

SHARIAH COMPLIANCE PRACTICE: AN ANALYSIS OF TRENDS AMONG ISLAMIC BANKS IN NIGERIA

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ABSTRACT

The objective of this study is to examine the trends related to the Shariah compliance practice among Islamic banks in Nigeria. It is also conducted to establish the loopholes in the existing Islamic banking system and to suggest measures to remove Shariah non-compliance in Islamic banks in Nigeria. The study is based on primary data. The data was gathered through a questionnaire survey with the employees, researchers, and Islamic banking experts. The study is based on descriptive findings by analysis of mean, standard deviation, and variance to examine the trends of *Shariah* compliance practice in Islamic banks in Nigeria. The study found that Islamic banks in Nigeria are doing well in terms of *Shariah* compliance practice relating to their products and services. Besides, the advisory committee of experts are quite knowledgeable in determining *fatwa* and rulings in all Islamic banking matters in Nigeria. This is because *Shariah* compliance is considered as the backbone of Islamic banking as it gives legitimacy to their products and services. The study has implications for all the banks, customers, *Shariah* Advisory Committee, regulatory bodies, and other stakeholders in Nigeria to further checkmate the various factors that could prevent *Shariah* non-compliance. The study, therefore, recommends extensive efforts via *Shariah* knowledge and seriousness of the bank employees as well as regulatory authorities to enforce *Shariah* compliance thereby guiding customers to choose Islamic banking products in a better and improved way.

Keywords: Islamic banks, *Shariah* compliance, Advisory committee of experts and Nigeria.

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1. INTRODUCTION

Shariah compliance is a process that provides assurance that Islamic banks or other financial institutions are conducting themselves in accordance with the prescribed rules, regulations, and processes. Such regulations and rules could be from the internal adviser to the institution or any other bodies charged with the responsibility. *Shariah* is an Islamic law that originated from the Holy Quran and practice of the Prophet known as Sunnah. *Shariah* prohibits components of any interest such as uncertainty (gharar), gambling (maysir) and usury (riba) (De Costa, & Hassan, 2020; Sava & Valery, 2019). These components are available and mostly applicable in conventional financial activities. For Muslims, this implies getting involved indirectly in disallowed practices, which is perceived as a serious sin. To handle this issue, *Shariah* scholars have defined certain limits for institutions to do their business activities by setting up a framework to purify sinful incomes. This constitutes the major reason why Islamic banks are not permitted to function without complying and tolerating *Shariah* regulations and rulings. *Shariah* compliance indicates the activity or reality of following a desired guideline or an order. Generally, it alludes to every action that must be followed according to the rules prescribed by the *Shariah* compliance regulatory body. It is additionally characterized as conforming to a rule such as policy, law, specification and standard. It ensures all necessary governance requirements in accordance with the law (Adam & Bakar, 2014; Abbas & Ali, 2019).

However, *Shariah* compliance to a large extent has been criticized, focusing on the fact that some of the products offered by Islamic banks increasingly seems to impersonate traditional products of conventional banks that are prohibited by the *Shariah* principles (Ahmed, 2014). There were several protests that *Shariah* requirements are mixed with traditional banking practices which makes some Islamic banks products fulfil the form of contract but differs from the spirit and substance of Islamic principles (El-Gamal, 2008). In Nigeria, in spite of the presence of Jaiz bank as a full-fledged Islamic bank in the country offering Islamic banking and finance products, there are still grievances from clients regarding products offered by the bank which are seen to be of high risks. In this way, they are not *Shariah*-compliant since Islamic banking products are not supposed to be risky. In this way, the products do not meet the *Shariah* compliance required as expected by the customers (Hamman, 2016). Consequently, the development of a *Shariah* compliant product is one of the essential features of the banking business (Ahmed, 2014). This could only be achieved by structuring the services and products of Islamic banks as required by the *Shariah* law throughout the process of developing the product. Also, *Shariah* experts must play a significant role in the process by ascertaining that all products are in line with *Shariah* principles and thus provide a seal of endorsement before they are launched into the market (Hamman, 2016).

Therefore, the purpose of this paper is to examine to what extent Islamic bank products in Nigeria complies with the principle of Islamic law. This paper is conducted by examining the ability of the Advisory Committee of Experts (ACEs) in enforcing *Shariah* compliance of Islamic banks in Nigeria so that they do not contradict to the *Shariah* principles. This study contributes to the existing body of knowledge as it is one of the few researches that examine the trends related to the *Shariah* compliance practices among Islamic banks in Nigerian. The study also has practical implications for all the Islamic banks, Advisory Committee of Experts on Islamic banking and finance, and other stakeholders in the country. The structure of this paper organized as follows: section 2 presents literature review on *Shariah* compliance practice among Islamic banks. Section

3 presents methodology used for the study. While section 4 presents the findings and discussion. Lastly, section 5 is on conclusion of the study and provides recommendation for future research.

