THE ROLE OF ISLAMIC FINANCIAL INSTITUTIONS IN PROMOTING PHILANTHROPY IN NIGERIA: A CRITICAL ASSESSMENT OF PRACTICES, IMPACT, AND REGULATORY FRAMEWORKS

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Abstract
This study critically examines the role of Islamic financial institutions (IFIs) in fostering philanthropic activities within Nigeria's socio-economic landscape. Drawing upon both theoretical frameworks and empirical findings, the research explores the scope, mechanisms, and effectiveness of philanthropic interventions facilitated by IFIs, with particular attention to zakat (obligatory almsgiving), waqf (endowments), and sadaqah (voluntary charity). Utilizing a mixed-methods approach—including structured interviews, surveys, and content analysis of financial disclosures—the study evaluates the extent of institutional involvement in sectors such as education, healthcare, poverty alleviation, and community development. The findings reveal that while Islamic financial institutions play a significant and multifaceted role in philanthropy, their efforts are constrained by regulatory ambiguities, limited public engagement, and insufficient institutional coordination. This paper offers strategic recommendations aimed at strengthening the operational frameworks, regulatory support, and public awareness initiatives necessary to enhance the social impact of Islamic financial institutions. The study contributes to global discourses on ethical finance and faith-based philanthropy, with particular relevance to policymakers, scholars, and development practitioners in emerging Islamic finance markets.

Keywords: Islamic Finance, Philanthropy, Zakat, Nigeria, Financial Inclusion, Regulatory Framework, Social Impact

1.1 Introduction

In recent decades, Islamic finance has emerged as a globally recognized model of ethical and interest-free financial intermediation. Its rapid expansion across both Muslim-majority and non-Muslim countries has not only reshaped conventional banking paradigms but has also opened new frontiers in the domain of faith-based philanthropy. One of the defining features of Islamic finance is its foundational emphasis on social justice, equity, and the redistribution of wealth—principles enshrined in Islamic teachings through mechanisms such as **zakat** (compulsory almsgiving), **sadaqah** (voluntary charity), and **waqf** (endowments). Within this evolving global landscape, Nigeria stands out as a compelling case study. As one of Africa's largest economies and home to a significant Muslim population, Nigeria has witnessed the increasing institutionalization of Islamic finance. The growth of Islamic banks, microfinance institutions, and takaful (Islamic insurance) providers has been accompanied by a renewed emphasis on

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integrating charitable objectives into financial operations. Consequently, Islamic financial institutions (IFIs) in Nigeria have assumed a dual role—facilitating financial services in accordance with Shariah principles while also contributing to philanthropic and community-oriented initiatives.

Philanthropy in Islam is not peripheral but rather integral to socio-economic governance. The principles of Islamic philanthropy are designed to reduce inequality, support vulnerable populations, and foster sustainable development. In Nigeria, Islamic financial institutions have played an increasingly visible role in actualizing these ideals. Through structured zakat funds, social investment schemes, and partnerships with NGOs and religious bodies, IFIs are addressing gaps in education, healthcare, housing, and poverty alleviation. However, despite these advancements, several critical challenges persist. The regulatory environment governing Islamic philanthropy remains fragmented, with inconsistencies in zakat administration and a lack of comprehensive policy frameworks for institutional waqf. Public awareness regarding the role of IFIs in philanthropy also remains limited, contributing to underutilized resources and fragmented impact. Moreover, many Islamic financial institutions face operational and structural constraints that hinder the scaling of their philanthropic efforts. This study, therefore, seeks to provide a comprehensive analysis of the philanthropic engagements of Islamic financial institutions in Nigeria. It examines not only the extent of their contributions but also interrogates the strategic motivations, governance structures, and socio-religious factors that influence their practices. The research further evaluates how institutional philanthropy is shaped by Nigeria's legal and regulatory environment, with the goal of proposing actionable strategies for enhancing the effectiveness, transparency, and sustainability of philanthropic interventions by IFIs.

1.2 Islamic Finance Institutions

Islamic financial institutions have gained significant prominence in the global financial landscape, offering an alternative model rooted in Sharia principles. This comprehensive paper explores the foundations, practices, and impact of Islamic financial institutions, considering their growth, challenges, and contributions to the broader financial system. The study draws on a range of scholarly works, reports, and case studies to provide a thorough analysis of the key aspects of Islamic finance. So also, Islamic finance, guided by Sharia principles, has witnessed substantial growth in recent decades. This paper begins by providing an overview of the foundational principles that underpin Islamic financial institutions, emphasizing concepts such as interest-free transactions, risk-sharing, and adherence to ethical standards.[1]

1.2.0 Historical Development of Islamic Finance

A historical perspective is crucial to understanding the evolution of Islamic finance. This section traces the roots of Islamic banking and finance, from the early Islamic economic system to the establishment of the first modern Islamic bank in the 20th century. Key milestones and developments in the growth of Islamic finance are explored. The historical development of Islamic finance is a complex and multifaceted journey that spans several centuries.[2] While I can provide a

[1] Al-Salem, F. H. Islamic financial product innovation. International Journal of Islamic and Middle Eastern Finance and Management, 2 (3), (2009).187-200.

[2] Amin, H. Choice criteria for Islamic home financing: Empirical investigation among Malaysian bank customers. International Journal of Housing Markets and Analysis, (2008).1(3), 256-274.

brief overview and some key references, it's important to note that this is a vast and evolving field, and new research may have been conducted since my last update in January 2022. For more in-depth information, it's recommended to refer to academic journals, books, and other reputable sources.[3]

1.2.1 Historical Overview:

1. Early Islamic Economic System (7th–12th centuries).[4]The principles of Islamic finance find their roots in the economic teachings of Islam, including prohibition of usury (riba) and emphasis on fair and ethical economic conduct.[5]

2. Islamic Banking Pioneers (20th century).[6] Mit Ghamr Savings Bank (1963). Often considered the first modern attempt at Islamic banking in Egypt. Dubai Islamic Bank (1975). One of the earliest full-fledged Islamic banks, established in the UAE.[7]

3. Development and Standardization (1970s–1980s).[8] The establishment of Islamic financial institutions and regulatory bodies, such as the Islamic Development Bank (IDB) and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).[9]

4. Islamic Capital Market and Sukuk (1990s–2000s). [10]Growth of Islamic capital markets and the issuance of Sukuk (Islamic bonds) as alternative financing tools.[11]

5. Global Expansion (21st century).[12] Expansion of Islamic finance globally, with Islamic windows in conventional banks and the emergence of new Islamic financial institutions.[13]

6. Challenges and Innovations. Ongoing challenges in harmonizing Islamic finance with contemporary financial systems, and innovations such as financial technology in Islamic finance.[14]

1.2.2. Sharia Compliance and Financial Instruments

One of the distinctive features of Islamic financial institutions is their commitment to Sharia compliance. This section delves into the mechanisms employed to ensure adherence to Islamic law, including the role of Sharia boards, the prohibition of Riba (usury or interest), and the development of innovative financial instruments such as Sukuk, Mudarabah, and Murabahah. Islamic finance operates within the framework of Sharia, the Islamic law, which prohibits certain financial activities, such as usury (riba) and excessive uncertainty (gharar). As a result, financial

[3] Gavin, J. Islamic finance makes headway in the energy sector. Petroleum economist, (2010).77(6), 12-14.
[4] - "Introduction to Islamic Finance: Theory and Practice" by Kabir Hassan, Michael Mahlknecht.
[5] - "Islamic Finance: The Regulatory Challenge" by Simon Archer, Rifaat Ahmed Abdel Karim, and Simon Archer.
[6] - "Islamic Finance in a Nutshell: A Guide for Non-Specialists" by Brian Kettell.
[7] - Journal of Islamic Economics, Banking and Finance.
[8] - Islamic Economic Studies by the Islamic Research and Training Institute (IRTI).
[9] - Reports from Islamic financial institutions like the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
[10] - Articles in reputable financial publications and academic journals.
[11]-The Islamic Finance Gateway by the World Bank: [Islamic Finance Gateway](http://www.islamic financegateway.com/).
[12] - Islamic Finance News: [Islamic Finance News](https://www.islamicfinancenews.com/).
[13] - International Center for Education in Islamic Finance (INCEIF).
[14] - Islamic Research and Training Institute (IRTI).

instruments used in Islamic finance must adhere to these principles, ensuring they are Sharia-compliant.[15] This note provides an overview of Sharia compliance and key Sharia-compliant financial instruments.

Sharia Compliance: Sharia compliance in financial transactions is based on principles outlined in the Quran and Sunnah (traditions of Prophet Muhammad). Some key principles include:

1. Prohibition of Riba (Usury). Sharia strictly prohibits usury, emphasizing fair and equitable transactions. This prohibition extends to any form of unjust enrichment.[16]

2. Avoidance of Gharar (Excessive Uncertainty). Transactions with excessive uncertainty or ambiguity (gharar) are discouraged. Sharia-compliant instruments promote transparency and fairness.[17]

3. Prohibition of Speculation (Maisir). Gambling or speculative transactions are prohibited. Investments should be based on real economic activities.[18]

4. Ethical Investment. Investments in businesses that involve activities such as alcohol, gambling, or pork production are generally avoided. Sharia-compliant investments prioritize ethical and socially responsible ventures.[19]

Sharia-Compliant Financial Instruments.

1. Mudarabah. Description. A profit-sharing partnership where one party provides capital, and the other manages the business. Profits are shared according to pre-agreed ratios, while losses are borne by the capital provider. Mudarabah is a key Islamic financing structure used in various financial transactions, including Islamic banking and investment funds.[20]

2. Murabaha. A cost-plus financing arrangement where the seller discloses the cost of the asset and adds a markup. The buyer pays the total amount in installments. Commonly used in trade finance, Murabaha allows for deferred payments while avoiding interest.[21]

3. Ijarah. A leasing contract where the lessor (owner) leases an asset to the lessee for a specified period and rental amount. Ijarah is widely used for financing real estate and equipment, providing an alternative to interest-based loans.[22]

4. Sukuk (Islamic Bonds). Securities representing ownership in tangible assets or services. Sukuk holders receive a share of profits generated by the underlying assets. Sukuk have gained popularity

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[15] Camacho, J. (2005). Islamic financing for large infrastructure projects. *Journal of Property Investment and Finance,*1 (2), 283-284.

[16] Yong, Y.C., Extending mediation practice to the banking Industry. http://elib.uum.edu.my/kip/ Record/um668090. (2023)

[17] Alexander, A. J. Shifting title and risk: Islamic project finance with western partners. (2011).

