

Minimizing Unemployment in Nigeria through Mudharaba Finance: a proposed framework

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ABSTRACT

Mudharaba is an asset-backed financing tool used in Islamic finance to bridge financial gap in the society such as funding agricultural output and farm credit, infrastructural projects and investments. It is proposed in this study as an effective Islamic means of creating jobs and fixing youth's unemployment challenges in Nigeria in addition to the impact of covid-19 pandemic which has left more people jobless in the country. The primary aim of mudharaba financing is its equity model in profit and loss sharing whereby the capital provider and the user equally share risks that occur in business without negligence from fund user's end. Therefore, the scope of this paper examines the concepts of mudharaba financing, enumerates its necessity, merits and applicability for poverty reduction, employment generation, survival and sustainability means for Nigerian populace and particularly youths who occupy more than half of the population with skills on petty trade and agricultural practice. The study employs qualitative analysis from online articles, library materials and reports. Data was collected from an interview conducted on three basic elements of Mudharaba. The findings revealed that financing via mudharaba is based on justice, equity and fairness, benefits and professionalism, and guarantee. It showed that unemployment will be minimized through this technique with the collaboration of the Federal government with its Central Bank (CBN), initiating schemes and policies that would ease access to capital and as a channel of empowerment from Non-Interest Financial Institutions (NIFIs) and conventional windows offering Sharia complaints services in the Nigerian banking sector.

Introduction

Unemployment is considered to be among one of the hugest danger to any stable society as stated by ILO (2012) for its significant decline to 5.42% according to the data published by Plencher in November 25, 2020 (<https://www.statista.com>). Nowadays,

unemployment is like a pandemic in black African countries which governments found a big problem and difficult to mitigate. The state of Nigeria's unemployment is panicking. In Nigeria presently, after insecurity is mentioned, the next trending issue is youth unemployment which vast majority of Nigerians believe it's the second reason for the

recent protest. At this juncture, the role of non-interest institutions and its services came to the table of discussion, knowing that non-interest bank is an egalitarian institution which harboring customers from various realms irrespective of their diversity, race and creed to partake in its services. Its capability in financing developmental projects socially and economically cannot be ruled out with record of great developments.

Nigeria is largely known as the most populous country in Africa, it plays an influential role in the West African region as it carries a large portion of its economic activity. It is the largest producer of cereal in the whole West Africa (www.oecd.org/swac). It is known for its vast land of agriculture and crop cultivation which is their means of subsistence (Micropedia, 1998). Its location falls in the southern coast of West Africa on the Gulf of Guinea between Benin in the west and Cameroon in the east with a size area of 923,768 square kilometers. It shares the same border in the north by Niger and Lake Chad in the north east. (The Library of Congress, 2008). The country was hugely impacted by the transatlantic slave trade in the late 15th Century.

Similarly, Nigeria is designed as a secular state; pluralism remains the practice due to the 1914 amalgamation in the colonial rule. Due to military intervention in the history of Nigeria, the current structure is not seemed to be democratic enough. However, its success had been undermined in recent decades by insecurity, bad governance, inappropriate federal system structure, ethnic and religious conflict, agitations in its various forms, massive official corruption, and an ailing economy. The country was once rated as the world's eighth largest oil producer. Unfortunately, it stood at 15th largest oil producer with the effect of pandemic and political issues (<https://www.ceicdata.com>). There has been critical debate over the creation of Nigeria as a nation in which some described it as a mere geographical expression; (Philips, 2005). However, some believed that the togetherness till today is God's will and the country can still be better reformed with the aid of political will. The country is blessed with abundant human, material and natural resources such as oil, gas, coal and others while it still depend on oil export.

