# Midwifing African Nascent Islamic Finance:

# Lessons from Malaysia

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***Abstract***

*There is a great prospect for growth in Africa and in some years to come, seventy per cent of the fastest growing nations in the world will come from Africa. To achieve this, Islamic finance has a big role to play in complementing the funding gap and improving the rate of financial inclusion in the continent. The purpose of this paper is to show how the Malaysian experience in the development of Islamic finance can help African countries to grow their young Islamic finance. To achieve this, we have used the qualitative method of document analysis to uncover the different stages that Islamic finance has passed through in Malaysia before it becomes the hub of Islamic finance in the world. Specifically, this paper has shown that the success of Islamic finance in Malaysia is a combined effort of all the stakeholders which include government, financial institutions, Muslims and non-Muslims. Therefore, for Islamic finance to achieve the desired goals in Africa, all hands must be on deck with everybody contributing its quota. It is hoped that this paper will be an eye opener to all the stakeholders on the benefits they stand to gain if they unite to develop Islamic finance in Africa and to wake up all the concerned parties to their responsibilities to achieve these benefits.*

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**Keywords:** Islamic finance, Africa, Malaysia, stakeholders, financial inclusion.

**Jel Classification Codes: O4 P4**

## 1. Introduction

There is a great prospect for growth in Africa in the next few coming years with a projection of seven out of ten fastest growing economic nations in the world coming from the African continent. This is a result of abundant growth drivers that existed in the continent in the form of many natural resources and continuously improving human resources. Harnessing these resources to achieve development in Africa requires huge funding and Islamic finance presents a great potential to

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support, in parts, this funding requirement. The massive presence of Muslims in Africa, which represents about 50 per cent of the entire population presents a tremendous opportunity to serve the Muslim populace who are voluntarily excluded from the conventional financial system with the provision of Shari'ah compatible products and the non-Muslims who prefer equity based finance to the interest-based provided by the conventional financial system. The provision of capital alternatives for government institutions is another opportunity for Islamic finance to wax stronger in Africa.

However, the Islamic finance industry in Africa is still at its primitive stage. Out of over six hundred Islamic financial institutions worldwide, less than ten per cent of this total operates in Africa with its vast majority of the Muslim population. It has been observed that more than 65 per cent of the people in Africa lack access to banking operations, and the majority of those who have access reside in an urban area and less than 20 per cent of the rural area have access to banking services. These are promising markets for Islamic finance to capture in Africa. However, to capture these un-tap markets, Islamic finance in Africa will have to surmount the initial barriers and position itself as a credible financial institution and a worthy alternative to the conventional financial system. This is where gaining from the experience of the country which has done this successfully becomes very important. This study has chosen Malaysia as the country the African continent can benefit from its experience tremendously in developing nascent Islamic finance.

The choice of Malaysia to be the lead is borne out of several factors. Malaysia has been declared the hub of Islamic finance in the world. Malaysia, like many other African countries, has a sizable percentage of its citizen who is not Muslims. Malaysia operates a dual banking system in which Islamic finance co-exist with conventional banking, the situation that is obtainable in most African country. Malaysia develops its Islamic financial institution from zero in an environment that has been dominated by conventional banking, which is likely to be the situation in most African countries. Malaysia has in the past served as a good example for other countries in introducing Islamic finance (Indonesia and Brunei adopted the Malaysian model of Islamic finance) and those that have even started Islamic finance before it or who may even be operating solely Islamic finance in developing some of their Islamic products (Pakistan, Dubai and Sudan). Malaysia is the only country that offers a complete Islamic financial product. All of these show that the Malaysian experience with being of great benefit to the African countries in developing their young Islamic finance into a world-class financial institution that will serve the lead in supplying the African nations' funding gap.