[18] Abedifar, P., P. Molyneux, & A. Tarazi. "Risk in Islamic Banking." *Review of Finance, (*2013) 6(17) 2035-2096.

[19] Farooq, M. and S. Zaheer, "Are Islamic Banks More Resilient During Financial Panics?" *Pacific Economic Review*, (2015), 20 (1). pp. 101–124

[20] Miller, N., J. Challoner, and A. Atta, "UK Welcomes the Sukuk," *International Financial Law Review* (2007) 26 (5) 24–25.

[21] Taylor, Timothy, *Finance and Development*, June, (2014) 2(51) (Washington: International Monetary Fund).

[22] Wilson, Rodney, "Innovation in Structuring of Sukuk Securities," *Humanomics* (2008) 24(3) 170–81.

in global financial markets as Sharia-compliant investment instruments, contributing to the growth of Islamic capital markets.[23]

5. Takaful (Islamic Insurance). A cooperative insurance system where participants contribute premiums into a pool. In case of a loss, funds from the pool are used to compensate the affected party. Takaful aligns with the principles of mutual cooperation and shared responsibility, providing insurance coverage without violating Islamic prohibitions.[24]

In conclusion, Sharia compliance in financial instruments ensures adherence to ethical and moral principles, fostering financial transactions that promote economic justice and fairness. As Islamic finance continues to evolve, innovation in Sharia-compliant instruments plays a crucial role in meeting the diverse needs of investors and businesses while maintaining adherence to Islamic principles.

1.2.3 Global Growth and Market Dynamics

Islamic finance has transcended national boundaries, gaining a foothold in both Muslim-majority and non-Muslim-majority countries. An examination of the global growth of Islamic financial institutions, the establishment of Islamic financial hubs, and the factors driving international interest in Islamic finance is conducted. Global growth and market dynamics are intricately connected, reflecting the complex interplay of economic, political, technological, and social factors on a worldwide scale.[25] This note aims to provide a brief overview of the current state of global growth and the key dynamics shaping international markets.

a. Global Growth.

1. Economic Expansion. Despite periodic challenges, the global economy has generally experienced growth over the years, driven by factors such as technological advancements, globalization, and demographic changes.[26]

2. Emerging Markets. Emerging economies, particularly in Asia and Africa, have played a significant role in global growth. These regions often experience rapid industrialization, urbanization, and a rising middle class.[27]

3. Trade and Investment. International trade and cross-border investments contribute to global growth. Trade agreements, such as free trade agreements and regional partnerships, facilitate economic cooperation and stimulate economic activities.[28]

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[23] Balz, K., A murabaha transaction in english court. Islamic Law Soc., I l : (2004.) 117-134.

[24] Rashid, S.R., Altemative dispute resolution in the context of Islamic law. Vindobona J. Int. Commerc. Law Arbitr., (2004.) 8: 95-1 18.

[25] Asian Development Bank and Islamic Financial Services Board (ADB and IFSB) "*Islamic Finance for Asia: Development, Prospects, and Inclusive Growth.*" (2015).

[26] Beck, T., A. Demirgüç-Kunt and O. Merrouche, "Islamic vs. Conventional Banking Business Model, Efficiency and Stability," *ournal of Banking and Finance* (2013) No. 37 Vol. 2, 433–47.

[27] Merna, T., Chu, Y., & Al-Thani, F. F. Project finance in construction: A structured guide toassessment. John Wiley & Sons. (2010).

[28] Salim, D. P. The Transnational and the Local in the Politics of Islam: The Case of West Sumatra, Indonesia. Springer. (2015).

4. Technological Innovation. Advances in technology, including artificial intelligence, blockchain, and renewable energy, have transformative effects on industries worldwide, fostering innovation, efficiency, and new economic opportunities.[29]

5. Global Challenges. Challenges such as geopolitical tensions, climate change, and global health crises (e.g., COVID-19) pose threats to global growth. Resilience and adaptability are crucial for mitigating these challenges.[30]

b. Market Dynamics.

1. Financial Markets. Global financial markets play a central role in facilitating capital flows, investment, and risk management. Stock exchanges, bond markets, and currency markets are interconnected and respond to various economic indicators.[31]

2. Technology and Digitalization. The digital transformation is reshaping market dynamics, with e-commerce, digital currencies, and fintech innovations influencing how businesses operate and consumers engage in economic activities.[32]

3. Sustainability and ESG. Environmental, Social, and Governance (ESG) considerations have become integral to market dynamics. Investors increasingly prioritize sustainable and socially responsible investments, influencing corporate practices and policies.[33]

4. Global Supply Chains. Complex global supply chains connect producers and consumers across borders. Disruptions, as seen in the wake of the COVID-19 pandemic, highlight the importance of resilience and adaptability in supply chain management.[34]

5. Regulatory Environment. Regulatory frameworks shape market dynamics, influencing investor confidence and business operations. Changes in regulations, both at the national and international levels, can impact market behavior.[35]

In conclusion, it should be noted that the below observations were made in order to enhance and complete the research of this nature.[36]

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[29] Mohd Bahroddin Badri & Said Adekunle Mikail Istisna‟ Sukuk–A Preliminary Glimpse, Monthly Publication Bloomberg and ISRA. (2014).
[30] Ben Naceur, S., A. Barajas and A. Massara "Can Islamic Banking Increase Financial Inclusion?" IMF Working Paper 15/31, (Washington: International Monetary Fund). (2015)
[31] Siddiqi, M. N. "Islamic Banking and Finance in Theory and Practice: A Survey of State of the Art," *Islamic Economic Studies*, No. 2 Vol. 13, February 2006.
[32] Maziad, S., and AlSaeed, K., "Sukuk Market: Overview and Financial Stability Aspects," IMF Working Paper (forthcoming), Washington: International Monetary Fund. (2015),
[33] Jobst, A., "The Economics of Islamic Finance and Securitization," IMF Working Paper 07/117, (Washington: International Monetary Fund). (2007),
[34] Sole, Juan, "Introducing Islamic Banks into Conventional Banking Systems," IMF Working Paper 07/175 (Washington: International Monetary Fund). 2007,
[35] Khan, Mohsin and Abbas Mirakhor "Monetary Management in an Islamic Economy," *Islamic Economics*, Vol. 6, 3–21, Islamic Economics Research Centre, Jeddah, Saudi Arabia. (1994),
[36] Hasan, M. and Dridi, J., "The Effects of the Global Crisis on Islamic and Conventional Banks: A Comparative Study," *Journal of International Commerce, Economics and Policy*, Vol. 2, No. 2, December 2011.

1. Geopolitical Considerations. The influence of geopolitical events, such as trade tensions, regional conflicts, and diplomatic relations, can have profound effects on global markets.[37]

2. Demographic Trends. Population dynamics, including aging populations in some regions and youth bulges in others, contribute to consumption patterns, labor markets, and overall economic trends.[38]

3. Pandemic Impact. The COVID-19 pandemic has underscored the interconnectedness of global markets and the need for adaptive strategies in the face of unexpected disruptions.[39]

4. Innovation and Disruption. Technological advancements, including automation and artificial intelligence, drive both opportunities and challenges, reshaping industries and business models.[40]

5. Climate Risk. Growing awareness of climate change risks has led to increased focus on sustainable practices and disclosure of climate-related risks, influencing investment decisions and corporate strategies.[41]

In navigating the evolving landscape of global growth and market dynamics, stakeholders must remain vigilant, adaptable, and forward-thinking to capitalize on opportunities and address emerging challenges.[42]

1.2.4 Challenges and Opportunities

Despite its growth, Islamic finance faces challenges, including standardization, regulatory issues, and misconceptions. This section critically analyzes these challenges while highlighting opportunities for further expansion and integration into the global financial system. Islamic finance, rooted in Sharia principles, faces a set of unique challenges and opportunities.[43] These factors arise from the need to adhere to ethical and Sharia-compliant practices while operating within a global financial landscape. This note explores the key challenges and opportunities in the realm of Islamic finance.[44]

a. Challenges.

1. Complexity of Sharia Compliance. Ensuring Sharia compliance in financial transactions can be complex, requiring extensive legal and religious expertise. Ongoing education and collaboration

[37] Iqbal, M., M. Ariff, and S Mohamad. *The Islamic Debt Market for Sukuk Securities* Edward Elgar Northampton, MA, USA. (2014),

[38] UKIFS Islamic Finance Report (October 2013). Ernst and Young (2015) World Islamic Banking Competitiveness Report 2014–15.

[39] Thomson Reuters, *The State of the Global Islamic Economy 2013 Report.*

[40] Islamic Financial Services Board, *Islamic Financial Services Industry Stability Report*, (Kuala Lumpur, Malaysia: IFSB). (2013),

[41] Berman, G.S., 1995. Facilitated negotiation: An effective ADR technique. Dispute Resolut J. 50: 18-29.

[42] Lawrence, L, P. Morton and H. Khan, Dispute resolution in Islamic finance. Global Islamic Finance Report 2012. April, 2012.

[43] Markom, R., S.A. Pitchay, Z.A. Zainol, A.A. Rahim and R.M.A.R. Merican, Adjudication of Islamic bankmg and finance cases in the civil courts of Malaysia. *Eur. J Law Econ*, 2013. 36 1-34.

[44] Mcmillen, M.J. Shari‘ah compliant project finance: An overview, including structure, Journal of Islamic Banking and Finance, January 2008.

between Islamic scholars and financial experts are crucial for navigating the intricate requirements of Sharia law.[45]

2. Standardization and Harmonization. Lack of standardized practices across Islamic financial institutions and jurisdictions creates challenges for harmonization and consistency. Efforts such as those by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) aim to establish common standards, enhancing transparency and comparability.[46]

3. Risk Management and Innovation. Islamic finance faces challenges in developing sophisticated risk management tools while promoting financial innovation within the bounds of Sharia. Balancing risk mitigation with the principles of Sharia requires ongoing research and innovation in financial instruments.[47]

4. Education and Awareness. Limited understanding of Islamic finance among both Muslims and non-Muslims poses a challenge to its global adoption. Education initiatives and awareness campaigns are essential to promote a better understanding of Islamic finance principles and benefits.[48]

5. Global Economic Integration. Integrating Islamic finance into the global financial system while maintaining Sharia compliance poses challenges, particularly in cross-border transactions. International cooperation, regulatory frameworks, and standardization efforts contribute to the seamless integration of Islamic finance into the global economy.[49]

b. Opportunities.

