

# Potential Challenges of Islamic Banking in Ghana

Abdul-Somed Ibrahim

Department of Islamic Economics Banking and Finance- Student at International Open University

DOI: <https://dx.doi.org/10.47772/IJRISS.2023.7012125>

Received: 28 November 2023; Revised: 14 December 2023; Accepted: 19 December 2023; Published: 13 January 2024

## ABSTRACT

**Purpose** – This study assesses the potential challenges of Islamic Banking implementation in Ghana.

**Design/Methodology/Approach-** The research is qualitative research that employed questionnaires to measure the opinions of a sample of 72 main banking employees in four banks conveniently and purposively selected within the banking industry of Ghana. A total of 12 experts are also interviewed. The data analysis is done via SPSS V.20.

**Findings-** The findings from the research reveal that core banking employees are highly educated dominated by males. The data results also showed that the following challenges are eminent: unfamiliar Arabic terms, lack of regulatory framework, lack of trust, lack of adequate human resource and religious undertone.

**Research Implication-** The research setting is dominated by Muslims and the sample size should be considered before generalization of these findings over the entire country.

**Practical Implications-** The findings are indication that Islamic banking can be implemented in Ghana if deliberate efforts are put in place to address the challenges.

**Originality/Value-** The study is the first of its kind in assessing the opinions of core commercial banks employees and experts concerning the challenges of Islamic Banking in Ghana. This study will contribute to the meager literature on Islamic banking.

**Keywords-** Challenges, Islamic banking (IB), Islamic banking and finance (IBF) and Ghana

**Paper type-** Research paper

## INTRODUCTION

According to ICD-REFINITIVE report (2022) on the development of Islamic finance, the global assets of IBF stand at \$4 Trillion at a growth rate of 17%. Banking alone takes 70% followed by Sukuk at 18% and the rest 12%. Two African countries are listed as part of the top three highest growing countries in Islamic finance. Tajikistan witnessed 84%, Burkina Faso (27%) and Ethiopia (26%). Iran, Saudi Arabia and Indonesia remain the top controllers of IBF global assets while Malaysia, Saudi Arabia and Indonesia are the top most advanced countries in IBF. The report further projects growth value of \$5.9 Trillion by 2026, which represents about 50% increase within the space of four years. This report shows that the highest growth rates are witnessed in non-core IBF jurisdictions like Tajikistan (in Asia), Burkina Faso and Ethiopia (both in Africa). Similarly, UK is globally ranked 3<sup>rd</sup> in Islamic Fin Tech and USA with a new Fin Tech (Fardows).

Ghana is a Muslim minority country which has the second largest economy – next to Nigeria, in the West African sub-region sharing boundaries with Burkina Faso, Togo and La Coted Ivoire (Julius, 2022). It is a

country with a mixture of diverse ethnic groups living together in a relatively peaceful coexistence. The Dagombas (Mole-Dagomba Ethnic group/Tribe located in Northern Ghana) are the dominant adherents of the Islāmic religion in the country. The current vice president of the country, Alhaj Mahamudu Bawumiya is from the Mole-Dagomba extract as well as the former minority leader in the legislative arm of government, by name Honorable Haruna Iddrisu. Additionally, Muslims are found in almost all the other regions of the country in minorities, very significant minorities in some regions.

Despite the above dynamics, there is not a single Islamic bank in Ghana, not even in the Muslim dominated regions despite the significant number of Muslims forming about 17% of the Ghanaian population (Ghana Statistical Service 2021 Census). The Bank of Ghana (BoG) performed financial sector clean-up exercise in 2017 – 2019, which affected most customers, some of whom are yet to fully recover from the shock and some have lost their lives as a result. This has resulted to a drastic reduction of the confidence level in the sector (purely conventional finance system). The financial sector clean-up exercise affected the existence of some financial institutions numbering up to 436 institutions. The details of those institutions are: **eight** banks, 23 savings and loans companies, over 400 microfinance companies and five banks merged to form one bank by the regulator (Graphic Online, 2022).

The BoG is the central bank of the country which has overall supervisory and regulatory authority in all matters relating to banking and non-banking financial business. According to the new banking act dubbed Banks and Specialized Deposit taking Institutions Act 2016 (Act 930), the Bank of Ghana is the only institution in the country that can grant license for banks to operate after it is satisfied with the requirements to qualify an institution to operate as a bank. *“Licensing authority of Bank of Ghana: The Bank of Ghana shall have the sole responsibility for the issuance of licenses to banks and specialized deposit taking institutions”*

The financial atmosphere of the country comprises the following categories; Banks, Savings and Loans, Finance Houses, Leasing companies, Finance and Leasing Companies, Mortgage Finance, Remittance companies, Microfinance Institutions, Financial NGOs, Forex Bureau’s, microcredit Institution, rural and Community banks, Representative Offices in Ghana, and Other Banks. There are currently 23 banks registered and licensed by the BoG to operate as banks in the country (BoG, 2020). Consequently, the country is currently battling with huge level of debt partly as a result of compound interests which form the backbone of the conventional finance system. For instance, According to the Bank of Ghana report for the first half of 2021, the total public debt stock rose from US\$ 45.6 billion (representing 67.55% of GDP) in the middle of 2020 to US\$ 57.9 billion (representing 76.4% of the GDP)(BoG, 2021). This has forced the country seek IMF bailout.

