ISLAMIC BANKING IN WEST AFRICAN SUB-REGION: A SURVEY

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ABSTRACT

This paper looks at Islamic Banking in West African sub region by juxtaposing it current status visa-vi the vast potentials of the region. Though, the study is restricted to selected countries in the region (six of them), there are sixteen countries that made up the region; who are endowed with different resources ranging from mineral, agricultural, vegetational, historical to human resources. With a total population of over 300 Millions and combine Gross Domestic product of more than $500 Billions the region potentiality is vast. The findings of the paper in the countries of this survey is that Islamic Banking is yet to take up fully as there are still many domestic obstacles to the operations of the system in these countries. Despite these problems some successes have been achieved in Nigeria, Senegal and Guinea. The approach adopted in this paper is both thematic and geographical, while the method of showing findings is descriptive as the study is a survey. Most of the data uses for this research are generated from secondary sources.

Key words
Islamic Banking, Shariah, West-Africa, Financial system

INTRODUCTIONS

West Africa is one of the five regions that make up the African continent, the others being East, North, South, and Central Africa. It location and access to the sea put it in strategically important position very conducive for any modern day business to flourish. Home to African giant Nigeria, west Africa is also blessed with other strategic African countries such Senegal, Ghana and Ivory Coast. The history of the region since independence from European colonizers is rich with different stories including many military coup, civil wars. West Africa is the most populated of the five African regions, and one with the highest number of countries sixteen out of more than fifty on the continent. The history of modern banking in West Africa can be traced to the period of colonialism when colonialist like Britain and France introduced conventional banking into their colonies in order to facilitate trade between mostly expatriate and the few educated Africans (Boahen, 1966). This agenda achieved it aims as banks quickly sprung up in major commercial centers of West Africa such as Lagos, Dakar, Abidjan, and Accra. Some of the banks established during that period exist to date. The biggest and oldest bank in Nigeria to date, the First Bank of Nigeria limited, was established during that era as the first conventional bank in Nigeria (First Bank portal).

Islamic banking today has become a global phenomenon that no continental region of the world can do without it, either by whole adaptation or borrowing of part of its doctrine. The global market for Islamic finance is currently put at over $1 trillion (Global Islamic Finance, 2012), and growing at a double digit rate. The last major global financial crisis has brought to the fore front the many advantages of Islamic banking over the conventional interest base system. With over 500 hundreds Islamic financial institutions around the world, Islamic finance is set to become a major global player in the world of finance. Already, Islamic finance is acknowledged to be the fastest growing segment of international finance (Hassan and Dridi, 2010). Islamic bond the Sukuk is also making important head way looking at the rate at which it is accepted globally both by Islamic and conventional institutions (Abdullahi, 2013). Here in West Africa, the central bank of Nigeria has confirmed recently that it is on course of issuing it own Islamic bond in the very near future. With over 300 million people majority of them Muslim the region of West Africa is set to become a global hub for Islamic banking and finance. Already countries such as Nigeria, Senegal, Ghana and Niger have started opening their doors to Islamic finance. Though, the region is poor like most of Africa, the Islamic banking system and the region need each other for mutual benefits; Islamic banks will help accelerate the region economic growth and development, and help reduce inequality and poverty. While the region will provide the Islamic banking system with new growth area with its population of over 300 million people.

The aims of this paper are to explore the possibilities of introduction of Islamic banking in West African countries, survey existing Islamic banking market, as well as to look at the challenges that come with the introduction of the system. Already some few Islamic financial institutions have begun operations in Nigeria, Guinea and Senegal, but, they are to some extent at experimental level. The fact that West Africa has the second largest number of Muslims in Africa after North Africa (CRS, 2008) should have attracted the attention of global communities concerned with the development of Islamic finance world wide. But, despite the large population not much has been achieved in the spread of the system in the region, even in Nigeria with more than 80 million Muslims it was only in the last year that the first fully fledge Islamic bank started operating. While the global Islamic community has been a lot serious about the spread of the system in Europe and North America, they are not doing much to help the spread of the system in Africa. There are few studies on the subject of Islamic banking in the region; while the Muslim economists from the region can be (partly) blamed for this, the global Islamic economists did not help matters either. There is no one single internationally recognized institution from the region that trained people on Islamic banking and finance, except for the recent attempt to establish one in Nigeria. In a recent special publication on Islamic finance in Africa, title Africa: the sleeping giant, the magazine, Islamic finance news (August, 2011) has this to say about its potential in the continent: 'Indeed, many see Africa as the next Islamic finance haven, considering the growing saturation of the GCC and Asian markets, and a general lackluster response in North America and Europe, excluding the UK. Africa, they suggest, is the sleeping giant which when awoken could allow the Islamic finance industry to achieve its full potential.'