2. LITERATURE REVIEW

Shariah compliance is the backbone of the operation of Islamic Financial Institutions (IFIs) as it gives legitimacy to their products and services. The essence of Islamic financial products is *Shariah* compliance. Along these lines, the *Shariah* scholars are in charge of giving opinions and advice on Islamic banking products to enhance the trust of investors to invest in the products. All products must be acceptable Islamically and economically reasonable in all features. This demonstrates the importance of *Shariah* principles which must be complied with in order to ensure the marketability of the products (Ahmad, 2016). Mohd Noor et al. (2018) in a study relating to *Shariah* risk document that complies with *Shariah* principles decreases the risk of losses for *Shariah* compliant organizations. Similarly, Mohd Noor et al. (2019) posit that *Shariah* risk is triggered in a situation of non-compliance with *Shariah* principles. The author re-emphasized that non-compliance with *Shariah* principles (i.e., *Shariah* contractual obligation) has the implication of rendering a contract void or voidable. Consequently, *Shariah* scholars or experts must be engaged with the entire process of product development from inception and not only at the end of the process as extant literature has queried, to enhance valid businesses (Ahmad, 2016). Moreover, Rizqiani and Yulianto (2020) affirmed that audit in IFIs is a crucial factor to guarantee the *Shariah* compliance. The scholar stressed that Islamic bank requirement for *Shariah* audit is dependent on several regulations related to *Shariah* compliance. The authors state that compliance with *Shariah* philosophies is one component that entices investors to invest their money in Islamic banks. As such, *Shariah* compliance is very crucial for IFIs particularly Islamic banks since it satisfies all *Shariah* objectives in institutions that have credibility and integrity in Islamic banking.

However, in some cases, it is seen that Islamic banks cannot completely comply with *Shariah* principles because of regulations, government policies and the economic systems. This is due to inadequate knowledge and seriousness of the workers, lack of research, insufficient standard and guidelines (Ullah, 2014). To this effect, Mohd Noor et al. (2018) posit that lack of compliance with *Shariah* principles increases the risk of losses for banks. This is upheld by Mohd Noor et al. (2019) who document that *Shariah* risk is triggered in a situation of non-compliance with *Shariah* principles. To salvage the situation, Abbas et al. (2009) emphasized that to enhance and differentiate Islamic banking birthed the institution of the *Shariah* Advisory Board (ASB) through the involvement of religious scholars. In such way, the *Shariah* board has an influence on the operation of the Islamic bank thereby enhancing compliance with *Shariah* principles. Additionally, Iqbal et al. (1998) and Abbas et al. (2009) are of the view that new products in Islamic banks cannot be introduced to the market without the endorsement or permission of the board of *Shariah* scholars. Further, Siddiqi (2006) emphasized that the board of *Shariah* scholars do have a very significant role in the contemporary practice of Islamic banking around the globe considerably more than in the context of the beginning of the Islamic economic project.

Furthermore, the traditional banking depends on interest but on the contrary, Islamic banking depends on trade and *Shariah*-compliant models which is devoid of interest. The primary contrast between traditional banking and Islamic banking is that Islamic banking must be consistent with

Shariah regulations in financial transactions, otherwise, there will be a non-*Shariah* compliance risk. In order to guarantee that Islamic banking complies with the *Shariah* rules and regulations, Islamic banks are obliged to use the services of a *Shariah* Advisory Council (SAC) as applicable to so many countries. SAC comprises of various *Shariah* scholars who guarantee *Shariah* compliance via oversight of new products, giving fatwas and conducting internal *Shariah* audit (Injas et al., 2016; Rammal, 2006). The need to have comprehensive and rigorous mechanisms in place to ensure *Shariah* compliance, as well as an effective and reliable *Shariah* review process, are the two contributing factors for Islamic banking to further progress. Indeed, the *Shariah* compliance process is one of the areas upon which Islamic Banking is based and must focus as part of the overall *Shariah* governance (Arwani, 2018; Rashid et al., 2018).