Interestingly, the evolution of Islamic finance in the global world came to effect and it is significantly gaining momentum in both Islamic and non-Islamic environment. Nigeria embraced non-interest banking system in different levels when Bank PHB Plc (Habib Bank) and now Keystone Bank Plc granted full license in 1992 under the CBN act to operate non-interest banking services on the Nigerian Stock Exchange (NSE) market under Lotus Capital limited window operating on interest free and Islamic legal compliant investment. (CBN, 2011; www.pwc.com/ng). Ever since the first full-fledged

Islamic microfinance bank known as *Al-Barakah* started operation in 2010 in the commercial capital and two years after in Kano and Kaduna, transacting on the basis of non interest principle (Aliyu, 2012). *Jaiz* Bank Plc followed suit where it started its own operations as a regional bank in the country. Since this development came into success in Nigeria, interest free banking has impacted positively on the economy; according to IFSB (2019), Nigeria like other African continents witnessed green growth and development which indicates a good signal for non -interest banking industry in the country. Non-interest financial institutions participate in services like safekeeping of deposits *Wadiyah*, profit sharing investment contract *Mudharaba/Shirkah*, and others for financing agriculture, power, rail project, road, and other physical assets like inventory, machinery and equipment. (Ogunbado, 2015; Muhammed et al, 2016; 2017 & Ogunbado, 2019).

After this introduction, this paper presents the problem of the study, research questions and literature review which the authors use to accomplish the research objectives. It briefly addresses the meaning of *Mudharaba* contract, its legality and constituents in Islamic perspective. It further explains the need for *Mudharaba* Finance in the society and in particular Nigeria. The paper elaborates on how Nigeria can fix unemployment menace, a framework on the application of *Mudharaba* finance is proposed in this study for unemployment minimization in Nigeria. It expatiates how *Mudharaba* instrument serves as a facilitator for social stability and sustainable ecosystem. At the same time, it elucidates the methodology adopted in the study and the findings. Lastly, the study concludes and suggests some recommendations for the federal government of Nigeria in order to achieve its aim in lifting Nigerians out of poverty.

Problem Statement

Empirical evidences have shown that people in developing countries lack fund to embark on their miscellaneous activities like farming and petty trade businesses (Agwu and Edwin, 2019; Chisasa, 2015). Apparently, Nigeria falls into this category of the countries with steady unemployment in which at least 60% of its population is youths with experience in agriculture and crop farming, entrepreneurial activities, small and medium scale enterprises but lack funds (Kayode, A. et al., 2014; Statista, 2020). Many young Nigerians have also used their talents in developing various technologies such as electric bicycle and others; they have not been motivated either by the government or individuals to improve on these potentialities. The pandemic immensely contributed to loss of job in the country, unemployment increases due to the plunge in oil prices which appears to be the main source of the

country's revenue. With all these, it became necessary to introduce *mudharaba* financing as an initiative to empower skillful and talented youths in the country.

Secondly, the researchers have not been able to capture a study developed as a framework that specifies *mudharaba* funding as a way forward to unemployment challenges and as a means of survival in Nigeria. Thus, this paper targets the effect of people and financial capacities towards small and micro businesses for their powerful impact on the economy which will further alleviate poverty in the land.

Research Questions

1. What is *mudharaba* finance
2. Is *mudharaba* financing an Islamic financial tool?
3. How can *Mudharaba* financing reduce unemployment in Nigeria

Research Objectives

1. To explain the meaning of *mudharaba* finance from Sharia perspective
2. To expatiate and examine *mudharaba* contract as profit and loss instrument in Islamic finance
3. To analyze how murabaha financing can be utilized to curb unemployment in Nigeria.

Literature Review

Meaning of contract in conventional and Islamic perspective

To start with, contract is a natural human activity that one involves into in his/her day life for necessity, exchange of services in return to money and human development. Human being engages in contract activities such as marriage and various transactions like buying and selling etc.; it would be difficult to distant human being from contract agreement. Relatively, it posits a fundamental part of the economy as Islam considers it as part of human life activities with huge reward from Allah (God) in life and hereafter if properly executed and in accordance with Sharia principle. Literatures of Western scholarship defined contract as an agreement between two or more persons which is considered to be legal, valid and enforceable (Penner, 2008). A Dictionary of Law, postulates that contract is a legal agreement between two or more parties (Collin, 2004).