This article is divided into five sections; part one, introduction, part two, survey West Africa, three, look at the literature on Islamic finance and Banking, four, cross country analysis of prospects and challenges of the system in the region, and five, conclusion.

WEST AFRICA AT GLANCE:

Geography and Demography

West Africa unique geographical position allowed it easier access to North and South America in one hand, and Western Europe on the other hand. West Africa is home to many varieties of creatures including such wild life animals as lion, monkeys, elephant, giraffes, Hippopotamus, Leopard, Zebra, Gemsbok (for more detail on wildlife on the African continent, see African wildlife by Peter Joyce), domestic animal such as cow, goat, sheep and ram, flies including Tsetse flies that transmit disease to domestic animals, and mosquitoes. In term of climatic condition, the region fall under equatorial region, with the southern part of it which is also near to the coast humid and hot with high rainfall intensity that falls for most part of the year. While the northern part comprises of savannah and Sahelian climate, hot, dry and with average to low rainfall that fall for some period of the year starting from April (Wang, 2000). In term of natural resources the region is endowed with many different resources that include crude oil, gold, diamond and bauxite. The region also has agricultural resources in abundance that includes cash crops like cocoa, groundnut, rubber, cotton, and palm oil, as well as food crops like millet, maize, yam, and sorghum. Though majority of the people in the sub region are low income earners with low level of educational attainment, its still boost of some of the most educated work force on the continent with the first Nobel Prize on the continent awarded to Wole Soyinka of Nigeria in the literature category.

West Africa is the most populous of the five regions that made up Africa and second biggest in term of land mass possibly after North Africa; Nigeria the most populous country in Africa with population of about 170 millions people account for about half of the overall West African population. Many studies have pointed to the continue growth of West African population (The atlas on regional integration, 2007). The percentage of young people in the total population of the region continues to increase with the rapid economic development of the region. According to some estimates more than half of the populations of West Africa are Muslim with the largest number found in Nigeria, Senegal, Niger, Mali, Guinea, Ghana, and Ivory Coast (CRS, 2008). And many of West African countries are members of the Organisation of Islamic Conference(OIC), while at the same time belonging to other international bodies such as the Islamic Development Bank, its African counterpart(African development Bank), IMF and World Bank. For banking and financial considerations, only about quarter of this population can be considered to have any kind of relationship with the modern banking system, as majority remain outside the modern banking coverage due to low economic status.

Religion and Culture

The history of Islam in West Africa according to some scholars of the region can be explained in three stages, containment, mixing, and reform. In the first stage, African kings contained Muslim influence by segregating Muslim communities and converted to the religion themselves, in the second stage African rulers blended Islam with local traditions as the population selectively appropriated Islamic practices, and finally in the third stage, African Muslims pressed for reforms in an effort to rid their societies of mixed practices and implement total Shariah (Spice Digest, Spring 2009). With more than half of the population of West Africa belonging to the religion of Islam (CRS, 2008), Islam and its teachings is indeed not stranger to West Africa. According to some accounts (Boahen, 1966) Islam reached West Africa as early as 10th century AD mainly by means of traders from North Africa. From 11th century to 18th century many Islamic empires were established in an area of land that stretch from today Senegal in the West to modern Nigeria in the east. Prominent among these empires include Ghana (from which modern Ghana got its name), Mali (this too give its name to modern Mali), Songhai, Kanem Borno empire, Sokoto caliphate, Tukolor, and Madinke empires. According to a US congressional findings (CRS, 2008) followers of Islam account for about 45.1% of total Africa population (Africa population as at 2008 was put at 823,434,071), followed by Christianity 36.9%, indigenous 16.7%; of this 45% Muslim population (i.e. 371,459,142) North Africa account for some 44.9% followed by West Africa with some 35.2% and East Africa 15.9% (CRS, 2008). Like in most Muslim communities the worlds over, West African Muslims were slow to adopt European culture and education (Shehu, 2005). Up to this time Muslim lag behind other religious grouping in adopting Western education, modern administration and financial developments (Boahen, 1996). That is why the introduction of Islamic banking into the sub region is seen by many as the solution to the West African Muslim abhorrence to conventional interest base financial system.

