



Asian Journal of Multidisciplinary Studies

ISSN: 2321-8819 (Online)
2348-7186 (Print)
Impact Factor: 1.498
Vol. 5, Issue 1, January 2017

Salam in Financing the Green Enterprenueship Education in Nigeria

Ahmed Ibrahim Mohammed¹ and Umar Garba Isah²

¹ Islamic Business School, University Utara Malaysia,
06010 UUM Sintok. Kedah Darul Aman, Malaysia E-

²School of Business Management, University Utara Malaysia,
06010 UUM Sintok. Kedah Darul Aman, Malaysia

ABSTRACT: *The aim of this paper is to explore the role of Salam finance in the growth of green entrepreneurship education (agriculture) to meet the employment level of the Nigerian youth, income generation to the individual and the government, food security, poverty reduction and increase the supply of raw materials to the industries and export. Almost, 70 percent of the Nigerian youth and able bodies are employed in agriculture and related sectors as their major source income. The paper intends to study this free Shariah financial product in order to recognize how it can contribute to the Nigerian youth entrepreneurship, since, Nigeria is the most populous and agrarian and country on the African continent. It recommends that free interest financial institutions should provide Salam mode of financing to agriculture. It is with the anticipation that Salam finance will be impacted on the agricultural produce, improve youth employment opportunities, and income. It will also promote economic growth as well as an alternative solution to the Nigerian economic problems. This paper is conceptual in the methodology.*

Keywords: *Salam finance, Banks, agriculture, Nigeria*

1.0 Introduction

Entrepreneurship is regarded as a cumulative body ripe to document and review knowledge of business management and socio-economic growth. It is also described as a skill and knowledge acquired to transform an idea into tangible materials for the benefit of the society (Kozubíková, Belás, Bilan & Bartos, 2015). Johannisson (1991) regarded entrepreneurial start-up as a requisite for a long-term entrepreneurial success through the acquisition of technical know how, know when, know who, and know where which are the essential elements of the entrepreneurship education. Rabbior (1990) sees entrepreneurship education as a complex phenomenon that comprises of technical Knowledge and skills gathered from know how, know when, know who, and know where which linked the entrepreneurial knowledge to the actual practice and exercises.

Furthermore, green entrepreneurship education refers to a technical application of skill in relation to the technical know how, know when, know who and know where to produce agricultural output. It is also regarded as a creative thinking and problem-solving skills upon agricultural entrepreneurship (Bailey, 1986; Gartner & Vesper, 1994). Rabbior (1990) and Umar (1995) stipulates that the important function of the green entrepreneurship or agricultural education is to offer students and able bodies an opportunity to acquire skill and knowledge of agricultural production through experience and practice. This

experience and practice include the aspect of the economy, such as agriculture and agribusiness, local and modern industries among others. Umar (1995) and Chisasa, (2014a) sees agriculture as a business management in relation to the crop production, animal rearing with the aim of supplying food to population and raw materials to the industries.

Additionally, agricultural management or farming is the primary entrepreneurship of a country called Nigeria which is the most populous country in Africa with 181,748,044 (National Population Commission (NPC) 2015). The sector employed over 70 percent of the estimated Nigerian population with 18,295,631:91k (24.39%) contribution to the Nigerian Gross Domestic Product (GDP) in 2013 (Ezike, 2012; Odufote, 2012; GDP, 2014). It is the second in terms of revenue generation to the government as well as the main opportunities for entrepreneurship to the population (Ugwu & Kanu, 2012; Larbani, Mustafa & Oladokun 2013).

Despite with the above contribution to the revenue and entrepreneurship opportunities as well as employment and GDP, yet, the problem finance and services is increasing to the extent that extension services personnel, modern machinery, and equipment are inadequate. With this, the sector's contribution to the GDP dropped from 100 to 24.39 percents from the year 1981 to 2013 which resulted in the problems including an increase in social crime, unemployment and poverty rate. This necessitates the inclusion of an alternative model of

financing the sector which characterized with free interest, less cost, and risk. Since the current model is too cost and risk, corruption and mismanagement, food and capital insecurity among others (Larbani, Mustafa & Oladokun, 2013).

Based on the above, this paper proposes *Salam* (*Salam* finance) as an alternative solution to the sector and related. In relation to this, the current paper hopes to contribute its quota to the ministries of education and agriculture as well as free interest financial institutions in Nigeria. However, *Salam* finance for agricultural empowerment is characterized by the following: food security, employment opportunities, and poverty reduction. Having said that, this paper hoped to see the agricultural sector benefited from the Shariah financial product.

2. Objectives

The paper intends to achieve the following objectives:

- 1- To highlight the concept of green entrepreneurship education
- 2- To explain the concept of *Salam* finance
- 3- To show the importance and problems of the green entrepreneurship education in Nigeria as well as *Salam* financing as an alternative.

3. Research Methodology

This study is a based on library materials. Also, statistics were not involved. These indicated that the methodology used is the qualitative research approach.

