



Role of Islamic Law in the Efficient Management of Debt in Nigeria

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Abstract

Introduction to The Problem: Nigeria's Q4 2021 Real GDP reached N20.33 trillion, with a 3.98% YoY growth, marking the fifth consecutive quarter of positive growth post-2020 recession. Despite this, the economy is deemed in crisis. Concerningly, the government is accumulating more debt to service existing obligations, posing sustainability issues and conflicting with *Shari'ah* wealth management principles.

Purpose: This study aims to analyze the impact of Islamic law on effective debt management in Nigeria, specifically addressing the consequences of economic crises that result in substantial national borrowing. Additionally, it aims to highlight Sharia jurisprudence as a viable solution to alleviate Nigeria's economic challenges.

Design/Methodology/Approach: The Methodology employed in this study is purely doctrinal method of legal research. Hence, the study places reliance principally on the available literature by which the study explores relevant materials such as text books, journals and internet facilities. Importantly, the study finds most useful the primary sources of *Shari'ah* which are the Qur'an and Sunnah as well as the secondary sources which include *Qiyas* and *Ijma'*.

Findings: The study finds that the economic crisis which Nigeria has found itself as a result of the multiplier effect of excessive public borrowing cannot be divorced from the adoption of the conventional economic system. The result reveals further that Islamic law plays significant roles in the efficient management of debt as was confirmed in the Malaysian *Shari'ah* compliant public debt management practices. The study proposes, by way of recommendation, the practice of Islamic Wealth Management to cushion the effect of the deficit budgets and the onerous debts on Nigeria and increase investment activities with a view to impacting positively on the country's GDP. The study is therefore most relevant to the policymakers in the Ministry of Finance, Debt Management Office, as well as the Lawmakers in the country.

Paper Type: Research Article

Keywords: Economic Crisis; Islamic Law; Debt Profile; Efficient Management, Nigeria

Introduction

Economic wise, Nigeria is arguably perceived as the giant of Africa with largest economy on the continent. The country is considered as the biggest oil producer on the continent while standing at the 10th oil producer in the world (OECD, 2027). The foregoing comes to the fore by virtue of the array and enormous resources in terms of human and natural resources with which the country is endowed including the rich agricultural and mineral resources economic sectors of the country. Little wonder the country's statistical Gross Domestic Product (GDP) records lend credence to the foregoing. Nigeria's Real GDP stood at ₦20.33 trillion in the fourth quarter of 2021, growing at a rate of 3.98 percent (year-on-year) in real terms, marking the fifth consecutive quarter of positive growth since the recession of 2020, when output contracted by -6.10 percent and -3.62 percent in Q2 and Q3 of that year due to the Covid-19 pandemic. Despite this positive growth, the economy is said to be in serious challenge crisis.

The present multilateral loans are grossly inadequate and sometimes unavailable going to the recent global financial crisis and economic realities. Being accompanied by currency and interest rate risk is a thorn in the flesh to the challenge already on the ground. Cumulated or in its economic term 'compound interest' adds salt to injury. It is even more shocking to realize that the Nigerian government takes more debt to service the existing ones (Ideh & Uzonwanne, 2021). This is not sustainable as the country will continue to deepen itself in debts that will worsen the economic crisis it already finds itself in. the practice had been a cycle of debt procurement for debt servicing and infrastructural development.

As of September 30, 2021, Nigeria's total public debt portfolio which comprised the various Federal government obligations including *Sukuk* amounts to US\$92,626.41 Million according to the Nigerian Debt Management Office (Bala et al., 2022). As already posited above, it is not gainsaid that Nigeria is indeed endowed with vast natural resources that if properly managed there would come a time when Nigeria will no longer need to borrow. The question, therefore, remains, that despite the abundant resources the country is endowed with, ranging from oil to Agricultural produce to mineral resources, not to talk of the enormous human resource at her disposal, is continuous borrowing needed? Most importantly, the question that begs an answer is what is the current framing of debt functionality in Nigeria?