In West African countries like Nigeria Islam has remained the main factor defining the culture of its Muslim population, from their mode of dressing to ways of interrelations and ceremonies. The biggest language in Nigeria Hausa (which is also the biggest in Sub Saharan Africa) borrowed a lot of words from Arabic terminologies to underscore the influence of Islam and Arabic on its speakers. The predominant mode of dressing in Muslim West Africa is long gown and cap for male and Atampa rapper and head scarp for the female. The Islamic architecture of West Africa from buildings like mosques to houses is very unique indeed, and reflects the nature of the environment. Famous Muslim towns like Timbuktu and Djenne in Mali, Kano and Zaria in Nigeria, Kong and Larabanga in northern Ivory Coast and Ghana, respectively, are important centres of Islamic architecture. The Jihad movement of Usman Dan Fodio led to the sparking of literary revival in the whole of the region. He (Usman Dan Fodio) himself, brother Abdullahi, his son Bello and daughter Asmau wrote hundred of Islamic books in Arabic, Hausa and Fulfulde (Shehu, 2005). He was also responsible for the creation of the last remaining empire in West Africa that last until the coming of the Europeans. The Sokoto caliphate is known for it skill administrators, quality of leadership, business and education reforms in the western Sudan of the 19th century. The Sokoto caliphate led to the formation of other caliphate in the West African region following similar method, these includes Tukolor caliphate in the Senegambia and Madinke.

Economy

The economy of West Africa is a mixture of farming, pastoralism, mining and manufacturing. Despite the level of infrastructural deficiency and low productivity couple with lower economic growth the region has managed over the span of 50 years since independence to achieve some levels of economic progress. According to UNIDO (2011), the contribution of industry to GDP in the ECOWAS sub region decline by about 2% from 39.8% in 2000 to 37.4 in 2008; while that of mining and utilities remain the same at approximately 29%. Major economic hubs can be found in Nigeria, Ivory Coast, Ghana, and Senegal, where major port cities like Lagos, Abidjan, Accra and Dakar played major roles in the economic development of the region. The formation of Economic communities of West African states (ECOWAS) in the mid 70s serve as an important point in the integration of the economy of the region, formed with the major intention of spurring the economic development of the region (Sani, 1996). According to Basil Jones (2002), “the central objective of ECOWAS as an institution is substantially to alter the pattern of under development”. The body hopes to restructure the basis of international and domestic trade relations in the region by removing all trade barriers among member state, establishment of common custom and monetary system etc. it is hope that at the end the frequency and magnitude of trade among member countries will increase paving way for faster economic development of the region. The charter establishing the bloc hopes to form a common ground among member states in the area of communication, tariff reductions, industrial and agricultural planning, technology acquisition, educational and technical exchanges, and exploitation of natural resources (Jones 2002). Other aims that the community hope to achieve includes harmonization of policies for the protection of the environment, promotion of joint ventures by private sector enterprises, establishment of enabling legal environment, harmonization of national investment codes, and development of funds for cooperation , compensation, and development (Sani, 1996).

Even in the ECOWAS region there are two major divisions that went back to the colonial period, the countries colonized by Britain that include Nigeria, Ghana, Sierra lone, Gambia and to some extent Liberia tend to have an independent economic policies and institution. For example, in Nigeria all its monetary policies and issuance of currency is regulated by the country's central bank dating back to the period when the country achieved it independence from Britain. While the rest of the countries that Include Ivory coast, Senegal, Mali, Niger, Togo, Benin, Guinea Bissau, Mauritania, Burkina Faso, and Cave Verde, fall under WAEMU a kind of monetary union established in 1994. Under WAEMU member countries use a single currency that is initially linked to former French Franc. Though, the colonial era currency F CFA had been in existence before that date, it still remain the major currency in Franco phone countries of West Africa. The central bank of the Franco phone countries is located in Abidjan Ivory Coast, called with the acronyms BCEAO; established in April 1959 responsible for the administration and control of F CFA. The existence of this monetary union allowed for convertibility guaranteed by France central bank of the F CFA, free capital mobility between France and the zone, as well as centralization of foreign exchange reserve (Kaptouom, 2007). But the creation of Euro in 1999 severely affected the functions and workings of the F CFA which necessitated review of the BCEAO functions.

All West African countries are major exporters of agricultural products since independence; among the main commodities exported by West Africa to the rest of the world include groundnut, cocoa, coffee, cotton, Palm Oil, Rubber, as well as livestock and, hide and skin. In some of these products the region at one time or the other have become a major world exporter of these commodities, and up to this time agriculture has remained a major source of foreign exchange to some of these countries. Of another significant importance to West Africa in term of foreign exchange earnings is mineral wealth, with the West African region attempting to become another Middle East in term of crude Oil deposit and its export. Apart from the traditional exporters of the black stuff, Nigeria and Equatorial Guinea, new discoveries in Ghana, Niger, Liberia and Ivory Coast have boost the total proving reserve in the region. Other minerals such as Gold, Diamond, Bauxite, Tin, Columbite, Uranium, iron ore, Limestone are major export earners for the sub region. The fact that till this date most of these countries depend on agricultural and mineral export is another pointer the developing nature of their economies. For example, major industrial hubs are only found in Lagos and Kano (Nigeria), Accra (Ghana), Abidjan (Ivory Coast) and Dakar (Senegal). The region still depends on countries such as

