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REDUCING FINANCIAL EXCLUSION AND ENHANCING CONTRIBUTION OF NON-INTEREST (ISLAMIC) BANKS IN NIGERIA

Ismaila Sabi Abdullahi[a,b*], Ashurov Sharofiddin[a,c] and Salina Kasim[a,d]

[a]*IIUM Institute of Islamic Banking and Finance, International Islamic University Malaysia, 53000, Selangor, Malaysia, and* [b]*Central Bank Nigeria, 33 Abubakar Tafawa Balewa Way, Abuja, Nigeria. (Email:* [b]*samaborgu@gmail.com;* [c]*ashurov@iium.edu.my; and* [d]*ksalina@ iium.edu.my)*

ABSTRACT

Financial exclusion denies people access to useful and affordable financial products and services including transactions, payment, savings, credit, and insurance. Thus, Nigeria launched its National Financial Inclusion Strategy in October 2012 to reduce financial exclusion to 20.0% by end 2020 from 46.3% in 2010; and the licensed *Islāmic* banks are stakeholders in this declaration. Thus, the study adopts an exploratory approach to discuss the contribution of Non-Interest (*Islāmic*) Banks in achieving the set target from the supply-side. The study found that *Islāmic* banks in Nigeria have contributed to reducing the exclusion rate from the supply-side to 35.9% in 2020 by financing customer centric *Shari'ah* compliant products; growth in branch network and other touch points; agent banking operations; and participation in the Central Bank of Nigeria non-interest intervention schemes. The study recommends the spread of their financial touch points to the unbanked rural populace in other states; while it encourages the government, the Central Bank of Nigeria, and all other stakeholders to sustain efforts in reducing financial exclusion.

JEL Classification: E58, G21, G53, O16

Keywords: Financial inclusion strategy, *Islāmic* banks, Financial exclusion, Supply-side analysis, Nigeria

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*Corresponding author: *samaborgu@gmail.com*

1. INTRODUCTION

Financial exclusion is a situation where individuals lack access to appropriate and affordable financial services and products (Connolly et al., 2011); for Devlin (2005), it means a proportion of the population has limited access to mainstream financial services. The Financial Services Authority (2000) in Britain defines financial exclusion (FE) as the lack of access to financial services, but it takes different shapes, wears many hats, and can be manifested in many forms by different groups. Over the decades, FE arising from economic deprivation and widespread poverty has been a global phenomenon that made governments, central banks, and non-governmental organizations (NGOs) renew efforts in combating this menace that has endangered growth and development, especially of emerging and developing economies. One such effort by the global community is 'the 2011 Maya Declaration'. More than 80 countries endorsed the 2011 Maya Declaration on financial inclusion, which is the first global and measurable set of commitments by developing and emerging country policy makers to unlock the economic and social potential of 2.5 billion people through greater financial inclusion (Alliance for Financial Inclusion – AFI, 2011). In 2012, the Federal Government of Nigeria and Central Bank of Nigeria (CBN) launched the National Financial Inclusion Strategy aimed at achieving a 20.0% financial exclusion rate by 2020 from 46.3% in 2010, implying that 80.0% of adult population (age 18+) would have access to financial services such as payments, savings, credit/loans, insurance, and pension products at affordable cost by 2020. Some progress was made and by 2020, since the exclusion rate has dropped to 35.9%, which is about 15.9% from the set target of 20.0%.

Literature identified several factors responsible for FE including societal factors, such as cultural and psychological barriers, social deprivation and poverty, and self-exclusion; demand factors resulting from low financial literacy, non IT savvy people, aged people with few or no assets; and supply factors arising from geographical and physical barriers (access exclusion), identity requirements and other terms and conditions as barriers to opening accounts (condition exclusion), and affordability (price exclusion). Furthermore, Burkett and Sheehan (2009) and Pearce (2010) acknowledged faith-driven FE. Bhalla and Lapeyre (1997) suggested research on social and FE on different spatial scales including minorities, ethnic groups, gender, and so forth; while Connolly et al. (2011) encourage research on persons born abroad especially from non-English speaking communities, who could be financially excluded as a result of their origin, faith, or even their current neighborhood.

