The Role of Islamic Micro Insurance in Economic Growth and Development: The Nigerian Experience: A Case Study of Al-Barakah Microfinance Bank, Lagos

Tajudeen Olalekan Yusuf (PhD)
Department of Actuarial Science and Insurance
Faculty of Business Administration
University of Lagos
Akoka, Lagos, Nigeria.
Toyusuf7@yahoo.co.uk
tyusuf@unilag.edu.ng
+234-8034744162
&
Abdul Hakeem I. Mobolaji (PhD)
Department of Economics
University of Ilorin,
Ilorin, Kwara State, Nigeria

Abstract

Shortly after the beginning of the democratic dispensation in 1999, the Nigerian Federal authority through the Central Bank gave licence to several interested Nigerians to commenceconventional microfinance business. Among these microfinance institutions is Al-Baraka microinsurance bank which seeks to operate a Shariah-compliant model of micro-financing.This paper explores the Nigerian experience of Islamic microinsurance in poverty alleviation objective of the Central Bank. As a developing economy, the performance of most of the conventional micro finance institutions has been largely discouraging. We adopt a case study approach in assessing the performance and contribution of the Al-Baraka microfinance Bank based in Lagos since its inception. Our concern is whether the Shariah-compliance could be a positive element towards the realisation of the poverty alleviation objective of the government.In order to gain an in-depth understanding of the potential of Islamic micro-insuranceinNigeria qualitative research in the form of an explorative study was used. We utilise both primary and secondary data to explore the performance of Al-Baraka microfinance house to see whether it is providing its services for all those living below the poverty line including the extreme poor. Some suggestions are made for the sustainability of the present findings.

1. Introduction

According to the *World Employment Report 2011*(ILO, 2011),while global economic growth is rebounding on a better than expected trajectory, the global labour market is, in many respects, behaving as anticipated in the middle of the crisis and highlighted in the*Global Employment Trends2010* report: stubbornly elevated unemployment and slow employment generation in developed economies coupled with widespread decent work deficits in even the fastest-growing developing economies.

In Nigeria, a large percentage of the population is still excluded from financial services. The 2010 Enhancing Financial Innovation and Access (EFInA) study revealed a marginal increase of those served by formal financial market from 35.0 percent in 2005 to 36.3 percent in 2010, five (5) years after the launching of the microfinance policy. When those that had financial services from the informal sector such as savings clubs/pools, Esusu, Ajo, and money lenders were included, the total access percentage for 2010 was 53.7 percent which means that 46.3 percent or 39.2 million adult population were financially excluded in Nigeria (Microfinance Policy, 2006)

Against the backdrop of concerns expressed by stakeholders and the need to enhance financial services delivery, the 2005 Microfinance Policy, Regulatory and Supervisory Framework for Nigeria was revised in April, 2011, and in exercise of the powers conferred on the Central Bank of Nigeria by the provisions of Section 28, sub-section (1) (b) of the CBN Act 24 of 1991 (as amended) and in pursuance of the provisions of Sections 56-60(a) of the Bank and Other Financial Institutions Act (BOFIA) 25 of 1991 (as amended). The policy recognizes existing informal institutions and brings them within the supervisory purview of the CBN creating a platform for the regulation and supervision of microfinance banks (MFBs) through specially crafted Regulatory Guidelines (Microfinance Policy, 2006).

From the appraisal of existing microfinance institutions in Nigeria, the following facts have become evident:

- Weak Institutional Capacity of existing financial institutions;
- Weak capital base of existing microfinance entities
- The Existence of a Huge Un-Served Market
- Economic Empowerment of the Poor, Employment Generation and Poverty Reduction
- The Need for Increased Savings Opportunity.

The objective of this study is to attempt to give an overview of the role of Islamic micro finance in the growth and development of Muslim countries while focusing on its operations in Lagos-Nigeria. Specifically, we are showcasing the unique features of the Islamic model of microinsurance as being more-customer friendly, profitable and sustainable at the long run. It uses a case study of Al-Barakah, Islamic Micro finance organisation established in 2010 and the objective is to bridge the gap between the rich and the poor through the offering of various poverty alleviation alternative micro credit products. We are interested in finding out whether Islamic microfinance has the propensity of meeting the objectives set by the Nigerian government. The present study, though exploratory, analyses the current financial performance of Al-Barakah for the period of 2010-2011 and gives recommendation for the future potential of Islamic microfinance rendering microinsurance services in the country.

The paper is structured as follows: Section 2 discusses the theories underpinning the study. Section 3 makes an overview of microfinance sector in Nigeria. Section 4 places the study in perspective with brief discussion on the profile of the case study—Al-Barakah Microfinance Bank. Section 5 discusses the methodology used for the study while section 6 presents the findings. Section 7 highlights the limitation of the study while section eight concludes.