The purpose of this paper is to show how the Malaysian experience in the development of Islamic finance can help African countries to grow their young Islamic finance. To achieve this, we have used the qualitative method of document analysis to uncover the different stages that Islamic finance has passed through in Malaysia before it becomes the hub of Islamic finance in the world. Specifically, this paper has shown that the success of Islamic finance in Malaysia is a combined effort of all the stakeholders which include government, financial institutions, Muslims and non-Muslims. Therefore, for Islamic finance to achieve the desired goals in Africa, all hands must be on deck with everybody contributing its quota. It is hoped that this paper will be an eye opener to all the stakeholders on the benefits they stand to gain if they unite to develop Islamic finance in

Africa and to wake up all the concerned parties to their responsibilities to achieve these benefits. This is paper is divided into six sections. The first is the introductory section which discusses the problem statement and what the paper set out to achieve. Section two is on Islamic finance and the progress of Islamic finance in Africa, focusing on selected countries. Section four highlights the history of the development of Islamic finance in Malaysia with emphasis on the role played by different stakeholders. Section five brings out lessons African countries can learn from the success of Islamic finance in Malaysia. Section six concludes the paper by wrapping up all that has been discussed in the previous sections.

## 2.0 Literature Review

### 2.1 Islamic Finance

Islamic finance refers to financial activities that fulfil the teachings of Islamic law. The principle and laws of Islam require some types of activities, risks or rewards to either be forbidden or encouraged. The interpretation of Shari'ah laws takes into account the subject of social justice, equity and fairness in the implementation of commercial transactions. Right from the medieval period, Muslim traders have been engaging in financial activities using the Shari'ah principle. The Muslim Ottoman Empire had a long business relationship with its European partners in Spain using an interest-free financial system that is based on profit and sharing[2].

The journey of the present day Islamic finance could be traced to the establishment of the defunct Mit-Ghamr, free interest banking, in Egypt in 1963. Mit-Ghamr was an interest-free cooperative organisation which provides loans for its depositors for productive purposes. Apart from giving loans to its member, there was also an opportunity for the members to invest in a project based on profit sharing. However, the circumstances prevailing during the period killed the golden idea in Egypt. The oil boom and the surpluses that follow in the early seventies in the middle east demanded the establishment of Islamic banks to accommodate the surplus funds, thus the first known existed Islamic Bank was established in Dubai in 1973 followed by Sudan in 1977 and Malaysia in the early eighties (Mohsin, 2005). The establishment of Islamic finance by Malaysia in the early was a boot to the industry. The industry has been growing at a 10-15 per cent rate per annum since the late 1990s, a situation which is expected to continue. The provision of Islamic finance is no more limited to the small Islamic banks as big conventional banks now provide Islamic finance through 'Islamic Window. Today, there are over six hundred Islamic banks worldwide and other financial institutions providing Islamic financial services to would-be clients in Muslim and non-Muslim-dominated countries.

### 2.2 Islamic Finance in Africa

Modern-day Islamic finance started in Africa with the emergence of the idea of Islamisation of the conventional banking system. This led to the establishment of the first interest-free cooperative, Mit-Ghamr, in 1963. Unfortunately, the political exigency in Egypt during this period led to the closure of this first Islamic bank. In 1977, Sudan began its process of Islamising all Sudanese banks with the establishment of the Faisal Islamic Bank of Sudan (Mohsin, 2005). The bank which operates on an interest-free system received overwhelming support from both government and the citizen (Hamid, 1982). Today, all the banks in Sudan now operate on Islamic Shari'ah principles.

[2]http://www.ijarausa.com/history-of-islamic-finance/

However, not minding the origin of modern-day finance in Africa and the early adoption of Sudan, the Islamic finance industry is still in its infancy on the continent. It took other countries more than three decades after Sudan before they start to establish Islamic finance in their respective countries. Out of over six hundred Islamic financial institutions worldwide, less than fifty of them are on the African continent, despite its presence of a large Muslim demographic that accounts for more than over 50 per cent of the entire populace[3]. The following subsection discusses the new happenings in Islamic finance in some countries in Africa.

### 2.3 Islamic Finance in Nigeria

Nigeria is the most populous African country and the biggest African economy based on GDP. It is the leading oil producer on the continent and is also blessed with many mineral resources in commercial quantity. More than half of the over 160 million population of the country are Muslims. However, Islamic finance is still not well developed in Nigeria. The first Islamic banking window in Nigeria was introduced by the defunct Habib Bank in 1992 (Gelbard et al., 2014). With the introduction of the Law governing the Operation of Islamic Bank in 2009 and the creation of the Advisory Council of Experts for Islamic Finance in 2011, the first full fledge Islamic bank, al-Jaiz finally commence banking operations in Nigeria in 2012. Two conventional banks, Stanbic IBTC in 2012 and Sterling Bank Plc in 2013 were also given licences to operate Islamic bank windows.