In *Shariah* governance, the supervision of *Shariah* compliance is a measure to ensure that *Shariah* objectives are achieved via fundamental rules for Islamic banks' operation. Governance and supervision for Islamic banks have the commitment to follow *Shariah* principles for the achievement of *Shariah* objectives. This is what primarily differentiates between conventional banks and Islamic banks. The requirement for affirmation in the satisfaction of *Shariah* principles has energized the development of *Shariah* audit functions. Also, sufficient confirmation in *Shariah* compliance is required through the opinion of *Shariah* internal auditors as *Shariah* audit administrators (Rizqiani & Yulianto 2020; Ab Ghani & Rahman, 2015). As a result, Rizqiani and Yulianto (2020) buttress that *Shariah* auditor plays an essential role to guarantee the accountability and reliability of financial statements and compliance with *Shariah* principles. The objective of *Shariah* audits is to guarantee the compliance of all banks operating Islamic finance to the *Shariah* rules and principles. Obviously, this is crucial for the sustainability of Islamic banks operations and preservation of resources for the benefits of the future and its generations (Moses et al., 2020).

Hassan et al. (2011) illustrate some vital points that are associated with *Shariah* compliance of Islamic banks particularly from *Shariah* scholars' point of view. They emphasized that there are two levels of *Shariah* scholars in term of Islamic banking in Malaysia, for example, the central level and industry level. In the central level, the government of Malaysia established SAC at the Central Bank of Malaysia (Bank Negara). While at industry level the government also established *Shariah* committees for every IFIs in the country. It was demonstrated that *Shariah* compliance requires *Shariah* scholars' consideration to explore and get surety on *Shariah* compliance on every products and service offered by Islamic banks (Abbas & Ali, 2019). More so, in 2007 the Chairman of Accounting and Auditing Organization for Islamic Banking and Finance (AAOIFI) criticized that 85% of sukuk products in the market are not fully compliant with *Shariah* as at then, therefore, calling for an urgent review (Usmani, 2008). *Shariah* compliance products must be free from any uncertainty, gambling, usury or any conditions that contradict the principles of *Shariah* (Ahmed et al., 2019). According to Muhamed and Radzi (2012), *Shariah* compliance alludes to the cleanliness factor of business operations and as such empowers Muslim investors to achieve their religious obligation by choosing any Islamic products i.e., Sukuk, Mudarabah, Musharakah, Ijarah and others as their favourite product (AbdulKareem et al., 2020a).

A critical study of the theoretical and empirical literature examining the *Shariah* compliance of bonds from three points of view has been made by (Zulkhibri, 2015). The *Shariah* compliance of the bonds operational structures and issues corresponding to Sukuk and their theory and underlying nature and the impact of Sukuk in economic growth were all under assessment. The author demonstrated that the idea of Sukuk among *Shariah* scholars was dubious and that an absence of

standardization and accreditation of a worldwide standard for the course of Islamic finance created a problem which should be resolved (Ahmed et al., 2019). Therefore, *Shariah* scholars play an essential role to ensure and maintain public confidence in the Islamic banking and finance by guaranteeing that the Islamic products offered by IFIs are fully compliant with *Shariah* rules and regulations (Ahmed et al., 2019; AbdulKareem & Mahmud, 2019).

2.1. Legal Framework and Establishment of Islamic Banking in Nigeria

In Nigeria, the first Islamic bank was established in 1961 which was called Muslim Bank of West Africa Limited. Meanwhile, the operation of the bank was short-lived in 1962 when the Minister of Finance then, ordered the closure via the court. Subsequently, in the year 1992, the Central Bank of Nigeria (CBN) again granted a license to the Habib Nigerian Bank limited (later Bank PHB PLC and now known as Keystone Bank) to commence non-interest banking service on a “window basis” (Alkali & Buang, 2017; Mahmud et al., 2021). In a similar vein, Lotus Capital Limited was established as a halal fund (an ethical investment fund) in the year 2004 and has been operating as an Islamic financing company dealing in Shariah-compliant investment and fund management activities. Besides, the first full-fledged Islamic microfinance bank called Al-Barakah started operation in 2010 in Lagos, Nigeria. More so, the first full-fledged Islamic non-interest (Jaiz Bank) began operation in 2012 (Ishaaq El-Mubarak et al., 2020; AbdulKareem et al., 2020b) and has been in operation since then till date.