Several studies have been conducted in Nigeria on the importance of enhancing financial inclusion for poverty reduction, economic empowerment, and inclusive growth (e.g., Clementina and Oyims, 2015; Fadun, 2014). Some have reported on the role of *Islāmic* banking and finance in enhancing financial inclusion in Nigeria (Abdullahi, Othman and Kassim, 2020; Shinkafi, Yahaya and Sani, 2019; Mustafa, Baita and Usman, 2018; Ya'aba and Mika'ilu, 2018; Adeyemi, Pramanik and Meera, 2012). The World Bank (2013) said *Islāmic* finance can play a significant role in enhancing financial inclusion in *Muslim* majority countries.

The study by Ya'aba and Mika'ilu (2018) was the first to explore the contribution of an *Islāmic* bank (Jaiz Bank Plc – the first full-fledged *Islāmic* bank in Nigeria) in enhancing financial inclusion and deepening. Ya'aba and Mika'ilu (2018) analyzed the financial deepening indicators leveraging on the work of Levine (2005); and Sarma (2008) who developed a composite financial inclusion index covering banking penetration index, banking usage index, and banking services index. Thus, the work of Ya'aba and Mika'ilu (2018), and also this study, examined the supply side conditions. But this study covers the operational *Islāmic* banks as against the case study approach in Ya'aba and Mika'ilu (2018).

This study focuses on the supply-side, exploring the contribution of the non-interest (*Islāmic*) banks in Nigeria in reducing FE. It builds on the maiden study carried out by Ya'aba and Mika'ilu (2018), but the study period and coverage of Ya'aba and Mika'ilu (2018) was extended; and *Shari'ah* compliant products offered by the banks from three dimensions of accessibility, availability and usage/adoption were analyzed. Following this introduction is the literature review as section two. Section three and four present the methodology and discussion of results, respectively. Section five concludes the paper by highlighting the major findings and policy recommendations.

2. LITERATURE REVIEW

2.1 EVOLUTION OF *ISLĀMIC* BANKING

In early 1960s, modern *Islāmic* banking evolved in Egypt covering its *Islāmic* image for the fear of being seen as a manifestation of *Islāmic* fundamentalism that was repugnant to the then political regime in

Egypt. Ahmad Elnaggar in 1963 pioneered the establishment of an *Islāmic* bank in the form of savings bank based on the profit-sharing principle in Mit Ghamr, an Egyptian town. This was followed by establishment of the *Islāmic* Development Bank in 1974 by the Organization of *Islāmic* Countries; Dubai *Islāmic* Bank (1975); Kuwait Finance House (1977); Jordan *Islāmic* Bank for Finance and Investment (1978); Bank *Islām* Malaysia (1983); Al-Rajhi Banking and Investment (1984); Arab Gambia *Islāmic* Bank (1996); *Islāmic* Bank of Britain (2004); European *Islāmic* Development Bank (2006) as the United Kingdom's first independent bank for *Sharīʿah* compliant investments; the *Islāmic* Bank of Asia (2007); among others. Besides that, several conventional banks offered *Sharīʿah* compliant services on a 'window-basis including the United States Michigan-based University Bank, HSBC Investment Bank, Lloyds TSB, Royal Bank of Scotland, Bank of Ireland, and so forth. On the African continent, Nigeria, Sudan, Libya, Tunisia, Morocco, the Gambia, among others, have successfully institutionalized *Islāmic* banking in their respective financial systems; as there are statutory regulations guiding the licensing, operations and functioning of *Islāmic* banks. The *Islāmic* Financial Services Board (2020) indicated that *Islāmic* banking assets grew by 12.7% year-on-year and accounted for 72.4% (US$1.766 trillion) of the *Islāmic* Financial Services Industry (IFSI) asset portfolio of US$2.44 trillion. The asset portfolio is expected to reach US$3.69 trillion in 2024.