However, al- Jaiz bank still operates as a regional bank with its activities only restricted to the northern part of the country[4]. Though the establishment of an Islamic bank in Nigeria by a large portion of the country could be seen in the composition of its customer and asset, the bank is still struggling to break even and some non-Muslim leaders are still calling on the government to scrap it. There are other few Islamic finance institutions in Nigeria such as Lotus Capital and Al-Baraka Cooperatives.

### 2.4 Islamic Finance in South African

South Africa was the first country to introduce Islamic banking operations in the Sub-Saharan region with the granting of a banking licence to two Saudi Arabia banks in 1989 to operate Shari'ah-compliant banking in the country despite having less than 2 per cent Muslim of its population. However, these Islamic banks were liquidated in 1998 as a result of issues that have to do with corporate governance. The idea of Islamic banking was resuscitated in South Africa in the year 2004 with the launching of the Islamic banking window by Wes Bank for its Motor Vehicle and Asset Finance. This was followed by the first national Islamic bank window which operates both deposit and transactional banking and in 2005, ABSA bank also commences its Islamic banking window. Today, several Islamic financial institutions are operating in South Africa. These include Element Islamic Equity Fund, Oasis Crescent Equity Fund Stanlib Shari'ah Equity Fund and Symmetry Islamic Fund. In September 2014, South Africa introduces Sukuk (Islamic bond) to be

[3]http://islamicbankingafrica.megaevents.net/

[4]http://blog.thomsonreuters.com/index.php/islamic-banking-in-nigeria-progress-and-prospects/

the third none Muslim country after the UK and Hong Kong had introduced the Shari'ah compliant debt instrument[5].

**2.5 Islamic Finance in Kenya**

Barclays bank was the first to introduce Islamic finance in Kenya in 2005 with the launching of Islamic products. This was followed by the introduction of two full-fledged Islamic banks: First Community Bank (2007) and Gulf African Bank (2008). In 2010, the Central Bank of Kenya amended its Banking Act to empower it by allowing payment of return instead of interest for it to be able to regulate it. This creates avenues for the introduction of many Shari'ah-compliant products in the country (Ndung'u, 2011). This also emboldened some conventional banks in Kenya to introduce an Islamic finance window in their operations. Conventional banks which operate Islamic banking windows in Kenya include Kenya Commercial Bank and Standard Chartered Bank. Islamic banking asset now represents two per cent of the total banking assets in Kenya (Gelbard et al., 2014).

**2.6 Islamic Finance in Mauritius**

Islamic finance started in Mauritius in 1998 with the establishment of Al Barakah Cooperative Society Limited by a small group of Muslims on the island. This Islamic cooperative credit union offers several Islamic finance contracts such as the Murabaha scheme and Istisna financing as well as providing a Hajj saving account for intending pilgrims. Islamic finance in Mauritius was formally recognised in the year 2007 by the government with the amendment of the Banking Act to make provision for Islamic banking practices. The adjustment was extended to Mauritius Finance Act in 2008 to accommodate various transactions under the Islamic system of financing such as land and property financing. HSBC bank was the first conventional financial institution to launch Islamic banking products in 2009.

In the same year, the first full-fledged Islamic bank in Mauritius, Century Banking Corporation[6] was given a licence to operate by the Bank of Mauritius. Century Banking Corporation commences operation in 2011 and now offers various Islamic finance products such as Murabaha, Wakalah, Ijarah, Kafalah and Islamic Commercial Certificates. Islamic bank in Mauritius is now more than $10 million, a value representing about one per cent of Mauritius's total assets in the banking sector. Bank of Mauritius is putting in place different efforts to make Mauritius a hub of Islamic finance in the region which includes encouraging the formation of Islamic finance institutions in Mauritius. Other Islamic financial institutions in Mauritius include Tata India Shari'ah Equity Fund launched in 2010 by India Tata and Mauritius Tata Asset Management Private Limited. The main aim of founding Tata India Shari'ah Equity Fund is to invest in Shari'ah compliant and or other equity-equivalent that are listed Indian companies.