China, India, Japan and EU for most of their manufacture commodities. According to Olukoshi (2001), the heavy dependence of the industrial sector of the region in the 70s and 80s were some of the contributing factor that led to the collapsed of the sector. The focus of the region policy makers on adopting import substitution strategies and technology transfers at that time did not help matters either. ‘Although there are country-specific differences in policies adopted,’ writes UNIDO (quoting Mkandawire, Soludo, and Semboja 2003), the implementation of ISI in Africa generally involved the following elements: (a) restriction of imports to intermediate inputs and capital goods required by domestic industries; (b) extensive use of tariff and non-tariff barriers to trade; (c) currency overvaluation to facilitate the import of goods needed by domestic industries; (d) subsidized interest rates to make domestic investment attractive; (e) direct government ownership or participation in industry; and (f) provision of direct loans to firms as well as access to foreign exchange for imported inputs.’

THE CONCEPT OF ISLAMIC BANKING AND FINANCE

Though, Islamic finance is an offshoot of Islamic Economics, it has now eclipsed it in importance and real world applications. The literature on the subject of Islamic finance is very vast covering areas as vast as commercial banking, Islamic Bond, equity trading, insurance, mortgage finance, mutual funds, development finance to mention just a few. The debate about the creation of Islamic bank in the early part of last century begins with the issue of Riba’ because in Islamic literature Allah Has forbidden Riba and legitimize lawful trade (Q: 276). Riba is an Arabic word that in literal sense means ‘increase’, ‘addition’, ‘expansion’, or ‘growth’ (Al-Omar & Abdel-Haq, 1996). As a Shariah term its refers to the premium that must be paid by the borrower to the lender along with the principal amount as a prerequisite for granting loan (Al-Omar and Abdel-Haq, 1996). Islam do not allowed a predetermine positive return to money capital as is allowed under the conventional system, and since business undertaking entails contribution of entrepreneurship and capital, its amounts to injustice when entrepreneur is left alone to bear all the risk of utilizing the capital (Siddiqi, 1983). From there the argument goes that since conventional banking system is built on Riba, Muslims must have their own banking system that is inline with their religious teachings to enable them compete effectively in the modern world, at a level allowed by their religion, Islam.

Profit sharing in the Islamic financial system addresses the Islamic ideals of social justice because both the entrepreneur and the lender bear the risk of the investment (Dhumale and Sapcanin, 1999; Siddiqi, 1983). Profit and Loss sharing (PLS) scheme is therefore taken as the substitute to the interest base scheme, in this Mudarabah and Musharakah of the classical Islamic period are used and form the basis of the system (Shaharuddin, 2010). The concept of time value of money that lend justification to the charging of Riba is not recognized in Islamic banking system, time value can only be realized as part of real transaction but not as part of loan (Imam and Kpodar, 2010). As Zarqa (1983) has argued in his well cited paper on economics of discounting in project evaluation, "the over emphasis on positive time preference among some Western economists can perhaps be ideologically explained by its presumed suitability as a defence of the institution of interest against Marxist attacks", as of those days. Unlike in the capitalist system where money is treated like a commodity, under the Islamic system money is seen as different from commodity. Money has no intrinsic value but is only a measure of value or medium of exchange, and it is not capable of fulfilling man needs unless it is exchange for a commodity (AIMS manual). Islamic law requires that a loan be due in the same currency in which it was originally issued (Ahmad and Hassan, 2006)

Islamic banking system differs from the conventional (in the fact that) while conventional system is debt base, the Islamic is not as it is asset based; and emphasizes real transaction over debt. According to Siddiqi (2007), 'mere debt creation does not increase the net wealth of society as every addition to social wealth through it is canceled by deduction of similar amount of wealth owed'. The last global financial turmoil that began in 2008 has made many ardent followers of the conventional debt base system to question it sustainability. The Greece debt debacle that has collapsed not only the Greece economy in particular but led to distractions in the dynamics of European Union common market as we knew it. It is clear to all that it was the exorbitant and accumulative interest rate charged by money lenders to Greece government that finally brought the economy to a stand still, as the annual wealth generated by the economy cannot pay for the over accumulated interest rate. Islam also prohibits Maysir (Gambling) and Gharar (uncertainty) in business, both involves speculation and excessive risk taking (Al-Omar and Abdel-Haq, 1996). The effect of Maysir and Gharar in an economy is among others the reduction in fairness and justice. Risk shifting whereby risk is moved from one person to another but not eliminated as is found in the conventional system is not allowed; instead Islam encourages risk sharing between parties to a transaction (Abdullahi, 2011). Justice is at all time and period a central concept in Islamic teachings and is true with Islamic banking and finance where sharing of risk is put in place to achieve that (Siddiqi, 1983). Some of the main instruments use by Islamic banks includes, Murabaha (cost plus financing and deferred installment sale), Ijarah (leasing), Mudarabah (profit and loss sharing contract), Musharakah (investment partnership), Qardh Hassan (benevolent loan), (Hassan and Soumare, 2005).