In Nigeria, the defunct Habib Nigeria Bank Limited was granted license in 1992 to offer non-interest banking services on a 'window basis', but it commenced operations seven years after, in 1999. The bank, however, operated without a regulation guiding its conduct, as there was no regulatory framework for the licensing and operations of *Islāmic* banking in Nigeria then. Thus, in 2011 the CBN issued the Guidelines for the Regulation and Supervision of Institutions Offering Non-Interest Financial Services in Nigeria and the Guidelines on *Shari'ah* Governance for Non-Interest Financial Institutions in Nigeria. It also issued the Guidelines for the Regulation and Supervision of Non-Interest (*Islāmic*) Microfinance Banks in Nigeria in 2017.

At end-June 2021, Nigeria has three full-fledged *Islāmic* banks, namely: Jaiz Bank Plc; Taj Bank Plc and Lotus Bank Plc as 'specialized non-interest (*Islāmic*) banks'; while two conventional banks – Sterling Bank Plc and Sun Trust Bank Plc – offer 'window' non-interest banking services. Founded in 2003, Jaiz Bank Plc obtained regional license on 11th November 2011 and a national license in 2016. Taj Bank Plc obtained a regional license on the 3rd of July 2019 and opened to customers on 2nd December 2019. The most recent of them is Lotus Bank Plc that was granted a regional license on 17th of June 2021 but has yet to commence operations. Also, it is worth noting that Nigeria has been an *Islāmic* Development Bank (IDB) member since 2006. Nigeria's membership of IDB preceded the commercial licensing of the first full-fledged *Islāmic* bank – Jaiz Bank Plc. Nigeria also has *Islāmic* microfinance banks, *Islāmic* mutual funds, *Islāmic* insurance (*Takaful*) firms, and the *Islāmic* bond (*Ṣukūk*) market also. Al-Barakah Microfinance Bank was the first licensed *Islāmic* microfinance bank in Nigeria, and it commenced operations in Lagos in April 2010; while the Halal Fund of Lotus Capital Limited established in 2004 was the first *Shari'ah* compliant ethical mutual fund company in Nigeria; and it is registered with the Securities and Exchange Commission (Abdullahi, 2010).

2.2 REDUCING FINANCIAL EXCLUSION IN NIGERIA: POLICY INITIATIVES

The CBN has formulated and issued several regulatory frameworks and guidelines aimed at reducing FE and promoting economic activities for inclusive economic growth and development. A taxonomy of the relevant frameworks and guidelines meant to support this target is presented in Table 1:

TABLE 1
List of Regulatory Frameworks and Guidelines Issued to Support Financial Inclusion

Regulatory Frameworks and Guidelines	Date Issued	Support For Financial Inclusion
National Financial Inclusion Strategy	October 2012	A roadmap for reducing financial exclusion to 20% by end 2020
Guidelines for the Regulation of Agent Banking and Agent Banking Relationships in Nigeria	February 2013	Use banking agents as delivering channel for enhance financial inclusion
Guidelines for Mobile Money Services in Nigeria	2015	For adoption of mobile channel to drive financial inclusion to the unbanked

TABLE 1 *(continued)*

Regulatory Frameworks and Guidelines	Date Issued	Support For Financial Inclusion
Regulatory Framework for Mobile Money Services in Nigeria	2015 and July 2021 (Revised)	For adoption of mobile channel to drive financial inclusion to the unbanked
Regulatory Framework for Licensing Super Agents in Nigeria		To enhance financial inclusion of the unbanked
Guidelines for Licensing and Regulation of Payment Service Banks in Nigeria	August 2018 and October 2020 (Revised)	To leverage on mobile and digital channels to enhance financial inclusion to low income earners and the unbanked

