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**Department of Islamic Studies
Umaru Musa Yar'adua University, Katsina
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EDITORIAL NOTE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله، وأصلي وأسلم على من بعث رحمة للعالمين، نبينا محمد وعلى آله وصحبه أجمعين ومن تبعهم بإحسان إلى يوم الدين.

The Editorial Board of *Al-Hikmah Journal of Islamic Studies* is pleased to present Volume 10, No. II, December, 2022. The volume contained Thirty-One (31) contemporary peer-reviewed scholarly articles/papers from different academics/scholars from within and outside Nigeria. The researches herein cut across many specializations in the field of Islamic Studies, ranging from Qur'anic Sciences, *Hadith*, *Fiqh* and *Usul*, Theology, Islamic Economics, Shari'ah, History, Philosophy, Politics, Arabic Language and Literature, among others.

These scholarly articles are original researches which will contribute to the advancement of knowledge in the academia, to scholars, policymakers, students and researchers. Ideas and information represented in the edition are completely the opinions of the authors, not the Editorial Board.

I wish to congratulate all those who have contributed their researches in this volume and pray to Allah (SWT) to continue to increase their knowledge and guide them to contribute more in our subsequent editions.

We thank our editorial teams/editors for making this volume a reality. We also welcome scholarly papers in our subsequent editions and wish you fruitful reading.

Dr. Dikko Bature Darma.

Editor-in-Chief

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TABLE OF CONTENTS

Editorial Board	i
Editorial Consultants	i
Editorial	ii
Profile of The Contributors	iii
Table of Contents	v

1. Exchange (Ngx) Lotus Islamic Index (Nse Lii) On The Nigerian Capital Market: [YUSUF Owolabi Kasim]..... 1
2. Role of Islamic Religion In Building Peaceful Environment For Combating Insecurity And Economic Challenges [Mujtaba Aliyu Et Al.]13
3. Assisted Reproductive Technology (Art) As A Contemporary Threat To The Preservation Of Muslim Families: [Monsurat Abdussalam Alhaqiqi, Dr Mustapha Garba Muhammad & Dr Baba Tenimu] 24
4. Genotype Compatibility Test as A Prerequisite for Marriage to Avoid Procreation of Sick Cell Anemia: An Islamic Perspective [ABDULKABIR OLAIYA SULEIMAN]38
5. An Appraisal on the Desirability for More Islamic Financial Literacy among Contemporary Nigerians [Yusuf Owolabi Kasim]51
6. An Assessment of the Islamic Legislation Against Rape In The Muslim Society [Haruna Rasheed Muhammad] 64
7. An Appraisal on Islamic Principles of Market Practice in Al-Gharyān's *al-Mudawwanah* [Khalid Ishola BELLO (PhD) & Kamaldeen Gboyega OSENI]80
8. Historical Perspectives on the Introduction and Development of Islamic Scholarship in Taraba State [Prof. Bello Ali & Dr. Salihu Lawal] 97
9. The Stand of Islam On Running a Cooperative Society, Conflict or Conciliation [Dr. Sulaiman Sheu Adua & ABDUSSALAM ALHAJI ADAM]115
10. An Appraisal On the Endowment (*Waqf*) Projects of Alhaji Abubakar Modibbo as Contributions to The Development of Islam in Katsina State, Nigeria [Lukman Abubakar Modibbo & Abubakar Sani, Ph.D.] 125
11. Development of Islamic Education from the Prophetic Era to Abbasid Period (610 CE – 1258 CE) [Yunusa Babba Rafindadi]138
12. An Assessment of the Problems and Prospects of Teaching Islamic Studies In Tertiary Level In Jigawa State [AMINU HARUNA @ MUHAMMAD SAMIR TAHIR] 158
13. Brotherhood in The Light of Quran and Sunnah [Dr. Abubakar Yusuf Abdullahi El-Lokoju] 166
14. Scourges of Pandemic Dread Psychological Besiege: Islamic Content of the Story [M. B. Mutai, Abdulrahman B. Hamid & Dr Yahya Musa Kassa]175
15. Entrepreneurship: A Strategy of Reducing Muslims Youth Idleness and Unemployment in Northwestern Nigeria [Mohammed Tukur Aliyu, Ph.D, & Yahya Salihu Emeje, Ph.D] 187
16. An Analysis of Scholars' Views on the Permissibility of Point of Sale (POS) Business to Muslims in Nigeria [Ibrahim Mohammed Lawal Ashemi Baba Ali]..... 198
17. An Assessment of the Institution of cooperative society in Islam [Isah Maigida Damau]..... 216
18. Examining Sufism In The Light Of The *Sharī'Ah*: A Case Study Of Qādiriyyah Al-Kuntiyyah [FALEEMU, TAJUDEEN MAKANJU (PH.D)]226