Peeping through these definitions, it can be derived that Western standpoint on the meaning of contract

is any form of agreement that is legally binding and voluntarily entered into by two or more persons, in which as a result of that, it places an obligation on each of them to fulfil certain thing for one or more of the other parties; through that, it gives each party the right to demand the performance of whatever promised to them by other parties, this submission supports Webster's New World view (Wild, 2006).

In Islamic perspective, contract is called *Aqd*; it is defined in different ways by Sharia scholars in regards to their different view on what contract denotes. A Maliki Jurist known as (Al Bāji, 1910) Argued that contract is any form of verbal or writing expression in which offer and acceptance are fully extracted and understood from it, which will be considered enforceable and obligatory. According to Hanafi's submission as stated in the book of *Durar al Ukkam* (The Explanation of Majalah al-ahkam), contract is when there is a connection or an affiliation between offer and acceptance in a way that effect the subject matter of the contract. With proper observation, it shows that this particular observation of the *Hanafis* denotes that for a contract to be termed valid there should be cordial link i.e. Judgmental link in the expression of the parties of the contract, whereby it would influence all what is connected to the contract, such as parties and the subject matter. In addition to other sources of Islamic Jurisprudence, it depicts that Islamic and Western systems consider the presence of offer and acceptance which will be valid and enforced when sealed, it absolutely means that a legally binding contract cannot be dissolved without the consent of the other party (Basha, 1893).

Mudharaba as a contract

Mudharaba is an Arabic term; lexicons in Arabic language show that ancient Arabs say *al- darb fil ard* meaning traveling from one place to the other for business purpose (Al Farāidi, 2003). This particular term is commonly used by Iraq scholars who are mostly based on *Hanafi* and *Hambali* School while the word *Qirad* is the one popular in *Maliki* and *Shafihi* schools known as *ahlul-Hejaz* (Al Shalabi, 1891; Ibn Qudāmah, 1968; Al Zurqāni, 2002; Al Shāfihi, 1990). *Mudaraba* is a kind of partnership trade contract where two persons form an association; one partner gives money to another for the purpose of investing it in a commercial business enterprise. It is vested on equity between a fundraiser known as *rabbul mal* and an investment partner called *mudarib*. The capital does not necessarily need to be monies as the opinion of Hanafi School; it may also be in form of assets or valuable goods which can be used in the business (Al Zuhaili, 1997).

It can be deduced from this that Islam considers persons or institutions as partners whereby any

profit derived or loss suffered is shared equally between contracting parties, the wisdom behind this is to guarantee welfare of parties. Unlike conventional banking where its operation aims at maximizing profit. The multiplicity of profits is prevalent in the western system of loaning. If one borrows from another, they are not considered to be partners but creditors, any loss that came out of the transactions is at the expense of who received the advances (Nwaolisa and Kasie, 2013; Ajagbe et al, 2013).

Legality of the *Mudharaba*

The legal Islamic rulings on contract based on *mudharaba* principle can be traced to the advent of pagan Arabs whereby wealthy people give out their monies to experienced traders to trade with it perfectly and bring back the principal with profit. Later on, when Prophet Mohammad (peace be upon him) became Prophet, his wife Khadija authorized him to take certain amount of money for trade on the basis of *mudharaba* principle in which he did, and bring back the capital with profit (Ibn Hishām, 1955).

Interestingly, the permissibility of *mudharaba* can be twisted as some Quranic verses permit people to go round the world and look for Allah's blessings and mercy. Perhaps, trade or business is part of activities one can engage in while travelling through the land, seeking God's bounty.

"Qur'an 73 vs 20 says "others traveling throughout the land, seeking {something} of the bounty of Allah" (Saheeh International 2010, pg. 598).