Unlike the bulky literature on Islamic banking, there is not much on Islamic insurance; as a unique insurance scheme that go inline with Islamic prohibitions on usury, Gharar, and maysir. Modern Islamic insurance practice is a recent phenomenon when compared with Islamic banking, and most of the existing Islamic insurance institutions are found in the South East Asia followed by Middle East. Islamic fund management schemes are also up and they are doing well. Some of these include the various unit trust and mutual funds. Islamic mutual funds have been around for not very long, still in their infancy stage of growth and development (Merhad, Hassan and Alhenawi, 2010). Over the last few years Sukuk has become an important segment of Islamic finance with total global market of billions of Dollars. Though, the market for Sukuk was at some time in the past dominated by government issuance, this has changed with the current growing interest from private issuers who want to satisfy their long term financing requirements (Zin and et al, 2011). Other issues of considerable interest in the literature on Islamic finance include the issue of corporate governance of Islamic financial institutions, where many scholars continue to see the need for more research in the area; looking at the current grow rate of Islamic finance and increasing complications that come with new products been introduced into the market. The concept of Shariah board as element of corporate governance is unique to the Islamic system (Mahmood, 2009, Abdullahi, 2011). This has extended the scope of governance under the Islamic frame work to include Shariah governance that demand of Islamic financial institutions and the products they issued to comply with Islamic law. Zakat, though, is an independent area in the field of Islamic economics, has its own relevance in Islamic banking and finance, as those institutions (Islamic Banks, Islamic investment trusts, etc) have to calculate their own Zakat at the end of the financial year and disburse it.

CROSS-COUNTRY ANALYSIS

This section looks at the opportunities and obstacles in the way of establishing Islamic banks in six West Africa countries. The selection of these six nations was based on the size of their GDP, population, and percentage of Muslims in these places.

A- Nigeria:

With population of about 170 million people, not less than fifty percent of them belonging to the Islamic religion, Nigeria have the largest population of Muslim on the continent even more than those of Egypt the second most populated country on the continent. Thus, Islamic banking on the Nigerian soil has great potential more than any other country apart from Egypt where the first known Islamic bank was opened. The Nigerian financial market is full of major players some of which are among the biggest financial institutions on the continent. Nigeria's top banks such as First bank, Zenith bank, Guarantee Trust bank, united bank for Africa, and Access bank are among the biggest banks in Africa. Nigeria's banking sector total assets is value at $ 137 billions (CBN Bulleting, 2012). According to forecast from Goldman

Sachs and Morgan Stanley, Nigeria is on course to become the biggest economy on the continent, possibly by the year 2015. The current rate of growth of the economy is put at about 7% by the Nigeria bureau of statistics and in the last five years it has an average of 5 to 6% growth in the national GDP. As at October 2012 Nigeria is the biggest receiver of foreign direct investment on the continent generating about 20% of the total (President Goodluck Jonathan's independence speech, October, 2012). The country's stock market the Nigerian Stock exchange (NSE) is the third largest on the continent with about $55 billion market capitalization as at December 2012. The gross domestic product of the economy in 2011 was put at $247.1 billion dollars in which agriculture contributed about 36%, industrial sector 33% and crude oil production about 15% (CIA World fact book, 2012). Inflation rate and ration of government debt to GDP stood at 12.3% and 17.9% respectively.

Already Ja'iz bank, the first fully fledge Islamic bank in the country, has started operation in January of 2012 making it the first Shariah-compliant bank in the country. With the recent recapitalization derive in the last half of 2012; the bank is set to move from it current operation format of a regional bank to that of a national bank sometime this year. Banks that currently operate a window of Islamic Banking include Stanbic IBTC, and Bank PHB (now Key Stone Bank) and more conventional banks are planning to do so. The establishment of the Nigerian stock exchange and Lotus capital share index (NSE-Lotus Index) in 2012 acts as a further boost to the Islamic Banking industry, as it will serve as another source of investment for the Islamic banks who currently have few sources of investing their assets due to sharia restrictions. The proposed issuing of Sukuk Bond by the Central bank of Nigeria in the near future is a good for the development of the system in the country, as it will widen further the sources of investment available to Islamic banks operating in and out of the country. There are already a number of micro finance banks that have adopted the Islamic banking model in selling their service to the Nigerian public; especially in the parts of the country where Muslims dominated. So far the major challenge to the establishment of the system in the country is opposition from some segment of the non-Muslim population of the country who are ignorant of the system. But, the determination of the central bank and the support of key players in the present government have helped in dispelling those fears. As a member of Islamic Development bank, the Nigerian authorities are currently processing million of dollars of interest free loan from the bank to finance different infrastructural projects around the country. The Jeddah base bank is part of the movement to establish Islamic banks in the country beginning with the Ja'iz bank where its hold shares in the bank.