Source: Compiled by authors

2.3 FINANCIAL EXCLUSION AND ACCESS TO FINANCIAL SERVICES IN NIGERIA

In Nigeria, a baseline survey on access to financial services was conducted in 2008 by the Enhancing Financial Innovation and Access (EFInA). EFInA found that out of 86.6 million adults (18+ years), about 53.0% (or 45.4 million) of them were financially excluded. As part of its commitment to endorsing the 2011 Maya Declaration by Nigeria, however, the CBN launched the National Financial Inclusion Strategy (NFIS) on 23 October 2012 with a major target of reducing the FE rate to 20.0% by 2020 from 46.3% in 2010. With this deliberate strategy of combating FE, the rate fell to 39.7% in 2012 and further to 36.8% and 35.9% in 2018 and 2020, respectively (EFInA, 2020). Furthermore, the banked population rose from 18.3 million adult populations in 2008 to 28.6 million in 2012 and further to 39.5 million and 47.6 million adults in 2018 and 2020, respectively; while the unbanked population as of 2020 stood at 58.5 million adults (EFInA, 2020).

2.4 DIMENSIONS AND CAUSES OF FINANCIAL EXCLUSION

Different papers have explored the dimension of financial inclusion measurements and a few of their findings are reviewed here. Ali, Sakti and Devi (2019) use three dimensions of accessibility, availability and usage to measure the *Islāmic* Financial Inclusion Index as propounded by Sarma (2012). Another measure is ownership of a bank account, its usage for savings and access to credit/loan (Zins and Weill, 2016). Likewise, ownership of an account, saving in it and frequency of usage are reported by Allen et al. (2012).

On the forms of FE, the following forms of FE were found in the literature, namely: (a) access exclusion resulting from the remote location of people and/or process of risk management; (b) condition exclusion is when exclusion occurs due to inappropriate condition facing some people; (c) price exclusion is when exclusion arises from high cost of financial products; (d) marketing exclusion is when only profitable segments of the adult population are targeted; and (e) self-exclusion is when people exclude themselves for cultural or psychological reasons (Kempson and Whyley, 1999). Furthermore, these forms of FE were coded into (i) societal factors causing exclusion (Burgstaller, 2013; Mitton, 2008; Atkinson and Kempson, 2006; Mcdonnell and Westbury, 2002; and Collard, Kempson and Whyley, 2001); (ii) demand factors (Healey, 2011; Osei-Assibey, 2010; and Beck and Dermigue-Kunt, 2008); and supply factors (Saunders, 2011; Burkett and Sheehan, 2009; and Datta, 2009).

In Nigeria, EFInA (2018) identified the main barriers to financial inclusion to include lack of products and services, lack of awareness and knowledge, institutional exclusion, and affordability. EFInA, however, did not investigate whether religious beliefs contributed to exclusion.

2.5 ROLE OF ISLAMIC BANKS IN REDUCING FINANCIAL EXCLUSION

The role of *Islāmic* banks in reducing financial exclusion (FE) is still being debated. Thus, a literature review was conducted to understand the dimensions and forms of FE. The Managing Director of the World Bank in 2012 – Mr. Mohieldin, opined that "*Islāmic* Finance has the potential to meet more people's banking and investment needs, expand its reach, and contribute to greater financial stability and inclusion in [the] developing world."

Many studies have emphasized the positive role of *Islāmic* finance in reducing FE or enhancing financial inclusion. According to Alhajam (2017), an overwhelming demand for *Islāmic* finance exists in Libya because people believe that it will favor economic development, social justice and poverty reduction. Brekke (2018) investigated whether religious norms financially exclude Muslims in

Norway and found that almost 90.0% of the *Muslims* sampled agreed with the statement that "conventional banks provide interest based loans, which are totally forbidden in *Islām*", and thus, it is a real problem in their lives that interest free loans are unavailable in Norway. In terms of awareness Sain, Rahman and Khanam (2018) and Brekke (2018) found increasing awareness and demand for *Islāmic* financial products and services among respondents. As for affordability, Sain, Rahman and Khanam (2018, 2016) found that Muslims in Australia are ready to use *Islāmic* banking products and services regardless of the cost.

