ISSUES ON MARKETING, PROFIT AND LOSS SHARING IN NON INTEREST BANKING

A CASE STUDY OF HABIB NIGERIA BANK LIMITED

BY

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DEDICATION

This study is dedicated to my father Malam Mohammadu Jallo of Loving Memory.

DECLARATION

I SHEHU MOHAMMED JALLO do hereby declare that this is an original research work undertaken by me and that it was not copied from any previous work.

Due acknowledgement have been accorded to all writers whose work are used in this project.

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Signature

CERTIFICATION

This project entitled ISSUES ON MARKETING, PROFIT AND LOSS SHARING IN NON INTEREST BANKING by SHEHU MOHAMMED JALLO meets the regulations governing the award of Masters in Business Administration (MBA) in Ahmadu Bello University, and is approved for its contribution to knowledge and literature presentation.

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My greatest gratitude goes to the Almighty Allah for having guided me through childhood to this stage in life.

My special acknowledgement and appreciations goes to my father Malam Mohammadu Jallo for loving and guiding me through out my life and being an exemplary figure for his future generation.

Also to my mother for her love and prayers through out my life.

My love and appreciation to my wife Nana Fatima for her love and encouragement.

Shehu Mohammed Jallo

ABSTRACT

Marketing is aimed at motivating any type of goods or services from production to final user. Marketing in modern day banking requires professional skills of persuasion and conviction to bring about acceptance by customers to your organizations bearing in mind other competitors in the society.

Marketing non interest banking will have to consider other financial institutions who are moving side by side and are a lot stronger and accepted by the society.

A comparison between conventional banking and non interest banking was made to bring about the "SWOT" position of both systems for any readers understanding, using Habib Nigeria Bank as a case study.

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CHAPTER ONE

1.1 INTRODUCTION

Non-interest banking is a financial system based on the sharing of risk and profit, rather than the payment of interest, based on the common economic teachings of Judaism, Christianity and Islam.

In other words, Non-interest banking is a model of banking replacing interest bearing modes of finance and banking services with interest free ones.

Bank marketing tends to define some key terms such as market research, advertising, sale, training and public relation. These functions are very critical to any bank when it comes to marketing. However emphasis will be put on marketing non-interest banking. How customers will be drawn towards accepting such a system as compared to conventional commercial system of banking.

Echoes in favour of non-interest banking are coming from religions as well as secular circle the world over. Religious proposals appeal on the basis of similarity in the fundamental economic teachings of Islam, Judaism and Christianity. While secular recommendations are based on soundness of non-interest banking and anticipation of crises in the conventional banking system.

The Talmud compared the moneylender to a “Muderer”. The Mushnah included the usurer among those who were disqualified from giving evidence in a Court of Law. No distinction was made between usury and interest. However, Judaism later allowed that interest could lawfully be taken from non Jews as a ‘privilege’ granted by God to the faithful Israelite. The Christian attitude towards usury and interest was not different. “If you lend money to any of my people who are poor among you, you should not be like a money lender to him, you shall not charge him interest” Exodus 22:25. For the Islamic point of view the Quran categorically prohibits interest in many verses 39 is the first revelation regarding interest, it states: “that which you give as interest to increase the people’s wealth increase not will God; but that which you give in charity, seeking the goodwill of God, multiples manifold (30:39). Apart from the Quranic injunctions on interest, there are many sayings of the holy prophet, Mohammed (peace be upon him) that categorically forbids interest. In one hadith reported by Abdullah Ibn Hamzah, the prophet (peace be upon him) said “A dirham of riba which a man receives knowingly is worse than committing adultery thirty six times." Bayhagi has also reported the above hadith with the addition that "hell benefits him whose flesh has been nourished by the unlawful".

1.2 **STATEMENT OF THE PROBLEM**

Marketing non-interest banking should be seen as a philosophy than a concept that stems from the chairman through the managing director down. It is a way of thinking and acting towards a customer group.

The problems facing non-interest banking are:

1. How to get value out of our marketing effort.
2. How to identify the most profitable market now and in the future.
3. How to study the attitude and needs of different categories of customers on what the business depends.
4. How will non-interest banking cope with other commercial banks.
5. Innovations with respect of continuous acceptance and spread of non-interest banks.

1.3 **HYPOTHESIS**

In order to give focus of enquiry and provide checkpoints against which intervenes, questionnaires could be compiled, the researcher is guided by formulating the following hypothesis:

1. Marketing will help improve awareness of non-interest banking among the community.
2. Non-interest banking can compete favourably with other conventional financial institutions.
3. Non-interest banking should be seen as an art. A way of doing business with a profit motive.
4. How there should be corporation between non-interest banks and other financial institutions.

1.4 LIMITATIONS AND SCOPE OF THE STUDY

Due to the complex nature of the subject matter, materials were not readily accessible. Also, some staffs of the bank were not ready to give assistance initially, they complained of not wanting to discuss their company's confidential documents. As it is the only bank practicing non-interest banking, Habib Nigeria Bank Limited felt threatened by any investigation and did not want to disclose all its confidential documents incase other banks decided to follow suit.

Browsing through the internet for relevant information was not too encouraging, as so many organizations were not involved in such system.

In an attempt to minimize the amount of work involved in filling the questionnaires, Kaduna Metropolis is viewed as an area of study and introduction, especially when the banks headquarter is situated in the state. This research work should concentrate on a period of years five years between 1997-2001. The study is restricted to marketing non-interest banking and its effectiveness in reaching potential customers leading to its acceptance and competing with other banks. Therefore consideration should be taken towards any conclusion drawn from the study.

1.5 PURPOSE OF STUDY

Non-interest banking is no longer a mere concept. It has now taken a practical shape will full package of innovated banking services. It is perhaps the immediate activity to think of within an Islamic economic system.

The purpose of this study is to:

i. Identify how marketing must produce profitable growth in deposit and loans.

ii. Identify how marketing must achieve favourable development or improvement of non-interest banking.

iii. To show the importance of non-interest banking.

iv. To show that non-interest banking should not be viewed as only for Muslims but a competing way with other conventional banking systems.

v. To identify other areas of profit making in non-interest banking so ways of exploiting that sector will be identified.

1.6 DEFINITION OF KEY TERMS

MUDARABA

Contract between two or more persons where one party furnishing finance and the other party provides entrepreneurship and management.

MUSHARIKA

A contractual partnership between two or more persons sharing finance, management and entrepreneurship as well as profit and loss as agreed by them.

QARD HASSAN

A benevolent loan given an compassionate grounds, without interest, profit sharing, and repayable if and when the borrower is able to pay.

ADVERTISING

Activities involved in presenting to a group non-personal oral or visual openly sponsored message.

MEDIA

Channels of communicating ideals or messages of various audience.

CONSUMER

An individual who exercise through the right of acquisition and use of goods and services offered for sale.

CHAPTER TWO

LITERATURE REVIEW

2.1 <u>CONCEPTUAL FRAME WORK OF MARKETING</u>

The marketing field is bounded both by the environmental and by the limits imposed by the perception of the observers. In some companies marketing is still concerned will little more than sales force and advertising management. In other firms, marketing is an interactive corporative activity that provides the direction for corporate strategic planning. In non-business organizations executives are only beginning to perceive the potentials of marketing in achieving institutional goals. The difference between these approaches is due in part to the perceptions of management and its attitude towards change.

Marketing is characterized by interaction and information exchange between segments. Contract to the entire field is the customer citizen to who the activities of marketing are directed. This is so not merely an altruistic view, for the consumer-citizen possesses Veto power by his purchase or non-purchase decision, overall efforts of business to serve him at a profit. The consumer-citizen, as a member of the larger society beyond the family unit, also holds political power over the corporation.