AN OVERVIEW ON THE IMPACT OF THE NIGERIAN EXCHANGE (NGX) LOTUS ISLAMIC INDEX (NSE LII) ON THE NIGERIAN CAPITAL MARKET

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Abstract

While there are some industries that deal with items that are categorically prohibited by Shari'ah, there are several companies whose business practices are quite Shari'ah compliant and are suitable for investment by the ethically-minded investing public both at local and foreign levels. This study examines how impactful the Nigerian Stock Exchange Lotus Islamic Index [NSE LII] is on the Nigerian Capital markets. Has the Nigerian Stock Exchange [NSE] made the Nigerian capital markets more accessible and more inclusive by updating the index rules for its Nigerian Stock Exchange Lotus Islamic Index [NSE LII]? Has the premier Islamic ethical index [NSE LII] been more representative of the investible universe of Shari'ah compliant stocks as the Nigerian capital market expands? While it makes use of the library, historical and analytic methods, scholarly answers are provided to the raised research questions. The findings show that the Nigerian Exchange Lotus Islamic Index, as one of the global major ethical unit stock market indices, has made the Nigerian capital market more accessible and more inclusive. Since the legislation gaps are no more obstacles to the Islamic securities in Nigeria, the obstacle remains the knowledge gap. So, it is recommended that the investors seek the professional advice from the professional assets managers who possess the know-how of the Islamic finance to profitably handle their investing portfolio.

Key-Words: Nigerian Exchange (NGX), Nigerian Stock Exchange Lotus Islamic index, (NSE LII), Lotus Capital Limited, Capital Market, Exchange Traded Funds (ETFs), Equity.

Introduction

The Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII) is an orthodox index serving as a paramount diversification tool for the ethically-minded investors and portfolio managers both locally and from around the globe and mitigates risk of market volatility. The painstakingly selected stocks of the NSE LII comprise of the beverage

markets, soap manufacturers, cement companies, Chemical and Allied companies, oil and gas and drug markets. This study examines the capital market more closely, how it does and how it differs from money market for loans and deposits in the banking business and how the Islamic capital market fits in. It also looks at the evolution of the Exchange Traded Funds (ETFs), the Nigerian Exchange

sectoral indices Year-to-Date (YTD) performance, the Nigerian Exchange (NGX), the Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII), its impact on the Nigerian capital market. The researcher concludes that the Nigerian Exchange (NGX) has made the Nigerian capital market more accessible, more inclusive by updating the index rules for its Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII) and more representative of the investible universe of *Shari'ah* compliant stocks as the capital market expands.

Allah's Command on Economic Life of Human Beings

The divine commandment of Allah to the generality of mankind on making their economic life is quite evident in Quran 2: 168 which says

يَأْتِيهَا النَّاسُ كُلُّوْا مِمَّا فِي الْأَرْضِ حَلَالًا
طَيِّبًا لَا تَتَّبِعُوا خُطُوَاتِ الشَّيْطَانِ إِنَّهُ لَكُمْ
عَدُوٌّ مُّبِينٌ

O mankind! Eat the lawful and good things of what is on the earth and do not follow the footsteps of Satan, surely, he is to you an open enemy.

