ALTERNATIVE FINANCIAL INCLUSION STRATEGY: ISLAMIC EXPECTATIONS FROM OGUN SUB - NATIONAL GOVERNMENT, NIGERIA

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ABSTRACT

This study attempts to understand how Islamic microfinance as a financial inclusion strategy can be applied in alleviating poverty and maintain sustainable development in Nigeria. It analyses the principles of Islamic finance and conceptualizes its operational details to see the linkage between the real economies and sustainable development. The survey conducted in Ogun State, a sub national government of Nigeria reveal that notwithstanding the current upsurge in religious tension in Nigeria, religion is not a hindering factor to the implementation of Islamic microfinance. It also showed that Islamic microfinance in concert with the right fiscal and monetary policies framework, will contribute positively to poverty alleviation in Nigeria.

Key words: Islamic banking, Microfinance, Islamic Microfinance, Poverty alleviation, Nigeria

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1. INTRODUCTION

The stability of the financial environment plays an important role in the economic development of a country. Through its many agency and general utility functions conventional finance have over the years recorded tremendous successes in the United Kingdom. Conventional banking is based on a pure financial intermediation model, whereby banks generate profits from the margin earned from savers' deposits and demand deposits on the one hand and the funds lent to enterprises or individuals (Ryu et al., 2012). The development of a healthy national financial system is seen as a channel for the broader goal of national economic development. However, the coverage of financial services for most people has often failed in developing countries (Adams et al., 1984). For over centuries, the conventional finance system has been trusted by the everyday participants of the economic cycle with its savings, because this system renders
investment and banking opportunities to people whose savings could increase in line with an interest element.

Microfinance is a subdivision of the financial sector with the focus of fighting poverty, which is common in the emerging countries. It is a medium to fill the credit unavailability gap created by the conventional banks. The advocacy for the emergence of an alternative form of finance is based on the need to effectively address the financial needs of the poor and low-income earners, hitherto neglected by the conventional banks. Khan (2008) explains that microfinance refers to making small loans available to the poor with a focus on those not served by traditional institutions through programs designed specifically to meet their needs and circumstance.

The World Bank (2004) defines poverty as a condition where the basic human needs such as healthcare, education, food, water, shelter are not available. It further states in its 2002 publication that a person is deemed poor if his/her consumption level is less than US$1 per day. The World Bank (2004) reports that the scourge of poverty is evident today in both developed and developing countries irrespective of culture and geographical boundaries. The reason for this is the lack of access to adequate finance to acquire the basic necessities of life, which are food, water and shelter.

Dogarawa (2007) reports that Nigeria is rated among the top 20 poorest countries in the world, with a poverty incidence on the high side, despite the amount of crude oil, natural gas and other natural resources the nation produces. As the decades have gone by, the number of people living in poverty continues to increase.

The federal government of Nigeria has grasped the importance of microfinance as a vital medium to alleviate poverty. The Central Bank Nigeria (CBN) has since developed a suitable framework for the operations of microfinance institutions (Central Bank of Nigeria, 2011) state that existing microfinance in Nigeria serves less than one million out of the potential forty million people living in abject poverty. Aliyu and Zubair (2008) state that with the majority of the population of Nigeria living below the poverty line, despite various conventional microfinance institutions. Dahiru and Zubair (2008) also report that the major challenge of microfinance in Nigeria is that the microfinance institutions and programs have not achieved their objectives of reaching a greater number of people living in poverty. With the apparent failure of conventional microfinance, Islamic microfinance has been advanced as an alternative to conventional microfinance (Frasca, 2008).

Islamic finance as defined by Jobst (2007) is a financial relationship involving entrepreneurial investment which is subject to moral prohibitions. Islamic finance is based on principles that prohibit risk taking, interest earning, sinful activities, gambling, speculative trade and money lending to customers. It believes in trading based on real goods and services and a reward-sharing contract. It also focuses on providing an ethical financial system with a motive of wealth redistribution, which will have a long term effect on poverty alleviation (Hayat, 2009). Islamic microfinance is basically a microfinance that employs Islamic financial principles in providing financial services to the poor.