Marketing has been defined by different authors or experts in many different ways. This implies that there is no single generally accepted definition.

MARKET DEFINED

According to Philip Kotler, a market is a collection of sets of individuals and organizations, actual or potential buyers of a product or service. That a market is identified by product.

MARKETING DEFINED

Larry Rosenberg views marketing as “a matching process based as goals and capabilities, by which a producer provides a marketing mix (product, services, promotion, distribution, price etc), that meets consumer needs within the limits of society”. Mazur sees marketing as “a delivery of a standard of living to society”.

Martin Christopher and his friend defined marketing as “the ways in which an organization matches its own human, financial and physical resources with the wants of its customers”.

Similarly, the American Marketing Association (1960) defined marketing as “the performance of business activates that direct the flow of good and services from producer to consumer or user”.

From the above definitions, one can jump into logical conclusion that marketing is an activity that is directed toward seeing that consumers are satisfied.

2.2 THE MARKETING CONCEPT

The marketing concept is a new marketing philosophy, which puts the interest of the consumer, or customer upper must in the economic activity of any business organization.

As Kotler has rightly observed, the concept calls for customer oriented, integrated and satisfaction-oriented marketing effort as the key to successful marketing.

Since the industrial revolution, marketing management (which is the marketing concept in action) has involved through four stages of development.

The Production Orientation

This is a stage where goods and services were relative to the demand. During this period, the problem was not how to find the customer or buy but how to produce enough goods and services to meet the demand for them. Here, concentration is on production philosophy, which stressed mass production of goods and services at a lower cost. The function of the sales department is simply to sell the company's output at a price set by production and financial executives. At this period, manufacturers have sales departments and not marketing department and it is headed by a sales manager whose main job is to operate a sales force. As marketing separate divisions are sometimes established for specialized marketing activities such as advertising or marketing research.

The Sales Orientation Stage

During this period the supply of goods and services was high related to the demand for them. Thus, instead of the buyers chasing the sellers, the situation was the reverse, that is, manufacturers had to look for customers. The act of producing a better mouse trap brought no assurance of its marking success. The product had to be sold, and this called for a substantial amount of promotion effort. The idea of first finding out what the customer wants, does not often enter the thinking of such organizations operating in sales stages.

The Marketing Orientation Stages

In this stage companies embraced the concepts coordinated marketing management approach directed for achieving two goods, that is customer orientation and profitable sales volume. Attention is focused on marketing and not selling and therefore marketing activities are managed by marketing managers greater responsibilities because all other activities including those of the production manager are under his control. For example, inventing control, warehousing and aspects of product, planning, among others.

The Social Responsibility and Human Orientation Stage

Social and economic conditions of the 1970's led to the development of the forth stage in the evolution of marketing concept. This stage is characterized by its societal orientations. And this add to the fact that marketing executives must response to societal needs if they want to survive and be successful. These societal needs are more of external pressures, such as consumer discontent, a concern for environmental problems and political (legal forces) all operating to influence companies operations.

Moreso, this is a stage of human orientation period, a time in which there is a growing need for management of human resources in marketing to ensure efficiency and effectiveness in operation. This also connotes a shift from materialism to humanism in our society. This stage is therefore concerned with creating and delivering a better quality life rather than a just a material standard of living.

MEANING AND EFFECTIVENESS OF MARKETING CONCEPT

Marketing concept is a modern approach to marketing which developed from the evolution of mass production which resulted in high competition among business. It is a managerial philosophy aimed at mobilizing, utilizing and controlling of the total corporate efforts for the purpose of providing consumers satisfaction as well as enhancing the profit position of the company. It is a modern way of directing management attitudes to consumer.

According to Larry Rosenbarg, the marketing concept of an organization is a matter of consumer orientation, it also refers to making the consumer a point of attraction, more so, all the activities, policies of the organization should be linked to the consumer through the marketing mix-product price, place and promotion. The organization determines the needs and wants of target markets and adopts itself to delivering the desired satisfaction more effectively and efficiently than its competitors.

There are three (3) important issues in the marketing concept.

1. Consumers satisfaction should be the main aim of any business organization, that is the firm must find out what the consumers needs and wants are, and should endeavour to satisfy them because it is through the consumers that profits are generated.

2. Making maximum sales should not be the target of business, but making profitable maximum sales.

3. The integration of management effort in the organization toward achieving individual's customers and organization objectives.

Similarly, the concept calls for a customer orientation. This means referring to the consumers as the 'king', that survival of the business depends on them. Moreso, the consumer is at the top of the organizational chart in terms of importance.

The concept can be adapted right at the beginning and not at the end of the production cycle. That is every adjustment, both in name or slogan, or in machinery or men must be adopted to the need of the customer right from the beginning.

The effective marking concept

The application of marketing concept is characterised by the acceptance and use of the following elements.

1. The company accepts change as the prime characteristics of modern marketing and monitors the environment of the firm in a

continuing effort to discover new areas of marketing opportunities. This involves a system orientation.

2. The company appreciates and understand the consumer citizen’s strategic position as a determinant of the firms survival and growth.
3. The significant role of marketing intelligence in establishing corporate goals and targets is recognized.
4. Intra and inter-departmental implications of marketing decisions and actions of various organizational units are recognized and the integration of all marketing effort is sought.
5. Programme process and product innovation, including the development of a climate that encourages innovation, is accepted as standard and necessary.
6. New product planning and development and their impact on company profit and posture are recognized and emphasized in corporate policy.

Benefits of the marketing concept

The benefits to derive from implementing the marketing concept are:

1. Reduced business risk as a result of systematic market research, the scientific acquisition and analysis of market data necessary for decision marking and better market and sales forecasts.
2. Improved business planning as a result of earlier identification and assessment of future market trends (threats and opportunities) and the acceptance of planning based on defined objectives upon which all department's activities and integrated programmes depend.
3. Greater competitiveness based as superior marketing skills.
4. It emphasizes better sales methods and the provision of new uses for existing products guides the form in finding new classes of customers while establishing the customer in his position as the most important factor in the business.
5. More revenue will be generated by meeting the needs and wants of consumers.

2.3 COMPONENTS OF MARKETING MIX

The marketing mix of an organization centered on the decision of the organization in favour of marketing 4 Ps. The components of marketing mix are: the product, price, promotion and place (distribution). This area also called the controllable variables because they are within the control of the marketer.

1. **Product:** It is incumbent to plan and develop the right product to be marketed by the company. A product is a bounties of item that represents need and satisfaction to accomplish a specific goal Philip Kotler sees a product as anything that can be referred to a market for attention, acquisition, use or consumption that may satisfy want or need.

   Also, decisions relating to product should take into consideration, brand name, product life cycle etc. examples of products include: soap, milk, clothing, jewelry, photographic equipment, computers etc.

2. **Price:** Anytime, any goods that has the capacity to satisfy a human want is said to posses such utility or of the good possessing it to command other goods in normal and regularly exchange is its value. Thus, price is the value expressed in monitory terms. It can also be the amount paid to purchase

something, or a monetary summation of the conditions that give value to a product or services.

Types of price:

1. Market price.
2. Nominal price
3. Price discrimination
4. Systematic pricing
5. Absolute and relative price

1. **Market price:** This is price that exist in the market at any given time and place. It is the price which the seller actually receives for his product or service which the buyer actually pays for it. This is also called the actual price.
2. **Normal price:** This is only a theoretical concept and it is the long-run nominal price which will tend to ring upon the market just that supply for which buyers will be willing to pay enough to cover the cost of providing and marketing that product and field a responsible price.
3. **Price Discrimination:** Price discrimination occurs when a seller sells the same type of commodity to different buyers at different prices for reasons that are not associated with difference in cost.