2. The theoretical underpinnings

2.1. What is Microinsurance?

Microinsurance can be defined simply as "insurance for the poor." This definition identifies the target population but fails to offer any practical guidelines on market operation or regulation. The Consultative Group to Assist the Poor(CGAP) Working Group on Microinsurance and the International Association of Insurance Supervisors (IAIS) (2007) jointly offer a more precise definition; that is, "[it] is insurance…accessed by [the] low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices."[i](2010) goes on to explain the similarities between the conventional and micro insurance mechanisms thus:

"Fundamentally, microinsurance should be no different from conventionalinsurance in that all qualified institutions may underwrite a wide array of risksand distribute their products directly or via intermediaries and all licensed institutionsin the market are subject to government regulation and supervision. No authoritiesare known to set a stringent constraint on product scope. In fact, governmentsaround the world are increasing the scope within which all qualified institutionscan operate. In today's markets, however, microinsurance products remainrelatively simple in design and carry low coverage limits. This trend reflects inpart insurers' intention to commensurate their coverages with the financialprotection needs in the target market and in part micro-insureds' affordabilityof the coverages". (pg. 5).

2.2. Microinsurance as a microfinance service

Microinsurance is one of several microfinance services as MFIs have been piloting microinsurance products recognizing that increased risk management products can protect their own and their clients' interests (Holzmann, 2001). The term "microinsurance" refers to the two components which it consists of. The part "micro" addresses the financial resources of the target group. Poor people or low-income households and their small enterprises deal only with small amounts of income, assets, premiums and benefits. "Insurance" is a financial service aiming at providing customers with compensation for adverse events through risk-pooling (Churchill, 2000).

As microinsurance until now is a relatively new concept within the microfinance industry only few MFIs offer insurance products. But it will be more extensively offered in the future as providers will better understand the demand of low-income households and will develop more efficient mechanisms of provision. As MFIs are learning more about the needs and demands of their target market, practitioners as well as academics realize that poor people need access to financial services that enable risk management (Brown and Churchill, 1999).

This demand comes clear through the dependency on credit for consumption. As poor households only dispose of marginal assets and savings they sometimes have to call upon credits in order to substitute missing insurance services. "Importantly many of the transactions, which on the surface appear as credit, are on a deeper analysis, very closely linked to savings and insurance."(Matin et al, 1999: 5). But credits do not provide the same benefits and security for the customers. Scholars agree that in general the poorer the household the greater the need for insurance and thus the protective role of financial services is more essential than its promotional role, e.g. returns or interest rates (Matin et al, 1999).

Ali (2000) opines that risk can be handled by either: assumption, combination, transfer, or loss prevention activities. Insurance schemes utilize the combination method by persuading a large number of individualsto pool their risks into a large group to minimize overall risk (Ali 2000). In the developed worldinsurance is part of society, such that some forms of cover are required by law. In developingcountries the need for such a safety net is much greater, particular at the poorest levels wherevulnerability to risks is much greater and there are fewer opportunities available to recover from alarge loss.

> *"… insurance is an effective mechanism for reducing the vulnerability ofthe poor from the impacts of disease, theft, disability, and other hazards aswell as safeguarding the productive use of savings and credit facilities."*(cited in Patel (2004: 4).

In Nigeria, the rather gradual but swift wave of Islamic finance entry into the global economic arena in the eighties has added more impetus into the development debate. While the embrace may be rather slow in developed nations of the Northern hemisphere, those of the South appear more patronising. This has raised the question as regards how much impact can Islamic finance make on poverty alleviation efforts largely prevalent in the developing economies.The academic literature is largely deficient in showcasing this area in most economic development discourse.The present study is exactly designed to address this gap.

Since the end of the 1990s microinsurance has been promoted as a key mechanism for mitigating poor people's risks and to date there is common agreement among the microinsurance community that it enables low-income households to deal with risks more effectively than informal schemes. It is even regarded as an "ideal self-help strategy" (Mayoux, 2002: 7) as microinsurance products can provide protection for the poor although their economic reserves are limited. But is microinsurance an effective and appropriate tool for the poor in comparison to informal risk management strategies?

2.3. Role of microfinance in the economy

Micro-insurance is the 'protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved' (Churchill, 2006, 12). In equivalence with regular insurance, microinsurance serves as an instrument to isolate fluctuations in consumption fromfluctuations in income and wealth (consumption smoothing). The central underlyingprinciple is the pooling of risks, which implies that financial contributions are collected

from the members of an insurance scheme, and the loss of one individual is spreadamong all members in case of risk occurrence. The main difference between microinsuranceand regular insurance is that the first is specifically targeted at low-incomepeople, who have limited financial resources and often irregular income flows. Thus, theproduct design is adapted to these people's needs and financial capabilities.

Microfinance operating along conventional lines has witnessed enormous growth during the last couple of decades. Islamic Development Bank (IsDB) member countries that have led the microfinance revolution are Bangladesh (with world leaders like Grameen and BRAC), Indonesia and Morocco. Among non-member countries India, Sri Lanka have sizable Muslim population. These countries have witnessed some of the pioneering experiments to eliminate poverty (IRTI, 2008).