It is however, worth mentioning that some efforts have been made and are still on going to establish an Islāmic bank in the country Ghana. Registered institutions like Islamic Finance Research Institute of Ghana (IFRIG), is a non-governmental organization that has been engaged in series of sensitization programs like publications, seminars, webinars, forums and conferences to discuss issues concerning Islamic finance/banking in Ghana. For instance, since the inception of the institute in 2019, it has been able to conduct a number of monthly webinars, and international conferences.

Another important institution that is promoting the course of Islamic finance in Ghana in a practical way is the Muslim Ummah Development Initiative, Ghana (MUDI), which was established in 2014 to empower Muslims economically in ḥalāl manner. Also another giant headway made in the course of the materialization of Islamic banking in Ghana, is the permissibility of non-interest banking as captured in the new banking act, Banks and Specialized Deposit Taking Institutions Act 2016 (Act 930). In this act, the BoG made provision for non-interest banking as captured in 1r of Section 18 of the Act. However, the key hindrance in the implementation of this act is the lack of comprehensive framework by the BoG to guide the application of this provision. This shows that the laws of Ghana are not all that antagonistic to the implementation of Islamic banking in Ghana. In view of this, this study aims at bringing to light potential

challenges of Islamic banking implementation in Ghana. The paper seeks to answer the following questions:

1. What are the potential challenges of Islamic banking implementation in Ghana?
2. What is the feasibility of Islamic banking in Ghana?

Haven introduced the paper; related literature is reviewed follow by the methodology, then the results, discussion and conclusion.

## LITERATURE REVIEW

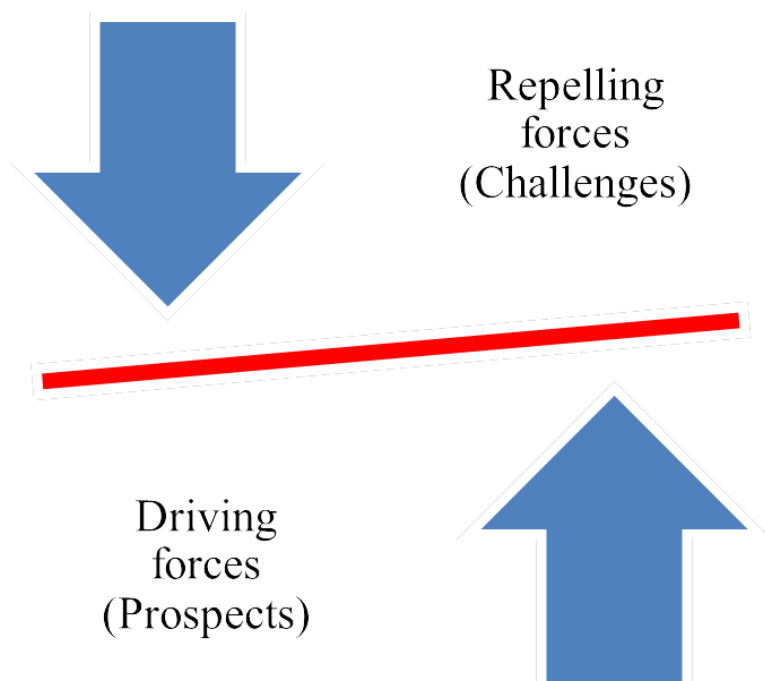
### Theoretical Framework

According to Vinz (2014), the theoretical framework provides the structure to facilitate interpretation and generalization of findings and is usually designed based on the problem statement, research questions, and literature review. This section consists of a short history of force field analysis and its application to resolve the research problem in this study.

#### 1) The Overview of Force Field Analysis

This research is guided by the theory of force field analysis propounded by Kurt Lewin, which theorizes that, the reaction between opposing factors and supporting factors creates an equilibrium situation during change process. This theory is originally applied to the management of change in an organization as described by proponents. This is where the idea of unfreeze – change – refreeze arises. Resistance to change is a common trait to people and hence the application of change process must be done with caution to be successful. Force field theory is not fixed but dynamic in nature (Swanson and Creed, 2014).

The diagram that follows is an illustration of the theory of force field analysis.



**Figure2.1: Diagram of Force field Analysis**

**Source:** Authors' own, 2023

## 2) Application of Force Field Analysis in the Study

McNatt et al. (2022) adopt force field analysis to analyze the facilitators and barriers to evidence-based practices in healthcare. This validates the use of the theory in health sciences. In the social science perspective, Nantogmah (2017) assessed the potentials and challenges of IB in Ghana guided by the theory of force field analysis. This implies that, the theory is not limited to organizational management strategy alone.

In this study, the researcher views the driving forces in the force field analyses as the factors or the opportunities and benefits that the Ghanaian economy will enjoy if it changes the financial laws to incorporate IBF in the country, while the repelling/opposing forces are the challenges that may affect the ability of the country to make these changes. The country as a secular state and predominantly Christian society will experience resistance in implementing a seemingly Islamic aligned policy vis-à-vis the numerous potential benefits.