4. **Systematic Pricing:** This is also associated with classified buyers into their age, locally, income etc.

5. **Absolute and Relative Price**; when any price is expressed as a ratio of any price is called a relative price, but if it is money price it is called absolute price.

PRICING STRATAGIES

Strategy: is defined as long-time commitment of resources to achieve specified objectives in a competitive environment.

Simply put, strategy refers to method means to an end or how a predetermined goal can be achieved. Pricing strategies simply is a firms method or system pf putting price to its products or service. Pricing strategies depends on a point in time, circumstances and producers or seller objectives and motives.

Types of pricing strategies

(i) Skin-the-cream

(ii) Penetration pricing strategy

(iii) Profit maximization pricing strategy

(iv) Promotion pricing strategy

(i) **SKIM-THE-CREAM (Skimming) PRICING STRATEGY**

This is a pricing strategy where price is set near the maximum because the aim here is to appeal to the top class or high income earners. It is also aimed at avoiding stock-out situation a situation where supply of such a product does not meet its demand. Not withstanding, it is expected to make the product of such a producer look more superior in the society. This method recoup investment quickly.

(ii) **PENETRATION PRICING STRATEGY**

This is a situation where a marketer lower the price of his product below the market price very close to the total cost of the product, so that the product can penetrate into the market easily. This strategy is used where the expected segment of the market are low income earners or poor class of people. Secondly, where the product will not easily be expected in the market because of doubt of quality, technicality of the product or the real use of the product penetrating strategy is ideal.

The penetrating strategy discourages potential competitors from entry because of low price which resulted to poor margin. It also expands the market share of the product.

(iii) **PROFIT MAXIMIZATION PRICING STRATEGY**

This is a strategy where the producer determines the maximum profit to realize from his product, after which he will add it with the cost of producing such commodity thereby coming out with the price. This is applicable on commodities that are not wanted to be kept for a long time.

(iv) **PROMOTIONAL PRICING STRATEGY**

This is a situation where an organization use one of its product to rise the standard of the rest of its products. This is of two forms (1) loss leader promotional pricing strategy and, (2) prestige promotion pricing strategy.

Finally, pricing strategies must be viewed in terms of the whole product line rather than in terms of individual product. To depends on a point in time, depression and recession, costs behaviour, competitor's reactions, motives of the firm and so on. No single pricing strategy best fit all firms and companies and strategy can from time to time depending on a prevalent situations and circumstances.

3. **PLACE:** This is also another element of marketing mix. It involves decision making as to the choice of channel for the distribution of goods or service. It also involves all the activities required to move goods from their points and times of production consumption.

4. **PROMOTION:** Promotion is the coordination of all seller-initiated effort to setoff a product on service or the acceptance of an idea.
   Simply put, promotion ids an act of creating awareness and stimulate interest in the product or brand, promotion persuades people and finally sells the product.

   The distribution system is made up of all those people who are involved in the buying and selling functions which occurs as the goods move from the point of production to the point of consumption. These intermediaries include wholesales and retailers, agents and brokers, manufacturer's representatives etc.

OBJECTIVES OF PROMOTION

1. Stimulates product awareness with hope that it will combine with various inputs from the marketing strategy adopted and eventually culminate in a sale.

2. Trigger a sale in a buyer who has already decided to purchase and who is engage in a search for the right product.

3. Maintain the interest and patronage of regulars' buyers. Competitors will continually attempt to sell customers and wise making managers will recognize the importance of retaining the patronage of past customers. To accomplish the promotion objectives, the marketer must take decision in five (5) key areas:

i. **Target Audience:** This entails the determination of the particular group of individuals that should comprise the intended market.

ii. **Desired Behaviour:** Here, marketer must identify the particular behaviour that promotion is intended to influence or create. It maybe either awareness of the product or brand, development or change of attitudes or intention to buy.

iii. **Message:** Management should decide and also formulate the appropriate message for the audience. They must decide on what should be the message content, message structure and message format. That is what to say, how to say it logically and how to say it symbolically.

iv. **The Media:** One of the areas which the marketer has to focus his attention on the media which most effectively deliver the message.

v. **Source Credibility:** Here, the degree to which a message influence its audience will to some extent depend on the source from which it is received. Depending on how creditable the source of the message is, the audience may receive the message with confidence, disbelief or caution. The use of doctor/pharmacist for promoting pharmaceutical products, identification of engine fault by a mechanical engineer are examples of source creditability.

PROMOTION MIX

The promotion mix is the combination of marketing and promotional communication methods used to achieve the promotion objectives of the marketing mix. Marketing communication is considered as a total system.

In deterring which of the element or a combination consideration must be givens to the following factors among others for effectives and efficiency in their over all marketing programme.

1. Market size and sequestration

2. Product features

3. Correlation with product life cycle stage

4. Costs

5. Company services

6. Personal services

7. Competitor promotion mix

PROMOTION MIX ELEMENTS

Promotion, according to Philip Kotter, involves all the tools in the marketing mix whose major role is persuasive communication. The promotional mix element comprises of:

1. Advertising 2. Personal selling 3. Sales promotion 4. Publicity.

1. **ADVERTISING:** this is a form of non-personal presentation and promotion of ideas, good or services by an identified sponsor. It consist of those activities by which visual or oral message are addressed to selected public for the purpose of informing and influencing them to buy products, favourable towards ideals, persons, trade marks or institutions.

Advertising came in Medias such as Magazines, Newspaper space, Radio and television and Door display, direct mail, novelties, cards catalogues, directories and circular. Advertising can be used for such diverse purposes as long-term build up of the organizationals image, long-term build-up a particular brand, information dissemination about a sale, service, or events, etc.

TYPES OF ADVERTISING

(i) **Product and Institutional Advertising:** in product advertising, the aim is to inform or stimulate the market about a company's products or services. Product advertising is divided into direct and indirect action. In direct action advertisement, sellers are seeking a quick response to their advertisements. While the indirect is designed to stimulate demand over a longer period of time.

(ii) **National and Local Advertising:** National advertising is generally sponsored by manufacturing or other process: Local or retail advertising is sponsored by retailers mostly affecting their areas of operation. The term national advertising refers the level of the adverts or who is sponsoring the advert and has no relation to geographic coverage. Therefore, if a manufacturer decides to place an advert in one city or local government area, this will still be referred to as national advertising. A manufacturers advertising is designed to build the demand for his products. While retail advertising the emphasis is on the stove.

(iii) **Nature of Market:** This advertising is classified according to the target market and which it is directed. For example, consumer, middlemen, industrial user, or professional.

2. **PERSONAL SELLING:** This is the oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales. The purpose of personal selling is to bring the right product into contact with the right customers, and to make certain that ownership transfer take place. Among other reasons, personal selling is employed to create brand preference and providing post transaction reinforcement.

3. **PUBLICITY:** This is information about a company and its product that is conveyed to the public by the mass media because such information is newsworthy. Publicity is commonly used to launch new product and brands as well as to reduce interest in nature brands.

4. **SALES PROMOTION**: This consist of those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, slows and executions, demonstration, free samples precious and various non-recurrent selling efforts.

Sales promotion may be directed of consumers in the form of consumer productions, or middlemen in the form of trade productions.