Microfinance institutions provide to the entrepreneurial poor financial services that are tailored to their needs and conditions. Good microfinance programs are characterized by small, usually short-term loans;

streamlined, simplified borrower and investment appraisal; quick disbursement of repeat loans after timely repayment; and convenient location and timing of services (IRTI, 2008).

2.4. Islamic microinsurance

Takaful is the second most important social institution in the Islamic community to counter poverty and deprivation" (Fisher, 1999).Insurance in Islam has existed since the early second century of the Islamic era when Muslim Arabsexpanding trade into Asia mutually agreed to contribute to a fund to cover mishaps or robberiesalong the numerous sea voyages. Muslim jurists concluded that insurance in Islam should be basedon principles of mutuality and cooperation and encompass the elements of shared responsibility,joint indemnity, common interest and solidarity (Yusof,1999, Shakir, 1999).

The first Islamic insurance company (The Islamic Insurance Company of Sudan) was established in 1979, followed afterwards in the same year by the formation of the Islamic Insurance Company of Saudi Arabia. Twenty years on in 1999 there were 34 takaful institutions in operation (Lewis and Algaoud, 2001). Since then, the industry has grown rapidly and, by 2008, the number had grown to between 100 and 150 companies (SwissRe, 2008).

In essence, Insurance is Islamic becomes it conforms to Islamic law (Shariah). To be Shariah-compliant, insurance must necessarily follow the sources of the Shariah law namely, the Qur'an, Sunnah (prophetic tradition), Ijma (consensus) and Qiyas (analogy) respectively (Lewis, 2011).

According toLewis (2011), Muslim jurists regard the conventional insurance unacceptable due to three inherent problems. First, it violates the prohibition of *gharar*(uncertainty) since the benefits to be paid on the outcome of future events that are not known at the time of signing the contract (for example, with whole-of-life, the time frame, i.e. the lifetime of the insured, is not known and cannot be known until the event (death) itself occurs. Secondly, insurance is regarded as *maysir*(gambling) because policyholders are held to be betting premiums on the condition that the insurer will make payment (indemnity) consequent upon the circumstance of a specified event (for example, with pure endowment policies, that they will still be alive by the end of the term of the policy to receive the benefits stated in the contract). Thirdly, with all insurance policies (including general insurance) the insurer invests prepaid premiums on behalf of those insured, and the underlying investment activities of many insurance companies are *riba*-based (Lewis, 2011).

Based on the above arguments, Muslims who constitute the majority of the Nigerian masses must seek an alternative insurance mechanism that would not only comply with Shariah as taught by Islam but also meet their economic vulnerabilities. Moreso, the conventional alternative has proven unreliable and inaccessible to the masses—Muslims and non-Muslims alike—despite the laudable objectives set for it by the central bank.

2.5. Overview of the Nigerian microfinance sector

The practice of microfinance in Nigeria is culturally rooted and dates back several centuries. The traditional microfinance institutions provide access to credit for the rural and urban, low-income earners. They are mainly of the informal Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) types. Other providers of microfinanceservices include savings collectors and co-operative societies. The informal financial institutions generally have limited outreach due primarily to paucityof loanable funds (Microfinance Policy, 2005).

In order to enhance the flow of financial services to Nigerian ruralareas, Government has, in the past, initiated a series of publicly-financedmicro/rural credit programmes and policies targetted at the poor. Notable among such programmes were the Rural Banking Programme, sectoral allocation of credits, a concessionary interest rate, and the AgriculturalCredit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of the Nigerian Agricultural and Co-operative Bank Limited (NACB), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN), the Community Banks (CBs), and the Family EconomicAdvancement Programme (FEAP). In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial services to alleviate poverty (Microfinance Policy, 2005).

Microfinance services, particularly, those sponsored by government, have adopted the traditional supply-led, subsidized credit approach mainly directed to the agricultural sector and non-farm activities, such as trading, tailoring, weaving, blacksmithing, agro-processing and transportation. Although the services have resulted in an increased level of credit disbursement and gains in agricultural production and other activities, the effects were short-lived, due to the unsustainable nature of the programmes.

The microfinance industry in Nigeria had been confronted by numerous challenges since the launch of the Microfinance Policy Framework in December, 2005. Coming on the heels of the banking sector consolidation, many of those adversely affected found their way into microfinance. Thus, a significant number of the newly licensed Micro Finance Banks (MFBs) were established or operated like 'mini-commercial banks'. Also, the erstwhile community banks (CBs) that converted to MFBs did not fare any better.

An assessment of the microfinance sub-sector, following the launching of the policy however revealed some improvements. These include increased awareness among stakeholders such as governments, regulatory authorities, investors, development partners, financial institutions and technical assistance providers on microfinance. Specifically, a total of 866 microfinance banks have been licensed, Microfinance Certification Programme (MCP) for operators of microfinance banks put in place and the promotional machinery beefed up. Accordingly, entrepreneurs are taking advantage of the opportunities offered by increasingly demanding for financial services such as credit, savings, payment services, financial advice and non financial services (Revised Microfinance Policy, 2010).