When the country's debt profile is not aligned with the tenets of economic development and fiscal policies, it is obvious that any persistent and sustained rise in the exchange rate, devaluation, and or fall in the country's external reserve will exacerbate the country's existing economic hardship, especially when accompanied by a fall in international market prices of petroleum (Gylych et al., 2020). These changes have the potential to overheat the economy, stall internal goals for economic advancement, and result in considerable dereliction of previously achieved economic gain. Rescheduling, debt forgiveness, discounted debt buybacks, and debt-equity



swaps can all provide immediate assistance (Gylych et al., 2020). All of these relief measures, while necessary, are only temporary bandages and would likely return unless the receiving nations implemented comprehensive economic and financial reform to lessen their domestic absorption (Rafindadi & Musa, 2019).

Therefore, in a bid to understand the optimal debt level argument, understanding the causation of the increase in debt/GDP ratio may not be as important as understanding the use of debt rise. Nigeria's use of debt over the past decades is highly questionable. In the realm of the economist, it will only be safe to borrow to invest rather than to consume. This paper, therefore, aims at exposing the issues associated with the current debt management system and canvass for the need for an Islamic approach in Nigerian debt management system.

Methodology

The Methodology employed in this study is purely doctrinal method of legal research. Hence, the study places reliance principally on the available literature relevant to the discourse. To this end, the study makes use of the primary sources of *Shari'ah* which are the Qur'an and Sunnah by relying on the salient Qur'an verse(s) the analysis of which were done based on the clear understanding of their *Fiqh* Sunnah. The methodology also extends to the fulcrum of *Shari'ah* secondary sources which include *Qiyas* and *Ijma'*. The study in this vein explores the position of Islamic jurists to drive home salient discussions. The study also explores other relevant secondary sources/materials in the categories of text books, journals and internet facilities for the purpose of data collection and content analysis. The overall technique adopted for the methodology is deductive reasoning technique.

Results and Discussion

Concept of Debt under *Shari'ah* Debt Management

The term *al-qard* was defined among other things by Hanafi scholar. For him, *qard* is "something offered by the (which has a parable)," he asserts, "to fit his wishes." "A transfer of property to another individual without the accompaniment of *iwadh* (reward) or anything in return" is how the Maliki Scholars defined *qard* (Kazak & Alim, 2022). *Qard* has the same meaning as the term *as-Salaf*, meaning the contract of ownership of something to be returned with the same or equal value, according to Shafi'i scholars (Kazak & Alim, 2022).

Qard according to the AAOIFI standard "is the transfer of ownership in fungible wealth to a person on whom it is binding to return wealth similar to it" (AAOIFI, 2015).

﴿ وَإِنْ كُنْتُمْ عَلَى سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرِهَانَ مَفْبُوضَةً فَإِنْ أَمِنَ بَعْضُكُمْ بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِيَ مِنْ أَمْنَتِهِ وَلِيَتَّقِ اللَّهَ رَبَّهُ وَلَا تَكُنُوا الشَّاهِدَةَ ۗ وَمَنْ يَكْتُمْهَا فَإِنَّهُ آتِمٌ قَلْبُهُ ۗ وَاللَّهُ بِمَا تَعْمَلُونَ عَلِيمٌ ﴾

"If you are on a journey and cannot find a scribe, pledge your goods (against the Loan); and if one trusts the other, then let him who is trusted deliver the

thing entrusted, and have fear of God, his Lord. Do not suppress any evidence, for he who conceals evidence is sinful of heart; and God is aware of all you do. (Al-Baqarah: 283).”

Prophet Muhammad (PBUH) started his trade by owing a debt to a rich merchant who later became his wife, Khadijah. He brought merchandise belonging to Khadijah with his uncle Abu Talib to be traded in the city of Taif and other cities. The process of "bringing" merchandise was of course recorded both by the Prophet Muhammad (PBUH) as the merchant of the merchandise and by Khadijah as the owner of the merchandise (Shaikh, 2014). One of the foremost Ahadith on this subject is the one narrated by Abu Hurairah as follows:

“A man demanded his debts from Allah’s Messenger (PBUH) in such a rude manner that the companions of the Prophet intended to harm him, but the Prophet (PBUH) said, “Leave him, no doubt, for the creditor) has the right to demand it (harshly). Buy a camel and give it to him.” They said, “The available camel is older than the camel he demands. “The Prophet (PBUH) said, “Buy it and give it to him, for the best among you are those who repay their debts handsomely (Sahih Bukhari: Volume 3: Book 41).”