2.4 UNIQUE MANAGERIAL FUNCTIONS OF MARKETING.

We have seen that marketing is an activity that is concerned with delivering satisfaction to a group of customers. In achieving this objective, marketing has its unique function beside the generally known management function. These unique functions include:

1. **Market Delineation**: This refers to the process of defining or describing a potential market in detail marketers need to know the size of the potential market, location needs and wants, social economic characteristics etc.
2. **Purchase Motivation:** As the marketers must find out why consumers buy and must understand the influence that motivate or illicit exchange behaviour.

3. **Product Adjustment:** This entails designing the product that matches buyers' needs and wants. The closer the match between producer and buyer, the greater the satisfaction.

4. **Physical Distribution:** This function provides time and place utility and sets the stage for possession utility.

5. **Communication:** Communication must take place between the marketer and the potential buyers before a transaction can be made. There must be awareness of products existence as well as persuasion of potential buyers to take advantage of the products. Communication will consumers is accomplished through advertisement, sales people, brochures etc.

6. **Transaction:** The transaction function in marketing includes any activities that give consumers a final push towards making an exchange. Such activities range from credit arrangement to the delivery of goods or services to guarantees.

7. **Post-Transaction:** The marketers job is not complete even after exchange has been made to be able to give complete satisfaction, thereby ensuring repeat purchases, the marketers has to follow up an sales. This is very common in automobile companies.

2.5 AN ASSESSMENT OF MARKETING CONTEMPORARY NIGERIA.

Without any doubt marketing played and still play vital role in all ramification a life of Nigerians. This becomes clear in the following areas:

1. Source of Revenue: The resulting activities of marketing serves as a source of income to government through the company that paid to government.
2. It improves the quality of education in Nigeria by way of given about 5% of Net Profit of companies to the educational sector.
3. It creates employment opportunities, the rampant emergence of new companies offers job to the citizens. This reduces the number of the jobless people and inturn reduce the rate of crime.
4. Marketing brings new fashion and thereby rise the quality of life.
5. It brings about technological advancement.
6. Development of marketing leads to the litegration of various economic sectors of the country such as agriculture and industry.
7. It makes full utilization of the existing assets and productive capacity possible.

8. It mobilizes unknown and untapped economic energy and other resources and put them into better economic use to the benefits of the country. For examples, the establishment of solid minerals deposits ministry.

2.6 **PROBLEM OF MARKETING IN NIGERIA**

a. An economy of scarcity.

b. Inadequate marketing infrastructure.

c. Complexity and inefficiency of distributing channels.

d. Ignoring the marketing concept.

a. There had been a poor performances on productive sector, especially manufacturing. Since the country cannot produce enough and of high quality goods and does not have unlimited foreign exchange to impact the scorfall, scarcities of the products have persisted in the past civil war periods, cements etc. suggest to all that little effort be expanded in marketing what is available. This state of affairs exacts a price, avely that good marketing skills and producers are not developed and as such expertise is not developed.

b. Infrastructure has to do with the provision of such basic amenities as good transportation network, steady electric power, sufficient water and dependable postal services and telephone system. These services as impediment to supplying quality products, supermarket operators cannot adequately stock frozen food, advertisers cannot deliver the correct schedule.

c. The channels of distribution are characterized by many levers of middlemen most of whom are small traders with little capital. There is a market absence of specialization in the distributing channels, the term wholesaler and retailers as used in industrialized countries are largely incurred in developing country, such as a system is too technically inefficient to handle the flow of goods in fast growing economy.

d. The marketing concept preaches that the welfare of customers should always be uppersues in the wild of the marketer before or during a gusiness sales. Nigerian producers and sellers ignore this points all they cared for is the profit tobe made. In the retail level, the customer is either ignored or given a rude reception or smoothed with attention that is aimed at cheating. The quality of Nigerian made products are sadly lacking.

CHAPTER THREE

3.1 NON-INTEREST BANKING FINANCIAL METHOD

A non-interest Bank in relation to its clients plays the role of partner, investor and trader, keeping in view the injunctions against the taking and giving of interest.

It is imperative that equal opportunity be given to all people, so that they might earn the necessities of life. Individuals may reap diverse material rewards by utilizing their talents and capacities.

Non-interest Banks accept demand deposits and time deposits. Demand depositors are fully repayable on demand and do not get any return. Holders of time depositors are given a share in the profits earned by the bank according to a profit sharing ratio made known in advance.

Non-interest institution offers a wide range of services which include the following.

MUDARABA: one party deposit its capital, which the other party uses for trade or investment. If the project is profitable them the profits are shared between both parties in the ratios agreed upon at the beginning of the project. Clients receive funds from the bank and manage operations independently. Contract defines what the client has to do with the money, what he may deduct as expenses and what percentage of the profits h receives.

The client guarantees to return funds only on two conditions. If he is negligent in the use of the funds, or if he breaches the conditions of the Mudaraba. In other words, Mudaraba is a contract in which all the capital for a particular project or undertaking is provided by the non-interest in pre-agreed ratios, loss, if any, unless caused by negligence or violation of the turns of the contract, is borne by the provider of capita.

MUSHARIKA: Is an active partnership under which the non-interest Bank provides funds, which mingle with the funds r owners of the business enterprises. All providers of capital are entitled to participate in management but are not necessarily required to do so. Profits are distributed among the partners in pre-respective capital contributions.

The Musharika is continuous if the partnership lasts as long as the business operates.

MURABAHA: Is a cost-plus contract in which a client wishing to purchase equipment or goods, requests the non-interest Bank to purchase the items and sell them to him at a cost plus a declared profit. If the deal proves that the cost charges are not correct, the ideal can be cancelled or he can choose to pay only the cost and force the bank to forfeit its profit.

BAI-MUAJJAL: Is a trade deal in which the Bank agrees to receive the price of a commodity from its client at a future date in lump sum or installments. The agreed price in such a transaction can be the same as the spot price, or higher or lower than the spot price.

BAI-SALAM: Is a trade deal in which the client pays the agreed price of a commodity in advance and the commodity is delivered to him by the Bank at a specified future date. a non-interest Bank may lease building, equipment or other facility to a client against an agreed rental.

<u>IJARA WA IQTINA</u>: Is a hire-purchase agreement between a Bank and its client. The Bank agrees to buy and rent a building, equipment or other facility for the client, together wills an understanding from the client to quake additional payments in an account. at the end of each year, profits are added to the installments paid until such time as the investment account contains the identical amount the bank paid to purchase the building, equipment or facility. The client becomes owner of the financed equipment and the contract ends.

<u>QARD HASANAH</u>: Is a transaction in which the client obtains x naira from the Bank to be returned at a future date, free of interest. Same banks may levy a modest service charge based on actual cost of administrating such a loan. Among the foregoing schemes, Mudaraba is given the prominent role in non-interest banking system.

Throughout much of the countries operating non-interest banking scheme, interest – based securities are now being replaced by various profits-sharing interest free instrument, including Participating term Certificate (PTC), Specific Purpose Mudaraba Certificates (SPMC) and General Purpose Mudaraba (PTCs) share in the profits of the business concern issuing such certificates. Specific Purpose Mudaraba Certificate (SPMCs) are issued to finance specific projects that mature with the completion of the project. General Purpose Mudaraba Certificates can have a specific or indefinite duration.

3.2 HOW INTEREST-BASED SYSTEM WORKS

suppose an entrepreneur, Alh. Bello desire to undertake a project that can be started with a capital of N1,000. Alh Bello borrows n1,000 form Habib Bank, say, on January 1, on the condition that Alh. Bello will pay back to the bank N1,000 on December 31 of the same year. The entrepreneur is willing to pay the extra N100 because he expects that the borrowed N1,000 will make a marginal contribution in his profile of at least n1,000. the extra N100 is called profits are above or below the expected profits. He must pay the predetermined amount of interest even if he incurs a loss.