It is the disputation of Simanowitz (2004) that the literature is not conclusive on the beneficial impact of microfinance on economic development. While some authors including Dichter (2006), believes that microfinance as an instrument that empowers the poor, others like Awojobi and Bein (2011) conceptualizes microfinance as a social liability. Yet another class is of the opinion that microfinance is not the single solution to global poverty which must necessarily include a broad array of empowering interventions (Daley-Harris, 2007).
Although Islamic microfinance is yet to be implemented in Nigeria, this study is set out to examine its possible impact on poverty alleviation in the country using Ogun State, one of the 36 sub-national governments as a case study. The study examines the concept of Islamic microfinance in alleviating poverty, and proffers recommendations based on the literature and its findings for alleviating poverty. The scope of the sample is purposively based on carefully selected key stakeholders comprising of regulatory body, financial institutions and general public.

The rest of the paper is organized as follows: the literature review that covers the concept of Islamic finance and economics, evolution of microfinance, comparison of both financial systems, and poverty and poverty alleviation in Nigeria; the methodology of study; findings and analysis; conclusions and recommendations based on the findings of this study.

2. LITERATURE REVIEW

2.1. Microfinance

Microfinance, a way of providing financial services to small businesses, which lack access to banking and related services due to the high transaction costs and qualifying parameters. Hither to, the provision of such mini financial services, usually at subsidised rates was supplied by the government. There are two main mechanisms for the provision of microfinance. These are relationship-based banking for individual entrepreneurs and/or small businesses and group-based models, where several entrepreneurs, usually trade groups and cooperative societies apply for loans and other services as a group. Shetty (2008) identifies two major approaches to credit supply. These are the minimalist approach which focuses on smoothing consumption or income generation services and reducing the unemployment level by offering loan for micro entrepreneurship. The maximalist approach is concerned with provision of additional non-financial services which widen the ability of the poor and low-income earners to access resources.

Karmani (2007) in his opinion noted that the availability of micro credit brings about non-economic benefits which significantly impact poverty. In his view, job creation and increase in productivity will alleviate poverty. Christen et al. (2004) submit that beyond making credit facilities available, to micro-entrepreneurs and small businesses, the provision of savings, insurance, and fund transfers is a way to promote employment, economic growth and development. Microfinance has been identified as the major tool of alleviating poverty (UNDP, 2011).

UNCDF (2004) study identified three key roles played by the microfinance schemes on development; helping the poor household to meet basic needs and safeguards against uncertainties; improvement in household economic welfare and economic empowerment of the women and promotion of gender equality. The findings of Otero (1999) reveal that micro finance creates productive capital for the poor and low-income earners. However, such credit programs were characterised by high loan defaults (Robinson, 2001). Obaidullah (2008) elucidates that many elements of microfinance in a broad sense have fundamental similarities with the principle of Islam, which emphasizes ethical, moral, and social ingredients in promoting equality and fairness for the society at large.

Microfinance as identified by Muhammad (2010) is an instrument to fight poverty and has serves to fill the credit supply lacuna left by conventional banks because low-income earners have been characterised as high risk clients.
Next area presents the impact of Islamic microfinance on poverty alleviation.

2.2 Islamic microfinance and poverty alleviation

There are a number of key Shari'a principles which distinguish Islamic finance from the conventional forms. These principles have led to the creation of a separate finance industry are the prohibition on usury and interest (riba), prohibition on realising a gain from speculation (mayseer), absence of uncertainty in commercial transactions (gharar), in addition to the requirement that all activity must be for permitted purposes (Halal), (Fig. 1).

Islamic microfinance represents the confluence of two rapidly growing industries: microfinance and Islamic finance. It has addresses the unmet microcredit demands and also satisfies the Islamic social principle of caring for the less fortunate with microfinance’s power to provide financial access to the poor (Karim et al., 2008).

Islamic microfinance in its framework could help improve the standard of living of low-income earners and the poor because it discourages exploitation and achieves an objective of social justice. The philosophical basis of the Islamic financial system according to Dogarawa (2008) is in the adl (social justice) and ishan (benevolence). In view of these principles the positive impact of Islamic microfinance, on poverty reduction is manifested in the inclusion of those that have hitherto been excluded from financial services.