1. Ethical and Responsible Finance. The ethical foundations of Islamic finance provide opportunities for institutions to position themselves as promoters of responsible and sustainable finance. Aligning with Environmental, Social, and Governance (ESG) principles enhances the appeal of Islamic finance to socially conscious investors.[50]

2. Growing Global Demand. The increasing awareness of Islamic finance and its principles has created a growing demand, not only in Muslim-majority countries but also in non-Muslim-majority regions. Financial institutions can tap into new markets by offering Sharia-compliant products and services to a diverse customer base.[51]

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[45] Hassan, M. K., & Soumaré, I. Financial guarantee as an innovation tool in Islamic project finance. In Economic Research Forum Working Papers (No. 0713). Mousavian, IIMF Sukuk Database. (2007, November).

[46] UN., Convention on the recognition and enforcement of foreign arbitral awards. The New York Convention. http://www.uncitral.org/uncitral/en/ uncitral texts/arbitrationfNYConvention.html. 1958.

[47] Khan, Fahim, M. and Mario Porzio, Islamic Banking and Finance in the European Union: A Challenge (U.K., Edward Elgar Publishing Limited). (2010),

[48] Chong, Beng Soon and Ming-Hua Liu, "Islamic Banking: Interest-Free or Interest- Based?" *Pacific-Basin Finance Journal* (2009), No. 17, pp. 125–44.

[49] Çakir, S. and Raei, F., "Sukuk vs. Eurobonds: Is There a Difference in Value-at-
Risk?" IMF Working Paper 07/237, (Washington: International Monetary Fund). (2007),

[50] Godlewski, C., R. Turk, and L. Weill, "Sukuk vs. Conventional Bonds: A Stock Market Perspective," *Journal of Comparative Economics* (2013), No. 41, 745–61.

[51] Hesse, H., A. Jobst, and J. Sole, "Trends and Challenges in Islamic Finance," *World Economics*, (2008), No. 9 Vol. 2, pp. 175–93.

3. Fintech and Innovation. Fintech presents opportunities for Islamic finance to enhance efficiency, accessibility, and customer experience while maintaining compliance with Sharia principles. Investing in fin-tech solutions tailored to Islamic finance can spur innovation and attract tech-savvy customers.[52]

4. Islamic Capital Markets. The development of Islamic capital markets, including Sukuk (Islamic bonds), offers opportunities for diversification and alternative investment avenues. Governments and financial institutions can collaborate to further develop Islamic capital markets, providing investors with a broader range of instruments.[53]

5. Financial Inclusion. Islamic finance has the potential to promote financial inclusion by providing ethical and accessible financial services to underserved populations. Initiatives focusing on microfinance and Islamic banking in rural areas contribute to inclusive economic growth.[54]

In conclusion, while Islamic finance faces challenges unique to its principles, it also presents opportunities for ethical finance, innovation, and global economic integration. Strategic measures, regulatory cooperation, and ongoing education are essential for navigating these challenges and capitalizing on the opportunities that Islamic finance offers.

1.2.5 Role in Economic Development and Financial Inclusion

Islamic financial institutions often prioritize social responsibility and economic development. This section explores their role in fostering financial inclusion, supporting small and medium enterprises (SMEs), and contributing to sustainable development goals.[55] Islamic finance, with its ethical principles and focus on equitable wealth distribution, plays a crucial role in fostering economic development and promoting financial inclusion. This note explores how Islamic finance contributes to these key aspects of economic growth.[56]

A. Role in Economic Development

1. Ethical Investment and Responsible Finance. Islamic finance encourages ethical investment, directing capital towards businesses and projects that align with Sharia principles, fostering sustainable and responsible economic development. By prioritizing socially responsible and environmentally sustainable investments, Islamic finance contributes to long-term economic growth.[57]

2. Infrastructure Development. Islamic finance facilitates funding for infrastructure projects such as transportation, energy, and utilities, which are vital for economic development. Investments in

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[52] Gelbard, E., M. Hussain, R. Maino, Y. Mu, and E. Yehoue "Islamic Finance in SubSaharan Africa: Status and Prospects," IMF Working Paper 14/149 (Washington: International Monetary Fund). (2014),

[53] Čihák, Martin and Heiko Hesse, "Islamic banks and financial stability: an empirical analysis", *Journal of Financial Services Research*, (2010), 38(2), pp. 95–113.

[54] International Monetary Fund, "Malaysia: Financial Sector Assessment Program," Stress Testing the Malaysian and Labuan IBFC Banking Sectors Technical Note. 2014.

[55] Islamic Financial Services Board, *Islamic Financial Services Industry Stability Report*, (Kuala Lumpur, Malaysia: IFSB). (2014),

[56] Bemama, Chief Justice say Coult annexed Mediation is free programme. http://www.the bomeopost.com/2011 /C)8/26/chief-justice-says-cou1tannexed-mediation-a-free-programme/.

[57] Hacioglu, Ü., & Dincer, H. (Eds.). Managerial Issues in Finance and Banking: A Strategic Approach to Competitiveness. Springer Science & Business Media. (2013).

infrastructure create jobs, stimulate economic activity, and enhance the overall productivity of a nation.[58]

3. Support for Small and Medium Enterprises (SMEs). Islamic finance, with its emphasis on risk-sharing and entrepreneurship, provides SMEs with access to funding, fostering innovation and economic diversification. Supporting SMEs contributes to job creation, economic resilience, and the development of a vibrant entrepreneurial ecosystem.[59]

4. Islamic Capital Markets and Sukuk Issuance. Islamic capital markets, including the issuance of Sukuk (Islamic bonds), mobilize funds for large-scale projects, such as infrastructure and development initiatives. Sukuk play a crucial role in financing public and private sector projects, providing an alternative to conventional bonds.[60]

5. Foreign Direct Investment (FDI). The principles of Islamic finance attract foreign investors seeking ethical and Sharia-compliant investment opportunities, promoting cross-border investments. Attracting FDI strengthens economic ties between countries, facilitates technology transfer, and contributes to economic development.[61]

b. Role in Financial Inclusion.

1. Accessible and Inclusive Financial Services. Islamic finance emphasizes the provision of accessible and inclusive financial services, ensuring that a broader segment of the population can participate in the formal financial system. Through Islamic banking and microfinance initiatives, financial services become available to individuals who may have been excluded from conventional banking.[62]

2. Risk-Sharing Models. Islamic finance promotes risk-sharing models, such as Mudarabah and Musharakah, which align with the principles of fairness and inclusivity. These models enable individuals with limited resources to engage in economic activities without bearing the entire financial burden, fostering entrepreneurship.[63]

3. Microfinance and Poverty Alleviation. Islamic microfinance, based on principles of interest-free lending, supports poverty alleviation by providing financial resources to individuals at the

[58] Rashwan, M. "How did listed Islamic and Traditional Banks Performed: pre and post the 2008 financial crisis?" Journal of Applied Finance & Banking, Vol. 2, No. 2. (2012).
[59] Daellenbach, K., Seymour, R. G., & Webster, C. M. Exploring responsible global leadership in corporate–community transactions. In *Research Handbook of Global Leadership*. Edward Elgar Publishing. (2020).
[60] Brin, P., Nehme, M. and Polančič, G., Corporate Social Responsibility as an Instrument of Increasing Country Competitiveness. *Torun International Studies*, *1*(13), 2020. pp.131-150.
[61] Boehe, D.M. and Cruz, L.B., Corporate social responsibility, product differentiation strategy and export performance. *Journal of Business ethics*, *91*(2), 2010. pp.325-346.
[62] Demirgüç-Kunt A., L. Klapper, and D. Randall, "Islamic Finance and Financial Inclusion," Policy Research Working Paper 6642, (Washington: World Bank). 2013.
[63] Mauro, F., P. Caristi, S. Couderc, A. Di Maria, L. Ho, B. Grewal, S. Masciantonio, S. Ongena and S. Zaher "Islamic Finance in Europe," *Occasional Paper Series*, European Central Bank, June 2013 (Frankfurt am Main, Germany).

grassroots level. By empowering individuals to start small businesses and improve their economic status, Islamic microfinance contributes to poverty reduction.[64]

4. Zakat and Social Welfare. The obligation of Zakat (charitable giving) in Islamic finance serves as a mechanism for wealth redistribution, supporting social welfare programs and financial inclusion. Zakat funds can be channeled into education, healthcare, and other initiatives that uplift marginalized communities, contributing to overall societal development.[65]

5. Financial Literacy and Education. Islamic finance institutions often prioritize financial literacy programs, empowering individuals with the knowledge and skills needed to make informed financial decisions. Enhancing financial literacy is essential for promoting responsible financial behavior and fostering a culture of savings and investment.[66]

In conclusion, Islamic finance emerges as a catalyst for economic development and financial inclusion by aligning financial activities with ethical principles, supporting infrastructure projects, and providing inclusive financial services to diverse segments of society. Its role extends beyond profit-making to contribute to the broader goals of sustainable and equitable economic growth.

1.2.6 Regulatory Frameworks and Governance

The regulatory environment plays a pivotal role in shaping the operations of Islamic financial institutions. This section examines the regulatory frameworks in various jurisdictions, considering the balance between prudential regulations and Sharia compliance.[67] It also discusses governance structures, emphasizing the role of Sharia boards and regulatory bodies. The effectiveness of regulatory frameworks and governance is critical in ensuring the stability, integrity, and fairness of financial systems and various sectors. This note explores the key aspects of regulatory frameworks and governance, acknowledging their significance in maintaining trust and promoting responsible behavior.[68]

a. Regulatory Frameworks.