Mohieldin et al. (2012) argued that *Islāmic* finance enhances financial inclusion or access to finance through (a) promoting risk-sharing contracts as a viable alternative to conventional debt-based financing and (b) the use of specific instruments *(Zakāt, Ṣadaqat, Wāqf* and *Qard-al-hasan* – benevolent loan*)* of wealth redistribution in the Organisation of *Islāmic* Cooperation (OIC) countries. Evidence from Sub-Saharan Africa revealed that the introduction of *Islāmic* banking and finance in some OIC countries enhanced financial inclusion, as households from OIC countries with *Islāmic* banking and finance operations are more likely to be financially included than their counterparts in OIC countries without the same (Abdu et al., 2018). Jouti (2018) opined that *Islāmic* finance not only enhances inclusion but has potential of attracting financial migration to *Islāmic* banks. Ya'aba and Mikailu (2018) explored the contribution of Jaiz Bank Plc to financial inclusion and deepening in Nigeria as a maiden study. Their exploratory work centered on the broad definition of financial deepening indicators (deposit liabilities, financing facilities and total assets) by Levine (2005); and financial inclusion indicators (banking penetration index – BPI, banking services index – BSI, and banking usage index – BUI) as found in Sarma (2008, 2012). They concluded that Jaiz bank had contributed enormously to achieving the Maya commitments.

Following the Sachar Committee report that Muslims in India are financially excluded, Nazar (2017) surveyed the Kerala Community and found that most respondents owned bank accounts, but the extent of usage was only for namesake. He also found that awareness of and preference for *Islāmic* banking among *Muslims* and Non-*Muslims* was very high. Thus, he suggested the introduction of *Islāmic* banking in India, also as recommended by Mohieldin et al. (2012) and Abdu et al. (2018) for OIC countries without *Islāmic* finance; while Jouti (2018) recommended the same in Morocco.

Principally, the role of *Islāmic* finance in reducing FE is rooted in *Islām* over 1400 years ago in the following verse of the Holy *Qur'an*:

> Whatever Allah restored to His Messenger from the inhabitants of the villages belongs to Allah, and to the Messenger, and to the relatives, and to the orphans, and to the poor, and to the wayfarer; so that it may not circulate solely between the wealthy among you *(Qur'an,* 59:7*)*.

3. METHODOLOGY

This study obtained secondary data, relevant published documents on the activities and operations of the Non-Interest (*Islāmic*) Banks in Nigeria. Data were collected on number of bank accounts, total assets portfolio, total deposit portfolio, total financing on products offered, and branch network as qualitative proxies used by Ya'aba and Mika'ilu (2018) and Ali, Sakti and Devi (2019)[1], leveraging on the propositions of Sarma (2008, 2012) and Levine (2005). This article, however, discussed the number of unique customers as well as number of bank accounts. Customers are unique because a customer could own numerous bank accounts.

The inclusion of off-site automated teller machines (ATMs) count to support banking penetration dimension, as in the study of Maity and Sahu (2020), was considered. In contrast, this study used total ATMs (on-site and off-site) count because they make banking services available even when branches close doors to customers, and so do the point-of sales (PoS) terminals at agent banking locations and merchant shops. In addition, the current role of mobile money operators through agent banking in driving financial inclusion cannot be ignored. Hence, this study also considers the number of agent networks under the agent banking operations of the non-interest (*Islāmic*) banks in Nigeria as a measure of banking penetration, banking services availability and usage. Agents provide services such as cash-in/deposit; cash-out/withdrawal; fund transfer; bill payment; airtime purchase and facilitate account opening and registration of customers on the bank verification number (BVN) platform in Nigeria. The CBN non-interest intervention schemes also exist. Another key variable is financial literacy, which Koku (2015) and Bihari (2011) found to be positively related to financial inclusion. Thus, this study is exploratory in nature and employed descriptive and content analysis for discussion of results from a supply-side perspective.