Before delving further into the issue of debt management under *Shari’ah*, a quick look at the conventional approach to debt management seems germane. This is because the approach of Nigerian debt management so far as being based on the conventional approach. Conventionally, the idea of an ideal level of debt is normative rather than a positive realist almost all nations face certain common difficulties managing their debt Nigeria inclusive (Yusuf & Mohd, 2021). There is probably not a developed or emerging country that does not want to continually enhance its economic structure. Most often when a new administration takes the mantle of leadership, perceived ineffective debt management, which includes paying off outstanding debt, borrowing to cover budget deficits, and wise use of debt so accrued, is the main cause of problems in most nations. Developing nations usually have escalating difficulties when they try to develop effective debt management strategies because of a variety of issues, the majority of which are related to socioeconomic and demographic history. However, the service of national domestic debt and the domestic debt of state governments are closely tied to economic growth. Domestic debt servicing in Nigeria has a detrimental effect on both private sector debt and economic growth (Victoria et al., 2021). Thus, it was reported that external debt and investment have a strong positive link with economic growth, while domestic debt and external debt service are inversely related to growth (Kur et al., 2021). The report confirms further that the economy will thrive more when domestic debts are optimally invested, while investment of foreign loans above the specified threshold level will affect the economy negatively (Kur et al., 2021).

For policymakers, the current national and global economic crisis presents major obstacles. Depending on the nature of the difficulties, it may be necessary to separate their key elements to trigger particular macroeconomic reforms. Macroeconomic



reforms are designed to put the nation in a much stronger and more adaptable position so that it can continue to steer a course toward economic stability while coping with the crises in the domestic and global economies (Pieloch-Babiarz et al., 2021). The Islamic viewpoint on debt management views reform as an implicit admission of the shortcomings of the current debt management system (Ebrahim & Sheikh, 2016). The change is now required to correct the flawed, poor, and inefficient system. A theoretical fiscal policy approach called debt management aims to improve debt management (Jiang et al., 2022). After carefully examining the link between external debt and inclusive growth, a study found there is no significant impact of external debt on growth because it is ineffective in meeting the desired growth and this is a result of poor policy direction for investing the borrowed funds to socio-economic indicators capable of stimulating inclusive growth (Ozigbu et al., 2018).

Because this research focuses on Nigeria, literature that tried to articulate the debt strategies and market-related proposals for solving debt proposals in Nigeria were reviewed. One of such studies reports that recklessness and unfocused borrowing is the main issue with debt in Nigeria (Oti et al., 2016). Some researchers also reported that both debt accumulation and non-debt acquisition are detrimental to the economy hence debt is a necessary evil that should be guided (Anachedo et al., 2021) It is noted that Nigeria, being in a state of recession its nature of borrowing to finance recurrent expenditures thus creating a clog in the wheel of economic growth and development. While trying to establish the linkages between public borrowing and productivity growth, Anachedo et al. (2021) stress that there is a need for sustainable management of the public debt to achieve the desired policy objectives Anachedo et al. (2021) as the results indicates that the optimal threshold level for public debt is set to be 15.021%. Above this level, debt accumulation could be detrimental to growth (Ekong et al., 2021). Be that as it may, the recent trend in Nigeria is departing from the conventional approach and tilting towards *Shari'ah* debt management. It is therefore important to note that *Shari'ah* ordinarily frowns at involvement in debt except in exceptional circumstances. Thus, whenever a project comes up for execution, securing of finance by way of debt should not be the first point of call but should only be considered as the last resort. To this end, *Shari'ah* principle of zero-tolerance for *riba* (interest) shall be the cardinal guiding principle (Al-Baqarah: 275, 278-279).

As much as *Shari'ah* sanctions individual borrowing in appropriate situations, primacy is also placed on public borrowing by the government. Such public borrowing as a matter of course must be for the benefit of the general public under the principle of *Al-Maslaha* and must be devoid of *riba* (interest) of whatever guise (Mawardi et al., 2019). In this vein, quick repayment of the public loan must be the goal of the government through utilization of the facility. Apart from the general principle of non-utilization of funds for illegal purposes under *Shari'ah*, the money realized from public borrowing must not be invested on elephant projects that could not guarantee the repayment of the loan (Mawardi et al., 2019).