### Conceptual Literature Review

Islamic banking is similar to conventional banking in many respects. Example, both aims at taking funds from those who have excess and giving to those who are in need of funds for an immediate purpose. One of the most important components of Islamic finance is Islamic banking. It is occasionally loosely used synonymously with the term Islamic Finance. Islamic finance is a subset of finance that is governed by Islamic principles. Islamic finance can be traced back to the time of the Prophet Muhammad (PBUH), hence ancient, although it is typically seen as a newly emerging alternative form of financing to the conventional financial system. Islamic finance is based on shari'ah (Islamic divine laws). The fundamental principles of IBF are: Wealth must be produced through legal trade and an underlying asset; Consideration of public interest; Profit/loss sharing; and Abstinence from forbidden activities (Institute of Chartered Accountants, Ghana, 2019)

Generally, payment and reception of interest (ribā) is not permitted in Islāmic finance. This is confirmed in several parts of the Qur'ān, such as (Al-'Imrān, 3:130); Qur'ān (Al-Nisā, 4:161); Qur'ān (Al-Rūm, 30:39) and Qur'ān (Al-Baqarah, 2:278-279). Apart from the Quran, the other Abrahamic religions warn against interest dealings like Exodus 22:25, Leviticus 25:36-37, Deuteronomy 23:19-20, Nehemiah 5:7&10, Psalms 15:5, Proverbs 28:8, Isaiah 24:2, Jeremiah 15:10-20 and Ezekiel 19:8.

### Empirical Literature Review

#### 1) Potentials and Challenges of Islamic Banking beyond Africa

Riaz et al. (2017) in an attempt to assess the views of key stakeholders in IBF on the current state of IBF in the UK in practical terms, find that there is progress with some challenges such as complex terminologies, lack of internet banking, lack of branch networks and poor marketing strategies. They arrive at these findings via the comparison of the opinions of key players such as experts, customers and employees. The current research attempts to adopt similar methodology in the Ghanaian context. However, the nonexistence of Islamic banks in Ghana necessitates the measurement of the opinions of conventional banking employees.

In terms of benefits of IBF to non-Islamic countries, Jawadi et al. (2017) adopt daily data and two performance ratio proxies (ROA (Return on Asset) and Tobin Q) to study whether there is variation in Islamic banking performance on regional basis. The findings reveal that, there exist variations in performance with the highest performance emerging from the West.

#### 2) Potentials and Challenges of Islamic Banking in Africa

Awareness about Islamic banking is a challenge in most African countries as far as the implementation is

concerned. Ezeh and Nkamnebe (2020) explore and identify Islamic ethics and Islamic bank services awareness as the factors that show significant importance in the choice of Islamic banking out of the four factors identified in Nigeria.

In assessing the perception of customers about Islamic banking in the Gambia, Sonko (2020) finds that religious commitment and understanding about Islamic banking are the most important determinants of banking with the Islamic bank. Conventional banks are used in the current study due to lack of Islamic banks in Ghana.

### 3) Potentials and Challenges of Islamic Banking in Ghana

Possuma et al (2018) research about the determinants of IBF adoption in Ghana among the various religious groups and find that the significant determinates are perceived knowledge, perceived benefit, perceived innovativeness, perceived religious promotion, customer's attitude and readiness to comply with shari'ah. However, religious coloration is found to be a potential challenge for IBF adoption in Ghana.

Mbawuni and Nimako (2019) find that Ghanaian Muslims and non-Muslims have good perception about Islamic banking benefits and are willing to patronize the products. Non-Muslims do not perceive IBF as a threat to the Ghanaian banking system. However, non-Muslims are reluctant to comply with the Islamic law and by extension, weaker interest in IBF investment packages. They also have little knowledge about IBF as a discipline. Abdul-Wahab and Abdul-Razak (2019) aim at understanding bank customers' perception about Islamic banking adoption in Ghana by granting semi-structured interview to a purposively eight sampled interviewees. The study uses a qualitative research approach to gain insight about the perceptions of bank customers towards Islamic banking. The findings reveal that there is low awareness about Islamic banking in Ghana, competition with conventional banks, and low appetite of non-Muslims. However, study also reveal about the perceived importance of Islamic banking and willingness to patronize Islamic banking. The current study employs interview coupled with structured questionnaire to view the problem in diverse dimensions.

Yussif (2020) in studying the topic *Establishing Islamic Banking And Financing (IBF) In Ghana: Issues Challenges And Prospects*, bring the following findings to bear: there exist prospects for IBF to the significant unbanked population in Ghana, Islamic banking is non-discriminatory, global growth, enhancement of financial inclusion, promotion of foreign and local investment, CSR and the opportunity of Ghana becoming the hub of IBF in Africa. There are potential challenges such as insufficient knowledge about IBF, absence of legal and regulatory frameworks as well as polices and low awareness about IBF.

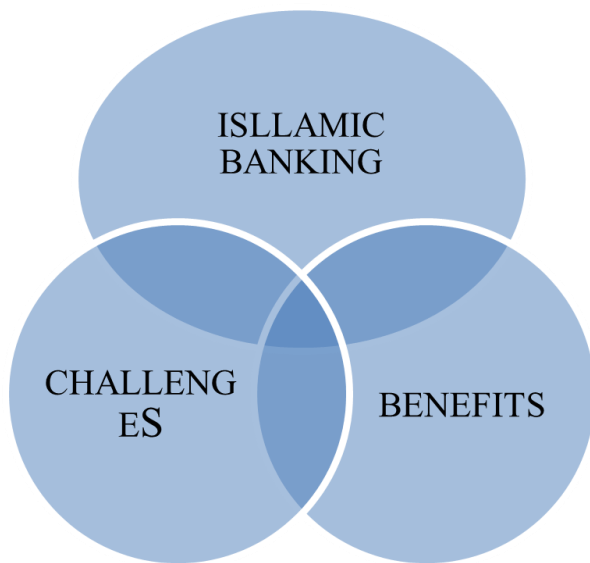
### 4) Gaps in Existing Literature

All the above literature reviewed have highlighted on the prospects and challenges of IBF implementation in different jurisdictions by adopting variety of methodologies. However, none has used a blend of structured questionnaire administered to core conventional banking employees and interview with both local and international experts to study the research problem in Ghana. Moreover, the analysis of the interview data was done thematically.