From this noble verse of the Holy Quran and some others¹ and the hadith, it shows clearly that human beings are commanded by Allah to solely make their livelihood from *Halal* (lawful) sources and not from *Haram* (unlawful) sources. This is corroborated by the Hadith reported by Abu Hurayrah, in which the Messenger of Allah (S.A.W.) says:

عَنْ أَبِي هُرَيْرَةَ عَنِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ
وَسَلَّمَ قَالَ: - "لِيَأْتِيَنَّ عَلَى النَّاسِ زَمَانٌ لَا

يُيَالِي الْمَرْءَ بِمَا أَخَذَ الْمَالَ أَمِنْ حَلَالٍ أَمْ
مِنْ حَرَامٍ."

Certainly, a time would come when people would not bother to know from where they earned the money, by lawful means or by unlawful means.²

Evolution of the Exchange Traded Funds (ETFs) in Nigeria

The first Exchange Traded Funds (ETFs) listed in Nigeria is the New Gold exchange Traded Fund which was listed on the NGX on 19th December, 2011. The New Gold ETF is a commodity-based ETF which offers the investors in Nigeria the opportunity to invest in Gold bullion as it tracks the South African Rand price of Gold.³ On the 14th March 2014, the second ETF Vetiva Griffin 30 Exchange Traded Fund (VG 30 ETF) was listed on the Nigerian Exchange (NGX). This is the first equity-based ETF to be listed on the Nigerian Bourse.⁴ There are only two ETFs currently listed on the Nigerian Stock Exchange (NSE), namely: the New Gold ETF which tracks the price of Gold Fix PM on the London Stock Exchange (LSE); and Vetiva Griffin 30 ETF, that tracks the NSE 30 Index (a basket of the 30 most highly capitalised and liquid stocks on the NGX).⁵ These two Exchange Traded products had a total market capitalisation of N3,379,000,000.00 (Three billion, Three hundred and seventy-nine million naira) as at June 2014.⁶ The Lotus Halal Equity Exchange Traded Fund (LHETF) is the third Exchange Traded Fund (ETF) listed on the Nigerian Exchange (NGX) on

November 17, 2014.⁷ It was designed to attract *Shari'ah*/ethnic investors help boost Nigeria's economy, particularly those from the Middle East, looking for new investment opportunities. On 17th November 2014, the Nigerian Exchange (NGX) listed N620 million first *Shari'ah* compliant equity ETFs.⁸

Since the Exchange Traded Funds (ETFs) became an investible and tradable investment in the Nigerian Market on December 19,

2011, the listing of the New Gold Exchange Traded Funds has become a seemingly well-known financial product in Nigeria. Within a space of seven years (2011-2017), the Nigerian capital market can boast of nine (9) Exchange Traded products with a total net asset value of over five (5) trillion naira, while according to the available statistics, the global ETF market was valued at US49.39 trillion dollars at the first quarter of 2018.⁹

Table I: Cost of Investments in the Exchange Traded Funds (ETFs) in Nigeria

S/N	Name of the Fund Managers	Names of the Fund	Total Expenses	Net Asset Value (N) Currency	Expense Ratio (%)
1.	Stanbic IBTC Asst Mgt. Limited	Stanbic ETF 30	112,848.65	544,388,866.94	.0.0.2%
2.	Stanbic IBTC Asst Mgt. Limited	SIAML ETF 40	489,867.72	894,212,267.07	0.0%
3.	Vetiva Fund Management Limited	Vetiva Griffin 30 ETF	1,589,687.04	2,294,306,030.72	0.07%
4.	Vetiva Fund Management Limited	Vetiva S&P Nigeria Sovereign	746,373.78	508,457,274.20	0.15%
5.	Lotus Capital Limited	Lotus Halal 15 ETF	783,411.83	513,649,037.44	0.15%
6.	Vetiva Fund Management Limited	Vetiva Banking ETF	632,148.62	337,953,418.68	0.19%
7.	Vetiva Fund Management Limited	Vetiva Industrial ETP	597,965.85	150,584,473.24	0.40%
8.	Vetiva Fund Management Limited	Vetiva Consumer Goods ETF	850,407.81	161,129,963.68	0.53%
		Grand Total	5,808,711.32	5,404,681,331.97	0.11%

Source: <https://etfdb.com,nairametrics.com>, May 31, 2021./Shawwal 19, 1442 A.H.

The Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII) on Friday,

17th November 2017, listed N620 million first *Shari'ah* compliant

Equity Exchange Traded Funds [ETFs] by Lotus Halal. This came on the heel of an offer for subscription of 100 million units of the Lotus Halal Equity ETF at an indicating price approximately equal to 1/200th of the value of the NGX Lotus Islamic Index [NSE LII] on the day preceding the subscription, the application opened in August 2014 and closed on 11th September 2014. Each of the selected 15 screened Shari'ah compliant stocks has a capped weight of 30 percent while each sector has a capped weight of 40 per cent. Companies owned by a group should not control more than 40

per cent of the total index market capitalisation according to Lotus Capital Limited.¹⁰ The Islamic Index contributed 61.8 per cent to Equity in 2013, the index which tagged NGX Lotus Islamic Index [NSELII] gained more momentum than the general market index [NSE All Share Index] in the year 2013. The NSE LII opened the year with 1,769.07 basis points to close at 2,863.12 points representing 61.84 per cent compared to NSE ASI which opened the year with 41,329.19 basis points translating to 47.19 per cent.¹¹

Table II: NSE Sectoral Indices YTD Performance Review 2013

Sectoral indices	2-Jan-2013	8-May-2013	Change	% Change
NSE LII	1,770.51	2,387.67	617.16	34.86%
NSE-30	1,357.23	1,692.67	335.44	24.72%
Insurance	121.06	145.38	24.32	20.09%
Consumer Goods	843.67	1,007.51	163.84	19.42%
Banking	350.61	415.6	64.99	18.54%
Oil and Gas	153.21	178.78	25.57	16.69%

Source: [https://www.proshareng.com/news/Capital Market/NSE-LII-Surpasses other Sectoral Indices; Records +34.86% YTD Performance, May 9, 2013.](https://www.proshareng.com/news/Capital%20Market/NSE-LII-Surpasses%20other%20Sectoral%20Indices;%20Records%20+34.86%20YTD%20Performance,%20May%209,%202013)

The NGX specialised sectoral indices continued to record improved performances as majority of the indices presently traded in the green zones. The NSE Lotus Islamic Index did better than other sectoral indices as it recorded +34.86 per cent YTD (Year-to- Date) gains, while NSE 30

and NSE Insurance came second and third respectively with +24.72 per cent and +20.09 per cent YTD gains. The index with its stocks posted upbeat figures such as – OKOMU OIL and CCNN both led the group of stocks with +149.32 per cent and 68.22 per cent respectively, while GLAXOSMITH came last with +4.77 per cent gains.¹²

Table III: Stocks: NSE Lotus Islamic Index

S/N	Company Name	2-Jan- 2013	8-May-2013	% Change
1	OKOMUOIL	42.5	105.99	149.39%
2	CCNN	5.35	9	68.22%
3	PZ	28	42	50.00%
4	DANGCEM	128.1	178.22	39.13%
5	WAPCO	57.5	79.7	38.61%
6	HONYFLOUR	2.1	2.88	37.14%

7	CADBURY	29	38.9	34.14%
8	NESTLE	700	915	30.71%
9	ASHAKACEM	18.4	23.6	28.26%
10	NASCON	8.38	10.52	25.54%
11	UNILEVER	47	58.5	24.47%
12	NAHCO	5.47	6.25	14.26%
13	DANGFLOUR	8.21	9.21	12.18%
14	JAPAUOIL	0.57	0.6	5.26%
15	GLAXOSMITH	45.1	47.25	4.77%

Source: [https://www.proshareng.com/news/Capital Market/NSE-LII-Surpasses](https://www.proshareng.com/news/Capital%20Market/NSE-LII-Surpasses)

other Sectoral Indices; Records +34.86% YTD Performance, May 9, 2013.