Needless to say, that Islamic fiscal and monetary policy recognizes public borrowing as one of the means of raising funds by governments of Islamic States. This may be achieved internally by sourcing for the loan within the state or externally by resorting to foreign debt facility especially through the instrumentality of *Sukuk* system (Kareem et al., 2020). By way of contradistinction, the conventional debt management differs from the *Shari'ah* in the sense that the mainstream approach gives room for building up of debts beyond control and country's capacity which is the point of zero tolerance by *Shari'ah* debt management system. This is because, *Shari'ah* frowns at uncontrollably accumulated debt regime through the promulgation of zero tolerance for *riba*, *gharar* and *maysir* for debt management.

Nigerian Debt Management Issues

The mainstream debt management approach in Nigeria has led the country into the problem of high-rate accounts which has made the approach to be unsuccessful over the years (Ilemona & Nwite, 2021). It was therefore contended that the worst cankerworm that further exacerbates the conventional debt management regime is the inherent culture of stealing, embezzlement and corruption thriving in the country (Ilemona & Nwite, 2021). With these variables, debt incurrence can never yield positive result. Thus, the accumulated debts failed to yield positive impact and effect on development and infrastructure in Nigeria while the country continues to run deficit budget year-in-year-out. The foregoing thus poists this study to investigate the Nigerian debt management issues from historical perspective.

The debt saga in Nigeria has checkered history. The greatest deadlock on Nigerian economy is traceable to the uncultured external debt which further exacerbated the Nigerian situation thereby forcing the government in to further borrowing (Onyele & Nwokoacha, 2016). The foregoing no doubt had depleting effect on the economic growth whereby the government revenue became insufficient to foster economic growth without having recourse to the complementary fiscal debt regime (Onyele & Nwokoacha, 2016). A study examined the Nigerian debt regime between 1987 and 2014 (Nwamaka, et al., 2016). It is thus reported that the Gross Domestic Products at these periods were greatly negatively influenced by domestic debt variables in Nigeria. Their study found that to have a great positive impact on the economy, there is needed synergy among all the players in the economic sector to work together with a view to having a stable economy. Another study delved into the domestic debt profile of Nigeria between 1980 and 2017 (Fasoye, 2018). The report was that throughout the periods under reference, Nigeria's debt increased unimaginably as a result of unabatedly rise in the domestic debts from the Central bank of Nigeria, Merchant Bank as well as Non-Banking Public.

In view of the foregoing, the idea of checking debt negative consequences on the country dates back to 1980s when certain measures were put in place to ensure debt management. It is crucial to look at the measures taken to address Nigeria's debt issues in the 1980s (Chidubem, 2023) One of these measures is the federal



government's embargo on new loans and its orders to state governments to reduce their external borrowing; debt service payments are also kept to a minimum by putting a portion of export money aside to promote domestic growth (OECD, 2017). Among other measures taken are Debt restructuring as well as the formation of the debt management office by the presidency (Adegboyega, 2021). Little wonder it was asserted categorically that all debts should be project-tied (Vincent et al., 2021). According to other research, the government at all levels needs to maintain stringent loan monitoring in addition to ensuring that the debts being incurred are correctly directed toward capital expenditures (Vincent et al., 2021). Loans must also be limited, and corruption must be fought everywhere (Inyang & Effiong, 2020). The results of this study pointed out to decision-makers how critical it is to keep the level of foreign debt as low as feasible. Concessionary debt seems to be the best option for avoiding debt overhang. It has been viewed that only initiatives with the highest positive net present values should be financed using debt (Okoye et al., 2016).

The evaluation of a wide range of traditional *Shari'ah* debt instruments in the context of their economic efficiency and permissibility from the perspective of Islamic law was done (Alloh & Regmi, 2017). Hence, the current fixation on medieval Islamic instruments that is evident within Islamic banking and finance does not bode well for the Muslim world as the inefficiencies in intermediation will not extricate the same from its current quagmire. Understanding the scope of the economic issues is necessary to "repair" them scientifically using the most cutting-edge financial technologies while also keeping *Shari'ah* restrictions in mind (Ebrahim & Sheikh, 2016).

In the recent time, according to Debt Management Office, the Nigerian Finance minister hinted that the Nigerian government was broke. This is as debt payment exceeds revenue by over ₦300 billion. The domestic debt stock by instrument confirms this.