4. *Salam*

Salam or *Salam* finance can be seen as a sale contract in which the price (s) of the commodity to be paid on the spot, while the delivery of the purchased commodity to be delivered in the future agreed time later (Umar, 1995). Equally, *Salam* finance is a forward sale of a commodity (originally an agricultural output) which the payment is on the spot and the delivery of the commodity is being made on a specific future date and time as it's stipulated in the contract (Kaleem & Ahmad, 2010; Ogunbado & Ahmed, 2015).

Equally, The most underlying cause of initiating *Salam* contract was to aid the small scale farmers (poor farmers) who lack money to sustain crops and take on their daily needs before the time of harvest (Umar, 1995). Additionally, "*Salam*" allows them (farmers) to sell forward their expected farm produce for immediate cash and defer delivery of the produce to its buyer for specified future (Kaleem & Wajid, 2009).

5. Green Entrepreneurship education

Johannisson (1991) views that the understanding of the agricultural knows how, know when, know who and know where is crucial to the development

of right attitude to entrepreneurship education. Green Entrepreneurship education refers to the cumulative knowledge of soil cultivation and plant management for the purpose of food security, income, and employment generation. It is also a skill for animal rearing and supplier of raw materials to the industries for sustainable living, poverty reduction and socio-economic advancement (Anthony, 2010). Additionally, Ibn Khaldun (1967) defines it as: "Cultivation and growth of plant through irrigation, proper treatment, improvement of the soil (observance of) the suitable season and care for them by applying these things in a way that will benefit them and help them grow" (*Qur'an*, 3:151).

Based on this assertion, agriculture is described as a green entrepreneurship education. Since it provides opportunities for students and able bodies to practically apply technical know how, know when, know who, and know where. This qualifies agricultural production to be a creative skill and knowledge of combining factors of agricultural production to yield a reasonable output as a food, raw materials, and investment (Rabbior, 1990; Umar, 1995; Hendriks & Lyne 2009; Ador & Farhah, 2014).

Likewise, Nigeria is an agrarian country as mentioned earlier. The agricultural sector of Nigeria, however, is drastically, decreasing due to the problem of inadequate agricultural financing. If the sector is financed by free interest financial product, most of the problems will be solved. For example, *Salam* finance will solve the problems that associated with fertilizer, insecticide, herbicide and storage facilities, market etc. *Salam* finance as an Islamic Financial product for financing agriculture. It can also, serve as a substitute for agricultural financing in Nigeria.

Specifically, *Salam* finance is an Islamic financial product utilize by the Islamic financial institutions to finance agricultural output and investment for economic growth and development (JinjiRingim, 2014). *Salam* finance is a good product for improving agricultural output as well as addressing problems of agricultural output. It equally, provides full advance payment and future delivery of the agricultural output at the agreed time (Becirovic, 2011). Therefore, *Salam* finance serves as an agricultural financing under the Shariah economic system (Mohsin, 2005). Since it is free from the interest rate, manipulation, and exploitation (Saddiqi, 2006; Ayub, 2007).

7. Conclusion and Recommendations

This study is an essential issue to the current Nigerian situation of agricultural production; it is highly significant to introduce *Salam* finance in order to restore the past glory of Nigerian economy. Since, agriculture has been the main source of; income, food supply, job opportunities, market, and industries etc. However, the Nigerian agricultural sector decline is caused by poor agricultural financing from

conventional financial institutions. The declining resulted in a high rate of poverty, unemployment, food shortage, and fall in farmer and government income, the collapse of the agribusiness and agro-allied industries among others.

Nigerian governments established so many banks in order to tackle problems of agriculture, trade,

commerce, and industries. Then, it will sound well if the banks introduce *Salam* finance to substitute the conventional mode of financing agriculture in the state. It is hoped that rural farmers, traders, investors, and Ja'iz Bank (Islamic bank) will stand to benefit. It is also with great effort that this paper will contribute towards solving the problem of food insecurity, poverty, and unemployment etc.