**2.7 Development of Islamic Finance in Malaysia**

Despite the less ideal legacy of the conventional financial system left behind by the colonial masters, this study still believes that with conscientious and unanimous effort, there can be growth and development through the Islamic financial system in Africa. Islam which conspicuously

[5] http://www.treasury.gov.za/comm_media/press/2014/2014091701%20-%20Sukuk%20Statement.pdf
[6] http://www.cbc.com.mu/

addresses human life from cradle to grave had explanations for the positive impact of the financial system as well. This can only be possible if lessons are drawn from countries where Islamic finance has succeeded coupled with a stable and balanced system put in place for peace and harmony that will enliven spontaneous policy, principle and practice of the Islamic financial system. Malaysia is one of those countries and its experience will benefits countries in Africa to nurture their Islamic finance to success.

Malaysia drew lessons from Muqaddimah of Ibn Khaldun on social justice, the rule of law, property, rights, a culture of tolerance and cooperation among the various constituents, a willingness to innovate, and economic strategies that target growth and development with equity. These crucial factors are no doubt interdependent elements that enhance enabling environment which strives for success, both in this world and in the next.

With the prevalence of a multi-religious environment in Malaysia, the Islamic financial system and conventional financial system were concurrently run to enable all-around development suitable to all stakeholders in the diversified environment. 3 stages of Islamic financial Development could be recounted in Malaysia:

1. Familiarisation period (1983-1992)
2. Mainstream acceptance and pervasiveness period (1993-2001)
3. Islamic Finance as a Competitive Advantage period (2002- till date)

At the onset of the Islamic financial system in Malaysia came the period of familiarisation (1983-1992). This can be seen as an exploratory phase otherwise understood to be almost an experimental stage. At this stage, Bank Islam Malaysia was set up in 1983 under a new Islamic Banking Act. The system proceeded cautiously and conservatively, to avoid slip-ups that could discourage public confidence in the Islamic financial system. Over the next decade, Bank Islam Malaysia and Takaful Malaysia grew from strength to strength. Islamic banking was no longer regarded as a novelty or as an old-fashioned notion; even non-Muslims started banking with Bank Islam Malaysia.

According to Tan Sri Dato' Nor Mohamed Yakcop, former Special Economics Adviser to the Prime Minister of Malaysia, perhaps, the confidence that rose in the Islamic financial system as a strategic development tool in Malaysia was revealed after the test run was confirmed successfully during the review of the tool after the period of acceptance and pervasiveness (1993-2001).In addition, it is in line with the responsibility of the vicegerent role commanded upon Muslims by the Almighty creator. Therefore, it is testifying that to embrace Islam means to liberate us, not to restrict our existence.

Islamic religion, unlike many other religious systems, is understood to be a Deen (a complete way of life). Apart from religious beliefs and practices, Islam expresses the best conduct in its adherents' daily affairs. This best code of conduct is called the Shari'ah, which is the basis of the Islamic financial system. There was a form of information and education not to see Shari'ah as a set of rituals established to make life difficult but as regulations of approach to seeking the pleasure of the Creator.

Moreover, the advantage of meeting the specified standard in Shari'ah brings about human success and harmony – towards attaining excellence. The committed adherence to Shari'ah by the Muslims of earlier generations achieved their distinguished and worldwide success. Therefore, the Islamic financial system, as a relative part of this Shari'ah system, ought to be perceived as such to achieve similar excellence. While we understand Shari'ah to be a means to an end, the same is the Islamic financial system. The implementation of an Islamic financial system is not the end goal. It is, in fact, a means and tool of competitive advantage for the nation's success, including economic success.

The second phase, beginning from 1990 was that of acceptance. Islamic finance became acceptable to Muslims and non-Muslims alike. Its asset grows tremendously at the average rate of 15 per cent per annum. This feat was so spectacular that even conventional finance craves to share in the bounty. By the end of the 1990s, many banks were offering Islamic finance products in Malaysia, either as full fledge, subsidiaries or windows, finance companies, discount houses, merchant banks etc. There is also the participation of foreign banks from the gulf countries that offers complete Islamic finance in Malaysia.