Figure 1. Federal Government Domestic Debt Stock by Instrument as at March 31, 2022

Instrument	Amounts In Naira	%Proportion
FGN Bonds	14,240,972,534,592.00	70.70
Nigerian Treasury Bills	4,408,161,432,000.00	21.88
Nigerian Treasury Bonds	75,988,000,000.00	0.38
FGN Savings Bond	18,117,803,000.00	0.09
FGN Sukuk	612,557,000,000.00	3.04
Green Bond	25,690,000,000.00	0.13
Promissory Notes	762,540,955,111.00	3.79
Total	20,144,027,724,703.00	100.00

Source: DMO Website

Figure 1 provides additional details about Nigeria's domestic debt stock by instrument for the first quarter of the year 2022. The FGN bonds take about 70% of the total government domestic debt stock which is followed by the Nigerian Treasury Bills taking about 21% while the other instruments such as Nigerian Treasury Bonds, the FGN savings Bond, the FGN *Sukuk*, the Green Bond, and the Promissory Notes share the remaining 10% proportion of the total domestic debt owned by the Federal Government of Nigeria.

It is important to note that Nigeria has a considerable debt overhang due to the negative correlation between external debt and economic development (Henry et al., 2022) Further analysis showed that, under ideal conditions, a 1% increase in debt burden would result in a 2.2% reduction in economic growth over time. However, it is thought that wise use of the loans the Federal Government of Nigeria took would guarantee a sufficient increase in the level of resources to assure investment for economic growth (Adamu, 2020). Additionally, it is posited that the rise in borrowing is a result of the economic downturn (Malati et al., 2021), which had an impact on the nation's revenues, and the requirement to fund the budget deficit, which was mostly brought on by the decline in oil prices (Adamu, 2020). Most of these loans were short-term, with fluctuating interest rates and high commissions, among other fees.

Figure 2. Actual FGN Domestic Debt Service, Jan-March, 2022 (Amounts in Naira)

Instruments	January	February	March	Total
NTBs	3,220,890,0 38.78	7,231,906,633. 90	19,189,400,520 .63	29,642,197,1 93.31
Federal Govt. Bonds	185,026,886 ,879.94	96,527,951,065 .07	348,980,936,94 1.20	630,535,774, 886.21
FGN Savings Bond	116,995,150 .45	123,326,177.23	100,101,637.18	340,422,964. 86
FGN Sukuk Rentals	-	-	8,167,315,068. 60	8,167,315,06 8.60
Total Domestic Debt Service	188,364,772 ,069.17	103,883,183,87 6.20	376,437,754,16 7.61	668,685,710, 112.98

Source: DMO Website

Figure 2 details the amount for debt servicing of the various debt instrument for the first quarter of the year 2022.



Figure 3. Nigeria's Total Debt Portfolio as at March 31, 2022

Debt Category	Amount Outstanding (US\$'M)	Amount Outstanding (N'M)	% of Total
Total External Debt	39,969.19	16,617,190.74	39.94%
Total Domestic Debt	60,100.70	24,986,866.71	60.06%
FGN Only	48,452.26	20,144,027.72	48.42%
States & FCT	11,648.44	4,842,838.99	11.64%
Total Public Debt (A+B)	100,069.89	41,604,057.45	100%

Source: DMO Website

Figure 3 gives an estimate of the total public debt portfolio of Nigeria and shows a significant amount of debt still outstanding. It is noticeable that Nigeria's external debt stock significantly affects her economic growth was made to evaluate the impact of debt on a few key macroeconomic indicators in the Nigerian economy (Adegboyega, 2021). It also showed that Nigeria's gross fixed capital formation and debt service payments had a big relationship. As a result, several studies have suggested various solutions to Nigeria's mounting debt problems. This study evaluated the effect of external debt on economic growth in Nigeria from 1985 to 2019 by, for instance, examining the causal relationship between the stock of external debt and economic growth in Nigeria and determining the impact of external debt servicing on that country's economy. The results show that Nigeria's external debt has a small but negative impact on the country's economic growth. It was thus opined that using tax revenue to pay for the public deficit, encouraging both domestic and foreign direct investment through the improvement of infrastructural facilities, and fostering an environment that was supportive of growth and free from political and economic instability (Ideh & Uzonwanne, 2021).