### Conceptual Framework

This section seeks to explain important concepts in the study and their interrelationship. The flow chart below represents the conceptual mechanism for the easy understanding of the research topic and problem.





**Figure2: Conceptual Framework**

**Source:** Author's own, 2022

The chart above illustrate that there are **opportunities** that can be tapped by implementing Islamic banking; likewise, **opportunities** are created for implementing Islamic banking. There are **challenges** fighting the implementation of Islamic banking, likewise some **challenges** come to bear through the implementation of Islamic banking. **Opportunities** created through Islamic banking can be used to overcome some of the **challenges**; likewise **challenges** of Islamic banking can create **opportunities**.

## METHODOLOGY

The researcher was guided by the interpretivism philosophy of research as a qualitative study, which requires the non-objective interpretation of the researcher to obtain more comprehension and insight about the perceptions of respondents.

The study used an explorative type of research design. The design is adopted since the subject area is relatively new in the realm of academics and in the context of research in Ghana. Selvanathan et al. (2018) tip exploratory design as the best for research in Islamic Banking.

Also, the researcher employed an inductive approach among the several existing research strategies in academia since the study is an exploratory type. Awwad (2023) adopt an analytical and inductive strategy in researching the challenges and obstacles to issuing Islamic Sukūk in Palestine. The research is a cross-sectional study.

The population of this study is core banking employees in Ghanaian banking institutions and experts in finance and related fields.

Four local branches of both local and foreign banks were selected from the banking industry based on their top five performances in terms of asset management in the 2021 banking sector report. However, due to the unwillingness of one of the top five banks to take part in the research, it was substituted by another bank. A recommendation letter was first sent to the banks to request for basic information about the approximate number of core banking employees that guided the researcher in obtaining the sample size for respondents.

Experts were recruited based on convenience and snowball techniques.

The best four banks in terms of deposit mobilization and asset management for the 2021 financial year were selected out of the 23 registered banks. The study was limited to their main branches within the Muslim-dominated area of the country, Tamale, due to convenience. The average number of core banking staff in each bank was 18 as of July 2022, which makes a sample size of 72. However, about 52 of the questionnaires were responded to and returned. An estimated 12 experts were conveniently recruited to be interviewed for their opinions on IBF in Ghana but 10 responded. Nantogmah (2017) also administered 12 semi-structured interview guides to interviewees to elicit their views in accessing the opportunities and challenges of Islamic banking in Ghana. Moreover, the size of the sample of interviewees was chosen to avoid saturation.

### **Data Gathering Tools and Strategies:**

This study relies on qualitative data that is obtained from primary sources. The data collection instruments employed is structured questionnaires for banks, to motivate participants to respond due to the tight schedules of respondents and interview guide for experts. The questions in the questionnaire were generally closed-ended type. Furthermore, the questionnaires were sectioned and sub-sectioned; the first section focused on the demographics or background information of respondents, and the second section focused on the actual research information. The questions were carefully asked, and structured answers were provided to guide the respondents. They were designed based on modified data collection tools from similar studies, such as Nantogmah (2017), under the guidance of experienced researchers in the field of IBF.

The validity and reliability of the data gathering tools were enhanced by engaging in pilot testing of the instruments before the actual administration. This helped in addressing challenges in the research instruments such as ambiguity, provocative questions, errors, and omissions. This is in line with the view of Saunders and Bezzina (2015). Due to the formal procedures of the banking sector, the questionnaires were printed in hard copies and sent to the various branch managers to administer on behalf of the researcher. A follow-up was made after one week; those questionnaires that were responded to and ready for collection were received, followed by subsequent follow-ups until a sufficient number of the questionnaires were retrieved.

### **Data Analysis Methods**

The Statistical Package for Social Sciences (SPSS) 20.0 was used to process and analyze the collected data. Both descriptive and regression analyses were performed on the data to increase understanding. Nantogmah (2017) used SPSS version 16 in his study on IBF in Ghana. Tables were employed to display the analyzed data. The interview results were analyzed thematically. Thematic analysis is the most widely used analysis method in qualitative data (Kiger and Varpio, 2020; Islam and Aldaihani, 2022).

## **RESULTS AND DISCUSSION**

In this section, the researcher seeks to interpret and make comments on the primary raw data collected to drive meaning out of the data. The analysis was done based on the specific objectives of the study. The response rate was about 72 percent, as 52 respondents responded out of 72 questionnaires administered. The response rate is high and encouraging, looking at the busy schedules of respondents and the difficulty of eliciting information from this sector in Ghana. The interview received more than 80% response rate as 10 out of the 12 targeted interviewee's respondent to the online interview.