Beginning in 2002, came the third face in which Islamic financial principles became a tool of competitive advantage. If this is specifically applicable to Malaysia's economy, then it could be generally true for other Islamic nations as a whole. After two decades of development, the Islamic financial system in Malaysia gained a competitive advantage over the existing conventional finance and move on to the international arena, thereby discovering the requirements towards the determined end in form of assessment of the implementation process (Yakcop, 2002). Islamic finance extends its tentacle from its convenient zone, banking, to the capital market and becomes a major player.

In the first two phases, bankers were the upholders in the development of Islamic finance, in the third phase leaders in the capital market played a prominent vanguard role. The bankers have done an outstanding responsibility during the beginning period of Islamic banking, however, the negative effect of the famous role of bankers during the nascent period of Islamic banking is that most of the existing Islamic results of the financial process are twisted and turned towards been a measuring device in owing money, where security for repayment is still of significant value. It was observed, specifically in Phase II, when many western banking institutions were trooping into the business of Islamic finance, and somehow appeared to have taken control of the development of the industry. However, the third stage saw the development of many Islamic capital market products which include: Shari'ah Market, Sukuk, Islamic Unit Trust Fund and Takaful. The drive towards more Shari'ah-based products instead of just being Shari'ah complaints also increase.

### 2.8 Contributions of Different Stakeholders

The initial formal request was among the resolutions of the Bumiputera (indigenous people) Economic Congress in 1980. The resolution required the government to allow the Pilgrimage Board to establish an Islamic bank. This was closely followed by another seminar which was held in 1981 at the National University of Malaysia, where the participants requested the government to promulgate special law which would allow the setting up of a new bank based on Islamic principles. Following these requests, the government, on July 30, 1981, appointed a National Steering Committee on Islamic Banking (Haron, 2004). In 1983, Islamic Banking Act was enacted thus allowing the establishment of Islamic banking in Malaysia. The Central Bank of Malaysia was vested with powers to supervise and regulate Islamic banks in Malaysia. Concurrently, the government introduced the Government Investment Act in 1983 which enabled the government to issue Government Investment Certificates, which served as government bonds issued by Islamic principles (Haron, 2004).

The contributions of deferent stakeholders to the development of Islamic finance in Malaysia are summarised below:

**Governments**

i. Nomination of competent hand to chair the viability of establishing Islamic Bank in Malaysia.
ii. Enactment of the Islamic banking Act will facilitate the operation within a short period.
iii. Simultaneous enactment of government investment Act in 1983 to address liquidity issue.
iv. Granting ten years of monopolistic status as a way of facing various challenges and uncertainties. The operation of Islamic banking within a structure was to put away the undue competition and position it as a strong and viable alternative financial institution.

**Financial Institutions**

i. Forming various policies suitable for the transformation of the economy from a capitalist basis to an Islamic foundation such as the removal of interest generally a first bold step toward the Islamisation of the economy
ii. Establishing an effective marketing strategy for Islamic banks that will be able to convince customers to switch from conventional to the Islamic system.
iii. Identifying the influential power of Islamic banking products and services from both Muslim and non-Muslim customers

**Educational Institutions Intervention**

i. Involving Islamic financial institution representatives in the academic committee of academia before any Islamic banking and finance program for example being a board member of the Bachelor of Islamic Banking and Finance of the Faculty of Finance and Banking at the Universiti Utara Malaysia.
ii. Training of human capital to address the apparent mismatch between the supply and demand of human capital for the Islamic banking industry.

## 3.0 Lessons for African Countries

From the above discussion of the journey of Islamic finance in Malaysia to stardom, there are many lessons to be learnt by African countries to help them in developing the Islamic financial system which will enhance the expected growth in the next few years. This section highlights some of these lessons based on what is expected of different stakeholders of Islamic Finance.

### 3.1 General

The development of Islamic finance has to be gradual with the next stage evolving at the appropriate time. To this end, it will be advisable to start from scratch, at most with Islamic banking. This will afford the would-be participator the opportunity of observing what Islamic finance can do and be convinced to participate in it.