B- Senegal:

Senegal, a country located at the far West end of the region, has a population of about 13 million people 94% of them Muslims (CIA World factbook). About 2.8 million of the total population reside in Dakar the capital of the country where most modern business transactions take place. The literacy rate is of about 40% of the population; where government spends about 5.8% of the GDP on education annually. The GDP of the country at official exchange rate is put $14.29 billion and last year the GDP growth at about 3.7% (tradingeconomics.com). Service sector contributed the highest to the GDP at about 62.3%, followed by industry 21.7% and agriculture 15.9%. But, in term of employment agriculture, despite it lower contribution to GDP employed the highest number of people at 77.5% (CIA World factbook). Unemployment is around 12%, with people living under poverty line constituting about 54% of the population. With one of the lowest inflation rate in the sub region at 2%, Senegal has public debt of about 33.2% of the GDP. The total stock of domestic credit for country as at 2011 was estimated as $4.4 billion. The country's major exports are fish, groundnut, petroleum products, phosphate and cotton. Senegal has remained the only country in the sub region that has never experience a military coup.

The following financial institutions operate according to Sharia banking guidelines in Senegal; Banque Islamique du Senegal (BIS) the biggest Islamic bank so far established in 1983, and Islamic Investment Company of Senegal. The Islamic banking industry in Senegal has received some boosts in the last few years with both the government and private sector showing keen interest in the development of the sector. Over the years, foreign investors such as Saudi investors and Islamic development Bank (IDB) have played a substantial role in the development of the banking system in the country helping to support the sector by pumping capital and skill personnel into the sector. There are existing interests for development of Islamic Banking in the country from places such as Turkey and Bangladesh. During the last global financial crisis Islamic Banks in Senegal were less affected by the crisis due to their absenteeism from investing in toxic assets that were at the heart of the crisis. At the current rate Islamic Banking is growing in the country, very soon Islamic banks will start competing head to head with their conventional counterpart.

C- Guinea:

Guinea has a population of about 11 million people 85% of whom belonging to Islamic faith, while Christian constitute 8% of the population (CIA World factbook). About 35% of the total population reside in urban areas large number of whom in Conakry the Guinean capital. The literacy rate of the country is about 30% couple with educational expenditure of about 2.5% of the GDP. The distribution of infrastructures is biased in favour of the Capital Conakry that gets most of the investments. Guinea is rich in mineral resources such as Bauxite (in which case it has half the world reserve), iron ore, diamond and gold. The annual GDP of the country as at 2011 was put at $5.13 billion with annual growth rate of 4%, and interest rate as at this year of 22% (tradingeconomics.com). The absence of political stability in the country in the last one decade has been blamed as responsible for the slow economic growth in the country. But, it is hope that with the return to democracy in the last one year things will begin to change. Industry contributed the most to the country GDP at 53.5% of the total, despite the fact that agriculture employs about 76% of the work force. In recent time the annual inflation in the economy is one of the highest in the sub region at 16% as at 2011, while poverty rate remain high with about 47% of the population below poverty line (CIA World factbook). Major agricultural export includes rice, coffee, cattle and sheep. Guinea is a big mineral exporter in the region. Over all it stock of domestic credit stood at a little over $1 billion with central government annual budget of about $1.2 billion. The country's currency the Guinean Franc (GNF) is a free floating currency that moves within certain limits.

The banking sector dominated the financial landscape of the country just like in most developing countries. The Central bank of Guinea acts as the major supervisor of the banking sector. As a former French colony, Guinea acts as the exception rather than the rule by opting not to join WAEMU currency union like other French colonies in West Africa. With majority of its population as Muslim Guinea should serve as rallying point for the development of the system in it area of influence. The following institutions operate according to Islamic banking guidelines; Banque Islamique de Guinee (BIG) owned by Guinean private investors and an Islamic holding since 1983, Islamic Investment Company of Guinea. Already banks such as ICB Islamic Bank of Bangladesh have presence in Guinea where it operates non interest banking model and some conventional system to the banking public in the country. The bank also has presence in other West African countries like Senegal and Ghana.