Despite lots of efforts, recommendation and strategy introduced in the mainstream debt management regime in Nigeria, the country has not felt positive relief from its foreign debt bondage. Thus, the need to shop for better debt rates in line with the principle of budgeting, paying early and reducing the high interest debt lead credence to the introduction of *Shari'ah* debt management approach by Nigerian government in the recent past. Little wonder the Nigeria is tilting towards accommodating *Shari'ah* debt management approach vide *sukuk* issuance and practice (Kareem et al., 2020). It is thus important to note that the country seems not to have realized the reliefs that come forth vide *Shari'ah* debt management system because the country continues to run to foreign country for financial aid with enormous interest rate thereby compounding the existing problem.

Greater benefits beacon vide *Shari'ah* debt management system. This is because, under *Shari'ah* there is strong encouragement for paying off debts as quick as possible. The regime of debt management under *Shari'ah* does not give room for accumulation of debt beyond capacity and without quick payment plan. This is important to the extent that quick repayment of debt takes precedence as condition precedent to execution of *wassiyah* or *Mirath* (Uddin, 2017). The Qur'an stipulates thus:

“And render to the kindred their due rights, as (also) to those in want, and the wayfarer: But squander not (your wealth) in the manner of a spendthrift. Verily spendthrifts are brothers of the Evil Ones, and the Evil One is to his Lord (himself) ungrateful (Al-Israa': 26 - 27).”

That is why it is suggested that the budgetary deficit, one of the primary drivers of excessive domestic consumption, will surely aid in the introduction of fiscal discipline and diminish government participation in the economy (Hülsewig & Steinbach, 2021). The private sector will be able to optimize its savings and investments and play a greater role itself in eliminating market failure as a result of the internalization of the Islamic value system and the necessity to restructure the economy to a practicable extent. Additionally, it will enable the private sector to participate more fully and productively in the economy and, as a result of being more driven by its self-interest, contribute to higher efficiency (Halaskova et al., 2020).

The benefit and direct impact of *Shari'ah* debt management approach vide *sukuk* is felt in Nigeria especially in the non-Muslim populated eastern part of the country for the construction of durable roads across their cities. Thus, the reaction the reaction of non-Muslim Nigerian to Islamic debt management approach has been positive which signifies that if the government should whole heartedly key into the approach, it would be warmly welcome by all and sundry (Kareem et al., 2020).

Islamic Law (*Shari'ah*) and Debt Management

The model of Islamic debt management system is found in practice in the Malaysian clime. This is worthy of recommendation for Nigeria who is just eying up towards the real debt management system. It is worthy of note that under *Shari'ah* Debt Management, *maqasid al-shari'ah* aims at protecting wealth (being one of the main objectives), borrowing to keep the wealth safe maybe a positive impact while excessive borrowing may be seen in the negative (Tawfik & Elmaasrawy, 2023) Islamic law (*fiqh*) contains considerations of requirements (*daruriyyat*), conveniences (*hajiyyat*), and refinements. The effect of the external debt crisis is most likely to undermine the riches and dignity of the nation (*tahsiniyyat*) (Tawfik & Elmaasrawy, 2023). Each of these falls within the umbrella of what has been referred to as necessities, which excludes luxuries and status symbols, according to the *fuqaha'* (jurists). Anything that exceeds needs is viewed under *Shari'ah* as prodigality and self-indulgence (al-Isra: 26-27), both of which are harshly condemned.



In Malaysian clime, government perceives GDP as the unique manner it funds investments and expenditure in the country with direct bearing on public debts (Hassan & Masih, 2017). Thus, there exists great relationship between GDP and public debt as the two influence one another. Public debts are not raised by Government in Malaysia for the fun of it because public debts serve salient purposes such as for investments and expenditure funding (Daud, 2016). The major objectives of public debts in Malaysia include budget deficit financing, provision of liquidity management to financial markets (inclusive of banks and other financial institutions) and to aid the overall investment activities in the country (Hassan & Masih, 2017). To this end, Malaysian government adopts different forms to actualize the public debts. The forms range from service recorded on ancient cuneiform documents, simple deferment of payment of goods, bilateral loan mode and the recent capital market instruments (Hassan & Masih, 2017).

It is thus worthy of note that the major sources of public debts in Malaysia are the sovereign bills and bonds (Aslam & Jaafar, 2020). The two sources have proven to be viable public borrowing tools in Malaysia. It can therefore not be overlooked that Malaysia is a country that is perceived as the promoter of Islamic finance and economic system especially through the patronage of *Shari'ah* model of interest-free based public debts (Hassan & Masih, 2017). Thus, *Sukuk* and other similar Islamic economic and financing products have thrived in the country to cushion the negative effects of public debts over the years (Adekunle & Masih, 2017).