Imam Bayhaqi, a known hadith scholar narrated in As-Sunan Al-Kubrah that:

Son of Abbas (may Allah be pleased with him) reported that: "When Abbas son of Abd al-Muttalib gives out money for *mudarabah* (profit sharing) purpose, he stipulates conditions for the user not to cross the sea with it; and not to descend the valley with the money, not to buy wet liver (bad livestock) with the money; and if he violates the conditions, he would guarantee the loss. The conditions were brought to the attention of the Prophet (peace be upon him) and he approved them" (Al Bayhaqi, 2003), Vol. 6 pg. 184 No: 11611.

It is reported that the companions like

"Abdullah son of Umar, Uthman son of Afan, Ali son of Abi talib, Abdullah son of Mas'ud, and Aisha daughter of Abi bakr and others all invest through *Mudharaba* means

using orphan's money". (Al Kāhsani, 1986) Vol. 6, pg. 79.

From this point, the scholarly consensus came to an agreement and approved the practice of *Mudharaba* as a legal contract (Ibn Hazm, 1998). So it is quite right to conclude that the validity of *Mudharaba* and its legality is established on prophet's endorsement, policy discretion and Islamic jurist consensus upon their confirmation of the practice from the Prophet and companions. Additionally, an Islamic maxim says "The basis of interactions or transactions *Muamalat* is considered permissible and legal if it does not contravene the Quran and Hadith, and not aimed at forbidden act (Ibn Taimiyah, 1991).

The practice of *mudharaba* was in place before the advent of Prophethood, the Prophet did not abolish the contract. He neither declared it unacceptable nor void but rather endorsed it (Al Kāhsani, 1986); Incapability of people to empower themselves results to the trending unemployment in the developing world. So encouraging *mudharaba* financing will ease monetary function of a country. That is why majority of the scholars affirm that *mudharaba* is needed because people are in need of the contract for its vast benefits, and where there are lots of rich and wealthy people who are capially buoyant and can finance an initiative or project properly may not have experience in lucrative businesses and vice versa, where there are many experienced, professionals and skilled people who cannot raise capital for profitable trade. So if both parties, the financier and skilled person who understands profitable business come together and reach an agreement to execute this contract the objectives of both parties is achieved (Badran, 2009).

Salient constituents of *mudharaba*

Scholars are divided concerning what constitutes *mudharaba*. Hanafi's jurisprudence postulates that components of contract generally are only offer *Ijab* and acceptance *Qabul*. Certainly, *mudharaba* is one of the contracts in Islamic transaction; in that case, offer and acceptance are only the component of *mudharaba* in that perspective (Haidar, 1880).

Secondly, majority of *Malikis*, *Shafihis* and *Hambalis* jurists are of the opinion that *mudharaba* contract comprises of three elements (Al Hatab, 2003; Zahid, 2011; Al Buhuti, 1980). It is worthwhile to categorize what constitutes *mudharaba* contract into three parts, namely:

- **Contracting parties *Aqidan*.** The contracting parties in this contract are classified into financier(s) who is also known as *rabulmal* (s) and entrepreneur, laborer or worker, fund manager, skillful person also referred to as *mudharib*. The investor/financier must be a legal person who can obligate legitimate agreement

naturally when entering into a *mudharaba* contract. The capital producer must have legal possession of the fund. It should not be money stolen and he must be in authority to act willingly.

- **The form** i.e. *sigah*; i.e. Offer and Acceptance; it is a means whereby the first party of the contract expresses his will to offer and the second party shows his acceptance for legally binding contract. It can be expressed through the means of writing, verbally or other reasonable implied action. The form will not be considered valid under force. There are opinions from the Islamic scholars on who should express the offer and who should accept, what is clear is that the offer and acceptance can be from any side of the contracting parties (Hassan, 2020).
- **The subject matter** *Mahal ul'aqd*. The subject is an integral part of *mudharaba* contract agreement. It is defined as what the parties are binding contract on, otherwise known as the matter of dispute i.e. matter presented for consideration. It must be a legitimate object, it must be clearly detailed so as to avoid dispute.