D- <u>Ghana:</u>

Ghana has a population of about 25 million people (IFC World Bank, 2012), Christians making of the majority of them with Muslim having about 20% 0f the total. Ghana has about 58% literary rate and annual education expenditure about 5.4% of the GDP (CIA World factbook). Sound economic management and relative political stability in the past quarter century has help the country to achieved rapid economic progress and reduces poverty. As at the end of 2011, the country was ranked the second fastest growing economy in the world with growth rate of about 13.5%, while the number of people below poverty line was put at 28.5%. A break down of sectoral contribution to the over all GDP shows that agriculture has 28.3%, industry 21%, and services has the largest share of 50.7% (CIA World factbook). The gross domestic product of Ghana as at 2012 was put at $39.20 billion (tradingeconomics.com), making it's the second biggest economy in the region after that of Nigeria. Like in most African countries agriculture has the highest number of labour force in the economy. With public sector debt of about 44.7%, foreign exchange rate of $1 to 1.9 Cedi, and inflation rate of 8.8% (Bank of Ghana) to a dollar, the economy is the most stable in the region. In last year ranking of ease of doing business by international finance corporation, Ghana was ranked 63 in the world (IFC World Bank, 2012). When it comes to getting credit it is number 48, protecting investors 46, and 45 for enforcement of contracts. In term of infrastructures Ghana has one of the most stable power supply in West Africa with excess above domestic consumption which it export to other countries in the region. It also boost of one of the best telecommunication and internet infrastructures in the ECOWAS sub region. The road network of the country is one of the best in the region that criss-cross the country from the coastal ports in the south to the northern fringe of the country.

With its first Islamic Microfinance bank in operation, Ghana Islamic Microfinance bank, the country is a fertile environment for the establishment of big Islamic banks. Already Absa, a South Africa Bank, is planning to introduce Islamic banking there with it take over of Barclays Bank African operations. The Ghanaian central bank, Bank of Ghana, has hinted recently that it is considering introducing Islamic Banking into the economy. The fact that it has the fastest growing economy in the region and vibrant Muslim community adds to it advantages. Since the return to democracy over a decade ago the country has enjoyed rapid economic growth and attracted Billions of Dollars in foreign direct investments. For over ten years people from other West African countries such as Nigeria has been pouring into Ghana to establish business and benefit from the country's stable economic environment. As a member of Organisation of Islamic Conference (OIC), it will make it easier to built relationship between countries that have more advance Islamic finance infrastructures and newly establish Islamic bank to be established in the country. Above all is the cordial relationship and understanding that exists between Muslims and followers of other religions. One of the major obstacles in the way of smooth establishment of Islamic banking is the existing laws and regulations who were promulgated to cover conventional banking system. Thus, changes must be introduced to the existing rules and regulations to allow for establishment of fully fledge Islamic banks and other Islamic financial institutions. There is also the need for education and enlightment to educate the population about the virtue of the system, looking at the current failures of the conventional system around the globe. Ghanaian economy and population has many things in common with that of South Africa and Kenya and in my own view the same dynamics that help spur the development of the banking system in these countries should help do the same in Ghana.

E- Mali:

Mali has a population of about 15 million people majority of whom are Muslim (about 90%) cutting across different ethnic background. Mali is poor country with large number of its population leaving below poverty line (about 36%) and literacy rate of about 46.4% (CIA World factbook). Mali major sources of income are mining, agriculture and foreign aids. According to 2012 ease of doing business report by the international finance corporation Mali ranked 146 (IFC World Bank, 2012). In 2011 the total gross fixed investment into the economy was put at 23.5% of the GDP. According to some estimates Mali experienced an annual growth rate of about 5% between, 1996 to 2010, and as at 2011 its growth rate stood at 5.3% (CIA World factbook). The total gross domestic product (GDP) of the economy as at 2011 is quantified as $11 billion dollars. Unemployment is very high at about 30%, while the distribution of the work force shows that agriculture has the largest share at 80%. The inflation rate as at 2012 was estimated at 3.8%, while interest rate was 4% of the GDP (tradingeconomics.com). The country's export of about $2.7 billion comprises mainly of cotton, gold and livestock. In 2011, Islamic Development bank pledge to lend Mali $15.5 million for the building of infrastructures that include water supply and housing. Since last year Mali has found herself in a serious crisis with the northern part of country under rebels occupation.