There are a variety of Islamic products that can be adapted to microfinance in order to reduce the scourge of poverty in the country. In various countries in the Middle East where the microfinance concepts have been implemented, microfinance has successfully opened economic opportunities improving the social economic condition of the poor, which attests to the fact that microfinance reduces poverty through accelerated employment rate and increase in real wages (Awojobi and Bein, 2011). Siddiqi (2002) noted that the comparative advantage of Islamic finance is that there is a close link between real economic activities and Islamic finance, which creates value for financial activities. In this light, there will be creation of more jobs, which will have a positive impact on unemployment and a greater long term effect on sustainable development of the economy.

However, Islamic finance has no religious inbuilt discrimination and its products are available to anybody regardless of belief. Several models of Islamic microfinance can be found in the literature. Three main instruments Islamic Micro Finance (IMF) models were identified by Dhumale and Sapcanin (1999). Mudaraba is the profit and loss model where the bank provides money and entrepreneur acts as the manager with the bank bearing the loss. In the Musharka model, a joint
venture arrangement exists wherein both the bank and entrepreneur participate in capital and share profit and loss. The Murabaha is a cost plus markup sale with the banks buying some products, selling them to micro entrepreneur and adding a markup.

The model propounded by Hassan and Ashraf (2010) provide for the creation of a Zakah fund (one of the five pillars of Islam and is meant to finance the poorest of the poor) with which to cover the losses arising from the default by very small microenterprises. The fund also covers part of the project evaluation costs of the commercial banks. Qardhasan loans are also provided for funding micro insurance to reduce vulnerability of the non-poor from becoming poor due to external shocks. This is in addition to the creation of mutual guarantee funds to pay for accidents, losses of property. In addition, loans are also provided to build the productive capacity of the households as part of inclusive growth programmes.

Dasuki (2006) recommends the group-based lending scheme and Ibn Khaldun’s concept of ‘Asabiyah which as a unifying force is analogous to the modern concept of social capital. In the Qardhasan savings/lending model, the loan depositor receives saving points instead of interest for the size and duration of the funds provided.

After achieving a sufficient number of those points, he should be edible for taking out a loan himself. The model which is a form of cooperative finance practice has been professionally applied by non-Muslim banks JAK Medlem, Nordspar (Sweden and Denmark) and by Strohalm Foundation (The Netherlands).

The Islamic microfinance banks needs to institute measures that guarantee loan repayment. In the event of default by a group member, De Aghion and Morduch (2005) recommend that in line with the practice of the Grameen bank, such defaulter and the other group members will have to quit their membership of the bank. The other group members are likely to repay the loan on behalf of the defaulter since they would want to retain their beneficial membership of the bank. In effect, they are would, in the face of possible collateral liability be careful in admitting a group member. This is useful to micro-lenders in overcoming “adverse selection” problem.

If the Islamic microfinance banks considers the business project too risky despite the various risk mitigation techniques available, Wilson (2007) recommends that it should adopt or adapt the wakalah model which is acting only as an agent whereby microfinance fund would be provided from zakat fund or Non Governmental Organisation (NGO) donor agency. This may become necessary since Islamic microfinance institutions do not intend to go into bankruptcy occasioned by massive repayment defaults. We shall in the next section examine the incidence of microfinance in Nigeria.

2.3 Conventional Microfinance in Nigeria
The history of Conventional microfinance in Nigeria can be traced back to its roots decades ago, when it took informal forms based on the local and geographical heritages of communal cultures. The family was the basic form of the society and its very relevant in provision of basic finance to its members for various purposes. Afterwards, other forms of informal microfinance institutions came into place and provided its members with micro credit. The most common microfinance mechanism was a cooperative group where there is an equal contribution periodically and micro credit was given out based on your contribution over time with a repayment plan that was convenient. The
cooperative societies were known by different names in Nigeria: Esusu in the Southwest, Adashi in the North and Etodo in the Eastern part of Nigeria.

The Central Bank of Nigeria in 2005 introduced the microfinance policy framework, which has an objective to enhance the access of low-income earners to financial services with a long run aim to promote economic growth. According to the apex bank, microfinance refers to loans, insurance funds, deposits, fund transfers and other related mediums of non-financial products targeted at low income clients. Microfinance is characterized by the reduction on the emphasis of collateral, mode of operation and the amount involved. Conventional microfinance institutions can be Loan Unions, Non-Governmental Organisations, savings and loan cooperatives, government banks, commercial banks and Non-Financial Institutions (Ledgerwood, 1997). Various researches about microfinance in Nigeria have examined the extent of impact of conventional micro credit schemes on the poor and results have shown a positive impact on those that are able to afford the credit facility. Most micro credit schemes use the conventional interest system in practice which makes it expensive and unrealistic for the low income earners to benefit. Rather, the medium and large-scale companies take advantage of this medium to acquire more finance at a cheaper rate (Adamu, 2007; Irobi, 2008; Wright, 2000; McCulloch and Baulch, 2000).