The study of Islamic banking in Nigeria is incomplete without mentioning the contributions of Banks and Other Financial Institutions Act (BOFIA). The CBN is the regulatory body vested with the responsibility of issuing licenses for the operation of all banking services in Nigeria. The promulgation of the CBN Act 2007 and BOFIA were indeed a landmark development in the effort to confer some measures of autonomy to CBN to effectively carry out its core mandate (Dogarawa, 2011; Ishaaq El-Mubarak et al., 2020). The CBN Act of 2007 flagged another period of economic reforms in Nigeria. One of the autonomies the CBN Act of 2007 gave CBN is to functions as regulator and supervisor of the Non-interest Banks (NIB) in Nigeria. It is, therefore, significant to note that the provisions of the CBN Act and BOFIA establishes a legitimate foundation for the practice of NIB in Nigeria (AbdulKareem et al., 2020b; Hamman et al., 2013). As stated by Sanusi (2011), Islamic banking is categorized under “specialized bank” acknowledged by the BOFIA 1991. Consequently, NIB is generally based on Islamic commercial jurisprudence (Sa’id, 2020; Mahmud et al., 2021).

3. METHODOLOGY

This study utilizes a quantitative approach to examine the trend of the *Shariah* compliance practice among Islamic banks in Nigeria. The study is based on primary data which were gathered through the distribution of questionnaires.

3.1. Sample Size

As at September 30, 2019, there are 29 banks and financial companies operating in Nigeria. Out of these 29 banks and financial companies, only four are operating with Islamic products. Two of these banks are full-fledged Islamic bank operators while the other two banks have an Islamic window (CBN, 2019). The unit of analysis for the study is the staff working with the full-fledged

Islamic bank and Islamic window. The names of the full-fledged Islamic banks in Nigeria are Jaiz Bank (JB) and TAJ Bank (TB). Names of the banks operating Islamic window are Sterling Bank (SB) and SunTrust Bank (STB) (CBN, 2019). The study is based on descriptive analysis to describe the qualities of the data used for the study by analysis of mean, standard deviation, and variance. The study used SPSS software version 22.0.

3.2. Data Collection, Questionnaire Design and Limitation

Section A of the questionnaire contains demographic information about the respondents. Section B contains *Shariah* compliance of Islamic bank. The questionnaire is adapted from Abbas and Ali (2019) and modified to suit the context of the study was based on five major aspects such as (i) Advisory committee of expert's appointment issues (ACEAI), (ii) qualification and skills of advisory committee of experts (QSCE), (iii) scope of duty for an advisory committee of experts (SDACE), (iv) role of the advisory committee of experts (RACE) and (v) *Shariah* audit and *Shariah* research (SASR). The collection of data is based on the 5-point Likert scale, whereby 1= Strongly Disagree, 2= Disagree, 3=Neutral, 4= Agree, 5=Strongly Agree. The mean score of the respondent's opinion is to be calculated for the purpose of data analysis. The study collected 100 respondents from the aforementioned four banks in Nigeria for the purpose of analysis. In terms of the limitation of this study, the researchers collaborate with one of the managers from the four banks to whom questionnaires were sent. One manager from each bank was chosen to distribute the questionnaire to the staff members. This is an alternative way for a researcher to collect data face to face with the respondents due to the movement control enforced by the government to prevent the spread of COVID-19 pandemic.

4. FINDINGS AND DISCUSSION

4.1. Demographic Analysis

Table 4.1 shows the respondents' demographic factors which indicates information about gender, age, marital status, education level, bank and bank operation. The result indicates that out of 100 respondents, 80 (80%) are male while 20 (20%) are female. It was further observed that respondents that are less than 30 years of age are 19.0%; those between 30-39 are (27%); 40-49 are (35%); those between 50-59 are 16%; while those between 60 and above are (3%). In terms of the marital status of respondents, those that are married in this survey are 28%; while single respondents are (72%). On the level of education, respondents with a primary level of education are (6%); those with a secondary level of education constitutes 10%; while respondents with tertiary institutions constitute 84%. In terms of the bank, the Jaiz Bank constitute the higher rate of respondents with 53%; Sterling Bank is 21%; Taj Bank has the rate of 17%; SunTrust Bank has respondents' rate of 8% while others are 1%. On the basic side of bank operation, respondents with full-fledged Islamic banks are 57%; those with banks having Islamic window constitute 28% while others are 15%.