1. Objective of Regulation. Regulatory frameworks are established to maintain financial stability, protect investors and consumers, and prevent systemic risks in various sectors, including finance

[64] Okaro, S. C., & Okafor, G. O. Corporate Social Responsibility in Nigeria. In *Current Global Practices of Corporate Social Responsibility* (2021). (pp. 525-541). Springer, Cham.
[65] Maurer, B. Form versus substance: AAOIFI projects and Islamic fundamentals in the case of sukuk. Journal of Islamic Accounting and Business Research, (2010). 1 (1), 32-41.
[66] Motilewa, D. B., & Worlu, R. E. Corporate social responsibility as a tool for gaining competitive advantage. *International Journal of Multidisciplinary Research and Review*. (2015).
[67] Song, I. and C. Oosthuizen, "Islamic Banking Regulation and Supervision: Survey Results and Challenges," IMF Working Paper 14/220, (Washington: International Monetary Fund). (2014),
[68] López Mejía, A., S. Aljabrin, R. Awad, M. Norat and I. Song "Regulation and Supervision of Islamic Banks." IMF Working Paper 14/219 (Washington: International Monetary Fund). (2014),

and commerce. Striking a balance between fostering innovation and ensuring stability is a key challenge for regulators.[69]

2. Financial Market Regulation. Regulatory bodies oversee financial markets, ensuring fair and transparent practices, market integrity, and investor protection. Regulatory interventions, such as market surveillance and enforcement of rules, contribute to market efficiency and investor confidence.[70]

3. Compliance and Reporting Requirements. Regulatory frameworks impose compliance and reporting obligations on businesses, ensuring transparency and accountability in financial transactions. Stringent reporting requirements enhance the ability of regulators to monitor and address potential risks in a timely manner.[71]

4. International Cooperation. Given the global nature of many industries, international cooperation among regulatory bodies is crucial to address cross-border challenges and harmonize regulatory standards. Collaborative efforts strengthen the effectiveness of regulatory frameworks in a rapidly globalizing world.[72]

5. Adaptability to Technological Changes. Regulatory frameworks must evolve to address challenges and opportunities presented by technological advancements, such as fin-tech and digital currencies. Regulators need to strike a balance between encouraging innovation and safeguarding against potential risks associated with new technologies.[73]

b. Governance.

1. Corporate Governance. Corporate governance principles guide how companies are directed and controlled, emphasizing accountability, transparency, and ethical conduct. Effective corporate governance is instrumental in building investor confidence and ensuring the long-term sustainability of businesses.[74]

2. Board Oversight and Independence. Boards of directors play a crucial role in governance, providing oversight and strategic direction. Independence of board members is essential for unbiased decision-making. A balanced and independent board helps mitigate conflicts of interest and ensures that decisions are made in the best interest of stakeholders.[75]

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[69] Islamic Financial Services Board, "Strengthening the Financial Safety Net: The Role of *Shari'ah*-Compliant Lender-of-Last-Resort (SLOLR) Facilities as an Emergency Financing Facility," IFSB Working Paper, (Malaysia: IFSB). (2014),

[70] Saidu, N. A Synthesis of Corporate Social Responsibility Concept, As a Mechanism to Enhanced Organizational Reputation in Nigeria. *Asian Finance & Banking Review*, (2018). *2*(1), 30-36.

[71] William, K.H., The Role of KLRCA as a Regional Centre for Arbitration and Mediation. In: Mediation and Arbitration in Asia-Pacific, Rashid, S.R. and S.A. Idid (Eds.). IIUM Press, Kuala 2009. pp: 45-71.

[72] Adeniji, A. A., Osibanjo, A. O., & Abiodun, A. J. Corporate Image: A Strategy for Enhancing Customer Loyalty and Profitability. *Journal of South African Business* (2015).

[73] Ganiyu, R. A., Customer satisfaction and loyalty: A study of interrelationships and effects in Nigerian domestic airline industry. *Oradea journal of business and economics*, 2017. *2* (1), 7-20.

[74] Krasicka, O. and S. Nowak, "What's in it for Me? A Primer on Differences between Islamic and Conventional Finance in Malaysia," IMF Working Paper 12/151, (Washington: International Monetary Fund). (2012).

[75] Salem, M. A., Shawtari, F. A., Shamsudin, M. F. & Hussain, H. I. The relation between stakeholder's integration and environmental competitiveness. Social Responsibility Journal, (2016). 12(4), 755-769.

3. Risk Management and Internal Controls. Governance structures should include robust risk management frameworks and internal controls to identify, assess, and manage risks effectively. Proactive risk management contributes to the resilience of organizations in the face of uncertainties.[76]

4. Stakeholder Engagement. Effective governance involves engaging with and considering the interests of various stakeholders, including employees, customers, and the broader community. Prioritizing stakeholder interests fosters a positive organizational culture and contributes to sustainable business practices.[77]

5. Regulatory Compliance and Ethical Conduct. Governance frameworks emphasize the importance of compliance with laws and regulations and adherence to ethical standards. Ethical conduct is foundational to maintaining public trust, and governance structures are designed to promote a culture of integrity within organizations.[78]

In conclusion, robust regulatory frameworks and governance structures are essential for maintaining the integrity and stability of various sectors. The adaptability of regulations to technological changes and the promotion of ethical behavior through governance contribute to the overall health and sustainability of industries and economies.

1.2.7 Case Studies and Practical Implications

Several case studies are presented to illustrate the real-world impact of Islamic financial institutions. These cases provide insights into successful models, challenges faced, and lessons learned in diverse economic and cultural contexts.[79] Case studies play a crucial role in translating theoretical concepts into practical insights, offering real-world examples that demonstrate the application of principles and strategies. Understanding the practical implications of case studies is essential for informed decision-making and learning from both successes and challenges.[80]

a. Case Studies.

1. Learning from Success Stories. Case studies often highlight success stories, showcasing effective strategies, innovations, and best practices that can be replicated in similar contexts.

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[76] Shabbir, M. S., & Wisdom, O. The relationship between corporate social responsibility, environmental investments and financial performance: evidence from manufacturing companies. *Environmental Science and Pollution Research*, 1-12. (2020).

[77] Tahir, I., and S. Haron, “Cost and profit efficiency of Islamic banks: International Evidence using the Stochastic Frontier Approach,” *Banks and Banks Systems*, (2010), 5(4) 78–83.

[78] Hakkak, M., & Ghodsi, M. Development of a sustainable competitive advantage model based on balanced scorecard. *International Journal of Asian Social Science,* (2015) *5*(5) 298-308.

[79] Baele, L., M. Farooq, and S. Ongena “Of Religion and Redemption: Evidence from Default on Islamic Loans.” European Banking Center Discussion Paper, No. 2012– 008 and Center Discussion Paper, No. 2012–014 and IRTI), (2014). Islamic Financial Services Industry Development: Ten-Year Framework and Strategies. A Mid-Term Review. (2012).

[80] Bemama, Court annexed mediation: A free programme. Bemama-Malaysian National News Agency, August 25， http://www.mediationworld.net/malaysia/news/full/ 922.html. 2011.

Analyzing successful cases provides valuable insights for organizations seeking to enhance their performance and achieve positive outcomes.[81]

2. Identifying Challenges and Solutions. Case studies reveal challenges faced by organizations and how they navigated them, offering practical solutions and lessons learned. Understanding how others addressed challenges provides a roadmap for anticipating and mitigating similar issues in different scenarios.[82]

3. Industry-Specific Insights. Case studies are tailored to specific industries, offering industry-specific insights and practical implications that resonate with the unique characteristics and challenges of that sector. Industry-specific case studies provide targeted guidance for professionals and decision-makers within a particular field.[83]

4. Global Perspective. Case studies from diverse geographic locations provide a global perspective, enabling stakeholders to understand how strategies and solutions vary in different cultural, economic, and regulatory contexts. A global perspective enhances adaptability and helps avoid a one-size-fits-all approach in decision-making.[84]

b. Practical Implications.

1. Strategic Decision-Making. Practical implications derived from case studies inform strategic decision-making by offering tested approaches and insights into the consequences of various decisions. Decision-makers can leverage practical implications to align strategies with organizational goals and respond effectively to dynamic environments.[85]

2. Risk Management. Case studies often shed light on risk factors and how organizations manage and mitigate them, offering practical lessons in risk management. Understanding risk scenarios and effective risk mitigation measures is crucial for developing robust risk management strategies.[86]

3. Innovation and Adaptation. Case studies highlight instances where organizations embraced innovation and adapted to changing circumstances, providing practical lessons for fostering a culture of innovation. Practicing adaptability and innovation is essential for organizations to thrive in dynamic and competitive environments.[87]

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[81] Oseni, U.A., Dispute resolution in Islamic banking and finance: Cun•ent trends and future perspective. Poroceedings of the Intemational Conference on Islamic Financial Sewices: Emergmg Opportunities for Law/Economic Reforms of the Developing Nations, October 6-8, 2009, University of Ilorin and IRTI-IDB, 2009, 1-25.

[82] Ogbari, M. E., Dayo, A. T., & Ibidunni, O. S. Concise Adoption of Generic Business Strategies, Virtues for Accomplishing: Corporate Mission in Multinational Firms in Nigeria. *Canadian Social Science*, (2018). *14*(1), 9-19

[83] Oyewumi, O. R., Ogunmeru, O. A., & Oboh, C. S. Investment in corporate social responsibility, disclosure practices, and financial performance of banks in Nigeria. *Future Business Journal*, (2018). *4*(2), 195-205.

[84] Yaacob, H, Altemative Dispute Resolution(ADR): Expanding Options in Local and Cross Border Islamic Finance Cases. Intemational Shariah Research Academy For Islamic Finance, Kuala Lumpur, Malaysia. 2012.

[85] Oseni, U.A. and A.U.F. Ahmad, 2011. Dispute resolution in Islamic finance: A case analysis of Malaysia. Proceedings of the 8th International Conference on Islamic Econormcs and Finance, December 18-20 ,2011, Center for Islamic Economics and Finance, Qatar Faculty of Islamic Studies, Qatar Foundation, 1-18.

[86] Ibid

[87] Igbekoyi, O.E. Causal effect of corporate social responsibility on value drivers in the Nigerian manufacturing sector. (2017) *8* (3) *Journal of Emerging trends in Economics and Management Sciences* 169-177.

4. Leadership and Organizational Culture. Case studies illuminate the role of leadership and organizational culture in shaping outcomes, offering practical insights into fostering a positive work environment. Effective leadership and a healthy organizational culture contribute to employee engagement, productivity, and overall success.[88]

5. Ethical Considerations. Many case studies touch upon ethical dilemmas and decisions, emphasizing the practical importance of ethical considerations in organizational behavior. Organizations can learn from ethical challenges faced by others, emphasizing the importance of a strong ethical framework and decision-making process.[89] In conclusion, case studies provide a bridge between theory and practice, offering tangible examples that stakeholders can analyze and apply. Extracting practical implications from these studies enables organizations to make informed decisions, navigate challenges, and enhance their overall performance.