The Capital Market

The capital market is the part of a financing system concerned with raising capital by dealing in shares, bonds and other long-term investments.¹³ A capital market is a financial market in which long-term debt or equity-backed securities are bought and sold in contrast to a money market where short term debt is bought and sold.¹⁴ Boyce sees the capital market as place where savers come to invest their capital in long-term investments such as corporate debt, equity-backed securities and government bonds.¹⁵ According to Taiwo, the capital market is the complex of institution and mechanisms through which economic units desirous to invest their surplus funds, interact directly or through financial intermediations with those who wish to procure funds for their businesses.¹⁶ The money market deals with short-term investment in treasury bills, banker acceptances, etc, while the capital market caters for longer term investment.¹⁷ A capital market is a long-term securities market which involves bonds, debts and equities.

In 2002, the International Organisation of Securities Commission (IOSCO) set up a committee on Islamic Capital market,

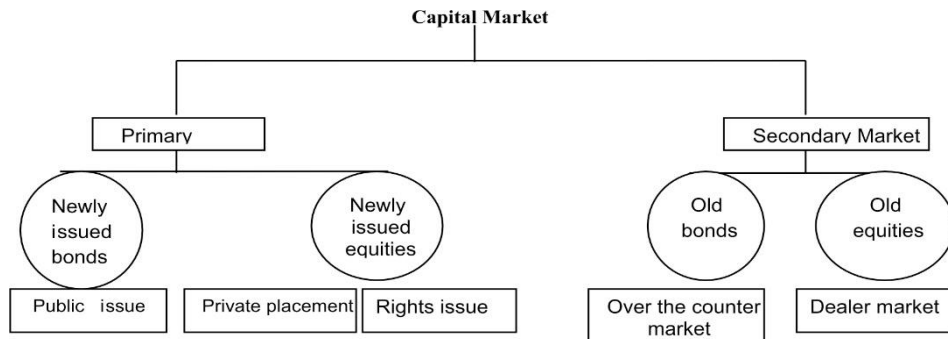
chaired by the Malaysian Securities Commission (MSC). Other members of the Committee were Nigeria, Indonesia, Jordan, Thailand, Turkey, South Africa, Italy, United Kingdom (UK) and the United States (US). Clearly, some of the members were G-8 countries which although non-Islamic Countries, had witnessed impressive growth in Islamic financing in their jurisdictions with the participation of major financial institutions such as HSBC, Citibank, Deutsche Bank, ABN-AMRO and BNP Pariba. There is also a growing interest by the International Monetary Fund (IMF), the World Bank and Dow Jones which have developed an Islamic index to track performance of the market.¹⁸

According to Nwachukwu, the Nigeria's capital market was established in 1960 with the sole aim of mobilising long-term funds for development as well as stimulating industrial and economic development. The Nigeria's Stock Exchange (NSE) was adjudged to be the second largest financial centre in Sub-Saharan Africa and the third largest in Africa by capitalisation. It is also, the largest capital market in West Africa by company capitalization.¹⁹

A capital market can be typified into two, namely:

1. Primary market: This is the capital market whereby new bonds and new shares are issued in exchange for capital.

2. Secondary market: This is the capital market whereby the previously issued bonds and shares are sold and traded.



Source: <https://www.google.com/search?q=what+is+at+capital+market>, April 11, 2021/Shah'ban 28, 1442 A.H.