### **TABLE I**

DEMOGRAPHICS AND QUESTIONNAIRE RESULTS

<i>DEMOGRAPHICS</i>		Frequency	Percent	Cumulative Percent
GENDER	Female	20	38.5	38.5
	Male	32	61.5	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
RELIGION	Islam	35	67.3	67.3
	Christianity	16	30.8	98.1
	Other	1	1.9	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
QUALIFICATION	BSc	33	63.5	63.5
	BCom	1	1.9	65.4
	MBA	7	13.5	78.9
	PhD	1	1.9	80.8
	MSc	10	5.2	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
<i>QUESTIONNAIRE RESULTS</i>				
RELIGIOUS COLORATION	No	24	46.2	46.2
	Yes	28	53.8	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
ARABIC TERMS	No	32	61.5	61.5
	Yes	20	38.5	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
REGULATORY ENVIRONMENT	No	35	67.3	67.3
	Yes	17	32.7	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
TRUST	No	21	40.4	40.4
	Yes	31	59.6	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
HUMAN RESOURCE	No Response	2	3.8	3.8
	No	13	25.0	28.8
	Yes	37	71.2	100.0
	<b>Total</b>	<b>52</b>	<b>100.0</b>	
IBF PRACTICALITY	Agree	25	48.1	48.1
	Disagree	1	1.9	50.0
	Neutral	10	19.2	69.2
	Strongly Agree	<b>11</b>	<b>21.2</b>	<b>90.4</b>
	Strongly Disagree	5	9.6	100.0
<b>Total</b>	<b>52</b>	<b>100.0</b>		

Source: Field data, 2022



## Demographics

Table I shows that out of the 52 respondents, 20 of them, representing 39 percent, are females, and the remaining 32, representing 62 percent, are males. This shows that the banking sector employees in Ghana are dominated by males. This can be as a result of the formal nature of the banking sector that makes it automatically rejects the employment of certain categories of females, such as pregnant women, lactating mothers etc.

The table also displays the results for the religious affiliations of the respondents. The majority of the respondents, representing 35 (67 percent), are Muslims, while 16 (33 percent) belong to the Christian faith. Only one respondent, representing two percent, belongs to another religion. This might be influenced by the research setting, Tamale, where the dominant religion is the Islamic faith.

Finally, the table also shows that the majority of the respondents, representing 34 (66 percent), have a first degree; 17 respondents (33 percent) have attained their second degree; and only one, representing two percent, has attained a PhD. This shows that the core employees in the banking sector in Ghana are highly educated, with a minimum of a first degree. It also shows the qualifications of the research objects recruited to respond to the questionnaires in this study.

## Challenges of Islamic Banking in Ghana

Table I reveals that more than half of the respondents, 28 representing 54 percent, feel that IBF is a way of propagating a particular religion, while 24 of the respondents representing 46 percent feel otherwise. This brings to light the misconception that IBF is a subtle way of converting people to Islam. More sensitization will help neutralize this misconception. Sundarsono et al. (2021) found that Islamic banking adoption depends on awareness level, the extent of perceived compatibility, religiosity, and social influence.

Table I also shows that a significant number of respondents, amounting to 20 (39 percent), think that the use of Arabic terminologies may be a challenge to IBF in Ghana, while 62 respondents (62 percent) view it otherwise. This is an interesting revelation that contrast Riaz and Monk (2017), in an empirical study conducted in the United Kingdom, find that despite the progress made in the opportunities utilized by Islamic banks, they are riddled with some challenges, such as difficulty in understanding some complex (Arabic) terminologies in Islamic banking products (like Mudārabah, Murābahah, Mushārahah, Ijārah, etc.).

The table further shows that 35 respondents, representing 67 percent, are of the view that the existing banking regulation in Ghana has no room for IBF, while 17 respondents, representing 33 percent, view it otherwise. This is one of the major challenges that are militating against IBF implementation in Ghana. Even in the advanced IFB countries, the lack of a clear-cut regulatory framework is a challenge for the progress of IBF, as highlighted by Alharabi (2016). Ghana is a more novice country in IBF.

In terms of lack of trust as a challenge, Table I shows that 31 of the respondents, representing 60 percent, opine that lack of trust will be a major setback for IBF implementation in Ghana, and 21 respondents, representing 40 percent, do not believe in this assertion. A study conducted by Albaiti and Rahman (2021) using a sample of the working class of the UAE who patronize IBF found that religion, trust, attitude, and satisfaction vary directly with loyalty toward non-interest banks. The most significant influence is satisfaction, followed by trust, attitude, and finally religion. Naeem (2019) also considers trust, among others, as one of the key challenges of Islamic banking.

Finally, Table I shows that 37 respondents, representing 71 percent, agree that there will be lack of experts to serve on the shari'ah-compliant boards of various banks, while 13 respondents, representing 25 percent,

believe otherwise. This points to the need for the training of more experts if Ghana is to practicalise IBF since the issue of inadequate shari’ah experts is one of the global challenges to the progress of IBF. Ezeh and Nkamnebe (2020) found that the lack of enough experts in the young and growing system of finance (IBF) is one of the several challenges affecting its progress. Similarly, Abdul-Wahab (2023) has argued that there are few Islamic finance human resources in Ghana. This implies that there will be unqualified people to serve on the Shariah (Islamic law) supervisory board, which is a prerequisite for every Islamic finance arrangement or contract.

**Practicability of ISLAMIC Banking in Ghana**

The Table I above shows that 36 respondents representing 69 percent strongly agree or agree that IBF can be practiced in Ghana, only six respondents representing 12 percent disagree or strongly disagree and 11 respondents representing 21 percent are neutral. This highlights the confidence level of bank employees in the practicability of IBF in Ghana. The findings of Su’un, Possumah, Appiah, and Hilmiyah (2018) that both Muslims and non-Muslims perceive IBF products as an innovation in addition to their readiness to comply with shari’ah principles governing IBF products are evidence that IBF can be practicalise in Ghana. They further argue that the perceived threat of IBF is significantly negative. Ahmad 2019 concludes that Islamic banking in Australia will flourish swiftly in the financial markets if efforts are made to design a separate legal framework for its operation.