1.2.8 Future Trends and Prospects

Anticipating the future trajectory of Islamic finance, this section explores emerging trends, technological advancements, and the potential for greater integration into the global financial system.[90]

1.3 Philanthropic Activities

The legal, regulatory, and policy environment in which nonprofit organizations (NPOs) in Nigeria operate shapes their ability to obtain legal status, access resources, deliver services, and engage in advocacy, all of which are essential for civil society to flourish. The 2015 Enabling Environment National Assessment report for Nigeria[91] finds that NPOs operate with fairly few legal restrictions.[92] They also face few non-legal restrictions, such as burdensome bureaucratic procedures, barriers to access funds, or difficulty in buying or leasing property. Thus the regulatory environment for NPOs is relatively supportive of philanthropic giving.[93]

The main legal instrument governing NPOs in Nigeria is the Companies and Allied Matters Act (CAMA). Also governing NPOs are the Companies Income Tax Act (CITA); Taxes and Levies (Approved List for Collection) Act; Value-Added Tax Act and Value-Added Tax Amendment Act; Federal Inland Revenue Service (Establishment) Act; National Planning Commission Act; and Money Laundering Prohibition Act.[94]

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[88] Kammer, A., M. Norat, M. Piñón, A. Prasad, C. Towe, Z. Zeidane, and an IMF Staff Team "Islamic Finance: Opportunities, Challenges, and Policy Options," IMF Staff Discussion Note 15/05, (Washington: International Monetary Fund 2015).

[89] Chapra, M. Umer. "The Global Financial Crisis: Can Islamic Finance Help Minimize the Severity and Frequency of Such A Crisis In The Future?" A Paper for the Forum on the Global Financial Crisis held at the Islamic Development Bank. (2008).

[90] Ibid

[91] See Enabling Environment National Assessments (EENA). *Country Report: Nigeria* (April 2015), http://www.civicus.org/images/EENA_Nigeria.pdf. The report assesses the legal, regulatory, and policy environment for civil society and was designed by CIVICUS World Alliance for Citizen Participation and the International Center for Non-for-Profit Law (ICNL). In Nigeria, the Nigeria Network of NGOs (NNNGO) conducted the research and drafted the report.

[92] Ibid

[93] Su, W., & Sauerwald, S. Does corporate philanthropy increase firm value? The moderating role of corporate governance. *Business & Society*, (2018). *57*(4), 599-635.

[94] Ibid

These laws are guided by the 1999 Constitution, as amended in 2010, which guarantees fundamental rights, including freedom of expression, association, and assembly. Nigeria's laws follow the common law tradition, but traditional or indigenous customary law and Shari'a or Islamic law also apply in some matters. Customary and Shari'a laws previously applied only to civil matters, provided all involved parties consented. However, since 1999 some states in the northern part of Nigeria have extended Shari'a, and its coverage is now mandatory for certain criminal matters and social interactions.[95] Shari'a does not seem to affect NPOs beyond encouraging charitable giving.[96] Although registration is not mandatory, organizations wishing to receive donor funding or enjoy tax exemptions and similar benefits must register or be incorporated under CAMA. Part C of CAMA specifically addresses the registration of NPOs as associations with incorporated trustees. The Corporate Affairs Commission (CAC) is the government agency statutorily established under CAMA to register and oversee NPOs. The CAC Companies Regulation, 2012, contains guidelines for the implementation of CAMA in its current form. NPOs are not widely familiar with these regulations.[97]

Nigerians are generally a hospitable people and like to give to their communities. Especially when they are successful in their careers, Nigerians give back to society by paying for the construction of facilities such as schools, churches, mosques, town halls, hospitals, and boreholes. In addition, their giving often benefits sports, healthcare, and education or provides financial encouragement to endeavors that may otherwise be too unpopular or controversial to attract widespread public or governmental support.[98] Although Nigeria does not have a formal philanthropic sector and can boast of only a few well-known philanthropists, giving is an important pillar of society. Even without documented evidence on the scope of giving, the *World Giving Index 2016* ranks Nigeria the sixth country in the world in terms of the number of people helping a stranger and fifty-sixth in terms of giving behavior overall.[99] All Nigerians benefit directly from charitable giving when they use the libraries, schools, research institutions, hospitals, performing arts centers, and civic centers that are sustained by the generous donations of the Nigerian people.[100]

1.3.1 Recent Developments

As of the beginning of 2017, there were three bills seeking to regulate the registration and activities of NPOs before Nigeria's National Assembly, all of which were sponsored by members of the opposition party. One of the bills (Non-Governmental Organizations Regulation and Coordination Bill, 2015, SB 111) was before the Senate and two (Civil Society Commission of Nigeria Bill, 2016, HB 705; Non-Governmental Organizations (NGO) Regulatory Commission Bill, 2016, HB 585) were before the House of Representatives.[101]The Non-Governmental Organizations Regulation and Coordination Bill, 2015 (SB 111) was introduced on October 20, 2015.[102] The bill

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[95] International Center for Not-For-Profit Law, "NGO Law Monitor: Nigeria, http://www.icnl.org /research/monitor/nigeria.html.
[96] Ibid
[97] Ibid
[98] Ibid
[99] Charities Aid Foundation, *CAF World Giving Index 2016* (October 2016), pp. 17, 35, https://www.cafonline.org/about-us/publications/2016-publications/caf-world-giving-index-2016. The index describes giving behavior as helping a stranger, donating money, and volunteering time to an organization.
[100] Ibid
[101] Ibid
[102] Ibid

makes registration mandatory and seeks to establish a board to regulate and coordinate the activities of NGOs in Nigeria. The board would have the right to register NGOs; registration would be valid for five years, after which an NGO will have to reregister. Additionally, the board would be empowered to refuse registration under a number of circumstances, including if the organization's proposed activities or procedures are not in the national interest.[103]
Introduced on June 2, 2016, the Non-Governmental Organizations (NGO) Regulatory Commission Bill, 2016 (HB 585) passed the second reading stage on July 14, 2016, and was before the House Committee on Civil Society and Donor Parties for further legislative input at the beginning of 2017.[104] The bill seeks to establish an NGO regulatory commission that supervises, coordinates, and monitors the activities of NGOs. The bill would also make registration mandatory and require NGOs to reregister every two years. Additionally, the bill mandates prior project approval for organizations whose activities are geared towards improving the economic, social, and cultural welfare of a target group within the country. Violations of the bill's provisions would be subject to a fine of 500,000 Naira (approximately $1,585) or up to 18 months imprisonment, or both.[105]

Civil society has expressed the view that the bill is unsuitable for the sector. At a public hearing held in December 2017 attended by over 150 CSOs, not even one supported the bill. A public hearing report is being developed for formal presentation before the House of Representatives. On November 3, 2017, the Human Rights Agenda Network (HRAN), which is comprised of 23 civil society organizations (CSOs), sued Nigeria's National Assembly to stop further deliberation on the NGO Regulation Bill that seeks to register and regulate CSOs.[106] The groups have alleged that the Bill will violate their rights to freedom of expression, peaceful assembly and association, and nondiscrimination as enshrined in Sections 39, 40, and 42 of the Nigerian Constitution. Among other asks, the group has requested that the court issue a judicial order to stop the National Assembly from deliberating on the Bill.[107]

The Civil Society Commission of Nigeria Bill, 2016 (HB 705) was introduced on June 15, 2016. A text of the bill has not yet been made publicly available. While there is currently no information about HB 705, the two other bills have significant implications for civil society and philanthropy in Nigeria due to their creation of an additional layer of regulation in the form of a commission or board, alongside a disregard for the previous registration role fulfilled by the Corporate Affairs Commission.[108] The civil society community is concerned that the bills would introduce unnecessary administrative bottlenecks. These bills currently enjoy moderate chances of passing through the various stages of the legislative process; however, it is expected that the bills will be merged in some form at the concurrence stage.[109] Also before Nigeria's National Assembly at the beginning of 2017 is the Money Laundering (Prohibition) Act (Amendment) Bill, 2016 (HB 410). The bill seeks to provide an effective and comprehensive legal and institutional framework for the prevention, prohibition, detection, prosecution, and punishment of money laundering and other

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[103] International Center for Not-For-Profit Law, "NGO Law Monitor: Nigeria," http://www.icnl.org/research/monitor/nigeria.html
[104] Ibid
[105] Ibid
[106] Ibid
[107] "Nigerian human rights groups sue national assembly over NGO Regulation Bill," *Sahara Reporters,* November 5, 2017, http://saharareporters.com/2017/11/05/nigerian-human-rights-groups-sue-national-assembly-over-ngoregulation-bill.
[108] Ibid
[109] At the concurrence stage, similar bills are consolidated and merged into a single Act.

related offenses in Nigeria.[110] The bill clearly defines what the offenses are and also provides for the protection of whistleblowers, sets limits for cash transactions, and establishes money laundering control measures. The bill provides a framework to strengthen civil society's accountability and transparency and helps to address the stereotype of NPOs being used as conduits for money laundering. It further improves the enabling environment for the financial operations of civil society and helps guarantee the judicious use of funds received.[111]

A final recent piece of pending legislation is the Lobbying Regulation Bill, 2016 (SB 258), introduced on June 15, 2016. It seeks to establish lobbying as a profession in Nigeria and to regulate it, ultimately encouraging public participation and facilitating transparency and accountability in the law-making process.[112] The bill defines ''lobbying activities as lobbying contacts and efforts in support of such contacts, including preparation and planning activities, research, and other background work that is intended, at the time it is performed, for use in contacts, and [in] coordination with the aim of soliciting support of the National Assembly to vote for or against a particular legislative document."[113] The bill seeks to create more awareness of the National Assembly's work, to promote mobilization, and to encourage a more extensive research process in law making and policy development. Lobbyists would be registered by the Office of the Clerk of the National Assembly upon payment of a prescribed fee, with lobbying certificates renewed every year. Lobbyists would be required to file annual returns and report on their activities every year. As defined by the bill, lobbying could potentially include the activities of NPOs, but it is not entirely clear.[114]

On October 16, 2016, the Financial Reporting Council (FRC) released the Code for Corporate Governance for Not-for-Profits in Nigeria. The Code is intended to extend corporate governance, i.e., measures to protect stakeholders' interests from corruption, to NPOs and is the outcome of a directive that was given to the Steering Committee of the National Code of Corporate Governance on November 29, 2013 by the Minister of Trade and Investment.[115] This development occurs on the heels of an existing narrative that suggests that civil society is a conduit for money laundering and terrorism financing, as well as the belief among some that NPOs do not have good corporate governance practices around stakeholder accountability.[116] The Code is accessible online; it has been in draft form since 2015 and has been the subject of a series of debates and consultations.[117]

[110] Ibid
[111] Code for Corporate Governance for Not-for-Profits in Nigeria: https://.ccgnp.edu.ng.com. Last visited on 14, November, 2023@about 11:48pm
[112] Ibid
[113] Ibid
[114] Ibid
[115] "FRC Releases National Code of Corporate Governance," Financial Reporting Council of Nigeria, http://www.financialreportingcouncil.gov.ng/news-center/frc-releases-draft-national-code-of-corporategovernance/.
[116] Ibid
[117] Ibid

INTERNATIONAL RANKINGS		
RANKING BODY	RANK	RANKING SCALE (BEST – WORST)
UN HUMAN DEVELOPMENT INDEX	152	1-188
FOREIGN POLICY: FRAGILE STATES INDEX	13	178-1
CAF WORLD GIVING INDEX	56	1-145
• HELPING A STRANGER	15	
• DONATING MONEY	91	
• VOLUNTEERING TIME	47	
HUDSON PHILANTHROPIC FREEDOM INDEX	54	1-64

1.3.2 Relevant Laws

a) Constitutional Framework

The Constitution of Nigeria, which was enacted in 1999 and amended in 2010, makes provision for the rights of Nigerians to associate, assemble, and express themselves freely. Section 39 guarantees the right to receive and impart information, and Section 40 guarantees the right to peaceful assembly and association. Section 45 permits these rights to be restricted in the interests of defense, public safety, public order, public morality, or public health or to protect the rights and freedoms of others.[118]

b) National Laws and Regulations Affecting Philanthropic Giving

Table 1 lists the national laws and regulations affecting philanthropic giving in Nigeria.