Table 4.1 Demographic Data of respondents Profiles

	Frequency	Per cent (%)
Gender		
Male	80	80.0%
Female	20	20.0%
Age		
Less than 30	19	19.0%
30-39	27	27.0%
40-49	35	35.0%
50-59	16	16.0%
60 and above	3	3.0%
Marital status		
Married	28	28.0%
Single	72	27.0%
Level of Education		
Primary	6	6.0%
Secondary	10	10.0%
Tertiary institution	84	84.0%
Bank		
Jaiz Bank	53	53.0%
Sterling Bank	21	21.0%
Taj Bank	17	17.0%
SunTrust Bank	8	8.0%
Others	1	1.0%
Bank Operation		
Full-Fledged Islamic Bank	57	57.0%
Academic/teacher	28	28.0%
Others	15	15.0%

4.2. Reliability Test

The reliability test is conducted to ensure that the data collected from the respondents is reliable. Sekaran and Bougie (2013) affirmed that all the data must be verified to confirm that the outcomes are reliable. From the authors' perspective, data with reliability of 0.5 and above is considered reliable for the data analysis. Therefore, the reliability analysis indicated in Table 4.2 below comprises of the reliability of data collection from the respondents. The Cronbach's alpha ranges between 0.669 to 0.817 indicating that the data collected from the field are reliable for the study and accordingly, can be concluded to have internal consistencies.

Table 4.2: Reliability Statistics

Measure	No. of Items	Cronbach's Alpha
Advisory Committee of Expert's Appointment Issues (ACEAI).	6	.682
Qualification and Skills of Advisory Committee of Experts (QSACE).	7	.817
Scope of Duty for an Advisory Committee of Experts (SDACE).	5	.712
Role of the Advisory Committee of Experts (RACE).	5	.669
Shariah Audit and Shariah Research (SASR).	6	.732

4.3. An Advisory Committee of Expert's Appointment Issues

Table 4.3 indicates that the mean score of respondents' opinions about the Advisory Committee of Experts (ACEs) is 4.08; standard deviation is 0.580 and variance is 0.337. This indicates that majority of the respondents agreed that the ACEs has the qualified requirement for *Shariah* advisory by the bank. Also, the mean score of question number two is 4.08 with standard deviation of 0.580 and variance of 0.337. The result specifies that the respondents observed that the ACEs is fully free and autonomous in giving fatwa and rulings in all Islamic financial matters in the banks. However, the mean score of question number three is 3.85; standard derivation 0.947 and variance is 0.896, indicating that, respondents opined that ACEs are sure that all products and services and related policies and agreements of the bank are in line with *Shariah* rules and principles. Besides that, the mean score opinion of question 4 is 4.15; standard deviation is 0.702 and variance is 0.492. The mean score opinion of question 5 is 4.02; standard deviation is 0.681 and variance is 0.464 while mean score respondents opinion of question 6 is 4.08; standard deviation is 0.895 and variance is 0.802 which shows that all questions clearly indicated that the majority of respondents agreed with these statements. The above questions 4, 5 and 6 shows that respondents agreed that ACEs dully vet new products, services, related policies, and agreements, before launching them. Furthermore, it indicates that respondents opined that ACEs make arrangements with bank management on the training program for the staff. Lastly, respondents agreed that the ACEs should report to the shareholders in order to reinforce their independence.

Table 4.3: Mean Score, Standard Derivation and Variance on the Advisory Committee of Expert's Appointment Issues

Questions	Mean	Standard Deviation	Variance
01 An advisory committee of experts met the fit and proper criteria for <i>Shariah</i> advisory placed by the bank.	4.08	.580	.337
02 An advisory committee of experts is free in means to put fatwa and rulings in all Islamic financial matters in the bank.	4.08	.580	.337
03 An advisory committee of experts makes sure that all products and services and related policies and agreements of the bank are in line with <i>Shariah</i> rules and principles.	3.85	.947	.896
04 Before the launch of new products and services, the related policies and agreements are dully vetted by the Advisory committee of experts.	4.15	.702	.492
05 An advisory committee of experts makes arrangements with the coordination of management a training program for the staff of the bank.	4.02	.681	.464
06 An advisory committee of experts should report to the shareholders in order to reinforce their real independence.	4.08	.895	.802

4.4. Qualification and Skills of Advisory Committee of Experts

Table 4.4 illustrates the mean score, Standard deviation and variance analysis of the ACEs. The mean score of question one is 4.39; Standard deviation is 0.695 and Variance is 0.483 showing that the majority of respondents agreed that ACEs has to get *Shariah* certification or qualification on *Shariah* compliance. The mean score of question 2 is 4.39; standard deviation is 1.100 and variance is 1.210 which indicates that the majority of respondents agreed that the ACEs should have