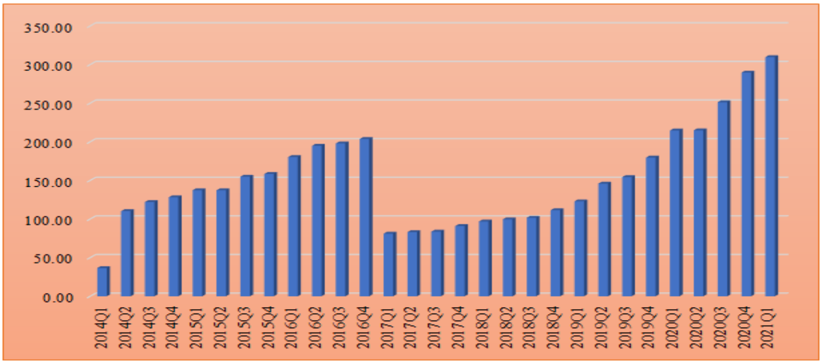
4. RESULT DISCUSSION

Analysis of the result centers on the non-interest (*Islāmic*) banks contribution in reducing FE in Nigeria, from the supply-side perspective. The financial inclusion indicators of interest in this article as identified in the literature and explained in the methodology section include: (a) total assets portfolio; (b) total deposit portfolio; (c) total financing portfolio; (d) number of unique customers and bank accounts; (e) number of branches, ATMs, PoS and agents – as financial touch points; and (f) CBN non-interest intervention schemes. These indicators are analyzed in turn.

4.1 TOTAL ASSETS PORTFOLIO

Available data showed that total assets portfolio of non-interest (*Islāmic*) banks in Nigeria grew steadily on a quarterly basis for three years from ₦36.50 billion in 2014Q1 to ₦203.64 billion in 2016Q4; after which it dipped to ₦81.07 billion in 2017Q1. However, it picked up in 2017Q2 and rose steadily to ₦214.64 billion in 2020Q1 before the COVID-19 lockdown in Nigeria (April 2020). Despite the COVID-19 storm, the total asset portfolio of the non-interest banks rose moderately till it peaked at N309.72 billion in 2021Q1 (Figure 1).

FIGURE 1
Value of Total Assets of Non-Interest Banks in Nigeria (₦'Billion)

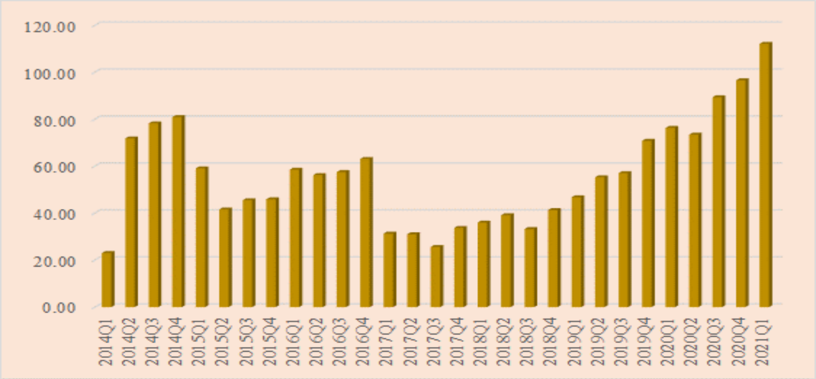


Source: Central Bank of Nigeria

4.2 TOTAL DEPOSIT PORTFOLIO

The total deposit portfolio of the non-interest (*Islāmic*) banks leaped in 2014Q2 to ₦71.84 from ₦23.03 billion in 2014Q1 and maintained steady growth throughout 2014; and thereafter, it experienced undulation through l 2017Q3. From the fourth quarter of 2017, it grew progressively to ₦112.13 billion in 2021Q1; except for the mild declines in 2018Q3 and 2020Q2 (Figure 2). The growth in total deposit indicates the increasing role of the *Islāmic* banks in savings mobilization, which is an indicator in monitoring decline in FE.