Formally, the foregoing contact is stipulated as follows: Habib Nigeria bank and Alh. Bello agreed that Habib Nigeria Bank is lending N1,000 to Alh. Bello and Alh. Bello will pay the original amount plus 10% per year of the original amount, which amounts to n100. the original amount is called the principal and the rate leading to accrual of the interest is termed the interest rate. If the interest rate agreed upon is ‘very high” then the interest rate is termed usurious interest rate and the amount occurred as interest is called usury. Both usury and interest in Arabic are called “RIBA”. Therefore, riba, interest and usury refer to the same thing: the amount of money that borrowers agree to pay to lenders over and above the principal.

An interest-based contract can be analyzed by references to the interest, an amount over and above the principal agreed in advance, or the interest rate, a percentage of the principal to be paid by the borrower to the lender per year in addition to the principal agreed at the time the money is borrowed from the lender.

Suppose the same Alh.bello and habib Nigeria bank seek an equivalent deal under the non-interest banking scheme. Let us assume that the Alh. Bello has the same project and he desires to obtain N1,000. Habib Nigeria Bank desires N1,000 over and above the N1,000 given to Alh. Bello.

3.3 **DISTRIBUTION OF PROFIT BETWEEN THE ENTREPRENEUR AND THE BANK**

In studying the principle of division of profit, it should be borne in wind that the conditions of partnership may vary for example:

1. The entrepreneur may transact the business with the capital procured from the bank only, and with no other capital.
2. The entrepreneur may invest his own capital in the business in addition to capital procured from the Bank.
3. The entrepreneur may invest personal capital loaned to him otherwise than by the bank.
4. The entrepreneur may invest addition capital from another party on the basis of Mudaraba.
5. The entrepreneur may enter into (active) partnership with another entrepreneur whose capital is also invested in the business.

In each of these cases, the capital of the bank has been procured on Mudaraba or on the basis of partnership. In the accounts following it has been assumed that a sum of N1000,000 has been acquired from the Bank on condition that half of the profit earned from it will go to the bank and half to the entrepreneur.

1. In situation (1), if there is a profit of N10,000 a sum of N5,000 will be paid to the entrepreneur, and the remaining n5,000 together with the capital of N10,000 will be refunded to the Bank. If the business results in a loss of N10,000 the capital is reduced to N90,000 and this amount will be refunded to the Bank, which must sustain the loss of N10,000. the entrepreneur will neither receive nor pay anything. If the Bank has fixed another ratio of profit division, for example, 40% for the Bank, the 60% for the entrepreneur, or vice versa, the profit will be accordingly divided. But in case of loss, the loss will be entirely sustained by the bank. This principle is not influenced by the ratio for profit division as laid in the Mudaraba agreement.

2. In situation (2) the entrepreneur himself invest N100,000 in addition to the capital of N100,000 procured from the Bank, and works the business was the joint capital of N200,000. Supposing there is a profit amounting to N20,000 in the business the same will be first spread over the total capital and town half of the profit earned from the Bank capital will be paid to the bank, the balance going to the entrepreneur. A sum of N15,000 will thus be the enterpreneur's share and N5,000 the Banks. If the business refills in a loss amounting to N20,000 the bank will bear one half, and the entrepreneur the other half.

3. In situation (3) the entrepreneur invests a capital of N100,000 acquired on loan on his own responsibility, besides the N100,000 procured from the Bank. The enterpreneur's private borrowing will be reckoned by his private capital and he will get profit or make loss as described above for situation (2). If the business gains N20,000, N100,000 plus n5,000 will be handed back to the Bank, and N100,000 plus N15,000 will remain wills the entrepreneur who must of course return the N1000,000 he borrowed privately. In case of a loss of N20,000 he will repay N90,000 to the Bank, and must make up the N10,000 wanting in the N100,000 which he borrowed on his own responsibility. The Bank does not share in responsibility for the loan he obtained private.

4. In situation (4) N100,000 has acquired on the basis of Mudaraba from another party (the investor) in addition to the N100,000 form the Bank and a third sum of N100,000 invested by the entrepreneur himself. Thus the business is run with a total capital of N300,000. supposing that in this deal with the investor it has been decided that half of the profit earned from his investment will be paid to him and half go to the entrepreneur, and the investor will also get back their capital. Thus, the principle of profit sharing has remained unaffected; the whole profit is divided over the whole capital; the entrepreneur is paid for his service

from this overall profit according to the terms and conditions settled between him and the investor. If the business result in a loss amounting to N30,000, that loss will be divided equally (or proportionally as the case may be), overall three capitals. The bank, the entrepreneur and other investors will each suffers a loss of N10,000 and get back a sum of N90,000 only, no portion of the loses suffered by the bank and the investor will be borne by the entrepreneur.

5. In situations (5), the entrepreneur procures a sum of N100,000 from the bank on Mudaraba, and with the banks consent enter into a partnership agreement with this capital with a second entrepreneur, who invests a capital of N10,000 in order to run the business on a total capital of N200,000. 16 has also been settled between the two entrepreneur that they will share in the profit equally and it has been agreed between the bank and the enterpreneur that the bank will receive half of the profit earned by the entrepreneur and half will go to the him. This if the business makes a profit of N20,000, N10,000 will go to the second partner on his investment of N1000,000 on the basis of partnership N5,000 will go to the bank which provided a capital of n100,000 on the basis of Mudaraba and N5,000 will go to the entrepreneur who put in the efforts of setting up the business. If the business result in a loss of

N20,000 the bank will sustain one half, the remainder to the sustained by the second partner who provide capital on the basis of partnership. The first entrepreneur who made no investment with no share the loss, nor will he receive any reward for his business efforts.

3.4 **<u>NON-INTEREST BASE BANKING PRODUCTS</u>**

Some products being offered for non-interest banking include,

<u>NON-INTEREST CURRENT ACCOUNT:</u>

(i) To be operated as in the conventional banking system but without interest element.

(ii) The bank accept deposit from such customers looking for safe custody of their funds and absolute convenience in their use.

(iii) The bank request permission from such customers to make use of their funds as long as these funds remain with the bank.

(iv) The customers may withdraw a part or the whole of their balances at any time they so desire.

(v) The bank provides its customers with cheque books and usual services connected with current account.

NON-INTEREST SAVINGS ACCOUNT

The account is similar to the existing banks savings account with the interest element. The following are its features.

(i) Banks accept deposit from its customers looking for the safe custody of their funds and a degree of convenience in their use in the form of saving accounts.

(ii) Banks requests permission from such customers to make use of their funds so long as these funds remain with the bank.

(iii) The customers may withdraw a part of the made of their balances at any time they so desire and the bank guarantees the refund of such balances.

(iv) Banks may reward the customers by returning a portion of the profits generated from investment made with such funds as divided.

(v) Banks provide its customers with savings pass books and other usual services connected with savings account.

GENERAL PURPOSE INVESTMENT ACCOUNT

(i) Banks accept deposit from its customers looking for investment opportunities for their funds in the forum of general purpose investment account.

(ii) The account holder authorizes the bank to invest the money in any of its project.

(iii) The deposit will have to be for a specified period.

(iv) Bank act as “entrepreneur” and the customer as the “provider of capital”. And both agree among others on how to distribute the profits. The offer of ratio of distribution of profits may be varied from time to time.

(v) The inquisitors do not participate in the management of the investment of the funds.

(vi) This investment can be withdrawn only open its maturity i.e it cannot be withdraw or encashed on demand.

SPECIFIC PURPOSE INVESTMENT ACCOUNT

(i) Banks accepts deposit from its customers looking for investment opportunities for their funds in the form of specific purpose investment accounts.