adequate knowledge in accounting and *Shariah*. The mean score of question 3 is 4.29; standard deviation is 0.24 and variance is 0.390 which demonstrates that the majority of respondents agreed that the ACEs should be adequately trained in banking and finance. More so, the mean score of question 4 is 4.41; standard deviation is 0.726 and variance is 0.492. The mean score of question 5 is 4.30; standard deviation is 0.745 and variance is 0.556 while mean score of respondents to question 6 is 4.16; standard deviation is 0.707 and variance is 0.499 and the mean score of respondents to question 7 are 4.13; standard deviation is 0.747 and variance is 0.559 which shows that all questions indicate that the majority of respondents agreed with question 4,5,6,7 statements. This implies that the respondents agreed that Islamic banks should provide adequate training to the ACEs in Nigeria. In relation to the required qualification of the ACEs, the respondents agreed that the committee should have a professional certificate in Islamic law and accounting. In addition, the respondents show that the ACEs should have specialized certification in Islamic law. Lastly, respondents agreed that the ACEs should have a professional qualification.

Table 4.4: Mean Score, Standard Derivation and Variance on Qualification and Skills of Advisory Committee of Experts

Questions	Mean	Standard Deviation	Variance
01 An advisory committee of experts should have specialized <i>Shariah</i> certification qualification on <i>Shariah</i> compliance.	4.39	.695	.483
02 An advisory committee of experts should be qualified in both accounting and <i>Shariah</i> .	4.39	1.100	1.210
03 An advisory committee of experts should be adequately trained in banking and finance.	4.29	.624	.390
04 Islamic banks should provide adequate training to the advisory committee of experts in Nigeria.	4.41	.726	.527
05 Required qualification of Advisory committee of experts is degree/professional in Islamic law and accounting.	4.30	.745	.556
06 Required qualification of the Advisory Committee of experts is specialized certification in Islamic law.	4.16	.707	.499
07 Required qualification of the advisory committee of experts is degree/professional qualification.	4.13	.747	.559

4.5. Scope of Duty for an Advisory Committee of Experts

Table 4.5 below shows the mean score, standard deviation, and variance on duty for ACEs. The mean score of question one is 4.38; standard deviation is 0.648 and variance is 0.420 which shows that majority of respondents agreed that the ACEs covers border areas in the bank. Question 2 mean score is 4.48; standard deviation is 0.858 and Variance is 0.737 which shows that the ACEs covers a review of the adequacy of the *Shariah* governance process only. Question 3 mean score is 4.19; Standard deviation is 1.293 and variance is 1.671, it indicates that respondents agreed that ACEs is limited to check the financial statement in accordance with *Shariah* only. Question 4 mean score is 4.52; Standard deviation is 0.717 and Variance is 0.515 which illustrates that the respondents opined that *Shariah* audit is limited to confirming compliance of financial contracts with *Shariah* only. And lastly, question 5 mean score is 4.70; standard deviation is 0.541 and variance is 0.293 indicating that the respondents agreed that the ACEs is limited to checking procedures and policies in accordance with *Shariah*.

Table 4.5: Mean Score, Standard Deviation and Variance on Duty for Advisory Committee of Experts

Questions	Mean	Standard Deviation	Variance
01 An advisory committee of experts covers broader areas in the bank.	4.38	.648	.420
02 An advisory committee of experts covers a review of the adequacy of the <i>Shariah</i> governance process only.	4.48	.858	.737
03 An advisory committee of experts is limited to checking the accordance of financial statement with <i>Shariah</i> only.	4.19	1.293	1.671
04 <i>Shariah</i> audit is limited to confirming compliance of financial contracts with <i>Shariah</i> only.	4.52	.717	.515
05 An advisory committee of experts is limited to checking the compliance of procedures and policies with <i>Shariah</i> only.	4.70	.541	.293

4.6. Role of the Advisory Committee of Experts

Table 4.6 below explain the mean, standard deviation, and variance on the role of the ACEs. The mean score of question one is 4.32; standard deviation is 0.709 and variance is 0.503 which demonstrates that the majority of respondents agreed that ACEs participates in various meetings of Financial Regulation Advisory Council of Expert's (FRACE) in CBN. The means score to question 2 is 4.16; standard deviation is 0.707 and variance is 0.499 which shows that majority of respondents opined that ACEs prepares a report with *Shariah* compliance on the bank's annual financial statement to be published. The mean score of question 3 is 4.15; standard deviation is 0.702 and variance is 0.492 which indicates that majority of respondents agreed that there is a difference of opinion between the ACEs and FRACE inspection staff to CBN *Shariah* Board. The mean score to question 4 is 4.02; standard deviation is 0.681 and variance is 0.464 which shows that respondents opined that banks' management refers any ruling on the difference of opinion with ACEs to the board of directors (BOD) for a decision. Finally, the mean score of question 5 is 4.08; standard deviation is 0.895 and variance is 0.802 which is a sign that majority of respondents agreed that ACEs reviews operations of the bank periodically according to *Shariah* compliance on all the products and services being offered.