Thus, Islamic law have played impactful and positive significant role in the efficient debt management in Malaysia (Hussain et al., 2018). For instance, the negative effects of public debts were cushioned through the *Shari'ah* model of risk-sharing equity instrument of financial transactions. With the influence of Islamic law in Malaysia, most public debts are investment based and this affords opportunity to earn returns from investment as regards pure concentration of debt servicing. The role of Islamic law in the country is also felt in the adoption of interest free full-reserve narrow banking model. This model creates enabling room for surplus savings which are usually deployed from investment instead of financing basis. The visible role of Islamic law in efficient debt management in Malaysia is seen in the areas of drastic reduction in the level of public debts and appreciable bridging of the gaps between public debts and the country's GDP (Hussain et al., 2018; Hassan & Masih, 2017).

The success story of *Shari'ah* debt management system/approach is an eye opener for county bedeviling with debt burden like Nigeria. To this end, it was posited that although, the country has started exploring *Sukuk* as a form of debt management regime, perfect example of its triumph is felt in Malaysia as a model for other willing countries (Kareem et al., 2020).

This study shows that even though Nigeria's rising debt profile is becoming a major concern to the economist as well as Islamic Law practitioners, the use of the debt

incurred especially by the present administration is considered effective as against the previous administrations in the country. The result further shows that the resultant effect of the economic crisis is what led to the need to incur debt in the first place and this trend will repeat itself if the debt is not properly taken care of with a good debt capping law in place as seen in other well-established world economies like Malaysia as already contended previous researcher (Daud, 2016). In addition, the result confirmed the permissibility of borrowing under Islamic law, albeit, with its stated conditions and rules.

Shari'ah as the frame of reference for the operation of economic activities discourages excessive borrowing with laid down principles of responsible investments and interest free transactions. This study thus finds the inadequacies of extant mainstream debt management as the *raison d'être* for the continuous economic crisis in Nigeria. It identifies the key elements of Nigeria's debt that are levers of the country's fiscal structure, the efficient management of which would improve the country's revenue profile. Research, including the present one, has shown that effective and efficient debt administration is necessary for a country's fiscal management and macroeconomic development. In line with the previous finding as per (Onyele & Nwokoacha, 2016), this study therefore finds that continuous debt is not the answer to Nigeria's economic crisis because uncultured debt regime will continue to exacerbate the economic situation in the country.

In line with the finding as per (Fasoye, 2018), this study also finds that Nigeria's rising debt profile is becoming a major concern to the economist as well as Islamic Law practitioners as well as all the stakeholders in economic sector of the country. As thus reported by (Kareem et al., 2020), this present study equally agrees that the functionality of the debt incurred especially by the present administration is considered effective with its persistent issuance of *Sukuk* as against the previous administrations in the country.

Conclusion

Nigeria's debt management history, rooted in conventional practices, has proven ineffective, leading to the continuous accumulation of debts adversely impacting the economy. In response, there's a growing shift towards exploring an Islamic jurisprudence-based debt management approach. This study highlights the viability of the Shariah debt management system, exemplified by the use of *sukuk* alongside conventional methods. It draws on Malaysia's success in efficient debt management through Islamic law as a model for global consideration.

This study thus recommends that Islamic debt instruments can be sustainably employed as an Islamic financial product as obtainable in Malaysia for proper framing of debt functionality in Nigeria. This will ensure that the country will be self-sufficient and that ultimately there will be no need to borrow again. This study thus proposes a 30-year plan such that for the first 5 years, the Federal Government will employ



Shari'ah debt instrument to invest in key projects with potential for income generation. Such income is expected to serve as revenue for maintaining investment assets and paying returns to investors. The revenue so generated from the first set of assets will, in addition, have the capacity to be re-invested in other sets of assets after another 5 years, and this will continue until 30 years when there will be enough revenue-generating assets in Nigeria, that are well-maintained and investors' returns are duly paid off. The 30 years is considered a sufficient period to generate enough capital and ensure infrastructural developments that will place Nigeria among the league of developed countries with little or no debt.

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Declarations

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