REFERENCES

- Aburaida, K. M. M. (2014). Rural Finance As A Mechanism For Poverty Alleviation In Sudan, With An Emphasis On „Salam “Mode. *European Scientific Journal*, 7(26).
- Ador, S. F., Shafiai, M. H. M., & Ismail, M. A. (2014). Islamic Micro Financing for Sustainable Oil Palm Farming: Case of Independent Smallholders.
- Al Dhaafri, H. S., & Al Swidi, A. K. (2013). The entrepreneurial orientation and the organizational performance: do enterprise resource planning systems have a mediating role? A study on Dubai police. *Asian Social Science*, 10(2), 257.
- Al-Zuhayli, Wahbah (2007). *Financial transactions in Islamic jurisprudence*, Mohamoud A.el-Gamal (Trans). Beirut: Dar al-fikir al-Mauaser.
- Ayub, M. (2007). *Understanding Islamic finance*. West Sussex Wiley & Sons Ltd.
- Bagheri, N., & Bordbar, M. (2014). Factor analysis of agricultural mechanization challenges in Iran. *Agricultural Engineering International: CIGR Journal*, 16(1), 167-172.
- Bećirović, S. (2011). The role of microfinance in the agricultural development of the cross-border region of Sandzak, International Conference "SMEPP 2011", Novi Pazar: International University of Novi Pazar, pp. 259-269.
- Bello, G.I (2006). An analysis of the viability of Islamic Banking in Kano state, Nigeria. Usman Dan fodio University Sokoto-Nigeria (Doctoral dissertation © Garba Bello)
- Chong, R., Abdullah, R. F. S., Anderson, A., & Amin, H. (2009). Economics Of Islamic Trade Financing Instruments. *International Review of Business Research Papers*, 5(1), 230-241.
- Hassan, M. T., Sattar, M. A., Tousif, M. A., Nasir, N., Sadiq, M., & Yasmeen, M. (2012). The role of Islamic Banking in Agriculture Development in Bahawalpur, Pakistan. *International Journal of Learning and Development*, 2(3), Pages-123
- Hendriks, S. L., & Lyne, M. C. (Eds.). (2009). *Does Food Security Improve when Smallholders Access a Niche Market?: Lessons from the Embo Community in South Africa*. African Centre for Food Security
- Hilmy, H. A. (2013). *Introducing Salam as an alternative financing tool for paddy field cultivation in Sri Lanka (special reference to Eastern province)*. Soth Eastern University of Sri Lanaka.
- Holly Qur'an. (2:275-280).
- Ibn Khaldun, (1967). *The Muqaddimah: An introduction to history*. Franz Rosenthal (train).
- Ibrahim, M. F., & Kamarudin, R. (2014). The *Islamic Home Financing In Malaysia Istisna'base On Debt: Qualitative Approach*. *Labuan E-Journal Of Muamalat And Society*, Vol.8, 2014, Pp.27-38
- Jinjiri Ringim, K. (2014). Perception of Nigerian Muslim account holders in conventional banks toward Islamic banking products. *International Journal of Islamic and Middle Eastern Finance and Management*, 7(3), 288-305.
- Kaleem, A., & Abdul Wajid, R. (2009). Application of Islamic banking instrument (Bai Salam) for agriculture financing in Pakistan. *British Food Journal*, 111(3), 275-292.
- Kano state Budget, 2012 and Kano state map from Kano free encyloypedia (www.Kanostate.gov.ng)
- Khaleequzzaman, M., & Shirazib, N. S. (2012). Islamic Microfinance—an Inclusive Approach with Special Reference to Poverty Eradication in Pakistan. *International Journal of Economics, Management, and Accounting*, 20(1).
- Khan, T. (1996). An analysis of risk sharing in Islamic finance with reference to Pakistan (Doctoral dissertation, © Tariqullah Khan).

- Kozubíková, L., Belás, J., Bilan, Y., & Bartos, P. (2015). Personal characteristics of entrepreneurs in the context of perception and management of business risk in the SME segment. *Economics & Sociology*, 8(1), 41.
- Larbani, Mustafa and Oladokun (2013) in Dandago, K.I, AD. Muhammad & U.A.Oseini (2013). Essentials Of Islamic Banking And Finance In Nigeria. *Publish in Abuja* (p: p. 353-358)
- Mohammed, S., Ibrahim, U. S., & Abubakar, N. (2014). Effect of hike in food prices on households food expenditure in kano state, Nigeria: a case of 2008 global food crisis.
- Mohsin, M. I. A. (2005). The practice of Islamic banking system in Sudan. *Journal of Economic Cooperation*, 26(4), 27-50.
- Muhammada, M. Z., & Chonga, R. (2007). The Contract of Bay' Al-Salam and Istisna' in Islamic Commercial Law: A comparative analysis. *Labuan e-Journal of Muamalat and Society*, 1, 21-28.
- Muneeza, A., Nurul Atiqah Nik Yusuf, N., & Hassan, R. (2011). The possibility of application of salam in Malaysian Islamic banking system. *Humanomics*, 27(2), 138-147.
- NPC (2015):Nigerian population commission census, <http://countrymeters.info/en/Nigeria>.
- Ogunbado & Ahmed (2015). *Bay' Salam* as an Islamic Financial Alternative for Agricultural Sustainability in Nigeria. *Journal of Islamic Economics, Banking, and Finance (JIEBF)*.Vol. 11, No 4.
- Ogunbado, A. F. (2011). Mechanisms of poverty eradication: An Islamic perspective. *The Islamic quarterly*, 55(4), 295-315.
- Putri, M. A., & Dewi, (2011). M. K. Developing Salam-Based Financing Product: Indonesian Islamic Rural Bank. *Business & Management Quarterly Review*, 2(4), 103-112.
- Research paper No 33:18.*
- Sahihi Bukhari*, (1979). MuhmmadMuhsin Khan (trans). Lahore: Qazi Publication.
- Siddiqi, M. N. (2006). Islamic banking and finance in theory and practice: A Survey of the state of the Art. *Islamic Economic Studies*, 13(2), 1-48.
- Umar, M.A.(1416H/1995). Shari'ah, Economic and accounting framework of bay' salam in the light of contemporary Application. *Jeddah: Islamic Research and Training Institute*.