Abstract

Today widespread poverty is one of the major problems of mankind and its alleviation one of her major agendas. In recent years microfinance has emerged as an important instrument to relieve poverty in the developing countries. Today there are more than 7000 micro-lending institutions providing loans to more than 25 million poor individuals across the world, their vast majority being the women. However these institutions face some serious challenges, especially in less developed countries where the proportion of people in poverty is high. The existing microfinance in Nigeria serves less than 1 million people out of 40 million being the potential number that need the service. Also, the aggregate micro credit facilities in Nigeria, account for about 0.2 percent of the GDP and is less than one percent of total credit in the economy. Addressing this situation inadequately would further accentuate the problem and slow down growth and development of the country. We find that the microfinance institutions charge interest rate as high as up to 100% for lending and pay as low as 5% on savings. This aggravates the existing inequalities in the distribution of wealth and income in Nigeria. Finally, Nigeria being a country with a Muslims majority, represents a potential for Islamic microfinance especially that most Muslims reject the conventional interest based micro financing, which is not tailored in line with their faith. This might cause failure of government project to combat poverty in the country through micro financing. Under the circumstance Islamic micro financing has potential to serve the country better. The paper has relied on the sources of Shari`ah law, secondary data from journals, periodicals, conference proceedings, text book, internet search and other sources of published data to support the argument.
Microfinance in Nigeria and the prospects of introducing its Islamic version there in the light of selected Muslim countries' experience.

Available Versions of this Item

- Microfinance in Nigeria and the prospects of introducing its Islamic version there in the light of selected Muslim countries' experience. (deposit 17. Apr 2008 01:03) [Currently Displayed]
- Microfinance in Nigeria and the prospects of introducing its Islamic version there in the light of selected Muslim countries' experience. (deposit 17. Apr 2008 04:20)
Thus, micro finance is supposed to meet the need of the poor to raising their financial sustainability, which in this case is not so. 2. Inadequate finance: One of the critical problems facing microfinance institutions in Nigeria is the lack of finance needed to expand financial services to clients. This primarily arises from low capital base of the institution, inordinate fixed asset acquisition, ostentatious operational disposition, inability to mobilize deposits, poor lending and questionable governance and management arrangement. 3. Unfavorable/Frequent Changes in Government Policies: Inst