**Interview Session**

The following table is a representation of the views expressed by experts with regards to some of the potential challenges IBF can pose to the government of Ghana. The analysis of the data is done under the themes of *Awareness* (red), *Competition* (green), *Technical Human resources* (blue), *Religious coloration* (brown), *resistance to change* (yellow), and *Comprehensive framework* (violet). A theme with a frequency response of 8–10 is described as *typical*, 6–7 is *general*, 3–5 is *average*, and 1–2 is *rare*.

TABLE II  
POTENTIAL CHALLENGES OF SUKUK IN GHANA

THEMES	FRQUENCY
<p><b>Low Awareness:</b></p> <p><i>Respondent 1: Lack of awareness</i></p> <p><i>Respondent 2: Lack of information</i></p> <p><i>Respondent4: Regulatory awareness</i></p> <p><i>Respondent7:(Lack) Understanding of the concept,</i></p> <p><i>Respondent7: (Lack) appreciation of the global gains to be derived,</i></p> <p><i>Respondent7: (Lack) sensitization of citizens and corporate boss</i></p> <p><i>Response8: The existing misunderstandings and misconceptions about IBF</i></p> <p><i>Response9:lack of awareness</i></p>	<p>Typical</p>

<p><b>Technical Human Resource:</b></p> <p><i>Respondent 1: inadequate human resource</i></p> <p><i>Respondent 3: deficiency in skills development from both Regulators, Operators and the Users, etc</i></p> <p><i>Respondent 4: Level of education</i></p> <p><i>Respondent 4: Lack of manpower or skills</i></p> <p><i>Respondent 6: inadequate expertise in the area of IBF</i></p> <p><i>Respondent 8: Inadequate knowledge and technical expertise in IBF on the part of the regulatory Institutions</i></p>	<p>General</p>
<p><b>Comprehensive Framework:</b></p> <p><i>Respondent 1: unfriendly regulatory environment</i></p> <p><i>Respondent 3: Absence of Legal Framework from Regulatory Agencies</i></p> <p><i>Respondent 5: also, the lack legal regime</i></p> <p><i>Respondent 6: Existing regulatory frameworks may not support its implementation</i></p> <p><i>Respondent 8: Long protracted lack of a comprehensive IBF legal framework let alone to talk of a regulatory environment</i></p> <p><i>Respondent 10: Financial legal framework</i></p>	<p>General</p>
<p><b>Religious Coloration:</b></p> <p><i>Respondent 1: religious bigotry</i></p> <p><i>Respondent 3: Religious coloration</i></p> <p><i>Respondent 3: readiness of the people to accept shari'ah compliant products</i></p> <p><i>Respondent 9: unwillingness by non-Muslim to patronize IBF</i></p>	<p>Average</p>
<p><b>Competition:</b></p> <p><i>Respondent 4: Possible conflict between conventional and IBF</i></p> <p><i>Respondent 8: IBF hesitancy on the part of some Ghanaian conventional banking sector players</i></p> <p><i>Respondent 8: IBF poses a threat to conventional banking</i></p> <p><i>Respondent 9: Competition with conventional banks</i></p>	<p>Average</p>

<p><b>Resistance to Change:</b></p> <p><i>Respondent 2: resistance to change</i></p> <p><i>Respondent 5: The lack of Political will to pursue non-conventional solutions</i></p> <p><i>Respondent 10: Muslim yet to tap cooperative society act and its benefits</i></p>	Average
--	---------

**Source:** Field data, 2022

**D. Regression Analysis**

TABLE III

MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.616 <sub>a</sub>	.380	.313	.867

**Source:** Field data, 2022

Table 4.9 provides a vivid summary of the regression model; the following parameters are indicated: R value, R square value, adjusted R square value, and standard error. The parameters highlight that 38% of the change in the dependent variable (opportunities of IBF to the banking sector) is explained by the independent variables (Some subsidiary banks already practice IBF at the international or parent level, IBF can offer alternative innovative investment products for the banking sector, IBF can attract more foreign investors into the banking system of Ghana, local banks can create windows to accommodate IBF, and IBF will attract interest-averse investors), while 31.3% of the change is explained by other factors and the error.

TABLE IV

ANALYSIS OF VARIANCE (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	21.188	5	4.238	5.640	.000 <sub>b</sub>
	Residual	34.562	46	.751		
	Total	55.750	51			

**Source:** Field data, 2022

The table involves the examination of variation within the variables. According to the table, the F-statistics for the regression model are estimated at 21.188 at a significance level of 0.000. Hence, the model is statistically significant since  $0.000 < 0.005$  at a 5% significant level.

TABLE V REGRESSION COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.629	.467		1.347	.184
If BoG comes out with a regulatory framework for IBF, local banks can create windows to accommodate it.	-.120	.132	-.123	-.913	.366
IBF can offer alternative innovative investment products for the banking sector.	.667	.171	.512	3.901	.000
IBF will attract interest-averse investors, thus broaden financial inclusion.	.276	.195	.205	1.414	.164
IBF can attract more foreign investors into the banking system of Ghana.	.143	.117	.160	1.222	.228
Some subsidiary banks already practice IBF at the international/parent level.	-.115	.124	-.118	-.927	.359

**Source:** Field data, 2022

The table above illustrates the coefficients of the independent variables in the regression model. The regression constant is 0.629, with a p-value of 0.184. Windows creation opportunity has a coefficient of -0.120 and a p-value of 0.366. Alternative innovative products have a 0.667 coefficient and a p-value of 0.000. The attraction of interest-averse investors also has a coefficient of 0.276 and a p-value of 0.164. Attraction of foreign investors records 0.143 as a coefficient with a p-value of 0.228. Finally, Experience in IBF has recorded a coefficient of -0.115 and a p-value of 0.359. Therefore, the emerging regression equation for the model is:

$$Y = 0.629 - 0.120X_1 + 0.667X_2 + 0.276X_3 + 0.143X_4 - 0.115X_5$$

## FINDINGS, CONCLUSION, AND RECOMMENDATIONS

### Summary of the Main Findings

The data analysis revealed several findings about the research work.