Table 1. National Laws and Regulations Affecting Philanthropic Giving in Nigeria

TITLE OF LAW REGULATION	YEAR ENACTED	DESCRIPTION	LINKS TO LAW OR REGULATION
FRAMEWORK LAWS			

[118] Ibid

COMPANIES AND ALLIED MATTERS ACT (CAMA), CAP. C20	1990	Establishes the Corporate Affairs Commission, which is charged with responsibility for registering and regulating NPOs	English
TAX LAWS			
COMPANIES INCOME TAX AMENDMENT ACT (CITA), NO. 11	2007	Amends the Companies Income Tax Act of 1990	English
FEDERAL INLAND REVENUE SERVICE (ESTABLISHMENT) ACT 2007	2007	Establishes the Federal Inland Revenue Service (FIRS), which is charged with assessing, collecting, and accounting for revenues accruable to the government	English
VAT (AMENDMENT) ACT	2007	Amends the Value-Added Tax Act, No. 102, 1993	English
TAXES AND LEVIES (APPROVED LIST FOR COLLECTION) DECREE NO. 21	1998	Establishes a list of taxes, levies and fees collectible by the various tiers of government in Nigeria	English
VALUE-ADDED TAX ACT, NO. 102	1993	Provides a framework for the imposition of Value-Added Tax on certain goods and services and provides for the administration of the tax and related matters	English
PERSONAL INCOME TAX ACT (PITA), NO. 104	1993	Establishes a legal framework for income tax on individuals, communities, families, and executors and trustees, and provides for the assessment,	English

		collection, and administration of the tax	
LAWS OF GENERAL APPLICATION			
MONEY LAUNDERING (PROHIBITION) ACT (ML[P]A) (AS AMENDED), NO. 11, 2011, AND NO. 1, 2012	2011	Repeals the Money Laundering Prohibition Act of 2004 and enhances the scope of money laundering offences and customer due-diligence measures	English
NATIONAL PLANNING COMMISSION ACT	1993	Establishes the National Planning Commission to determine and advise on policies that will best promote national unity and sustain the Nigerian nation	English
CRIMINAL CODE ACT, CHAPTER 77	1990	Establishes a code of criminal law	English

1.3.3 Analysis

Organizational Forms for Nonprofit Organizations When individuals come together lawfully to pursue an agreed purpose, they have the choice of a wide range of legal forms, including companies limited by guarantee, associations with incorporated trustees, unincorporated associations, co-operatives, and traditional organizations, which are similar to friendship societies and include town unions and other mutual-benefit organizations. Not every group must register. However, organizations must register or be incorporated under CAMA if they wish to receive donor funding or enjoy tax benefits and exemptions. NPOs seeking to obtain legal status through registration most frequently chose to become associations with incorporated trustees or companies limited by guarantee. Both of these forms are governed by Part C of CAMA and are handled by the CAC. The choice of legal form is determined by the objective of the NPO. The purpose of a company limited by guarantee must be the promotion of commerce, art, science, religion, sports, culture, education, research, charity, or a similar area. The income and property of the company must be applied solely to promote the company's purpose. The company may have members or trustees. Social-enterprise NPOs, which are growing in number in Nigeria, are usually companies limited by guarantee. An association with incorporated trustees is an organization of persons that appoints one or more trustees. An association must also apply its income and property to promote its stated purpose. There are two types of associations. In the first type, trustees are appointed by a community of persons bound together by custom, religion, kinship, or nationality. In the second type, trustees are appointed by a body or association of persons established for any religious, educational, literary, scientific, social, development, cultural, sporting, or charitable purpose. Most churches, mosques, and town associations register as the first type of association, while traditional NPOs, professional associations, and foundations are typically the second type.

As of May 2015, 78,112 NPOs were registered with the CAC. More than 31,000 of these organizations are listed on the CAC's publicly accessible electronic database.[119]

1.3.4 Registration of Domestic Nonprofit Organizations

Section 40 of the Nigerian constitution guarantees the freedom of association for all Nigerians. Therefore people who wish to come together to found an NPO generally face no restrictions, provided, according to CAMA, that the purpose for which the organization is formed and the procedures that it uses to carry out its activities are not illegal. The trustees of both a company limited by guarantee and an association are expected to be identified prior to registration and are therefore regarded as founding members. Since trustees and directors are fiduciaries holding positions of trust and responsibility, minors under the age of eighteen, persons whom a court has found to be of unsound mind, persons undergoing bankruptcy proceedings, and persons convicted within the previous five years of an offence involving dishonesty cannot be registered as trustees or directors of an NPO. CAMA is silent about the minimum or maximum number of individuals required to form an NPO. However, for administrative purposes and ease of decision making, many NPOs choose an odd number of founding trustees.

NPOs seeking to register must submit the following documents to the CAC:

- Evidence of the availability of the name of the organization and a request to reserve it. Prohibited names include any name that is similar to an existing or reserved name or to a registered trademark or business name, except with the consent of the owner; any name that is offensive, undesirable, or misleading; and any name that is contrary to public policy. A form for this purpose may be downloaded from the CAC website.[120]
- A duly completed Incorporated Trustees Application Form, signed by the chairman, company secretary, president, founder, or solicitor of the new organization, and showing the address of the organization and an impression or drawing of the proposed common seal. This form may be downloaded from the CAC website.[121]
- Extracts of the minutes of the general meeting at which trustees are appointed and special clauses are adopted into the constitution or bylaws. The extracts should list all members present, record their vote, and be signed by the chairman and secretary.
- Two copies of the organization's constitution.
- A notice of the application to register as published in one local and one national newspaper, or a copy of the notices certified by the National Library. The notices should state the name and principal objectives of the association and the full names of proposed trustees. They

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[119] The reason that only half of the registered NPOs are listed on the database may be because of limited capacity on the part of the CAC to capture all data in electronic format, as paper had been used previously. Some paper applications may have been lost or damaged, while the paperwork of other NPOs may be difficult to locate. [10] The CAC database can be accessed at http://publicsearch.cac.gov.ng:8080/comsearch/test.php.

[120] This application form may be found at http://new.cac.gov.ng/home/wp-content/uploads/2023/11/cac_01.pdf.

[121] The Incorporated Trustees Application Form may be found at http://new.cac.gov.ng/home/wpcontent/uploads/2023/11/cac_it_form_001.pdf.

must invite objections to the application, which must be filed within twenty eight days of the notices' publication.

- A declaration form for each trustee, sworn to in writing in the High Court, along with a photocopy of the information page of each trustee's passport or national identity card. In the case of an illiterate trustee or officer of the organization, an illiterate jurat, or document certified by a judicial officer, should be presented along with the individual's thumbprints.
- A separate document listing the address of the association.

In addition, fees amounting to approximately $150 must be paid to reserve the organization's name and to register. These fees are generally paid when the application to register is filed. The law does not require minimum capitalization as part of registration. Section 674(b) of CAMA is clear about the permissible purposes or aims of organizations wishing to incorporate. "The aims and objects of the association . . . must be for the advancement of any religious, educational, literary, scientific, social, development, cultural, sporting, or charitable purpose, and must be lawful." Although CAMA does not list the protection of rights or democracy promotion as among the permissible aims and objectives of an NPO, in recent years this provision has been interpreted broadly, and most NPOs focused on human rights are considered as having a social, development, or charitable purpose. However, the registration of clubs for gay persons or societies and organizations focused on lesbian, gay, bisexual, transgender, and intersex (LGBTI) issues is de facto prohibited under the Same-Sex Marriage (Prohibition) Act of 2014, since no society or organization with an unlawful purpose may be registered.

After receiving an application to register, the CAC may, at its own discretion, request evidence or verification of the information provided in the application. There is no limit to the CAC's ability to request more information or documentation. If the CAC is of the opinion that the application meets Sections 674, 675, and 676 of CAMA, then a notice of the application to register is published in a prescribed format in two daily newspapers circulating in the area where the organization is to be located. One of these newspapers must be national. The advertisement must ask for objections to the registration of the organization, to be submitted to the CAC within twenty-eight days of the final date of publication of the notices. The CAC will consider all objections and may request explanations or further information from both the objector and the applicant. The CAC may uphold or reject the objection as it sees fit and will inform the applicant accordingly. If, after twenty-eight days, no objection is made, or an objection, if received, has been rejected, the CAC may assent to or deny the application to register. The CAC may reject an application at its own discretion and need not provide written justification for its decision. Although applications may be rejected based on objections from the public, the law is not clear about other reasons that the CAC might reject an application. If the application is approved, the CAC will issue a certificate of incorporation in a prescribed format showing the date of incorporation and the corporation number assigned to the organization. The certificate of incorporation is prima facie evidence that all requirements for incorporation have been met. A searchable public database of registered organizations is available on the CAC website.[122]

Depending on the objectives for which an organization is formed, a prospective NPO intending to engage in activities that involve government ministries, departments, or agencies may need to satisfy separate, defined registration requirements of those entities before or after registering with the CAC. For example, an NPO that supports development by digging boreholes for water might

[122] For the CAC database, see http://publicsearch.cac.gov.ng:8080/comsearch/test.php.

need to seek registration with a relevant state or federal authority, in part to facilitate communication with government officials. Similarly, an NPO wishing to engage in election observation must seek registration with the Independent National Electoral Commission (INEC). The staff or, in the case of a membership-based organization, the members of an NPO that is registered with INEC would probably be issued some kind of identification document enabling them to enter and move freely in locations such as ballot collation centers, which otherwise would be closed to the public. If INEC refuses to register the NPO, it would not mean that the organization ceases to exist or that its individual members could not engage in election observation, provided they do so in accordance with the rules generally applicable to such an activity. Registration with a government ministry, department, or agency is not to be confused with incorporation by the CAC, which is the only registration that confers legal personality, and many NPOs carry out their activities without seeking to be placed on a ministry's list of "approved" NPOs. In practice, some NPOs do not regard registration as a straightforward procedure. Favoritism or corruption within the system can play a role, and only lawyers and chartered secretaries accredited by the CAC are permitted to file applications. An NPO has no formal appeal process if the CAC seems to deny its registration unfairly, although it is free to challenge the CAC's decision in court. Registration is most likely to be granted to organizations seeking to advance religious, educational, literary, scientific, social, development, cultural, sporting, or charitable purposes. Human rights organizations may find it difficult to register, especially if they are critical of government activities. In recent years, organizations with names that include the words "rights" or "human rights" have been rejected for registration unless they change those words to "initiative."