FIGURE 2
Value of Total Deposit Portfolio of Non-Interest Banks (₦'Billion)

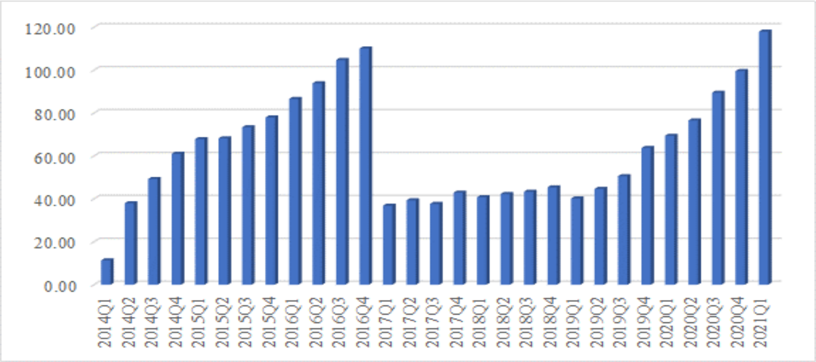


Source: Central Bank of Nigeria

4.3 TOTAL FINANCING PORTFOLIO

The non-interest (*Islāmic*) banks financed such contracts as the '*Ijārah*' (operating lease); *'Ijārah Wa Iqtina'* (finance lease); '*Ijārah'* (rental receivable); *'Murābaḥah'* (cost-plus); *'Mushārakah'* (equity partnership); *'Istisna'a'* (project finance); and *'Qard'* (benevolent loan) as their product offerings. The non-interest (*Islāmic*) banks performed remarkably well exhibiting two cycles: (a) the first cycle starts in 2014Q1 to 2016Q4; and (b) second cycle starts in 2017Q1 to 2021Q1. Their financing grew from ₦11.31 billion in 2014Q1 to ₦110.05 billion in 2016Q4; but it dipped in 2017Q1 to ₦36.82 billion, and thereafter, it rose gradually to a peak of ₦117.95 billion in 2021Q1. Furthermore, it grew steadily all through the COVID-19 period – 2020Q2 to 2021Q1 (Figure 3). This is an indication of bank resilience operationally and inclusivity of financial consumers.

FIGURE 3
Total Financing by Non-Interest (*Islāmic*) Banks (₦'Billion)

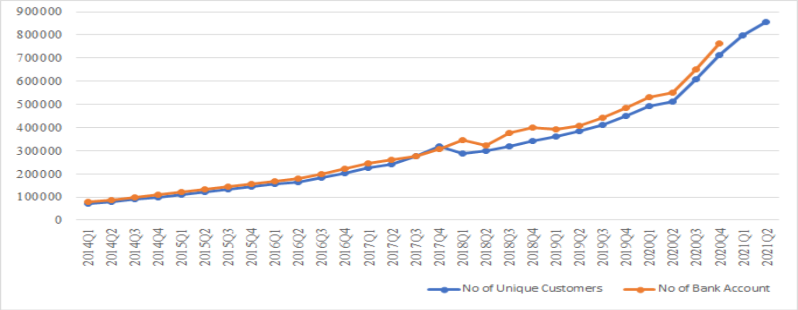


Source: Central Bank of Nigeria

4.4 NUMBER OF UNIQUE CUSTOMERS AND BANK ACCOUNTS

Number of unique customers of the non-interest (*Islāmic*) banks stood at 70,850 in 2014Q1. The number rose exponentially to 318,287 customers in 2017Q4 and further to 448,936 as at end-December 2019 (2019Q4) when Taj Bank commenced operations. By end of 2021Q2, the non-interest (*Islāmic*) banks have 854,801 total unique customers. Similarly, individual, joint and corporate deposit accounts with the non-interest (*Islāmic*) banks stood at 77,258 as at 2014Q1 and rose to 108,335 deposit accounts by end of 2014Q4. It further skyrocketed to 308,356 accounts, 484,685 accounts and 763,888 accounts in 2017Q4, 2019Q4, and 2020Q4, respectively (Figure 4).