2.6. The case study of Al-Baraka microfinance: profile

Al-Bararakah Microfinance Bank was incorporated in March 17, 2009 and duly licensed in February 3, 2010 by Central Bank of Nigeria under the BOFIA (Banks and Other Financial Institutions Act No 25 of 1999). The Company commenced operations in April 2010 with Authorized Share Capital of N100 million a fully Paid-up Capital of N51.7 million. Al-Barakah Microfinance bank is a Faith based Microfinance Bank fully owned by a religious Organisation, The Muslim Congress (TMC) RC NO: 9937 with membership all over the country, using Al-Barakah Vision Concepts Limited as Vehicle. This make the bank enjoy patronage from the faithful members of the organization.

Al-BarakahMFB is a Unit Microfinance bank, licensed to operate in Lagos-Nigeria. The Bank is committed to providing broad range of financial services and access to Low-Income earners, Petty

Traders, artisans, Small Scale Industries and Self-Employed to meet their day-to-day business aspirations and create wealth.

According to its founders, Al-Barakah was dedicated to providing financial and business advisory services to serve people in the informal sector with a range of financial products designed for the growth of their businesses. The bank is committed to delivering key financial services to the economically active poor. Thus, we serve family low-income earners, self-employed, Artisans, Small business traders and micro entrepreneurs. The bank as at December 31, 2011 had a customer base of 4,850 and disbursed micro loans amounting to N50 million to 320 clients.

3. Methodology

Tools used to collect data included extensive documentation review and personal interviews of theManaging Director of Al-Barakah. Documentation review was vital to contextualise Al-Barakah's position in the Islamic microfinance arena,comprehend its methodology and financial sustainability. The personal inquiries werenecessary to provide the deeper understanding of Al-Barakah which would not be possiblefrom documentation. This study also explored information from several secondary sources (books, journals,official documentation conferences and internet); these were critically analysed toidentify main concerns with microfinance, microfinance status in Nigeria, and Nigeria'sviewpoint on a riba free economy.

4. Findings

In this section, findings from the documented results of Al-Barakah microfinance Bank arepresented. The section also presents the findings from the interviews conducted with the Managing Director of the bank.(Table 1)

From Table 1 above, we present the performance review of Al-Barakah Microfinance for the year 2010 and 2011. Within its first year of existence, the organisation recorded 65.7% growth in its clientele from 3191 in 2010 to 4870 in 2011. It also records a growth of about 51% in the total deposits from customers from N66, 453,180 in 2010 to N130, 533,000 in 2011. In addition, its operating income records a 40% boost from N9, 634,016 in 2010 to N23, 767,944 in 2011. All these performance suggest that the organisation enjoys the confidence of its existing customers and might serve as catalyst for greater growth in the future. (Fir 1)

Figure 1 above shows a growing cyclical trend in the demand deposits of the Al-Barakah microfinance. These are the funds that can be withdrawn without advance notice to the bank. Even while these funds suffer a dip between 8th and 13th months of the microfinance existence, it soon picked up from the 14th month through the 15th month where it suffered another dip where it later picked close to the second year. What this finding suggests is to further support the earlier finding that the nascent financial institution is fast gaining customers' confidence which is key to its sustainability in the long run. (Fig 2)

Figure 2 above presents the saving deposit performance trend of Al-Barakah microfinance for the year 2010/2011. It shows an upward movement; bearing few dips at the initial stage of its operation. This later shows an upward movement which suggests growing customers' trust and confidence in the Islamic microfinance organisation.

THE CRITICAL SUCCESS FACTORS

We conducted a semi-structured interview with the Managing Director of Al-Barakah Microfinance on the success factors accounting for the present results. The following findingsare listed.Some of the findings are summarised below:

1. Business model is based on the Islamic Rules of Transactions (Islamic Banking).
2. Micro credit products and facilities are based on Profit /Sharing principles.
3. Existence of Shariah Advisory Committee that review and approve all products and services to ensure full Shariah compliance.
4. Risk management framework focuses on business viability rather than assets collateralization
5. Banking services are based on transparency, service excellence, trust and partnership.
6. Provision of alternative financial solutions to meet every day needs.
7. Acceptance of the immediate community and its environ.
8. Efficient and prompt service delivery assisted by appropriate ICT.
9. Effective credit control system to minimize non-performing loans
10. Effective internal control to minimize waste and eliminate fraud.
11. Effective cost monitoring and control.
12. Total commitment of staff and teamwork.
13. Continuous staff training.
14. The budget is performance-driven such that there are rewards and sanctions for performance levels.
15. Good marketing coverage through creation of Customer Centres (Branches), adequate capital deployment and timely provision of necessary work tools.
16. Good governance and transparency
17. Creating new customer segments
18. Introduction of innovative products and services
19. Use of new distribution channels so as to be a key player in the era of cashless Lagos
20. Customer Focus

Study limitations

The findings presented above throw up some limitations of the present study. In the first instance, the submissions being made now could be regarded as tentative pending further study. The age of the organisation being studied might be too low for bolder submission. Secondly, there is no comparative analysis with conventional microfinance organisations to suggest that Islamic microfinance model is better in meeting the objectives set by the Nigerian government.