The need for *Mudharaba* finance in the society

1. *Mudharaba* finance for unemployment gap in Nigeria

Financing in general concept is a way of providing funds for an individual, investment or a business enterprise. It is needed in any economy for management purpose. Most of the time, governments or non Interest financial institutions may have surplus fund while others experience shortage of funds, there is need for those with excesses wanting reward to make funds available to parties in need for the prosperity and stabilization of the economy. Islamic banks and other non-interest windows participate in investment and transactions such as pledge *Rahn*, agency *wakala* and others. These financing modes are used through real assets and rendered by non interest banking industry to finance inventory, machinery and equipment, power, agriculture, bridge construction projects.

Mudharaba as trustee finance can definitely solve the steady surge in youth's unemployment in Nigeria if applied in line with its principle. Individuals or firms have adopted this mode in their business enterprise, in a situation where one party agrees to raise fund or machinery for business; other would share this experience on the business for it to prospect. Capital in Islamic context is therefore related to asset utilization for investment. (Kammer et al., 2015). *Mudharaba* finance then maintained the phenomenon of equity profit-sharing concept between capital producer and businessman, entrepreneur or crop farmers with strong principle

to aid sustainable environment (Tahrim et al, 2018). This finance mode will solved the position of agency which in most cases certain portion will be charged for that in a contract agreement. *Mudharaba* financing in some other aspect does not necessarily need the intervention of any third party, which is to say it minimizes fund. One of the virtues of this mechanism is that non-interest banks and cooperative society can easily transform it to *Musharaka* but with caution as it requires trust and honesty, expertise and professionalism. This is not to say that this finance mode cannot be structured in form of group of investors, just that it requires a manager who will wisely supervise the investment. The manager will account for the investors' money that's put in the business according to the investment guideline (Rammal, 2003).

According to Marginal economists' theory, pricing factor has effect on economy of a society for its role in determining income dispensation as the four factors of production does. (Mankiw, 2000). That means if there is no reasonable lending terms, it can hinder livelihood. For instance if the rate of interest in a loan application is multiplied due to late payment or delay, this would reduce productivity in the economic realm. At the G8 Okinawa summit held twenty years ago in Japan while discussing debt relief for indebted countries in the Globe, the former Nigerian President Chief Olusegun Obasanjo referring to multiplicity of Nigeria's debt, where he said

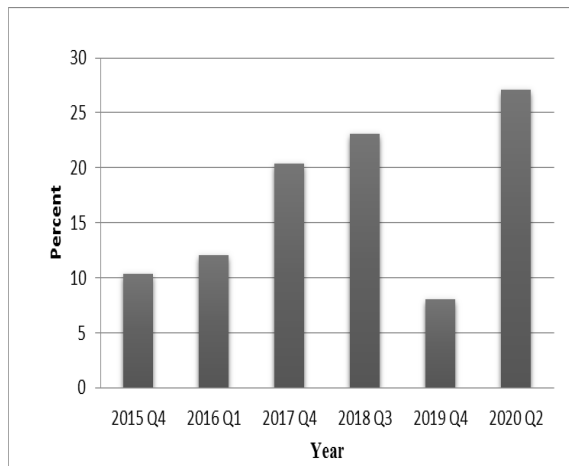
"All that we had borrowed up to 1985 or 1986 was around \$5 billion and we have paid about \$16 billion yet we are still being told that we owe about \$28 billion. That \$28 billion came about because of the injustice in the foreign creditors' interest rates. If you ask me what the worst thing in the world is, I will say it is compound interest" (G8 Okinawa Summit, 2000).

In reality, extra monies charged as a result of late payment have negative impact on economy of Nigeria. This type of interest in lending is also part of the problem the country is facing today where huge chunk of its revenue is being used to service debt not even the principal borrowed which will still be repaid.