Firstly, from a demographic perspective, despite the high population of females compared to their male counterparts per the most recent census, the majority of respondents were males. Similarly, the majority of respondents are adherents of the Islamic religion, despite the fact that about 70 percent of Ghana's population is Christians. Employees in the banking sector of Ghana are highly educated, with more male workers than female workers.

#### 1) Challenges of Islamic Banking in Ghana

Secondly, analysis of the collected data also revealed that there are a number of challenges that needs to be addressed if the Ghanaian economy can benefit from the opportunities of IBF. There is a low advocacy rate at the banking sector. Lack of trust is also found to be one of the challenges; lack of adequate human resources in IBF; perceived religious preaching tools in favor of one religion at the expense of other religions; resistance to change; competition and more importantly lack of comprehensive framework.

## 2) Practicality of Islamic Banking in Ghana

Also, data analyzed concerning the practicability of IB in Ghana in the banking sector showed that Islamic banking will be accepted in the sector if introduced, though the majority of respondents were not certain as to whether Ghana is ready to establish Islamic banking now. They largely agreed on the practicability of IBF in Ghana. The study also revealed the need for further interpretation of the new banking Act as far as Islamic banking's legal status in Ghana is concerned. Also, some of the local banks may not find it difficult as their parents or subsidiaries practice Islamic banking in other jurisdictions, and the majority of respondents think that the Nigerian regulatory framework for Islamic banking institutions can be adopted and modified by the BoG to regularize IBF operations in Ghana. Finally, there are numerous opportunities attributable to IBF that can be exploited.

### Conclusions

The following challenges are threat to IBF implementation in Ghana: an unfavorable operational or regulatory framework; lack of trust; technical human resources; perceived religious agenda; low advocacy; competition; resistance to change and other misconceptions about IBF.

Finally, despite the challenges that bedevil IBF, Islamic banking is practicable in Ghana and will be largely accepted by key stakeholders in the financial sector. However, the current situation in Ghana cannot accommodate Islamic banking unless certain legal measures are put in place.

### Recommendations

The outcome of the research indicates that the Ghanaian government, banks, and businesses stand a chance of benefiting from IBF; however, there are several challenges that need to be addressed if these benefits can be fully realized. There is a need for more education on IBF since the awareness level is still low. The governments should engage experts to educate key government officials and private sector businesses on the operations of IBF and Islamic finance in general. Courses should be mounted at the higher learning institutions on IBF; workshops can also be organized by universities for business studies lecturers to update their knowledge on the principles of IBF. The Islamic Finance Research Institute of Ghana (IFRIG) can be of help in this regard. Another important institution that can contribute to this effect is the Institute of Chartered Accountants, Ghana (ICAG), as IBF is part of their current Financial Management syllabus (2019–2024). These will help strengthen the technical human resource base.

### Suggestions for Future Research

Future researchers can focus on how these challenges can be surmounted. Also, banks in other parts of the country can also be used to carry out similar research before convincing generalizations can be made about the conclusions over the entire country since the study was carried out largely in one of the 16 regions of Ghana. Moreover, this region is predominantly made up of the Muslim populace of Ghana. The sample size can also be increased by future researchers, and the target population can be changed to bank customers.

## REFERENCES

1. Abdul-Wahab, A. H. and Abdul-Razak, D. (2019). Islamic Banking Adoption in Ghana. *International Journal of Business, Economics and Law*, Vol. 19, Issue 2 (August) ISSN 2289-1552. Retrieved: [https://ijbel.com/wp-content/uploads/2019/09/BUS\\_66.pdf](https://ijbel.com/wp-content/uploads/2019/09/BUS_66.pdf)
2. Albaity M. and Rahman M. (2021). Customer Loyalty towards Islamic Banks: The Mediating Role of Trust and Attitude. *Sustainability*. 13(19):10758. <https://doi.org/10.3390/su131910758>