Conclusion

The objective set for the present study is to highlight the potentials inherent in Islamic microfinance as a growth and development tool in the developing economies; while showcasing Al-Barakah microfinance in Lagos-Nigeria. The tentative findings suggest that Islamic Microinsurance Company might be doing better than its conventional counterparts. The question then would be, "Bearing religious considerations, what could be the selling points for Islamic microinsurance as against the conventional microinsurance?" More pointedly, "are there any unique features in Islamic microinsurance which offer better attractions to customers than conventional microinsurance?"

While taking the findings in perspective, customers' trust and confidence seem to be growing faster for the nascent company. For the company to sustain the present growth, the following suggestions are made:

- The company should not be tempted by growing customers to compromise on quality service delivery
- The company should relentlessly focus on internal control mechanism to prevent fraud by its staff.
- Disclosure, transparency and accountability should permeate all levels in the organisation.
- The supervisory and regulatory body should adopt prudent and risk-based approach of overseeing the company to sustain the current trust and confidence of customers.

List of Tables:

AL-BARAKAH MICROFINANCE BANK

S/NO	DESCRIPTION	YEAR 2010	YEAR 211	VARIANCE	% GROWTH
1	Number of Accountholders	3191	4870	1679	65.70%
2	Total Deposit	N66,453,180	N130,533,000	N64,79,820	50.90%
3	Operating Income	N9,634,016	N23,767,944	N14,133,928	40.50%

Table 1: PERFORMANCE REVIEW for 2010/2011

List of Figures:

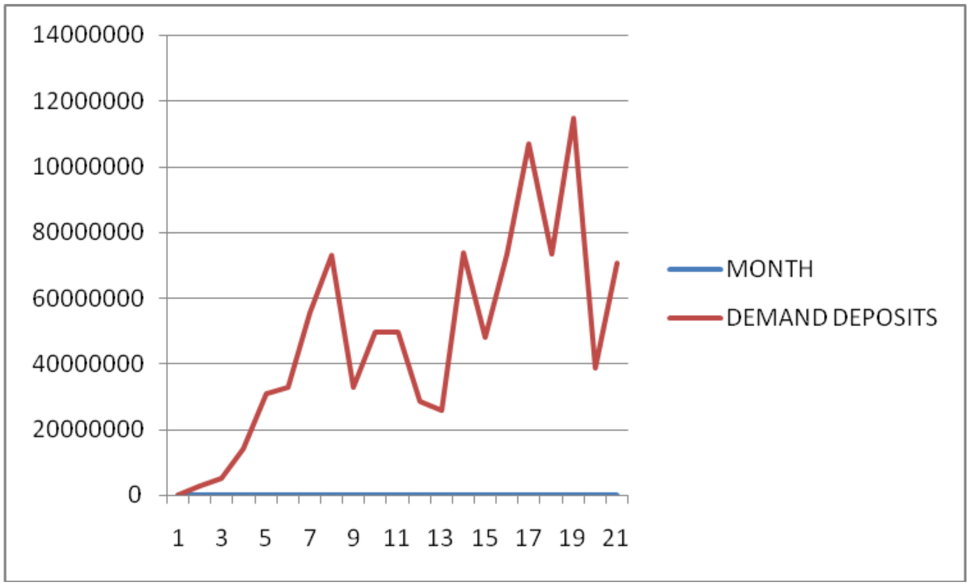

Figure 1: DEMAND DEPOSITS FOR THE YEAR 2010/2011

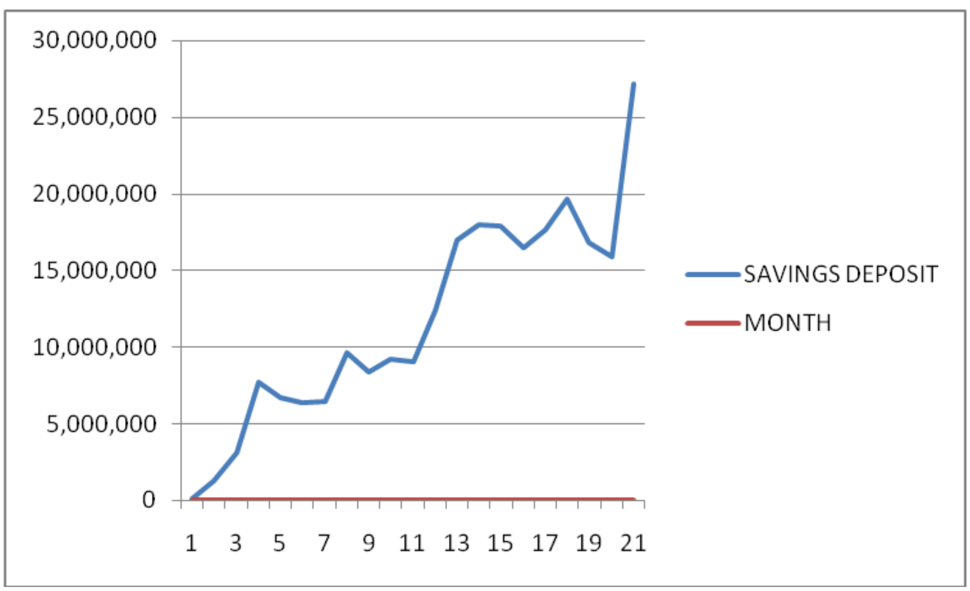

Figure 2: SAVING DEPOSITS FOR THE YEAR 2010/2011

References

Ahmad, H. (2006). *"Frontiers of Islamic Banking: A Synthesis of Social Role and Micro finance"*, Islamic Research Training Institute, Islamic Development Bank, Jeddah.

Ahmad, H. (2007). *"Waqf-based Microfinance: Realizing the social role of Islamic Finance"*, Paper written for the International Seminar on "Integrating Awqaf in the Islamic Financial Sector" Singapore, March 6-7,

Brown, Warren, and Craig Churchill. 1999. *Providing Insurance to Low-Income Households:*

Part I—A Primer on Insurance Principles and Products. Microenterprise Best Practices Project, Development Alternatives, Inc. Bethesda, Maryland (http://www.mip.org/pubs/mbpdef. htm)

Brown, Warren and Churchill, C. (2000). 'Providing insurance to low-income households: Parts I and II', Microenterprise Best Practices Project, Development Alternatives Inc. Bethesda, MD, (http://www.mip.org/pubs/mbp-def.htm).

CGAP News, (2008).The Consultative Group to Assist the Poor) Washington D.C., USA. Website: http://www.cgap.org/

Chaudhry, S. (2006).*"Creating an Islamic Microfinance Model - The Missing Dimension"*, Dinar Standard Consulting, as retrieved from www.

Dhumale, R. and Sapcanin, A. (1998).*"An Application of Islamic Banking Principles to Microfinance, Technical Note",* A study of United Nations Development

Programme and World Bank.

Dusuki, W. A., (2006). *"Empowering Islamic Microfinance: Lesson from Group-Based*

Lending Scheme and IbnKhaldun's Concept of 'Asabiyah", Paper presented at Monash University 4th International Islamic Banking and Finance Conference. Kuala Lumpur, 13-14 November.

Frasca, A. (2008). *"A Further Niche Market: Islamic Microfinance in the Middle East and North Africa"*, Center for Middle Eastern Studies & McCombs School of Business University of Texas, Austin.

Goud, B. (2007). *"Islamic Microfinance"* Institute of Halal Investing, U.S.A.

Grameen Foundation, 2007, USA, http://www.grameenfoundation.org/

IDLO, (2009).*"Islamic Microfinance Report"*, International Development Law Organisation, Allen &Overy LLP.

Holzmann, R. (2001). "Risk and Vulnerability: The Forward Looking Role of Social Protection in a Globalised World". Paper prepared for "The Asia and Pacific Forum on Poverty - Policy and Institutional Reforms for Poverty Reduction", Asian Development Bank, Manila, February, 5-9, 2001.

International Labour Organisation (ILO) 2011.World Employment Report 2011. Available from: http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/@publ/documents/publication/wcms_150440.pdf. Accessed 24th March, 2011.

IRTI (2007).*"Framework And Strategies For Development Of Islamic Microfinance Services"*, Working paper for IFSD forum 2007 Islamic Microfinance Development: Challenges and Initiatives, Meridian President Hotel, Dakar; Senegal, May 27.

Karim, N.; Tarazi, M. and Reille, X. (2008).*"Islamic Microfinance: An Emerging Market Niche"*, The Consultative Group to Assist the Poor (CGAP) Focus Note, Washington D.C., USA

Khan, Mansoor H. (1997).*"Designing an Islamic Model for Project Finance."*International Finance and Law Review 6: 13–16

Khan, A., A. (2008).*"Islamic Microfinance Theory, Policy and Practice"*, Islamic Relief Worldwide, Birmingham, United Kingdom, February

Kwon, W. J. (2010). "An Analysis of Organizational, Market and Socio-cultural Factors Affecting the Supply of Insurance and Other Financial Services by Microfinance Institutions in Developing Economies". *The Geneva Paper*, Vol. 35, 130-160.

Lewis, M. K. (2011) "Evolution of Takaful Products"in K. Hassan and M. Mahlknecht (Eds). *Islamic Capital Markets, Products and Strategies.*New York: John Wiley & Sons.