FIGURE 4
Number of Unique Customers and Bank Accounts of Non-Interest (*Islāmic*) Banks



Source: Non-Interest Banks in Nigeria

4.5 NUMBER OF BANK BRANCHES, ATMS, POS AND AGENT BANKING LOCATIONS

Bank branches, ATMs, PoS and agent banking locations are financial touchpoints for accessing financial products and services. The branch network of the non-interest (*Islāmic*) banks rose from 12 in 2014Q to 27 branches at end of 2016Q4[2]. It rose to 41 branches by end of 2019Q4[3], and further to 44 and 50 branches at end of 2020Q4 and 2021Q2, respectively. In the northern part of Nigeria, there are 41 branches spread across Abuja – the Federal Capital Territory and 16 states out of 19 in the region; while 9 branches are located in Lagos (4), Osun (1), Oyo (3) and Rivers (1) states in southern Nigeria, which is made up of 17 states. Likewise, the number of ATMs deployed rose from 36 in 2015Q1 to 175 by end of 2020Q4. Available data reveals that the number of PoS terminals deployed and connected stood at 1,679 as at end-June 2021 compared with 1,426 terminals as at end-December 2019. From the agent banking operations, the non-interest (*Islāmic*) banks are principals to a network of 3,600 agents as at end 2021Q2 relative to 1,058 and 84 agents in 2020Q2 and 2020Q1, respectively.

4.6 THE CENTRAL BANK OF NIGERIA NON-INTEREST INTERVENTION SCHEMES

To increase access to finance by non-interest (*Islāmic*) banks and reduce FE in Nigeria, the CBN on July 21, 2020 introduced eleven (11) financing schemes to cater for the non-interest financial institutions. The intervention schemes are targeted at the agricultural sector; textile industry; micro, small and medium enterprises (MSME); health sector; and creative industry among others. The schemes leverage on *Islāmic* financing contracts such as *'Murābaḥah', 'Istiṣnā', Mushārakah, Diminishing Mushārakah, Muḍārabah, Ṣukūk and service Ijārah*. The CBN Non-Interest Intervention Schemes recognize the non-interest (*Islāmic*) banks as the only participating banks. The CBN lends funds to the non-interest (*Islāmic*) banks who in turn lend to economic actors operating in the identified sectors.

5. CONCLUSION

Nigeria's commitment to reducing FE for inclusive growth is expressed in its National Financial Inclusion Strategy with a set target and specific timeline. To achieve this laudable goal, different initiatives and programs were introduced including the licensing of non-interest (*Islāmic*) banks to cater for the adult population that are financially excluded for religious reasons. This study builds on the maiden work of Ya'aba and Mika'ilu (2018) who studied the only non-interest (*Islāmic*) banks operating within their study period, to discuss the contribution of the non-interest (*Islāmic*) banks in reducing FE in Nigeria. This study focused on supply-side analysis of the various financial inclusion indicators that mirror accessibility, availability and usage - the three dimensions of financial inclusion[4]. We found that the non-interest (*Islāmic*) banks have contributed in increasing accessibility to financial touch points, availability of financial services and deepened usage. The existence of the non-interest (*Islāmic*) banks has also necessitated extension of the CBN conventional intervention schemes with non-interest versions. The paper recommends that a required enabling environment should be created to enable the non-interest (*Islāmic*) banks to spread their presence to other parts of the country.

Our study has its limitations' one is its inability to source data on the operations of the two non-interest windows of conventional banks and primary data from survey to evaluate the level of financial literacy. Thus, we encourage further research, especially a focus on getting comprehensive data for empirical evidence such as developing a composite *Islāmic* financial inclusion index for Nigeria.

ENDNOTES

1. See also Koku (2015), Kumar (2013), Bihari (2011), & Chithra and Selvam (2013).
2. Jaiz Bank Plc was granted national banking license in 2016.
3. Taj Bank Plc commenced operations.
4. Sarma (2008, 2012).

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