Pursuant to 2018 PWC report, 67.7% of the Nigerian revenue was used to service debt (www.pwc.com/ng), this clearly exceeds the international acceptable limit which is 20 – 25%. More borrowings have also been appropriated in subsequent years till this year according to the 2021 budget passed by the house recently, the question now is when will this whole debt will be paid off? With this, there's hope that institutions like Islamic Development Bank (IDB) and others can do a lot in this aspect. Ajagbe et al (2013) conducted a study on

the prospects of non-interest financial institution in Nigeria; he concluded that Islamic finance is sustainable in Nigeria as it posits an alternative stance at the small finance level for underprivileged people who are really in need of capital. Therefore, there is no doubt that the presence of non-interest banking in Nigeria and establishing more will provide more jobs opportunities in the financial industry and to general public; this will later yield reasonable, sustainable and survival outcome; the unemployment rate in the country is scary for its steadily growth across the regions.

Figure 1. Unemployment Rate and Percentage Index in Nigeria, 2015 Q4 -2020 Q2



Source: Authors' computation from National Bureau of Statistics Database (2020) / <https://tradingeconomics.com>

The above diagram revealed that Nigeria's general unemployment rate currently stands at 27.1 % in the second quarter (Q2) of 2020, which appears to be the highest on record and the first time compared the Q3 of 23.1 % in 2018 after the unemployment rate was recorded at 12.1 % in March Q3 of 2016, up from 10.4 percent in the Q4 of 2015, reaching the highest since December of 2009. The number of unemployed persons had risen by 18 % to 9.485 million, employment grew a meager 0.12 % to 69 million and labor force went up 2 % to 78.4 million. The only time there was a decline was in the Q4 of 2019. Specifically, youth unemployment in Nigeria is 36.50% respectively. It slowly reduced compared to year 2019 from 38% and stood at 8.10%. Almost 85 million people in Nigeria living in poverty due to unemployment. Succinctly, one would see from the chart that unemployment in Nigeria keeps rising which is not healthy for the country's ecosystem. Government needs to do more and encourage more Islamic financial institutions to offer micro finance credit that would be interest free, so as to achieve target of lifting 100 million Nigerians out of poverty by 2030. This will go in Pari passu with the government scheme like presidential youth empowerment scheme, social investment fund, youth

empowerment scheme, farmers and traders' money, farmer's intervention fund, Npower, and others.

A framework on application of Mudharaba financing for minimizing unemployment in Nigeria

Unemployment

Unemployment is defined as a circumstance whereby a capable person who is ready and wishing to work cannot get sustainable and suitable job to finance his/her responsibilities (Udu and Agu 2005). As mentioned earlier, unemployment is currently one the greatest challenge facing the Nigeria at the moment. The United Nations report projected that by year 2050 more than forty percent of people will be living in extreme poverty in in Africa. Unfortunately, Nigeria is one of the countries (<https://www.borgenmagazine.com>). Therefore, it's worthy to introduce *Mudharaba* finance as a panacea to the unemployment issue which has caused people live in abject poverty in Nigeria. It's worthy to reiterate that Islam in any circumstance does not allow receiving legitimate earnings through a means or the other without creating something worthy in reward or engaging in activities of factors of production such as labour or entrepreneurial activities. So it can embark of financing agriculture by providing enough funds for these youths with farming experience on the basis of *mudharaba* principle. In the literature of *Fiqh Muamalat* (Transaction Jurisprudence), the discussion of partnership arrangements (profit-sharing) can be easily converted to venture capital. It differentiates good performance from bad one. Its principle in Islamic law implies that there should be no reward without bearing risk in business. In economics, there is no payment to labour unless it is associated with risk; usually risk is inevitable in business, so no reward for capital is allowed unless it is exposed to business risks or misconduct from his end. This finance medium is active and functional when investor or a group of investors provide capital to an agent-manager *amil, mudarib, muqarid* for the purpose of trade and returning the principal amount to the financier (investors) according to their agreement terms. In this case if there is any loss incurred from the transaction, the loss suffered will be borne by the investor(s) and the labourer will only suffer for his effort and time invested on the business.