The Exchange Traded Funds (ETFs)

According to the Rule 249b of the Securities and Exchange Commission (SEC) Rules 2011, the Exchange Traded Funds (ETFs) is defined thus:

an undertaking which could be a unit trust scheme; an open-ended investment company or any other such structures as may be approved by the commission, that issues unleveraged securities or units listed on a (recognised) securities Exchange (and) tracks the performance of a special security or other assets, basket of assets, inches, commodity, prices, foreign currency rates, or any other appropriate benchmark approved by the commission from time to time.²⁰

The Exchange Traded Funds (ETFs) is a financial security that tracks an index, either in the form of a commodity or a basket of assets but trades like normal shares on a stock exchange.²¹ Osinowo observes that in

simple term, an ETFs is an investment vehicle comprised of a selection of stocks, bonds, commodities, currencies options. It can also come in the form of a blend of assets; a bundle which offers diversified exposure to a proportion of the whole bundle of assets comprising the particular ETF.²²

It is important to point out that the Exchange Traded Funds (ETFs) are not necessarily domiciled in the country where they are listed. For example, Global X Nigeria Index ETF, an ETF with 100 per cent Nigerian holdings, was listed on the New York Stock Exchange in April 2013.²³

Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII)

The Nigerian Exchange (NGX) was established in 1960 and today serves as the second-largest financial centre in sub-Saharan Africa. The NGX is licensed under the Investments and Securities Act (ISA) and is regulated by the Securities and Exchange Commission (SEC). The

Exchange is a full member and executive committee member of the African Securities Exchanges Association (ASEA) and an Affiliate member of the World Federation of Exchange (WFE). The NGX is an automated exchange and provides listing and trading services, as well as electronic Clearing Settlement and Delivery (CSD) Services through the Central Securities Clearing System (CSCS) Ltd., an associate company to the NGX which also offers custodian services. Along with securities listing and trading services, the Exchange offers market data dissemination services, market indices and much more.²⁴ The NGX had in July 2012 launched the NGX Lotus Islamic Index (NSE LII) in collaboration with Lotus Capital Limited.²⁵

Lotus Capital is a full-service, ethical investment management boutique specialising in *Shari'ah* compliant financial services. It was founded in June 2004 with the specific objective of meeting the investment needs of ethical individuals, businesses and organisations across West Africa. Lotus Capital is duly registered with the Securities and Exchange Commission (SEC) as a capital Market Operator. It is a Nigerian pioneer in this emerging financial niche with a unique equitable interest-free solution.²⁶

The NSE LII like most indices at the Exchange is a price index, which was developed using the market capitalisation methodology. The NGX rebalances its indices on a bi-annual basis—on the first business day in January and in July. The NSE LII consists of companies whose business practices are in conformity with the principles of *Shari'ah* with

the aim of increasing the breadth of the market and creating an important benchmark for investments as the alternative non-interest investment-space widened. The NGX Lotus Islamic Index (NSE LII) previously consisted of 15 *Shari'ah* compliant equities which have met the eligibility requirements of renowned *Shari'ah* Advisory Board. The previous constituent stocks included Cadbury Nigeria, Cement Company of Northern Nigeria, Dangote Sugar Refinery, Forte Oil, 11 Plc, Nascon Allied Industries, Unilever Nigeria, MTN Nigeria Communications, Dangote Cement, Jaiz Bank, Nigerian Aviation Handling Company, Nestle Nigeria, Okomu Oil Palm and PZ Cussons Nigeria Plc.²⁷

According to Babalola, the Chairman, Index Governance Committee, the Nigerian Exchange (NGX) has updated the index rules for its NGX Lotus Islamic Index (NSE LII) to make the premier Islamic ethical index to be more representative of the investible universe of *Shari'ah* compliant stocks as the market expands. The Exchange decided to remove the limit on the numbers of constituents' stocks in the NSE LII, starting from January 1, 2020. He says:

The NGX Lotus Islamic Index (NSE LII) consists of companies whose business practices are in conformity with the principles of *Shari'ah* and we believe that it will increase the breadth of the market and create an important benchmark for investors as the alternative non-interest investment space widens. We are positive that this bold step will bring on board various ethical investors who were previously not sure about the suitability of investing in stocks, to

embrace the market—this directly makes our market more accessible and more inclusive.