All the authors consider microfinance as an effective and powerful tool for poverty alleviation. The microfinance in Nigeria is however faced with daunting challenges. These include: high repayment default rate inadequate awareness, communication gaps and insufficient support from government. In addition, they suffer from inadequate equity capital and lack of standardized reporting in addition to performance monitoring for the system (Irobi, 2008).

2.4 Poverty alleviation programmes in Ogun State, and Nigeria

A universally accepted description of poverty is vague largely because it affects many aspects of human conditions, including physical, moral and psychological. In absolute terms, poverty refers to insufficient or the total lack of basic necessities like food, housing and health care, it also involves the inadequacy of learning and environmental services, consumer goods, recreational opportunities, neighborhood amenities and transport facilities. Poverty is severe lack of food, shelter and basic amenities Poverty is being sick and not being able to see a doctor. It is not being able to attend a school and not knowing how to read, poverty is not having a job, and is fear for the future while living one day at a time. It is losing a child to illness brought about by unclean water. And lastly, but by no means exhaustively, it is powerlessness, lack of representation and freedom (World Bank, 2011).

Poverty in Nigeria remains significant despite having one of the world's highest economic growth rates averaging 7.4% over the last decade (World Bank, 2011). Although well-endowed with natural resources, such as oil and gas, it retains a high level of poverty, with 70% living on below $1 daily as of 2007 estimates (Central Intelligence Agency World Fact Book, 2012). The state of poverty in Nigeria in 2010 and 2011 stood at 69 and 72% respectively (National Bureau of Statistics-NBS, 2012). Nigeria’s Human development Index (HDI) value for 2011 was 0.459 - in the low human development category. The country ranked at 156 out of 187 countries and territories (UNDP, 2011). All the various governments in Nigeria have at one time or the other recognised the debilitating impact of poverty on the citizenry and the economy. These programmes are directed towards the poor especially amongst rural dwellers and women. Some of the finance based anti-poverty programmes put in place by the government of Nigeria in the past were the Peoples Bank,
which sought to provide loans to prospective entrepreneurs on soft terms and without stringent requirements of collaterals and the community banks that also sprouted as adjuncts of the Peoples Bank and as sources of cheap funds for communities and their members. The country now has 870 microfinance banks licensed by the Central Bank of Nigeria (CBN, 2013). These poverty alleviation programmes have recorded varying levels of success.

At the sub national level, in Ogun State, the Ogun State Agricultural and Multipurpose Credit Agency (OSAMCA) was created by the government with a mission to ensure credit delivery to small-scale entrepreneurs on a sustainable basis for a secured future. With an effective interest rate of 12%, the agency has disbursed funds to eligible and has recorded limited successes in recovery of the credit facility though it is backed up by the Ogun State Civil Service Commission (Table 1).

Table 1. Ogun State Agricultural and Multipurpose Credit Agency (OSAMCA): Loan Analysis 2004-2010

<table>
<thead>
<tr>
<th>S/N</th>
<th>Year</th>
<th>Number of Beneficiaries</th>
<th>Total Loan</th>
<th>Total Repayable</th>
<th>Total Recovered</th>
<th>Amount Outstanding</th>
<th>Recovery %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2004</td>
<td>3499</td>
<td>903,065</td>
<td>978,723</td>
<td>489,277</td>
<td>491,478</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>2005</td>
<td>5588</td>
<td>1,614,841</td>
<td>1,727,209</td>
<td>1,218,448</td>
<td>508,761</td>
<td>71</td>
</tr>
<tr>
<td>3</td>
<td>2006</td>
<td>1317</td>
<td>343,022</td>
<td>383,767</td>
<td>283,291</td>
<td>100,476</td>
<td>74</td>
</tr>
<tr>
<td>4</td>
<td>2007</td>
<td>1225</td>
<td>545,778</td>
<td>604,388</td>
<td>466,005</td>
<td>138,383</td>
<td>47</td>
</tr>
<tr>
<td>5</td>
<td>2008</td>
<td>1454</td>
<td>1,094,608</td>
<td>1,227,374</td>
<td>689,443</td>
<td>537,930</td>
<td>56</td>
</tr>
<tr>
<td>6</td>
<td>2009</td>
<td>2086</td>
<td>1,297,302</td>
<td>1,455,365</td>
<td>723,004</td>
<td>732,361</td>
<td>50</td>
</tr>
<tr>
<td>7</td>
<td>2010</td>
<td>375</td>
<td>445,042</td>
<td>496,843</td>
<td>135,777</td>
<td>361,066</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6,243,658</td>
<td>6,873,670</td>
<td>4,005,247</td>
<td>2,870,455</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: OSAMCA, 2011. Data conversion to US$ using year-end Exchange rate