(ii) Banks obtain the account of the account holder after information through a written investment memorandum before money is put in a particular project.

(iii) Bank way invite depositors to subscribe to the financial of a particular projects under the specific purpose investment accounts.

(iv) Funds (accounts) shall be attached to specific investment projects.

(v) The deposit may before a specified period.

(vi) Once funds of a account are committed to a project, maturity of funds will be tied to the maturity of the projects.

(vii) Each of the investment account is treated as separate contrast even though the depositor may be the same.

(viii) The bank acts as "Agents" and the depositor as "provider of Capital" and the utilitor of the funds as the 'Enterpreneur". Both will agree among others on how to distribute profit, if any generated by the Enterpreneur on the investment of the funds.

(ix) In the events of loss in the investment, the depositors bear all the loss.

(x) The depositors do not participate in the management of the investment of the funds.

3.5 MODES OF FINANCING

Below are some modes of financing/investment that non-interest banks provide to utilize the funds raised from its customers and sponsor shares.

1. TRUSTEE PROJECT FINANCING

(i) The bank may undertake to finance acceptance projects under the principle of trustee project financing.

(ii) In this instance the bank is the “provider of capital” and will provide 100% financing for the relevant project.

(iii) The initiator of the project is the ‘enterpreneur” who will manage the project. The bank cannot interface in the management of the project but has the right to undertake the follow-up and supervision tasks.

(iv) Both parties agree through negotiation on the ratio of distribution of the profit generated from the project.

(v) In the event of a loss in the project, the bank bears all the losses.

2. **<u>JOINT VENTURE PROJECT FINANCING</u>**

(i) The bank may undertake to finance acceptable projects under the principle of joint ventures.

(ii) The bank together with the initiator of the relevant project will provide the whole financing for the project in agreed proportions.

(iii) All parties including the bank gave the right to participate in the management of the project but all the parties have the option to waive such right.

(iv) All parties agree through negotiation on the ratio of distribution of the profits generated from the project if any. Such ratio need not coincide with the ratio of participation in the financing of the project.

(v) In the event of a loss in the project, all parties bear the loss in proportion to their shares in financing.

3. **TRADE FINANCING**

The bank may provide specific facilities and or financing mostly on short- term basis for the purpose of facilitating trade or working capital for its customers. This facilities/financing may be granted in connection will the purchase/import and sale/export of goods and machinery, and the acquisition and holding of stock and inventories, spares and replacements, raw materials and semi- finished goods.

4. **RENTAL VENTURE**

This is a contract for the use of rental assets or properties (tangible or intangible) for a specific period of time, at a fixed rent, rental venture can be categorized into two:

a. **LEASE PURCHASE**.

A lease under this contract may obtain finance from the bank for the purchase o assets which are depreciable in nature like vehicles, computers, machinery and equipment, e.t.c. when the full cost of the asset is received by means of rent, the bank will offer the asset to the lease at market/depreciated valve and if the lease is not interested in purchasing the asset it will be sold in the open market. The amount thus recovered will be profit for the bank on the lease contract.

b. **HIRE PURCHASE.**

In this contract, the bank will provide its prospective customer will a facility to purchaser an installment basis, on asset of variable nature (whose market value keeps fluctuating), such as land, houses, shops, factories, etc. the client will be able to take possession of the asset, on rent, as soon as the contract is signed. The amount of rent and that of installment to be paid by the client, will be fixed by the bank after evaluating the clients circumstances.

The most of rent and that of installment to be paid by the clients, will be fixed by the bank after evaluating the clients circumstances as well as market conditions.

The client will however, be required to pay full value of the asset within a certain stipulated period, fixed by negotiations between the clients and the bank.

3.6 MARKETING NON-INTEREST BANKING

Bank marketing in most cases will still tends to be defined in traditional terms, marketing research, advertising, sale, training, public relation e.t.c. while these functions are clearly critical, they are marketing support activities, and for the most part we have tended to forget them reasonably well in most banking activities.

3.7 PRODUCTION DEFINITION

Formerly, the marketing mix has four major ingredients – products place, promotion and price strategies. Product strategy involves decision about developing the right product for the target market, where product refers to a means or capacity to provide a solution to consumer problems, or satisfaction of needs. In its most basis sense, the product refers to the benefits the consumer receives as a result of exchanging his resources for the specific means of need satisfaction provided by the firm. The concept of the product as potential satisfactions, or problem solutions in our context is vital to the banks ability to generate a flow of deposit and investment offering that truly. Provides real and important benefits to the consumer.

3.8 **CUSTOMERS**

The consumer, not the bank or the product, is in the middle of any marketing strategy. In today's economy the consumer, the man, woman or organization who buys the product or service is at the absolute centre of the business. Growing acceptance of this consumer concept has had, and will have far-reaching. Implications for business, achieving a virtual revolution in economic thinking. As the concept gains greater acceptance, marketing is emerging as the most important single function in business.

A common mistake contributing to new product failure is the tendency for marketers of all kinds, including bank marketers to over-rely on the initiative process as a basis for new conception. Many bank marketers need to become more cognizant of the fact that the initiative process is often disproportionately based in favour of one's own pass experiences, as real and important by the banker may be seen as unimportant r non existence by the consumer.

Another important point that may influence the attitude of customers to the non-interest banking system is the advantage of professional handling of projects in which deposits might be invested. Customers always want to have confidence on the bank they deposit. Such confidence will be generated through first contact with the banks staff. Such example is with the old generation banks and the new generation banks. Old generation banks do not give much concern to individual customers, they rely on high percentage of deposit. While new generation banks treat its customer "as a king". Each customer is given his personal attention will professional advice; this leaves the customer feeling satisfied will the business he is dealing with.

3.9 DEMAND AND CUSTOMER IDENTIFICATION

The true force behind business success is the collective customer. Any business that choose to stay in business does so by continually identifying and responding the changing needs and desires of customers and prospective customer at a point. That is the way it has to be in a non-enterprise economy like ours. It is customer who initiates marketing and its is everyone in the business who is involved in marketing specialties, management, customer contact personal, everyone. In one way or another, directly or indirectly, everyone in a business organizations response to the market in order to produce profit. Marketers should know that all existing customers are potential customers to the non-interest banking facilities.

Customer identification has to so with determines the needs and wants of target market and adopts itself to delivering the desire satisfaction more effectively and efficiently than this its competitions. Larry Rosenberry. In this present day and age this could prove difficult to complete effectively with other non-interest banks but awareness could be create for more acceptance of product and service being offered the bank. This will being more and more people into accepting such system of banking thereby creating more ways for other banks to adopt the system.

3.10 **ADVERTISING**

Benstain (1974) defined advertising as "The original and or communication of ideals about product in order to motivate consumers forwards purchase". Also it can be termed as any paid from of non personal presentation and promotion of ideals, goods or services by an identified sponsor.

Bankers who commit themselves to being bankers first may find themselves in the management role of administering or supervising or overseeing or being reputed to by other functions within their banks. One of these functions is marketing and a major part of marketing for any progressive bank is advertising.

Bank advertising is a technique, an art, a craft or profession, a part of the total marketing scheme of things. Simply put, it is a method for calling attention to your bank, its service or people. It is salesmanship.

Advertising of any kind affects people as individuals. Its either, they like it, they don't like it, they don't care one way or the other. It is open to public security. Advertising is one way an individual can make a decision about you. It gives him something to praise or to degrade.