There are several ways the investors in the market would benefit from the NSE LII including by the index serving as an important diversification tool for ethically-minded investors and portfolio managers both locally and from around the world, who seek to profitably invest in emerging African equities market serving as a general benchmark for ethical funds and also serving as basis for creating Mirror Funds, Index Funds, Exchange Traded Funds, Index Options and other instruments, which would broaden the range of financial instruments being traded on the NGX.²⁸

However, each stock in the NSE LII undergoes a 2-stage screening process: -the qualitative screening; and the quantitative screening. Qualitative screening eliminates any listed company that deals in prohibited sectors of the economy such as alcoholic beverages, tobacco, conventional financial services such as banks and insurance companies, gambling, and adult entertainment. Companies that pass the initial filter are then evaluated on the basis of Islamic financial (quantitative) screens to eliminate those with unacceptable levels of debt, cash and interest income. Only companies which pass the second stage (quantitative) are considered for further analysis. Other important criteria such as liquidity and market capitalisation of the equities are also taken into account.²⁹ This means that the qualitative screening includes all the stocks listed on the NSE while the

quantitative screening involves the selected stocks in the NSE LII.

The NGX Lotus Islamic Index (NSE LII) is certified by an internationally recognised Shari'ah Advisory Board comprised of renowned Islamic scholars like Prof. Monzer Kahf and Prof. Muhammad Bashar. Its key benefits include:

- diversification tool for local and foreign investors in stock market;
- reduction of the research cost and time required by an investors to independently create a *Shari'ah* compliant equity portfolio;
- provision of a reliable benchmark for Islamic and other ethical investments;
- serving as a basis for the development of other financial instruments such as Exchange Traded Funds, Index Funds and Mirror Funds; and
- may serve as a general benchmark for "Ethical Funds".³⁰

While there are some industries such as alcohol, "interest based" financial services, to name a few, that are clearly prohibited, there are several companies that are suitable for investment by an ethically-minded investing public both at local and foreign levels. The NGX's explanation of the *Shari'ah* index (NSE LII) would be a crucial step in making the market more accessible and inclusive. This is in wide recognition of the "Islamic Finance" as the world's fastest growing financial sector with over US1.3 trillion dollars in assets worldwide growing at 15-20 per cent per annum.³¹

Impacts of NGX Lotus Islamic Index (NSE LII) on the Nigerian Capital Market

A cursory look at the Year-to-Date (YTD) performance of NGX Sectoral Indices reveals that the NSE Lotus Islamic Index as at June 2013, topped the YTD Performance. It outperformed other indices as it recorded + 45.82 per cent YTD gain, while NSE 30 and NSE Consumer Goods came second and third respectively with + 21.70 per cent YTD gains. The NSE Lotus Islamic Index which evaluates the performance of companies obedient with the stringent rules of *Shari'ah* based on its current fifteen (15) stocks composition saw CCNN and CADBURY both led the group of stocks with +96.82 per cent and +89.66 per cent respectively while JAPAUOIL came last with -8.77 per cent loss.³²

Similarly, five of the seven (7) sectoral indices namely: the NSE Lotus Islamic Index; the NSE Banking Index; the NSE consumer Goods Index; the NSE Industrial Index; and the NSE Insurance Index declined by 21.6, 21.5, 17.9, 15.9 and 2.1 per cent, to close at 2, 243.89; 351.4; 903.54; 2,139.55, and 149.65, respectively at end-December 2014.³³ According to Vanguard, the average return by the common benchmark index of the Nigerian Stock Exchange (NSE) over a seven year period stood at 3.71 per cent, while that of ethical funds during this same period was 19.27 per cent. The data covered the period between 2009 and November 2015, analysed year-on-year returns by the NSE- All Share Index (ASI) and the NGX Lotus Islamic Index (NSE LII).³⁴