Figure 2 below depicts the model Proposed framework of *mudharaba* financing for unemployment reduction and sustainability in Nigeria.

professional training to stakeholders in the institution. Studies show that *Jaiz* Bank has filled unemployment gap up to 150 persons, this absolutely helps reducing joblessness and eradication of poverty in the country. This is in line with Ogunbado, 2011, Muhammad et al, 2016a; 2016b Ogunbado et al., 2017) who affirm that financing agriculture through the means of *Salam*, *Murābaha*, and *Mushāraka* would create sustainable jobs; having legitimate job is one of the Islamic mechanisms of poverty eradication. For this to be impactful, the Federal government needs to rejig the governance structure to fasten empowerment process to achieving employment, sustainable development and poverty alleviation.

Methodology

The method adopted is via interview which was conducted at Brunei Muara district where three sects of persons were interviewed on the application of *mudharaba* financing technique. In this study, a *Sharia* jurist, an author in Islamic finance and experts in entrepreneurial business were engaged based on three essential features attributed to *mudharaba* which are: nature of *mudharaba* contract, capital, management, profit sharing right and treatment of losses. All these are categorized into:

- Benefits and Professionalism on the sides of the contracting parties,
- Guarantee on ethical dealings,
- Justice, equity and fairness treatment.

The study also utilizes library materials, internet information, and credible online articles which makes it a qualitative research content analysis. Information collected was recorded accordingly; responses given are as follows:

Figure 3. Data Presentation and Analysis

Personalities	Features		
	Benefits and Professionalism	Guarantee, Management and treatment of losses	Justice and equity treatment.
Responses			
Islamic scholar	✓	✓	✓
Author in Islamic finance	✓	✓	✓
Sharia Jurist	✓	✓	✓

Findings

1. The Basis of Benefits and Professionalism

Mudharaba contract arrangement offers a lot in terms of religion, economic and social benefits to the general populace and Islamic society in particular. It is a way by which Muslims economy and ecosystem can be opened and strengthened more easily and in

lawful ways. In Islamic perspective, the transaction is based on fiducial relationship and brotherliness. If entrepreneurs or investors involve in a trade agreement project, it is likely to be firm and seriously considered. Hence, the collective spirit in Islam lies on trust, honesty and truthfulness from the both parties. *Mudharabh* contract captures venture capital practices. In fact, it can easily be transformed into limited liabilities or venture capital. When investors and entrepreneur (*mudharib*) worked together, they are promoting and adding value to the societal and economic development. 100% professionalism or optimum experience on the business is vital, it will make *mudharib* feel enthused to efficiently carry out its expertise which at end his effort, energy and sweat will not be in vain.

2. The Basis of Guarantee on Ethical dealings, management and treatment of profits/losses

Guarantee can be termed as when the fund raiser ensures that the fund is judiciously managed and coordinated without his interference in such a way that would hinder the business activities, *mudharib* will then act diligently with good faith and integrity to earn desired profit. It is acceptable for the capital raiser to streamline certain conditions he sees necessary for the successful implementation of the money and at the end of the business period if profit made, the owner of the capital will receive his principal amount together with the proportional share of the profit in accordance with agreed ratio before the execution of the assignment. In case there is no profit but loss, the capital provider bears all the loss and only the basic amount will be deducted from the loss, it is the risk of loss that makes the capital owner entitle to profit, so the entrepreneur or the fund manager suffers no financial loss; he would only bear his effort and time wasted on the business. The investor (s) needs to make sure that the business he/she engaged in is legitimate and lawful in respect to Islamic rule.

Disclosure and Openness, transparency and accountability are much encouraged by him. The tenure *mudharaba* finance contract normally is from 6 to 12 months, it is capped at this range in order to minimize possible risks. However, a year is the most common one as some contract agreements do not stipulate durations. 25% of total capital is recommended for entering into *mudharaba* finance agreement. Some measures are needed to be put in place so as to help guarantee the fund after the right use and disbursement of the capital. In *mudharaba* guarantee contract, the profit ratio mustn't be unclear; it should state explicitly the conditions. For instance, if profit is derived, it will be shared either equally, one third, or three quarter on the net profit. Sharing formula like 8% or 22% is not considered valid. Any stipulated amount or fixed percentage of profit in any form is not acceptable. Ignorance or any ambiguities of capital or ratio of profit voids the

contract. In case *Mudaraba* contract becomes void or voidable, the financier will take all the profit realized and the *Mudarib* will only earn normal wages. Hence, it will be doubled *Ujratul-mithl* as a fair pay for his job. He will not have any share from the profit.