Martin, I., Hulme, D., & Rutherford, S. (1999). Financial Services for the Poor and Poorest: Deepening Understanding to Improve Provision, Finance and Development Research Program, Working Paper No. 9, IDPM, University of Manchester, October 1999.

Microfinance Policy (2006). Available from: http://www.cbn.gov.ng/Devfin/Microfinance.asp. Accessed as at 5 Jan 2012.

Revised Microfinance Policy (2010). Available from: http://www.cenbank.org/Out/2011/publications/dfd/Reviewed%20Microfinance%20Policy%20July%2012%202011.pdf. Accessed as at 6 Jan 2012.

Obaidullah, M. (2008).*"Role of Microfinance in Poverty Alleviation: Lessons from experiences in selected member countries"*, Islamic Research Training Institute, Islamic Development Bank, Jeddah.

Patel, S. (2004).*"Takāful and Poverty Alleviation",* International Cooperative and

Mutual Insurance Corporation (ICMIF), London.

SBP (2007).*"Guidelines for Islamic Microfinance Business by Financial Institutions"*, Islamic Banking Department, State Bank of Pakistan, Karachi.

Segrado, 2005).*"Islamic microfinance and socially responsible investments"*, Meda Project, University of Torino

Yusuf, O., T. (2006)."*Insurance in Muslim countries: Nigeria's First Takāful Scheme in Focus",* journal of Islamic banking and Finance, International Association of Islamic Banks, Karachi.pp. 56-63, April – June.

APPENDICES

INCOME & EXPENDITURE FOR THE YEAR ENDED DECEMBER 2011			
	YEAR 2010		**YEAR 2011**
PROFIT RECEIVED ON EQUIPMENT LEASE	1,067,213.92		6,833,241.30
PROFIT RECEIVED ON LPO FINANCE	288,123.00		1,066,400.00
PROFIT RECEIVED (MICRO-LOAN)	242,401.00		1,444,832.00
PROFIT RECEIVED ON OTHER LOANS	10,464.79		33,985.31
LEGAL FEES	115,400.00		183,940.00
MANAGEMENT FEES	246,300.00		2,116,308.36
PROCESSING FEES	209,700.00		770,233.00
COMM. ON TURNOVER	908,968.51		2,421,130.90
INCOME/COMM. ON CHEQUE	295,500.00		140,250.00
E-BANKING INCOME	72,240.00		191,528.00
COMMITMENT FEES	250,000.00		-
OTHER COMMISSION	1,457,780.00		2,661,358.00
SAVINGS & CURRENT CONSUMABLES	9,250.00		24,500.00
COMM. ON FUND TRANSFER	43,750.00		46,490.00
INCOME / COMM. ON CASH CARDS	117,000.00		20,750.00
AGENCY COMMISSION	-		64,702.00
OTHER INCOME	227,430.00		1,689,041.79
INVESTMENT INCOME	2,615,435.40		3,586,251.49
INT. RECEIVED ON TIME PLACEMENT	**1,529,395.28**		**50,000.00**
INT. RECEIVED ON TREASURY BILLS	**102,472.61**		**423,002.83**
	9,808,824.51		**23,767,944.98**

CUSTOMERS' MONTHLY WITHDRAWAL RECORD FROM APRIL TO DECEMBER, 2010.

MONTH	DEMAND DEPOSITS	SAVINGS DEPOSIT	UNIQUE MOTHER DEP	ESUSU DEPOSITS	TRUST FUND DEP	BUSINESS GROWTH	TARGET DEPOSIT	TIME DEPOSIT	TOTAL
APRIL	185,850	142,000		140,000					467,850
MAY	2,901,427.50	1,293,650		558,760					4,753,837.50
JUNE	5,259,813.80	3,148,850		2,277,570	30,000		3,050		10,719,283.80
JULY	14,163,195.02	7,724,740	5,500	2,583,268	66,000	45,000			24,587,703.02
AUGUST	30,989,216.53	6,693,235		4,799,660	130,000				42,612,111.53
SEPTEMBER	32,866,275.27	6,355,210	10	5,934,460	212,210	10	36,210		45,404,385.27
OCTOBER	55,462,289.18	6,461,616.55		5,726,755	57,000	21,000	101,066	3,650,000	71,479,726.73
NOVEMBER	72,777,769.15	9,600,567.58		6,551,760	35,030	10	659,016	100,000	89,724,152.73
DECEMBER	32,698,429.81	8,396,330	16,510	7,295,860	5,000	10	482,560		48,894,699.81
JANUARY	49,544,246.53	9,229,800	10,020	4,875,963	21,000	30	828,470	1,680,000	66,189,529.53
TOTAL									**404,833,279.92**