Also, the NSE Lotus Islamic Index, the NSE Consumer Goods, the NSE- Industrial Goods, the NSE Insurance and the NSE-Oil and Gas indices recorded positive returns of 39.0, 36.9, 23.8, 10.4 and 5.7 per cent, respectively relative to the levels at end-2016.³⁵ However, the NSE Lotus Islamic Index slumped to 1,834.76 basis points in 2019 down from 2,233.95 basis points in 2018. Just like tumbling market indicators affected other sectors like the NSE consumer Goods Index that dipped - 20.83 per cent, the NSE Main Board which declined by -20.00 per cent and the NSE Insurance Index and the NSE Premium Index that also fell -0.52 per cent and -3.59 per cent respectively.³⁶

The NSE LII Equity Traded Funds has indeed made Nigeria the next mainstream for the ethically-minded local and foreign investors playing a unique role in harnessing Nigeria's vast economic potential. It makes it more convenient for the ethically-minded investing public without any tribal, religious or geographical hindrance(s), to purchase a broad basket of *Shari'ah* compliant securities in a single transaction. Adenle reiterates thus:

Contrary to assumption that investing in the ethics and beliefs might jeopardise returns on investments, ethical investors actually invest in the stock market and make better returns than other average investors.³⁷

The growing global evidences affirm the established fact that the environmentally sustainable funds or ethical funds/*Shari'ah* compliant securities have outperformed the traditional funds (conventional funds) across the board. Patrick Collinson

confirms that “evidence suggests that the environmentally focused investing is becoming the mainstream.”³⁸ The data from the global research agency, Morningstar accentuates that “the environmentally focused investing (Islamic investing) once pigeonholed by City traditionalists as only for a – “vegan / hippy minority” – is becoming mainstream.”³⁹ Morningstar also examined 745 sustainable funds (Islamic funds) and compared them against 4,150 traditional (conventional) funds and found they matched or beat returns in all categories – whether- bonds or shares, UK or abroad. It further reiterates thus:

Over ten (10) years, the average annual return for a sustainable fund (ethical/Islamic fund) invested in large global companies has been 6.9 per cent a year while a traditionally (conventionally) invested fund has made 6.3 per cent a year.⁴⁰

In the global rating today, the Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII) is quite one of the global major ethical investment stock market indices mentioning: Calvert Social Index; Dow Jones Islamic Market Index; Dow Jones Sustainability Index; FTSE KLD 400 Social Index; FTSE 4 Good Index; and NSE Lotus Islamic Index, as rightly observed by Adenle.⁴¹

Conclusion

The Nigerian Capital markets have been exclusively dominated by the conventional funds (securities) for long and this has debarred the ethically-minded investors both at local and foreign levels from tapping into the Nigerian capital markets most particularly those from the Middle East looking for the Shari’ah

compliant investing opportunities. The launch of the equity Exchange Traded Fund (ETF) by the Nigerian Exchange (NGX) Lotus Islamic Index (NSE LII) on 15th August 2014 provides alternative ethical investment solutions in Nigeria. The NSE Lotus Islamic Index (NSE LII) is one of the global major ethical unit stock market indices. The superb performance of the NSE Lotus Islamic Index (NSE LII) on the NGX YTD (Year-to-Date) performance over other sectoral indices indicates that this environmentally or ethically focused investing has made Nigeria the next mainstream for the ethically-minded local and foreign investors. It has also made the Nigerian capital market more accessible, more inclusive and more representative of the investible universe of Shari’ah compliant stocks as the capital market expands. As such, the legislation gaps are no more obstacles to the Islamic finance in Nigeria. The obstacle remains the knowledge gap. So, the interesting investors should seek the professional advice from the professional assets managers who possess the know-how of the Islamic finance to profitably handle their investing portfolio.

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