region Nigeria, West Africa and the World at large, this will boost economics activities in our dear country Nigeria, the West Africa and the World at large.

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