When people generally like a banks' advertising, they keep it to themselves. When they don't like it they tell everyone, including the banker. Advertising seeks to be objective to reach the subjective, it can seldom prove completing. It is difficult to justify on the bottom line. It is a cost lender, seldom a profit lender. Advertising in banks tends to inform. On the basis of such information, and the manner in which it is presented, advertising is also intended to intrigue and persnacle. Advertising alerts a potential user that a service or will help him reach an objective.

Unless the consumer is aware of how a bank can help him, and which bank seeks to help him, where that bank is, what the cost of the help may be, when it can help him, who can offer the help, and why bank A can do these things better than bank B, he will not, cannot, make the move to your bank. This is the principal mission of advertising, to help move the consumer to your bank.

Advertising should be a catalyst to cause reaction not a reaction itself. A good marketing planning and execution can increase a customer awareness of a bank. Such means of advertising used for promotion are point and electronic media, personal contacts, pamphlets distribution and using existing customers.

In advertising banks usually concentrate on who will invest more on their business. Large banks with branches across the nation usually advertise on a wide scale without aiming at any individual. While banks with few branches concentrate more on top individuals or large companies other wise called High Network Individuals (HNI).

CHAPTER FOUR

4.1 **HISTORICAL BACKGROUND ON NON – INTEREST BANKING IN NIGERIA.**

The first non – interest bank in Africa was established in Egypt in 1963 with the help of late king finisal of Saudi Arabia. The bank operate with entirely new functions and principles, it is simple and just, as well as free from interest. The experiment proved highly profitable. It draws the attention of many people to the possibility of achieving a healthy profit by the establishment of Islamic institution in the field of finance and investment.

The success demonstrated by the Egypt experiment was appreciated by many African countries. The movement toward the establishment of non – interest banks gained movement which received the biggest encouragement in Africa and west Asia and this lead to the establishment of interest free banks in Gabon, Mali, Senegal, Togo, Sudan and many African countries.

Islamic movement in Nigeria have on various occasion organized and conduct public lectures and symposium to enlighten the public on non

– interest banking. This generate the desire of many Nigerians more especially the business community and some Muslim scholars of having on interest free bank established in Nigeria.

Prince Muhammed Al – Faisal Ai – Saud, the president of Dar – al – Mal – Islam (D.M.I) act as a parent body to all non interest banks and was invited to the country in 1982 by some business community and Muslim scholars in their efforts towards the establishment of interest free banks. Their mission which was aimed at establishment of non – interest bank in Nigeria lead to the return of the prince in May 1982 who was accompanied on his trip by the founding Members, Director of DMI and Director of faisal Islamic bank of Medina.

A meeting was held in Kano between the prince and top government officials at central hotel in May, 1982. Among the top government official present were the then permanent secretary Federal Ministry of finance, the governor of Central Bank of Nigeria and other Nigeria individuals. The Prince and his Entourage paid a courtesy call to the then president Alhaji Shehu Shagari and held discussion on the possibilities of establishing on interest free bank in Nigeria.

Aqida bank filed its application to Federal Ministry of Finance, Lagos in 1983 for the establishment of an Islamic bank in the country. A number of such applications were submitted by other foreign based operating financial institutions.

Non – interest banking scheme was adopted by Habib Nigeria Bank for the first time in the Nigerian banking industry around 1998. Lectures and seminars were arranged for senior staff to have them introduced to the scheme. Ever since the system has received a huge amount of acceptance. Still yet, Habib Nigeria Bank operate this scheme, but there is world that other banks will soon join seeing the success of the scheme from Habib Nigeria Bank.

4.2 PROBLEMS FACING NON–INTEREST BANKING IN NIGERIA

Here we are specifically concerned with some of the likely problems that might be encountered by non-interest banks in Nigeria and their possible solutions.

First is the problem of screening process. The screening process of admitting non-interest banks may be so stringent that unless prospective bankers are determined and work tirelessly they are likely to give up. This is indeed true as Nigeria is a place where religious issues are handled with fear and in contempt. It may take a long time before government gives licences to prospective interest free banks. The possible solution there is continued insistence and 'no' to give up.

Secondly, is the problem of 'big rush'. Deposit may build up beyond any imagination and beyond the control of management. Here competent managers are required to curb the excess liquidity problem. Banks then must look for the best brains in non-interest banking anywhere in the world.

Thirdly is the problem of carrying on business with local western system based banks. The non-interest bank cannot operate in isolation but must transact business with other banks. But these western system based can not do without interest, thus there is the likehood of conflicts. This problem of carrying out business with local banks can only be solved if inter-bank services can be carried out without charges.

Alternatively, they could go into profit sharing investment such as an ordinary share-holding etc. However, this solution can only be effective, if the interest free bank, its transaction with the western system based banks and its other activities are recognized by the Central Bank and the federal government in the forms of laws.

There may also be the problem of re-investment. While the interest based banks can retain and reinvest profit, non-interest banks especially under mudarabah agreement must share out profit in accordance with contract. The only possibility of reinvesting profit is that of the bank only or if the bank can pursue the deposit holders to reinvest.

Additionally there may be that problem of the compensation of creditors willing to keep their funds in social account, which while not providing much returns may actually be either be lost or got its value severely eroded by the inflationary pressure. Some have argued that only way for encouraging depositors against the erosion in the value of their or funds is through indexation. While others have rejected indexation on the ground that it could accelerate inflation can be unfair to the banks where there are no alternative investment avenues for the depositors and it could be cumbersome and impracticable.

Lastly is the problem of getting trained personnel. That is to say there may be difficulty in obtaining the appropriate trained personnel that well versed in the non-interest banking practice. In the long run this may not however be a problem in the long run because at present Danfodio University Sokoto is conducting most of its courses especially economics related courses.

4.3 INTEREST AND THE NIGERIAN ECONOMY

On 24th April, 1991 a submission made in response to the FATWA's commission request by Professor Ibrahim Ayagi a visiting lecturer at A.B.U. Zaria and a Director of one of the Islamic Financial Institutions currently operating in Nigeria reveals the appaling effects of interest in Nigeria – poetically, socially and economically:

"Interest is an abomination because it is a weapon for the enslavement of human beings: man enslaves man and nations enslave nations through the instrument of 'RIBA'. Many a hitherto successful Nigerian entrepreneur and/or business persons have been turned into paupers by the company interest of banks. Similarly many countries have become improverished as a result of the compounding interest charges of foreign lenders. Nigeria is a shining example of the victims of the abomination of the 'riba'. The Nigeria economy has been caught in a debt trap of foreign creditors. The country was introduced into the international borrowing/lend further periods in the future. Thus Nigeria has become a ding arena when the first jumbo loan of US $1 billion was taken. Nonetheless the debt which was only about US $2 billion by October 1979) has risen a significant additional borrowing the outstanding foreign debt against Nigeria has now (1991) risen to over US $35 billion. The course of this being the tragic policy change which adopted debt-rescheduling instead of debt repayment as the country's policy from 1984 to the end of 1985. And as everybody knows, debt rescheduling simply means periodic negation which always results in the capitalization of unpaid interest charges and postponing the date for repayment to further periods in the future. Thus Nigeria has become an 'evergreen' haven for foreign creditors who have the claim on the incomes and wealth of Nigeria. And for Nigerians, the fate in perpetual poverty and economic bondage.

A poverty-stricken country under economic bondage of foreign creditors cannot be free for example, Nigeria before independence (1960) was under the British colonial rule and administered by the Governor-General. Today, Nigeria is politically free but the freedom is constrained by the economic limitations imposed by the foreign creditors. In place of the British Governor-General, the International Monetary Fund (IMF) and the World Bank have their resident representatives in Lagos who must be contacted before any major expenditures is approved and they would not approve any expenditures that would infringe on Nigeria's ability to service its foreign debt.