3. The Basis of Justice, equity and fairness

In the interview process, the respondents come to a unanimous decision that the element of fair dealings in *mudharaba* business contract is core. The profit should be divided in such a way that will not arrive to injustice or cheating, there should be fairness and justice in the sharing formula. The labourer or entrepreneur who will use the capital needs to be familiar with the nature of the business and possible risk that may occur so as to avoid disagreement. In a situation where profit is not declared or hidden, the capital provider has the right to benefit from the profit and pay the capital user his due entitlement all these terms should not be ignored at the time of the start of the contract agreement. According to a respondent the justice aspect needs to be handled with extra care if the first party is dealing with bank, because banks have a specific account known as profit equalization account which is aimed at easing the profit and usually be offered at the market value. In case the profit is bit higher than the market price, the investor will not have enough benefit as the extra profit above the market price is already present in the reserve account. In respect of this respondent, it sounds like injustice to the investor. The banks will then readjust this reserve account which will later cause problems to banks itself, for this reason, *mudharaba* is not much favorable if it is between the bank and investee. However, it is more appropriate and encouraged if it is done among individuals. Apparently, the goal of this proposal is to reduce unemployment rate and provide more jobs in Nigeria.

Conclusion and Recommendations

Mudharaba (silent partnership) is an Islamic mode of funding; it is one of the bottom line services that non-interest financial institutions deal with. Interest free banking and financing service posits an ethical banking system which gives rooms for justice, equity and fairness in trade. Islamic philosophy of business does not disregard profit motive. People found it cumbersome to raise fund to start a business even micro-entrepreneurs with small business also encounter problems in financing their start-ups.

Reasonably, the most obvious option is to partner with Islamic financial institutions either bank, cooperative society or Islamic based micro-credit firm to empower these initiatives and give them access to credits that would be repaid without. In other jurisdiction, micro-credit has become their norms in this kind of activity.

This paper discusses how Islamic financing can help skillful youths, infant entrepreneurs and in micro franchising scheme. It demonstrates how services can be sought from non-interest financial institution in Nigeria. By doing this, it will drastically decrease joblessness and poverty in the land. Therefore, easy and flexible payment arrangement would and auspiciously increase payment capacity. Also, this type of finance is beneficial to persons who wish to engage in transactions that go in line with their faith. Pious Muslims who have excess prefer to put their fund where Allah's blessing is, so it's a wakeup call for Muslims who are influenced by their faith.

At this point, it is necessary to recommended that the federal government of Nigeria needs to edify Nigerian minds on the benefits and advantages of Non-Interest banking and finance (Islamic banking); people outside Islamic faith can also gain from this services. This can be achieved through public enlightenment via various communication platforms such as television and radio station, newspaper and other internet platforms.

Government should prioritize infrastructural facilities and make environment conducive so as to attract players and concerned team to establish more non interest financial institution so that Nigeria can move forward through youth innovation. Youths experience constitutes an interesting point into nation building; all talented youths who are doing tremendous initiatives can be motivated and invested on by the government. Also the *mudharaba* finance proposal will coexist with the present launch of federal government survival fund program as aforementioned. This will catalyze the target of lifting 100 million Nigerians out of poverty by the projected time. One can anticipate that the main reason for the recent endsars protest is to deter police brutality in the country, fixing national issues, good governance and employment creation. If this proposal can be prioritized, it would silent agitations. Present government should also revisit the 2014 conference and address the issues at stake such as decentralizing power to state level, justice and equity fair play, ignore politicization of sensitive affairs, nepotism and all sorts of mischievous attitudes. Considering all these will facilitate empowerment of young people from local community level to the top state level.

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