However, there is a need to remind the players that Islamic banking is just a part of Islamic finance, not all, therefore, Islamic finance should not be restricted to banking alone as the institution will not be complete without other well-functioning supporting Islamic institutions. Another thing to note here is that it takes time to reap the benefits of Islamic finance since it needs time to get it positioned for the benefits to be manifested. This requires concerted efforts of all the stakeholders and the result will be for everybody to reap.

### 3.2 Muslims

The task of developing Islamic Finance in Africa rests primarily on the Muslims. Their collective effort will determine the success of this institution. This is not only because establishing an egalitarian society where every individual has access to basic financial needs is a goal of every right-thinking person, but it is also their religious duty as the representative of Allah on the surface of the earth and He will take them to account on this assigned responsibility. Therefore, the initial force that drives the success of Islamic finance from Muslims should be based more on religious emotional attachment rather than the initial monetary benefits or profits they intend to make. This is more so as many opposing forces can frustrate it from the onset either from the well-established conventional competitors or religious opponents. This nascent institution needs time to be able to compete well with its competitors or even better and to be widely accepted as a good alternative by the people of other religious beliefs. Therefore, it is the unconditional support by the Muslims based on eternal rewards they will earn for this that will sustain it till it succeeds. These supports include patronising the institution, promoting it and supporting it in whatever way possible either physically or spiritually.

### 3.3 Non-Muslims

The experience of the success of Islamic finance in Malaysia has shown that though Islamic Finance originates from Muslims, the benefits are for everybody, no matter what religion they follow. This is more so when Islamic finance is more of ethical finance. Thus, it fits into the lifestyle of every morally upright individual regardless of their religion. Therefore, it is not a surprise that non-Muslims accept Islamic finance in Malaysia and are even part of its forefront promoters.

The lesson for the African non-Muslims on Islamic finance in Africa will be instead of outright rejection of the institution; they should take it as an alternative avenue for their financial needs and raise their genuine concerns for the appropriate authority to address. This will not only bring religious harmony and provide an ethical alternative for their finance, but also create employment opportunities and financial diversity for the good of everybody in Africa.

### 3.4 Government

Various governments in different African countries have many roles to play in the success of Islamic finance in their countries individually and in the continent collectively. It is a known fact that Islamic finance is coming into a system to meet the conventional finance that has over six hundred years of existence and has been well established. Therefore, any new system coming to the system to compete with it needs some form of protection, at least, at the initial stage. This is where the role of African governments is important in nurturing Islamic finance to its fruition.

Specifically, these governments, through the appropriate authorities need to as a matter of importance consider some of the following points based on the experience of Malaysia:

i. Determine the type of Islamic system that is best for its system: The system of Islamic finance has been implemented in three different ways so far based on what is appropriate for that particular country. It is of great importance that the concerned government determines to what extent it wants to implement Islamic finance in its countries. The type of banking system (mere window, dual banking or total Islamic banking system) in turn will determine the extent of involvement, the type of rules and regulations to promulgate, the infrastructure to put in place and determine appropriate authority to be in charge.

ii. Provision of adequate rules and regulations to guide the activities of Islamic finance: Islamic finance is ethical finance that is different from conventional finance in many respects. Thus, it needs its own separate rules and regulations guiding it. Therefore, the government must create a separate body that will oversee the affairs of Islamic finance and make the appropriate rules and regulations to guide its activities. Of special importance are the Shari'ah laws that guide the activities of Islamic finance, which make it to be distinct from all other forms of finance. A strong Shari'ah committee/department should be put in place that will strive to make sure that the activities of Islamic finance conform to Shari'ah both in theories and practice. However, since it has to do with money, it will be most appropriate for it to be under the central bank that is vested with the nation's monetary activities. This will ensure easy monetary coordination and uniformity of rules and regulations for financial activities.

iii. Provision of initial incentives for Islamic financial operators: As noted earlier, Islamic finance needs some form of initial protection from well-established conventional banks and those who may ordinarily oppose its formation with genuine reasons. These incentives may be in form of tax relief, initial entry barriers, protective laws and special treatment of its account. These will assist the Islamic bank as tax waiver will relieve some of its initial financial burdens and will attract investors, the entry barriers will prevent initial competition from co-operators and assist its experimentation and special account treatment means relief in some of the stringent conditions set up for the conventional finance.