Table 4.6: Mean of Score, Standard Deviation and Variance on the Role of the Advisory Committee of Experts

Questions	Mean	Standard Deviation	Variance
01 Does the bank ensure its advisory committee of expert's participation in various meetings called by the financial regulation advisory council of expert's (FRACE) of the central bank of Nigeria (CBN)?	4.32	.709	.503
02 Does the advisory committee of experts prepare a report on the bank's annual financial statement in respect of its <i>Shariah</i> compliance that was to be published in the bank annual report?	4.16	.707	.499
03 Does the bank refer any case arising due to difference of opinion between the advisory committee of experts and FRACE inspection staff to CBN <i>Shariah</i> Board?	4.15	.702	.492

04	Does the bank management refer any ruling on the difference of opinion with advisory committee of experts to the board of directors (BOD) for a decision?	4.02	.681	.464
05	Does the advisory committee of experts' review operations of the bank periodically according to <i>Shariah</i> compliance on all the products and services being offered?	4.08	.895	.802

4.7. *Shariah* Audit and *Shariah* Research

Table 4.7 indicates the mean score, standard deviation, and variance on *Shariah* audit and *Shariah* research. The mean score of question 1 is 4.08; standard deviation is 0.580 and variance is 0.337, it shows that majority of the respondents satisfied and agreed that the existing *Shariah* audit system is suitable with *Shariah* compliance of the bank. The mean score of question 2 is 4.30; standard deviation is 0.745 and variance is 0.556 which demonstrate that respondents agreed that there is a need in emphasizing *Shariah* audit system in branches of the banks. The mean score to question 3 is 4.38; standard deviation is 0.648 and variance is 0.420 which is an indication that respondents opined that there is adequate *Shariah* research conducted to facilitate *Shariah* decision. More so, the mean score of question 4 is 4.29; standard deviation is 0.624 and variance is 0.390 which reveals that majority of respondents agreed that the research conducted by the *Shariah* research officers assists the ACEs to reach good decisions. The mean score to question 5 is 4.08; standard deviation is 0.895 and variance is 0.802 which indicates that the majority of respondents satisfied and agreed that banks have provided a conducive research function. Lastly, the mean score of question 6 is 4.70; standard deviation is 0.541 and variance is 0.293 which shows that majority of the respondents opined that more *Shariah* research is needed to formulate new guidelines for creating avenues for Islamic banking.

Table 4.7: Mean Score, Standard Deviation and Variation on the *Shariah* Audit and *Shariah* Research

Questions	Mean	Standard Deviation	Variance
01 Existing <i>Shariah</i> audit system is suitable with <i>Shariah</i> compliance of the bank.	4.08	.580	.337
02 Branch level <i>Shariah</i> audit should be given more emphasis for accurate <i>Shariah</i> compliance of the bank	4.30	.745	.556
03 There is adequate <i>Shariah</i> research conducted to facilitate <i>Shariah</i> decision.	4.38	.648	.420
04 Research conducted by the <i>Shariah</i> research officers assists the advisory committee of experts to reach good decisions.	4.29	.624	.390
05 Your institution has provided a conducive research function.	4.08	.895	.802
06 More <i>Shariah</i> research needed to be done to formulate new guidelines for creating avenues for Islamic banking.	4.70	.541	.293

From the study, – it highlights the issues related to the current status of *Shariah* compliance practice among Islamic banks in Nigeria. -. The results show that majority of respondents are satisfied and agreed that ACEs are qualified and have met the requirements of *Shariah* advisory role set by the bank. The ACEs had fulfilled the activities such as training on *Shariah* rulings for Islamic financial products and services. In terms of fatwa, the ACEs are fully free and have autonomous in giving fatwa and rulings in all Islamic financial matters in the banks. Furthermore, the ACEs - also give confirmation that all products and services as well as related policies and agreements of the banks

are in line with *Shariah* rules and principles. Not only that, the ACEs dully vet new products, services, related policies, and agreements, before they are launched. They are also in a collaboration with the bank management to organize training program for the staff. Lastly, respondents agreed that the ACEs should report to the shareholders in order to reinforce their independence.