This is the major effort by the sub-national government to address access to finance in order to more fully, parts of the labour force which are ensnared in low-productivity activities or completely excluded from the growth process. Table 1 shows the amount of beneficiaries of loans disbursed by a government scheme in order to reach out to low-income earners and encouraging agriculture and small and medium scale enterprises. A total of 837,081,741.35 were disbursed within 7 years with a cumulative recovery rate of 58%. With a population of 4.3 million as of 2010 (UNFPA, 2010), and absolute poverty rate of 62.3% as of 2010 (Kale, 2012), these initiatives barely scratch the surface.

A private initiative by a town in Ogun State - Ijebu-Ode Development Board on Poverty Reduction (IDBPR) set up in 1999 was aimed at mobilising the citizenry to address their problems of environment, poverty, governance and management through the provision of basic Infrastructures and social overheads, enterprise development. The programme obtained funding from individuals, Ijebu Indigenes in the Diaspora, Ogun State government National Agency for Poverty Eradication Programme and Multilateral and Donor Agencies (UNDP). The programmed disbursed a total sum of US$ 1.4 million as revolving loans in its micro credit scheme to about 7,260 beneficiaries including market men and women and US$1 million to 1,384 beneficiaries under the Enterprise Development Programme Scheme between 2000 and 2009 (The Nation Newspapers, 2011).
Although early successes were recorded up till 2004, the default rate of micro credits began to rise and by 2005, 16% of the funds loaned were in default. The failure rate for enterprise development facilities was 25% of funds loaned plus interest Odugbemi (2006). In comparison with the government scheme (OSAMCA) which recorded 40% default, the better result of this Non Governmental programme with lower rate of default is due in part to the collateral responsibility of members to repay on behalf of a defaulting member. Other factors include strict monitoring of project and the stigma of possible alienation of defaulters. However, the funds available to the microfinance initiative are grossly inadequate to service one-tenth of its stakeholders. In fact, there are more than 500 member-beneficiaries awaiting loans which puts a ceiling on how far and how many individuals can actually be helped out of the poverty trap (Odugbemi, 2006).

The next area will discuss the methods and approaches through which facts will be gathered in this study.

3. RESEARCH METHODOLOGY

In this study, as advocated by Saunders and et al. (2009), triangulation which is the use of different data collection technique within one study in order to achieve a more accurate research has been used. In order to vitiate the impact of perception bias, the use survey questionnaires have been coupled with semi structured interviews. This research employs a descriptive research method by collecting data from urban and rural areas with a view to ascertaining their perception about Islamic microfinance on how it can help alleviate poverty and achieve national development. For this study, a deductive approach is employed because the literature review has identified theories and ideas and what is left is to test data collected. The choice of multiple methods as advocated in business and management research by Saunders et al. (2009) has been adopted.

The descriptive analysis including ratio analysis and percentage analysis were used to describe the socio-economic and demographic characteristics of respondents in the study area. Specifically, the size and composition, the sex and educational attainment of the respondents were analysed in the study. The use survey questionnaires and semi structured interviews was employed. The questionnaires were structured in such a way that they contained both open ended and close ended questions. The structured questionnaire required respondents to tick their preferred choices among provided options and to give their unbiased answers where possible. Adequate care was taken to minimize ambiguity and bias while drafting the questionnaire.