1.3.5 Registration of Foreign Nonprofit Organizations

Foreign NPOs are incorporated in the same manner and must comply with the same rules and registration procedures as domestic NPOs. This means, among other things, that they must conduct name searches and are prohibited from registering a name that could be interpreted as belonging to a Nigerian government body, even though it may be acceptable in their home countries. For example, the word "national" in the name of a foreign NPO is usually not permitted.

The CAC and the National Planning Commission are the governmental authorities responsible for registering and supervising foreign NPOs and branches of foreign organizations working in Nigeria. A foreign NPO that does not meet the requirements to incorporate under CAMA may still operate in Nigeria if it executes a bilateral agreement with the relevant line ministry, then registers with the National Planning Commission, and pays any relevant fees. Once the bilateral agreement is signed, the foreign NPO has legal personality in Nigeria. However, this status comes at the price of fairly extensive control over the foreign NPO's operations. The ministry may appoint members to its board, approve its hiring of key personnel, and approve its budget, as the essence of the bilateral agreement is that the foreign NPO becomes a quasi-consultant to the line ministry.

All types of foreign organizations may establish branches in Nigeria provided they have legal personality and work towards the objectives identified for domestic NPOs in Part C of CAMA. Registration fees and name searches are also imposed in connection with an application to register a foreign branch. There are no limitations on the permissible purposes that a foreign NPO or branch may undertake, as they are guided by same laws guiding their domestic counterparts. However, as with domestic organizations, foreign NPOs working lawfully to advance a religious, educational, literary, scientific, social, development, cultural, sporting, or charitable purpose are likely to be registered more easily than those that work on human rights or are critical of a sitting government.

1.3.6 Nonprofit Organization Activities

Political Activities and Lobbying. The law does not specifically ban all political purposes or political activities by NPOs. However, under Part C of CAMA, NPOs are expected to operate in a non-partisan manner and may not nominate, endorse, or oppose candidates for public office or support or oppose political parties. NPOs are permitted to engage in the electoral process only as election observers or providers of voter education. Explicitly prohibits NPOs from making gifts or donations to political parties or for any other political purpose.[123]

NPOs are allowed to participate in public-policy research and advocacy and to campaign, advocate, and lobby for legislation. Provided their activities are carried out in a lawful manner, NPOs face no barriers, legal or non-legal, to conducting advocacy work. Unregistered organizations may lobby and advocate, since they are protected by the guarantee of freedom of association contained in the Nigerian constitution. NPOs may lobby members of parliament to support or oppose proposed legislation and may mobilize citizens to communicate with their legislators about proposed legislation. There is no law that limits the amount of money that an NPO may spend on lobbying and other legislative activities.

1.3.7 Economic Activities.

Although the principal purpose of an NPO may not be commercial in nature, NPOs are allowed to conduct income-generating activities. There are no limitations on permissible income-generating activities, and NPOs do not necessarily have to conduct their economic activities through a for-profit subsidiary. Very few NPOs conduct business or trade, however. Those that do so mainly pursue activities in areas related to their main purposes, such as consultancies for the government to raise public awareness about a particular issue.

1.3.8 Prohibition on Distribution of Income or Assets/Private Inurement.

NPOs are prohibited by law from distributing profits or otherwise providing inappropriate private benefit to officers, directors, or other insiders. Section 686 of CAMA states that the income and property of NPOs shall be applied solely to the promotion of the objectives of the organization as set forth in its constitution and "no portion thereof shall be paid or transferred directly or indirectly, by way of dividend, bonus, or otherwise by way of profit to any of the members of the association."[124] also states that payment to "an officer or servant of the body in return for any service actually rendered to the body or association is allowed under the law." However, "with the exception of ex-officio members of the governing council, no member of a council of management or governing body, shall be appointed to any salaried office of the body, or any office of the body paid by fees" and "no remuneration or other benefit in money or money's worth shall be given by the body to any member of such council or governing body except payment of out-of-pocket expenses or reasonable and proper rent for premises demised, or let to the body or reasonable fee for services rendered." Contravention of this law can result in a demand for a refund by the CAC of such "income or property so misapplied to the association.'' [125] There are no other legal rules governing financial transactions or self-dealing between NPOs and their directors, officers, employees, or the family members of these insiders. However, as a matter of practice,

[123] Section 38(2) of CAMA
[124] Section 686 of CAMA
[125] Ibid

organizations are expected to have conflict-of-interest policies as part of their governance procedures to guide them on issues of self-dealing.

Government Supervision. Four government bodies have the statutory authority to supervise NPOs:

1. The CAC, established under CAMA. The CAC is responsible for overall supervision of NPO registration and operations. Its broader responsibilities include the regulation and supervision of the formation, incorporation, registration, management, and dissolution of companies, business names, and incorporated trustees
2. Federal Inland Revenue Service (FIRS), established by the Federal Inland Revenue Service (Establishment) Act No. 13, 2007. FIRS oversees taxation, controls and administers the different taxes and laws specified in the act's first schedule and other laws and regulations, and accounts for all taxes collected.
3. Special Control Unit against Money Laundering (SCUML), which was established as a specialized unit of the Federal Ministry of Industry, Trade, and Investment by the Federal Executive Council of Nigeria (Decision No. EC 286) in September 2005. SCUML oversees issues related to money laundering and monitors and supervises the activities of designated non-financial institutions under the framework for anti-money laundering and combatting the financing of terrorism.
4. National Planning Commission (NPC), established by the National Planning Commission Act, 1993. The NPC monitors and regulates the activities of NGOs and NPOs in Nigeria.

Section 690(1) of CAMA requires NPOs to submit periodic reports to the CAC and FIRS. An NPO's annual return to the CAC should show, among other things, the name of the corporation; the names, addresses, and occupations of trustees and members of the council or governing body; the particulars of any land held by the corporate body during the year; and details of any changes to the organization's constitution effected during the year. The report must be submitted no earlier than June 30 and no later than December 31 each year, other than in the year in which the NPO was incorporated. The annual financial return to FIRS is due eighteen months after the date of incorporation (or not later than six months after the end of the first fiscal year, whichever is earlier) and thereafter six months after the end of each fiscal year. NPOs are also expected to file performance activity reports with FIRS.[126]

1.3.9 Termination, Dissolution, and Sanctions

The government may involuntarily terminate or dissolve an NPO for unlawful practices or practices contrary to public policy. According to the Criminal Code Act, 1990, societies or organizations are deemed unlawful if they are formed for the purpose of "interfering with, or resisting, or encouraging interference with or resistance to the administration of law." For example, the organizations *Jama'atu Ahlis Sunna Lidda'awati wal-Jihad* (better known as Boko Haram) and *Jama'atu Ansarul Muslimina Fi Biladis Sudan* (also known as Ansaru) were originally set up for religious advancement and were proscribed in 2013 because of their terrorist activities.

An NPO may dissolve voluntarily under Section 691(1) of CAMA, which states that "A body corporate formed under this PART of this Act may be dissolved by the court on a petition brought for that purpose by the governing body or council or one or more trustees or members of the

[126] Section 55(1) and (2) of CITA.

association constituting not less than fifty per cent of the total membership or the Corporate Affairs Commission." The grounds for dissolution, according to Section 691(2) of CAMA, are that the aims and objects for which the organization was established have been fully realized, the organization was formed to exist for a specified period and that period has expired, or the aims and objectives of the organization have become illegal or otherwise contrary to public policy.

Section 691(4) of CAMA sets forth procedures that NPOs must follow for dissolution and the distribution of assets. If "in the event of a winding-up or dissolution of the corporate body there remains after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid to or distributed among the members of the association, but shall be given or transferred to some other institutions having objects similar to the objects of the body, such institutions to be determined by the members of the association at or before the time of dissolution." In cases where this provision cannot be effected, Section 691(5) of CAMA stipulates that "the remaining property shall be transferred to some charitable object" on the decision of the CAC or a competent court of law. Short of termination, there are no other known sanctions that the government can impose on NPOs. However, an NPO may be subject to audits and inspections if, under Part C of CAMA and relevant tax laws, the authorities suspect that it is involved in business activities that are against the purpose for which it was established.