Despite the fact that more than 90% of the population of Mali is Muslim, there is little or not much presence of Islamic finance in the country. This may be as a result of many factors some of which includes lack of commitment and interest from the part of the Malian government, widespread poverty, over reliance on former colonial master France, and ignorance on the working of the system. Though, like all French speaking colony in the region Mali's monetary policy is depended on CBEAO (the central bank of French speaking countries in West Africa), the country has the choice over allowing Islamic finance on it land or not. Another contributing factor to this may be the absence of will on the part of Islamic investment community to invest in poor countries where it is very likely that not much profit will be made as against more wealthy countries with far higher potential of making profits. This is against the underlying philosophy of Islamic economics that emphasize on equity and benevolence as against profit and efficiency being emphasized by Western capitalist system and its institutions. These apart, Mali has great potential for the future development of Islamic banking and finance with GDP of over $11 billion and vibrant business atmosphere in places such as Bamako the capital, Mali has much to offer to global Islamic investment community. The coming of Islamic development bank to play important roles in the economy of the country is a signal of the direction of things to come. Already there are arrangement on the ground to establish a fully fledge Islamic bank in collaboration with some Middle eastern investors in order to further diversify and widen the reach of Islamic banking around the world.

F- Ivory Coast (Cote d'ivoire)

Cote D'Ivoire, the cocoa rich nation, is the second biggest economy in the ECOWAS sub region after Nigeria, and before the advent of the political crisis that put its economy into problems; before it recent descends into war that seriously battered its economy. Cote D'Ivoire has a population of about 22 million people about 39% of which are Muslims. The country spends about 4.6% of it GDP according to 2008 estimates on education, while it literacy rate is put at around 49% of the population (CIA World factbook). Political stability was restored in the last two years after about six month of war between supporters of the current president Alassane Ouattara and that of ousted president Laurent Gbagbo. Agricultural activities and mining provided most of the revenue of the country, in this area Cote D'Ivoire is the largest producer of cocoa in the world. Other important agricultural products its export to the world includes coffee, and palm oil. The infrastructural facilities in the country have been severely damaged by the ensuing wars and political violence of the last one decade. The number of people below poverty line in the country is put at about 42% of the population (CIA World factbook). But, the return of peace has brought with its foreign investments and higher rate of economic growth. The gross domestic product of the country as at 2011 is valued at about $24 billion making the economy the third largest in the region after that of Nigeria and Ghana (CIA World factbook). Agriculture provides most of the country' jobs, though, it contributed only 29.2% of the GDP as against 49.8% by the service sector. The country has public debt of about 65.8%, this higher figure can be attributed to the country involvement in various wars within its borders. With interest rate and inflation both in single digit, 4.0% and 3.0% (tradingeconomics.com) respectively the economy is in for a potential future stability. The stock of domestic credit as at last year was about $6.5 billion and set to expand as normalcy is returning to the country.

The Muslim population of Cote d'ivorie is mostly found in the Northern part of the country where there is less economic activity compared to the Southern part of the country. The Muslim population of the country had suffered years of marginalization from the dominant southern part of the country which is mostly Christian and animist, it is only in the last two years that a Muslim has gotten to the level of ruling the country. In this kind of atmosphere introducing changes in the country's banking law to accommodate Islamic banking is not going to be easy, as it will face opposition from the Christian south. In this case the country's authorities can learn a lot from the Nigerian experience during her introduction of the Islamic Banking system. Cote D'ivoire is a member of OIC and Islamic Development Bank which should count as an advantage to the proponent of the introduction of the system in the country. At various time in the past, Islamic Development bank has been involved in the financing of projects in the country including urban development (Djibril and et al, 2012).

CONCLUSION

This paper provides a short survey of the Islamic Banking industry among selected West African countries. The paper observes the slow take off of the system in the region, despite the large population of Muslims in the region. But, looking at the development of the system in other regions of the world one feel optimistic of the prospect of the novel scheme in West Africa; Saudi Arabia the country that host the two most sacred holy places in Islam (Mecca and Medina), for example, took years to push for full scale enthronement of Islamic banking. This is despite the fact that the first international conference on Islamic economics was hosted there in 1976. Part of the reasons advanced for this (in Saudi case) was that as at then there were many Shariah issues yet to be resolved by the introduction of the system, thus, the reluctance of the authorities to take the risk. In Egypt, Algeria, Tunisia, and Indonesia the market share of Islamic banks in their banking industries remained marginal. Thus, it is not only in West Africa that Islamic banking needs a lot of catch up to do. But, the reason why the work is more tedious in West Africa is because the obstacles surmountable are enormous. These obstacles are not only restricted to problems such as that of liquidity problems, slow development of new products, regulatory issues, competition from bigger conventional banks, which are common to the global Islamic banking industry, but includes others such as opposition from West Africa's Christian communities, low economic status of the Muslim population, scarcity of skill manpower, ignorance of the workability of the system, governments indifference to the success or otherwise of the system in their domains. In order to attend to some of these problems, the nascent Islamic banking industry in the region requires the support of and investments from the established Islamic banking markets such as Malaysia, United Arab Emirate, Saudi Arabia, and Bahrain.

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