CUSTOMER MONTHLY WITHDRAWAL RECORD FROM JAN TO DEC, 2011

MONTH	DEMAND DEPOSITS	SAVINGS DEPOSIT	UNIQUE MODEST DEPOSIT	ESUSU DEPOSITS	TRUST FUND DEPOSIT	BUSINESS GROWTH	TARGET DEPOSITS	TIME DEPOSIT	TOTAL
JANUARY	49,544,246.53	9,229,800.00	10,020.00	4,875,963.00	21,000.00	30.00	828,470.00	1,680,000.00	66,189,529.53
FEBRUARY	49,639,829.11	9,082,390.00	0	6,177,645.00	349,000.00	0.00	59,000.00	1,449,500.00	66,757,364.11
MARCH	28,454,337.88	12,379,660.00	30	8,681,530.00	525,810.00	16,040.00	685,070.00	285,000.00	51,027,477.88
APRIL	25794036.92	16,965,415.00	30	6,685,475.00	265,120.00	5,030.00	370,630.00	840,000.00	50,925,736.92
MAY	73,852,047.37	18,004,800.00	10	9,762,415.00	3,035,000.00	32,000.00	676,000.00	100,000.00	105,462,272.37
JUNE	48,078,002.97	17,900,501.51	113,020.00	8,946,825.00	21,540.00	10	901,070.00	300,000.00	76,260,969.48
JULY	73,489,224.10	16,467,758.15	100,060.00	6,845,785.00	21,000.00	100,020.00	204,350.00	1,943,500.00	99,171,697.25
AUGUST	106,761,334.43	17,622,368.32	31,020.00	6,671,620.00	117,467.26	72,550.00	541,415.00	950,000.00	132,767,775.01
SEPTEMBER	73,297,394.85	19,600,398.08	106,000.00	8,099,276.00	615,500.00	30,000.00	1,602,900.00	5,490,000.00	108,841,468.93
OCTOBER	114,580,861.74	16,803,521.01	0	7,389,521.00	564,000.00	10,070.00	370,970.00	1,650,000.00	141,368,943.75
NOVEMBER	38,710,822.36	15,871,156.50	51,020.00	8,096,646.00	525,500.00	0	261,240.00	1,800,000.00	65,316,384.86
DECEMBER	70,547,433.51	27,133,569.00	10,070.00	11,383,148.00	617,000.00	14,000.00	89,898.00	5,430,000.00	115,225,118.51

1,079,314,738

The withdrawal turnover of N1, 079,314,738.60 recorded in year 2011 was 266% of previous year 2010 figure of N404, 833,279.92 indicating that the level of the patronage by the member of public is on the increase and equally shows sound liquidity position of the bank.

OUR CORE VALUES (PRINCIPLES)

These principles summarize who we are and what we believe. As such, they guide our thinking and our behaviour and in turn influence the service that customers receive from us.

FAITH: Faith, to us means, belief in the God, from which flows qualities of consideration, respect and fairness.

ACCOUNTABILITY: We believe we are accountable to God as well as to our customers, in the way we run our operations.

CUSTOMER CARE

We are customer centric by our products and services; meaning customer satisfaction is key to us.

TRUST: In looking after and investing your money, we are in a unique position of trust and shall do everything to live up to the trust.

SERVICE: We believe in quality service delivery.

ADVERTISING PAY OFF: ...Our Bank, Our Value

BUSINESS MODEL

We intend to bridge the gap between the rich and the poor through our various poverty alleviation alternative micro credit products. Our business model is anchored on the following:

- Business model based on the Islamic rules of Transactions
- Micro Credit Products and facilities based on profit sharing principles
- Risk Management framework that focuses on business viability rather than assets collateralization.
- Banking Services based on Transparency, Service excellence, Trust and partnership.
- Provision of alternative financial solutions to meet everyday needs.

OUR PRODUCT OFFERINGS

We take pride in providing our alternative financial service to the low-income earners and down trodden economically active poor ranging from the followings ethical products:

Consumer Cooperative Support Account

THE CONCEPT: It is designed to enable Existing and newly formed Cooperative Societies enjoy our financial backing and support for their members' home improvements (Assets Acquisition) and economic empowerment.

Ethical Fixed Deposit & Notice Account

THE CONCEPT: It is designed to enable account holder maintains fixed term deposit or Notice account under the bank profit sharing ethical investment.

Baby Bond/Smart Kids Savings

THE CONCEPT: It is a promising Child Trust Fund designed to help parents give their children a great financial head start and for their future school expenses.

Sallah /Other Festival Savings

THE CONCEPT: The account is designed to encourage small savings towards making provision for their future festival expenses. It is to lessen the cash outflow during the festival period and ensure a proper preparation.

Hajj/Umrah Savings

THE CONCEPT: It is designed to enable Muslims save towards performing spiritual purification of their souls and in fulfillment of the last pillar of Islam.

Micro lending (Business Financing); we give out short term business finance to our customers based on **Administrative Charges** for a period of 2 to 3 weeks; The Administrative Charge we take is uniform and flat in respective of the amount of facility taken by a client.

Endnotes:

[i] The Insurance Regulatory and Development Authority of India issued a microinsurance regulation in 2005, which contains a product and coverage-specific guidelines for insurers in the country. See Torkestani et al. (2008) for several other definitions.