1.3.10 Charitable or Public Benefit Status

All NPOs registered under CAMA have charitable status. As such, they enjoy exemptions from income tax. In addition, any goods purchased for use in donor-funded humanitarian projects are zero rated for value-added tax (VAT) under the Value-Added Tax Act, as amended—which is to say, that they are taxable for VAT purposes, but with a tax rate of zero. An NPO directs its application for a tax-clearance certificate to the integrated tax office where it was registered and files its tax returns. The office processes the application and issues the tax clearance certificate if the NPO is found to be qualified. If the integrated tax office finds the NPO unqualified, it must provide reasons in writing within two weeks of the application. Corporate donors benefit from tax deductions for their donations, provides that any company making donations to an organization listed under CITA's fifth schedule shall enjoy tax deductions not exceeding 10 percent of the total profits of that company for that year, as ascertained before any deduction of such donations is made and provided they are not of a capital nature.[127]

1.3. 11 Local and Cross-Border Funding

There are no laws or rules governing an NPO's ability to seek local funding. Decision No. EC 286(2005) of the Federal Executive Council of Nigeria established SCUML, which carries out the statutory responsibility of the Ministry of Industry, Trade, and Investment to monitor and supervise designated non-financial institutions for evidence of money laundering and the financing of terrorism. Operationally, SCUML is domiciled in the Economic and Financial Crimes Commission. NPOs are required to have in place anti-money laundering policies that guide their financial transactions, and they can be liable for sanctions if they take part in money-laundering schemes. NPOs must report the receipt of donations of more than $1,000 given in cash to SCUML within one week. They are also required to submit electronic weekly reports of cash-based transactions to SCUML, although compliance with this rule is weak to non-existent. NPOs have

[127] Section 25(3) of CITA

noted that the mandatory weekly reports to SCUML have the potential to impede or discourage philanthropy, since detailed information about donors must be included in the reports, which makes anonymous donations impossible. Domestic donors are not subject to funding limits, vetting requirements, or other special restrictions when providing non-cash donations to either domestic or foreign NPOs (although instances of the latter are rare). Donors giving more than $1,000 in cash to an NPO are flagged for routine background checks by SCUML or the Financial Intelligence Unit to verify the source of their funding. Domestic NPOs are permitted to operate internationally, and there are no restrictions on either an NPO's use of domestically sourced funding to carry out activities abroad or the amounts they may transfer abroad for their activities. However, the purpose of the funds must be declared when they are transferred abroad as part of normal banking procedures, and the bank may share this information with SCUML. There are no restrictions on an NPO's ability to receive donations or other forms of support from outside the country. Whether locally or internationally sourced, all funds received by NPOs must be independently audited and reported to both the CAC and FIRS as part of their annual returns. The exemption of NPOs from income tax does not remove their obligation to file returns regularly. NPOs are not subject to limitations on their affiliations with foreign persons or organizations, provided such organizations are lawful and are not affiliated with terrorist groups.

1.3.12 Tax Law

Organizations that engage in philanthropy under CAMA are considered charity organizations, and their excess income (derived from grants, subscriptions, donations, gifts, endowments, and so forth) over expenditures is exempt from corporate tax. According to Section 23 (1) of CITA, all NPOs are generally tax exempt, provided they do not have profits derived from any trade or business. Similarly, Section 23 (c) of CITA and Section 19, Para 13, Third Schedule of PITA provide that the profits of any company or institution engaged in ecclesiastical, charitable, benevolent, or educational activities of a public character are exempt from income tax provided such profits are not derived from a trade or business conducted by the organization. Foreign NPOs operating in Nigeria are exempt from income tax and are eligible for exemptions from other taxes under double-taxation treaties.

If an NPO engages in any trade or business, the profit derived from it will be subject to income tax as stipulated in CITA. FIRS defines trade as "the business of buying and selling or bartering goods and services."[128] Thus while NPOs are exempt from paying taxes on income derived from their primary registered activities, they are liable for income tax on their commercial activities, such as

[128] FIRS relies on indicators known as "badges of trade" to determine whether an activity fits the definition of trade. They include (1) a profit-seeking motive (an intention to make a profit supports the definition of trade but is not in itself conclusive); (2) the number of transactions (systematic and repeated transactions support the definition of trade, and an isolated transaction may also constitute trade, as its one-off nature in no way invalidates an activity as constituting trade; (3) the nature of the asset (if the asset is of such a type or amount that it can only be turned to advantage by a sale, it may support the definition of trade); (4) the existence of similar trading transactions or interests (transactions that are similar to those of an existing trade may themselves be trading); (5) changes to the asset (if the asset was repaired, modified, or improved to make it more easily saleable or saleable at a greater profit, it may support the definition of trade); (6) the way in which the sale was carried out (if the asset was sold in a way typical of trading organizations, it may support the definition of trade); (7) the source of finance (if money was borrowed to buy the asset and the funds could only be repaid by selling the asset, it may support the definition of trade); (8) interval of time between purchase and sale (assets that are the subject of trade will normally, but not always, be sold quickly); and (9) method of acquisition (an asset that is acquired by inheritance or as gift is less likely to be the subject of trade).

a business or trade. In other words, the income that an NPO accrues via foreign and domestic grants, subscriptions, membership dues, donations, gifts, endowments, and so forth is not taxable, while the income coming from trade and business, which is known as unrelated business income, is taxable. NPOs must also pay income tax on passive income (that is, income received on a regular basis, with little effort required to maintain it, such as from dividends, rent, royalties, or interest), investment income, and capital gains tax if they dispose of their assets at a profit.

NPOs pay VAT on goods and services consumed, except those purchased exclusively for donorfunded humanitarian projects or activities, which are zero rated under the Value-Added Tax Act, as amended. NPOs must deduct pay-as-you-earn tax from employees' salaries to remit to the appropriate tax authority. In addition, they must deduct withholding tax on payments made to contractors and suppliers and remit them to the appropriate tax authority, along with a schedule of deductions. Local taxes, fees, and charges (such as a tax on parking or a fee for garbage collection) apply to NPOs as to other individuals and companies, even though the tax affairs of organizations registered under Part C of CAMA are administered by FIRS and, as such, are governed by federal legislation. As personal income tax is a function of residence, NPO staff members pay tax to the state board of internal revenue where they reside. Withholding tax on rent and consultancy services awarded to individuals is also remitted to the state as opposed to the federal government.

A donation by any company to an NPO listed under the fifth schedule of CITA is tax deductible, according to Section 25(3) of CITA, provided the donation does not exceed 10 percent of the company's total profits for the year, as calculated before the donation is made and is not of capital nature. Individual givers do not obtain tax deductions for their donations. There is no limit on the amount that they may designate to charities by way of inheritance. All NPOs registered under CAMA must maintain accurate records of employees and proper books of account. They have the obligation to register with FIRS and file tax returns every year. It is relatively easy for NPOs to take advantage of tax benefits provided that they carefully follow the procedures for filling annual returns with FIRS. To obtain a tax exemption, an NPO applies annually for a tax clearance certificate at the integrated tax office at which it is registered and files its tax returns. If the integrated tax office finds the NPO to be qualified, it will issue the tax-clearance certificate. If denied the certificate, the NPO receives an explanation of the reasons in writing within two weeks of the application. There is no provision for appealing such a decision. Not-forprofit companies, such as social enterprises and foundations engaging in economic or commercial activities, may apply to the president of Nigeria for an order to exempt them from taxation on their income or profits, no matter what the source. Overall, tax regulations are poorly enforced, as the government has limited enforcement capacity. In addition, the tax laws governing NPOs are not clear, and NPOs receive conflicting information about their tax status. According to the 2014 Civil Society Index Rapid Assessment for Nigeria,[129] two-thirds of NPOs do not pay pay-as-you-earn tax and more than one-half of organizations have a generally poor understanding of the tax regime. Although FIRS has disseminated circulars clarifying the taxes that NPOs must and need not pay, the tax law remains confusing to many NPOs.

[129] CSI "Civil Society Index—Rapid Assessment Country Report: for Nigeria," 28. http://civicus.org/images/stories/Nigeria%20CSI%20RA%20final.pdf.

1.3.13 News and Events

This Philanthropy Law Report was prepared by the International Center for Not-for-Profit Law in partnership with Oyebisi Oluseyi of the Nigeria Network of NGOs and issued in March 2017.[130] It was updated again to reflect changes as of December 2017. The views expressed herein are those of the authors and reflect the authors' understanding of laws and regulations currently in effect in Nigeria, as well as best international practice, and does not constitute a legal opinion or advice.[131]

1.4 Observations and Recommendations

This comprehensive conclusion highlights key observations and provides insights for future considerations:-

a. Positive Impact on Communities

Islamic financial institutions in Nigeria have demonstrated a positive impact on local communities through their philanthropic initiatives. These activities have addressed social and economic challenges, contributing to poverty alleviation, healthcare, education, and infrastructure development.

b. Alignment with Islamic Principles

Philanthropic activities by Islamic financial institutions are deeply rooted in Islamic principles such as Zakat, Sadaqah, and Waqf. The institutions prioritize social responsibility, emphasizing equitable wealth distribution and community development in accordance with Sharia principles.

c. Financial Instruments and Mechanisms

Sharia-compliant financial instruments have been effectively utilized by Islamic financial institutions to fund philanthropic projects. Mudarabah, Musharakah, and other Islamic financial structures have provided a unique avenue for sustainable and socially responsible investments.

d. Community Engagement and Collaboration.

The engagement of Islamic financial institutions with local communities, religious leaders, and other stakeholders has been a key factor in the success of their philanthropic endeavors. Collaborative efforts have strengthened the impact of these initiatives and fostered a sense of ownership within the communities.

e. Challenges Faced

Despite their positive contributions, Islamic financial institutions face challenges in navigating regulatory frameworks, raising awareness, and ensuring the sustainable impact of their philanthropic activities. Overcoming these challenges requires a collaborative effort involving regulatory bodies, religious leaders, and the institutions themselves.

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[130] Oluseyi, Oyebisi Babatunde. "How Not to Hold NGOs Accountable." Best Naira News. http://news.bestnaira.com/posts/view/how-not-to-hold-ngos-accountable.

[131] "FRC Releases National Code of Corporate Governance." Financial Reporting Council of Nigeria. http://www.financialreportingcouncil.gov.ng/news-center/frc-releases-draft-national-code-ofcorporate-governance/.

f. Policy Recommendations

Based on the examination, it is recommended that policymakers consider refining and adapting regulatory frameworks to better accommodate the unique characteristics of Islamic finance and philanthropy. Incentives and supportive measures could be introduced to encourage further engagement by Islamic financial institutions in socially responsible activities.

g. Ethical Considerations

The examination underscores the importance of upholding ethical considerations in philanthropic activities. Islamic financial institutions should continue to ensure that their initiatives align with Islamic values, promoting transparency, accountability, and adherence to Sharia principles.

h. Future Research Directions

The examination provides a foundation for future research exploring emerging trends, innovations, and the evolving role of Islamic financial institutions in philanthropy. Further studies could delve into the long-term impact of these activities and the potential for scaling up successful models.

1.5 Conclusion

The examination of the role of Islamic financial institutions in philanthropic activities in Nigeria reveals a multifaceted landscape where principles of Islamic finance intersect with the socio-economic needs of the local communities. The findings suggest that Islamic financial institutions play a significant role in contributing to philanthropy, aligning their activities with the principles of social justice and community welfare inherent in Islamic finance. In conclusion, the role of Islamic financial institutions in philanthropic activities in Nigeria is integral to the broader societal development agenda. The examination emphasizes the need for continued collaboration, adaptation of regulatory frameworks, and a commitment to ethical considerations to maximize the positive impact of these institutions on the well-being of the Nigerian populace.