Four hundred questionnaires were administered in ten clusters towns drawn purposively and divided equally between rural and urban areas spread throughout the State. These are Abeokuta, Ijebu-Ode, Sagamu, Ota, Ilaro, Ago-Iwoye, Ijebu Ife, Kobape, Imeko and Imo Lisa. The target respondents include agriculture, retail marketing, civil service commission, beneficiaries of OSAMCA loans and general public which consist of civil servants bankers and all other occupations. A stratified random sampling technique has been adopted for this research to reflect the population size of each town.

Next area presents data analysis and interpretation of results.

4. FINDINGS, DATA ANALYSIS AND DISCUSSIONS
The number of responses received was 344 (86%) The response rate is considered adequate for drawing empirical inferences. Ten semi structured interview sessions were held with enlightened professionals in sociology, banking and finance management on the subject matter. The result of the findings show that all the people in and above the age bracket of 18 and 60 years will benefit from Islamic microfinance which coincides with the constructive and productive work force.

A slim majority of Christians respondents (68%) agrees to patronize Islamic products when provided which attest to the fact that religion is not a constraining factor to access Islamic microfinance. This is not surprising in view of the fact that religious this society do not really discriminate along religious lines. Different religious persuasions can be found within even nuclear families.

The research has revealed that about 38% of the respondents have been refused loan requests in the past due to inadequate funds which corroborates the fact that existing micro finance institutions are not capable of meeting the demand of the potential market. Indeed, CBN, (2005) states that existing micro finance in Nigeria serves less than one million out of the potential 40 million people living in abject poverty. From the findings, 67% of the sample population are interested in sharing their business with an Islamic micro finance bank. This gives an indication about the view of people regarding the importance of Islamic finance in business expansion due to their product structuring concepts which is based on partnership, profit and loss sharing.

Of the respondent, 84% objected to punishment for loan default which has been a major challenge for Islamic finance. However, 89% of respondents wholly support the notion that Islamic microfinance can alleviate poverty which supports the findings of majority of the literature. Indeed, Adamu (2007), Irobi (2008) and Muhammad (2010) noted that there is an ample evidence to support the impact of microfinance on poverty alleviation. All advocate that micro finance is an effective and powerful tool for poverty alleviation. On the questions designed to find out what the respondents feel about the impact of Islamic microfinance on the real sector of the Nigerian economy and if a positive sustainable development is attainable. 78% of respondents are positive in line with the position of Siddiqi (2002) that Islamic finance creates better value for financial activities through to the close link between real economic activities and Islamic finance.

75% of the people also believe that there will be creation of more jobs, which will have a positive impact on unemployment and a greater long term effect on sustainable development of the economy. The summary of the findings of semi structured interview the open-ended questions are that the poverty alleviation schemes in the past years have not been successful. They also agree that Islamic microfinance in concert with the right fiscal and monetary policies framework, will contribute positively to poverty alleviation in Nigeria. Finally, majority of the respondents responded in positive light toward the introduction of Islamic microfinance in to the country.

5. CONCLUSION AND RECOMMENDATIONS

In the absence of Islamic micro financing in Nigeria, this study reviewed the literature on conventional microfinance. The various poverty alleviation programmes strategies to have met with varying degrees of success. The ideology of an Islamic microfinance institution appears to be potentially of a comparative advantage because Muslims want to carry out economic activities according to their religion. A population of about 80 million Nigerians Muslims constituting about half of its total population (Pew Research Centre, 2009) creates a potential market for this financial
services genre. Coupled with about 70% of Nigerians living below poverty, the Islamic microfinance can be a veritable alternative of addressing the scourge of poverty in Nigeria.

The findings of this study are that religious affiliation is not a critical hindrance to access Islamic microfinance products and services. With the existing microfinance institutions not catering enough for those who really needs their services, Islamic microfinance when established promises to widen the breadth of provision of financial services to the poor and low-income earners.

Furthermore, it was noted in this study, that the adoption Islamic microfinance as a poverty alleviation tool needs to be accompanied with other enabling fiscal and monetary policies for it to be effective. There should be adequate public awareness of Islamic finance concepts and it should focus more on the theme ethical finance than Islamic finance in order to circumvent religious sentiments. Islamic microfinance concepts should adopted by the government in concert with the structural transformation of the economy in order to achieve a sustainable, balanced and broad-based economic growth and development which will be inclusive of the poor and the disadvantaged.

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