In terms of qualification and skills of ACEs, the outcomes demonstrate that majority of the respondents agreed that ACEs have to be *Shariah* certified or qualified on *Shariah* compliance. They further opined that the ACEs should have adequate knowledge in accounting and *Shariah*. Nevertheless, the ACEs should be adequately trained in banking and finance. The respondents agreed as well that Islamic banks should provide adequate training to the advisory committee of experts in Nigeria. In the area of professional certificate in Islamic law and accounting, specialized certification in Islamic law, and professional qualification, the majority of the respondents show concern that ACEs should also have these requirements. In relation to duty for ACEs, the results indicate that majority of respondents agreed that the ACEs covers border areas in the bank. They also opined that the ACEs covers a review of adequacy on the *Shariah* governance process only. Besides, the respondents agreed that the ACEs have limited role in checking the financial statement in accordance to only *Shariah* principles. The results further show that respondents opined that *Shariah* audit is limited to confirming compliance of financial contracts with *Shariah* principles only. Finally, the results indicate that the respondents agreed that ACEs is limited to checking procedures and policies in accordance with the principles of *Shariah*.

In terms of the role of the ACEs, the findings revealed that majority of the respondents agreed that ACEs participates in various meetings of FRACE in CBN. They further opined that ACEs prepares a report with *Shariah* compliance on the bank's annual financial statement to be published. Therefore, the majority of respondents agreed that there is a difference of opinion between the ACEs and FRACE inspection staff to CBN *Shariah* Board. The results further demonstrate that respondents opined that banks' management refers to any ruling on the difference of opinion with the advisory committee of experts to the BOD for a decision. Lastly, the outcome shows that majority of respondents agreed that ACEs reviews operations of the bank periodically according to *Shariah* compliance on all of the products and services being offered. In relation to the *Shariah* audit and *Shariah* research, the findings demonstrate the majority of the respondents satisfied and agreed that existing *Shariah* audit system is suitable with *Shariah* compliance of the banks. The respondents agreed that there is a need in emphasizing *Shariah* audit system in branches of the banks. Moreover, the respondents opined that there is adequate *Shariah* research conducted to facilitate *Shariah* decision. The result also shows the majority of respondents agreed that research conducted by the *Shariah* research officers has assisted the ACEs to reach the good decisions. Also, the majority of respondents satisfied and agreed that banks have provided a conductive research function. Finally, the majority of the respondents are of the opinion that more *Shariah* related researches needed to be conducted to formulate new guidelines for Islamic banking in Nigeria.

5. CONCLUSION AND RECOMMENDATIONS

The objective of this study is to examine to what extent the products and services offered by Islamic banks in Nigeria comply with the principle of *Shariah*. It focuses on the ability of the Advisory Committee of Experts (ACEs) in enforcing *Shariah* compliance of Islamic banks so that they do

not contradict to the *Shariah* principles in Nigeria. This study contributes to the existing body of knowledge as it is one of the few researches that examine the trends related to the *Shariah* compliance practices among Islamic banks in Nigerian to fill the gap of a scarcity of literature. The results of the study clearly highlight the trend with the current status of *Shariah* compliance practice of Islamic banks in Nigeria and identifies the loopholes that the system needs to improve on for Islamic banking to strive in Nigeria. In average, it can be concluded that Islamic banks in Nigeria have well practiced *Shariah* compliance. The trends can be seen through the average satisfaction of the staff members towards *Shariah* committee in fulfilling the *Shariah* requirements. Overall, the study suggests recommendations regarding the measure to remove *Shariah* non-compliance issues in the banks A few measures are, the administration of Islamic banks should empower advisory committees of experts and provide them with enabling environment to make adequate decisions relating to *Shariah* compliance independently. Furthermore, Islamic banks should conduct trainings and workshops for the *Shariah* officers to equip them with knowledge of finance, banking and accounting. In addition, Islamic banks should give more recognition to *Shariah* compliance and *Shariah* assessment at their branches. They should likewise organize yearly, monthly, or weekly programmes at their branches to evaluate *Shariah* compliance of their services. Islamic banks additionally need to provide more researches to facilitate new guidelines and create thriving avenues for Islamic banking in the country. Conclusively, *Shariah* compliance is crucial for the credibility and integrity of Islamic banking globally. To this effect, *Shariah* experts serve as key components of the structure of Islamic banks to achieve this aim. Hence, *Shariah* compliance is essential to purify banks operation in terms of prohibitions such as gharar, miysr, speculation, and riba. This is because, *Shariah* compliance is not only restricted to investing in non-halal business but to promote investment in the business that contribute to the ethical values of Islam and purification of profitability for the development of the community and the economy in general.

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