Presently interest charges on foreign debt are about US $3.2 billion which is not fully serviced, by 1992, when the debt rescheduled payment of both the principal and interest would start, Nigeria's average foreign exchange revenue would rise up to UD $3.2 billion annually. Nigerians present import bill is over US $ billion (excluding debt servicing) and assuming that this expenditure pattern remains unchanged the foreign creditors would continue to be paid US $3.2 billion annually and the principal debt would remain unchanged and unpaid forever. That is an evergreen loan for you".

We can thus see that interest dwarfs Nigeria economy its human and natural resources unemployed. This no doubt creates confusion, armed robbery and other vice including breakdown of morality in the society. Nigeria can only develop by freeing its self from the grip of these internal and external creditors who lend small and take huge amount of money through the instrument of compounding of interest.

4.4 PROSPECTS FOR THE ESTABLISHMENT OR APPLICATION OF NON INTEREST BANKING IN NIGERIA

As previously mentioned Nigeria is largely a religious country and only in May, 1998, the membership of Nigeria in the Organisation of Islamic Countries (OIC) was announced by the Sultan of Sokoto as a Muslim country is a factor and prospect for the applicability of non interest banking in Nigeria. Other areas which the author finds as prospects for the feasibility and applicability of non interest banking in Nigeria are:-

1. Nigeria is blessed with wealthy people and Muslims that makes the prospects for Islamic banks bright. Financial giants like Dantatas, Dangotes, Folwiyos etc. are very invaluable for this type of venture, as each of them could independently establish at least a small Islamic

bank or at least these wealthy people could come together to set a large Islamic bank across the country.

2. Also northern states governments dominated by Muslims such as Kano, Katsina, Borno, Sokoto, Jigawa, Zamfara, Niger, Adamawa States etc., might be interested in this venture. Organization of Northern States can pool their resources to establish one Islamic bank with many branches as they have done in the case of Kaduna Polytechnic, Bank of the North, NNDC, New African Merchant Bank, etc.

3. Foreign Islamic banks and personnel may be interested to come in movement for the establishment of Islamic banks is greatly supported by Prince Muhammed Al-Faisal who has been responsible for the establishment on many banks in many countries of the world e.g. Faisal Islamic Banks of Egypt, Guniea, Sudan, etc. It was also reported that Prince Muhammed Al-Faisal accompanied by a high powered delegation Dar-al-Mal Al Islam and renowned Islamic scholars have been to Nigeria twice purposely for the establishment of Islamic banks: 1982 and 1985.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

SUMMARY

Marketing simply put, is a matching process based on goals and capabilities by which a producer provides a marketing mix that meets consumers need within the limits of the society. In any organization things started with marketing and ends will it and all these activities/process are guided by either principles of rules.

We were also made to understand that marketing have evolved through four stages. In addition, marketing helped in reducing business risk improved business planning, more revenue generation, components of marketing mix, unique managerial functions of marketing as well the relevance of marketing in our society has been analysed.

Bank marketing in most cases still tends to be defined in traditional terrors, market research, advertising, sale, training, public relation etc. while these functions are clearly critical, they are marketing support activities, and for the most part we have tended to forget them. Marketing most produce profitable growth in deposits and or loans, also marketing must achieve favourable development and/or improvement of the bank image.

Bank marketing has got to be viewed essentially as a philosophy that stems from the chairman, through the managing director down. To is a way of thinking and acting toward a customer group and it really stands directly opposed to the sales philosophy where a factory produces a product for the sales force to sell. It is now enough for marketing to show us how to do little better what we are already doing through it is important. The most important function of marketing is to show us how we can do something new and different. Marketing should be a major innovator in any business through constant innovation.

CONCLUSIONS

In dependent efforts at the grass – roots level to organize Mudarabah based on traditional methods of saving should be understood and encouraged. Habib Nigeria Bank has outlined a members of customers for direct marketing. These are:

Religious organization, both Islamic and Christian, under this group there are mosque and church funds, trust funds, religions non – government organizations and religious schools/institutions. Private trust funds and religions philosophy organizations are also expected to utilize the scheme.

Non – religions philanthropic organizations may be interested on the scheme, their conviction may be based on philosophical and moral standing. Embassies and government organization such as Pilgrim Welfare Boards and other government departments are likely to find benefits in the scheme. Already there are some embassies that are familiar wills the system as it is currently being operated in their home countries. Also individuals, religiously inclined business ventures and other established and equipped business outfits are also potential source of deposits and fund utilization in the scheme. Now the question arises as to, how do we get value out of our marketing effort? How do we identify the most profitable market now and in the future for our new product. How do we study the attitude and needs of the different categories of customers on what our business depends. And what do the executives especially, do to get full value for the money spent on marketing?

RECOMMENDATIONS

The research in marketing non – interest banking some the achievement so far attained in the effort of creating more awareness through marketing for better customer awareness. Based on this study, certain recommendations are necessary as a guide to a successful banking scheme.

These recommendations are:

i. Marketing institution be the prior aim of any financial institution due to high competition.

ii. Existing commercial banks in Nigeria should as part of experiment, open up interest – free.

iii. More qualified and competent staff should be employed to tackle the high level of compositeness.

iv. A training institution should be set up to the detailed a cadre of devote bank employees on the detailed working procedures, rules and regulations and principle of Mudarabah.

v. Honest individuals should be employed to carry out the business operations. Staff of such intuitions should be paid well so that temptation to fraud should be reduced to the minimum.

vi. Government should give more support to the scheme so as to encourage individuals and government bodies to join.

Non – interest banking can have great success through effective marketing and creating awareness of the benefits a customer will have choosing such scheme

1. The federal government credit guidelines should be adjusted specifically take care of loans going to small business men or individuals. Also higher penalities should be imposed on deviating banks. This will prevent them from attempting to risk the cost of deviating.
2. The Nigerian government in consideration of the religious population in this country and their religious practice should give a chance for registration and operation of full fledged non interest banking institution in Nigeria along side the conventional system of baking existing. This will give a chance for self assessment of these who are regional inclined at least whosoever banks with usury after that, does it at his own will.
3. The government should also consider directing the Central Bank to study the possibility of establishing a division under its umbrella that has learned bankers to create avenues for monitoring and overseeing the interest-free sector.

4. On its own part, the Central Bank of Nigeria should come up with an elaborate scheme which would oblige banks existing to incorporate traditional interest-free banking strategies into their modern banking operations. Rural peasants, low income earners and even and wealthy individuals still express enormous confidence in the “adashi” bedroom savings (piggy banks) and other modes of traditional thrift schemes, inspite of several decades of the adoption of the contemporary banking techniques in Nigeria.

5. Relations with western system based banks should be worked out on the basis profit sharing. This would spur joint venture arrangements with a healthy result of stimulating growth and invigorating participants.

6. Learned bankers and religious organizations should educate the public on the harms of interest to the economy. Bankers and economist should delve more into the interest based system and come out with mathematical evidence to assist ordinary layman to understand more the prohibitions of usury.

7. A strong and purposive movement comprising intellectuals professionals and entrepreneurs should be formed for the formation of interest free banks.

8. More universities in Nigeria should take up the study of non-interest banking as a discipline.
9. The government to allow a joint venture of a New Nigerian Bank and foreign based non-interest banking institution to take off to prepare a training ground for future managers for the interest free banks to be formed later.
10. There should be strategic and conscious effort for moral training of individuals to reduce the pessimistic view of the lack of success of no-interest banking due to dishonest individuals who would like to take advantage.
11. Finally there should be social consciousness, good leadership example and high degree of political will if this is to succeed.

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