iv. Facilitating adequate capitalization and well resilience of Islamic finance: It is the responsibility of the government to protect depositors' money whether it is under conventional or Islamic finance. Apart from this, Islamic finance should be positioned in a way that will facilitate its role as an alternative to the existing conventional finance. Therefore, the government should set minimum capitalization for Islamic finance that will make them significant market players. This can be achieved with the recapitalization of the existing Islamic finance, and as for new ones, the minimum capitalization can be made a requirement for obtaining a license. However, this does not entail setting the same standard as with the already established conventional finance institutions.

v. In other to preserve the integrity of Islamic finance in a dual banking system, the banking operation should be adequately separated to prevent the mixing of funds from Islamic and conventional financial systems. This will ensure the trust people have in Islamic finance is sustained without any doubt. As a matter of importance, the central bank should provide a separate Cheque clearing system, separate capital funds, clearing accounts, settlement accounts, and a system of reporting for Islamic and conventional finance.

vi. Ensure availability of adequate and competent human and capital resources: The government of the countries practising Islamic finance should make it their responsibility the facilitation adequate supply and continuous existence of both human and capital resources for the smooth operation of Islamic finance. This, among others, may warrant making Islamic finance a special focus that attracts government attention in their budget, the establishment of special schools to train manpower on Islamic finance, sending relevant authority for further training abroad and mandating some, if not all, the existing institutions to offer courses on Islamic finance. These institutions will offer courses and conduct researches that will assist the smooth running of Islamic finance in these countries. Other things that government can do to assist the growth of Islamic finance are the development of financial market infrastructures like Islamic interbank and foreign exchange markets. All these will ensure the sustainability of Islamic finance.

**3.5 Financial Institutions**

Financial institutions, as the major players in Islamic finance, have big roles to play in its success in Africa. The first is to remember that there is a greater benefit to engaging in Islamic finance other than profit. Thus, they should not allow their urge for making a profit to becloud their sense of integrity when performing the activities of Islamic finance. Their activities, product development and product implementation should not be only Shari'ah compliant but should be Shari'ah based and satisfy the overall objective of Shari'ah. Thus, they should always form policies that will be suitable for the transformation of the economy from a capitalist basis to an Islamic foundation such as the removal of interest generally as a first bold step for the Islamisation of the economy, establishing an effective marketing strategy for Islamic bank that will be able to convince customers to switch from conventional to the Islamic system and identify the influential power from Islamic finance products and services from both Muslims and non-Muslims customers to be able to develop products that will be widely accepted and conform with local and international Islamic standard. There is a need to partner with research institutions, set up training institutes and sponsor fundamental research in the area of Islamic finance.

**3.6 Educational Institutions**

The educational institutions in Africa have many roles to play for Islamic finance to succeed in Africa. There seems to be the existence of an apparent mismatch between the supply and demand of human capital for the Islamic finance industry, perhaps, a lack of knowledge of courses taken by the higher institutions. The responsibility of filling this knowledge gap falls on the education institutions. Offering courses on Islamic finance, making it a research priority area, and partnering with operators to develop acceptable products will be a great contribution of education institutions to Islamic finance.

However, to make sure that the human capital being produced have a good working knowledge of Islamic finance, involving Islamic financial institution representatives in the academic committee of academia before any Islamic finance program is important. Industrial attachment, working visits and organising workshops and seminars to be handled by seasoned Islamic finance experts will produce Islamic finance graduates that will not only be versed in theory but also grounded in practice.

## 4. Conclusion

Islamic finance is young and has a lot of prospects in Africa. The adoption of the institution by different countries in the continent underscores the realisation of its potential in taking the continent to its promised land. However, for Africa to reap the innumerable benefits of Islamic finance, there is still a long way to go with many things that need to be put in place for proper taking off and success of Islamic banks. This needs banking on the experience of the countries that have done it successfully. This paper has gone through the experience of developing Malaysian Islamic finance to draw many lessons which cut across all the stakeholders in the field of Islamic finance in Africa. It is hoped that this paper will benefit the government, Islamic financial institutions, educational institutions and depositors in taking the right course toward the success of Islamic finance in Africa. "…Verily! Allah will not change the good condition of a people as long as they do not change their state of goodness themselves…" (Al-Ra‵‵d, Q13: 11).

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