3. Alharabi, A. (2016). *Development of Islamic Finance in Europe and North America: Opportunities and Challenges*. International Journal of Islamic Economics and Finance Studies, 2(3), 109 – 136. Retrieved on December 6, from < <https://dergipark.org.tr/en/pub/ijisef/issue29329/313826> >
4. Al-Hilālī, M. T. and Khān, M. M. (1426 H.). *Translation of the Meanings of the Noble Qur’ān in the English Language*. King Fahad Complex for the Printing of the Holy Qur’ān: Madinah, K.S.A.
5. Awwad, B. S., Razia, B. S., & Razia, A. S. (2023). Challenges and obstacles to issuing Islamic Sukuk in Palestine: An analytical study of Islamic banks operating in Palestine. *Competitiveness Review: An International Business Journal*.
6. Bank of Ghana (2020). Banking Sector Report-January 2021. Retrieved: [https://www.bog.gov.gh/banking\\_sect\\_report/banking-sector-report-january-2020/](https://www.bog.gov.gh/banking_sect_report/banking-sector-report-january-2020/). Access: 22/10/2021.
7. Badruddin, A. (2015). *Islamic Banking and Finance in India: A Kosher or Myth*. International Journal of Management, Innovation and Entrepreneurial Research, 1(1), 1-6, 2015
8. Bank of Ghana (2021). Bank of Ghana Summary of Economic and Financial Data. Retrieved: [www.bon.gov.gh](http://www.bon.gov.gh). Access: 25/06/2021.
9. Bank of Ghana (2016). Banks and Specialized Deposit-Taking Institutions Act 2016 (Act 930) p. 9 and p.19.
10. Creswell, J. W. and Clark, V. L. (2017). *Designing and Conducting Mixed Methods of Research*. 3rd Edition, Los Angeles, Sage Publications.
11. Ezeh, P. and Nkamneba, A. (2020). *The Prospects of Islamic Banking in Southeast of Nigeria*. Journal of Islamic Marketing, 11(1), 251 – 267. Retrieved on January 13 from < <https://doi.org/10.1108/JIMA-03-2016-0023> >
12. Jawadi, F., Jawadi, N., Hachmi, A. and Idi C. A. (2016). Does Islamic banking performance vary across regions? A new puzzle. *Applied Economics Letters*. 1-4. 10.1080/13504851.2016.1210764.
13. Julius, E. (2022). 10 Largest Economies in West Africa. Business Elites Africa. Retrieved from <https://businesselitesafrica.com/2022/10/03/10-largest-economies-in-west-africa/>
14. Kiger, M. E., & Varpio, L. (2020). Thematic analysis of qualitative data: AMEE Guide No. 131. *Medical teacher*, 42(8), 846-854. Retrieved: <https://doi.org/10.1080/0142159X.2020.1755030>. Access: 11/07/2023
15. Mbawuni, J. and Nimako, S.G. (2019). Determinants of Islamic banking adoption in Ghana. *International Journal of Islamic and Middle Eastern Finance and Management*. Vol. 10 No. 2, pp. 264-288. <https://doi.org/10.1108/IMEFM-04-2016-0056>
16. McNatt, M., Tucker, S., Zadvinskis, I., Tolles, D., Thomas, B., Gorsuch, P. and Gallagher-Ford, L., 2022. A qualitative force field analysis of facilitators and barriers to evidence-based practice in healthcare using an implementation framework. *Global Implementation Research and Applications*, 2 (3), pp.195-208.
17. Naeem, M. (2019). Understanding the Role of Social Networking Platforms in Addressing the Challenges of Islamic Banks. *Journal of Management Development*.
18. Nantogmah, I. (2017). Accessing Potentials of Islamic Banking in Ghana-Thesis. Graduate School, University for Development Studies, Tamale, Ghana. Retrieved: [www.udsspace.uds.edu.gh](http://www.udsspace.uds.edu.gh)
19. Su’un, Possumah, B. T., Appiah, M. K., & Hilmiyah, N. (2018). Determinants of Islamic banking adoption across different religious groups in Ghana: a panoptic perspective. *Journal of International Studies*, 11(4), 138-154.
20. REFINITIVE (2022). ICD – REFINITIVE ISLAMIC FINANCE DEVELOPMENT REPORT: EMBRACING CHANGE.
21. Riaz, U. and Monk, L. (2017). *Perceptions on the Accessibility of Islamic Banking in the UK-Challenges, Opportunities, and Divergence in Opinion*. Accounting Forum, 41(4), 353-374
22. Saunders, M.N.K. and Bezzina, F. (2015). Reflections on Conceptions of Research Methodology among Management. *Academics’ European Management Journal*, 33(55): 297
23. Selvanathan, M., Nadarajan, D. and Suppramaniam, S. (2018). An Explorative Study on Customers’

Selection in Choosing Islamic Banking. *International Business Research* 11(5): 42-49.

24. Shabbir, S.M. and Rehman, A. (2019). *Layers of Misconceptions about Islamic Banking: Are Islamic Banks Threats, Challenges and Opportunities for Investors?* *Journal of Islamic Marketing*, 10 (3), 874-892.

25. Sonko, M. (2020). Customers' Perceptions on Islamic Banking: A Case Study in the Gambia. *Journal of Islamic Finance*, 9(1), 013–023. Retrieved from <https://journals.iium.edu.my/iibf-journal/index.php/jif/article/view/373>

26. Sundarsono, H., Tumewang, Y.K. and Kholid, M.N. (2021). Customer Adoption of Islamic Banking Services: Empirical Evidence from Indonesia. *Journal of Asian Finance, Economics and Business*, 8(3), 1193-1204. Retrieved on January 23, 2022 from <https://doi.org/10.13106/jafeb.2021.vol8.1193>

27. Swanson, D. J., & Creed, A. S. (2014). Sharpening the focus of force field analysis. *Journal of change management*, 14(1), 28-47.

28. The Gideons International (2013). Holy Bible. Crossway, a Publishing Ministry of Good News Publishers, Illinois 60187, USA.

29. Yussif, U. (2019). ESTABLISHING ISLAMIC BANKING AND FINANCING IN GHANA ISSUES CHALLENGES AND PROSPECTS. 10.13140/RG.2.2.18046.13120.

30. Vinz, S (2014). *Sample Theoretical Framework of a Dissertation*. Retrieved on December 14, 2021 from < <https://www.scribbr.com/dissertation/theoretical-framework-example/> >

## APPENDICES

### Appendix 1: Interview Guide

#### INTERVIEW ON POTENTIAL OPPORTUNITIES AND CHALLENGES OF ISLAMIC/NON-INTEREST/INTEREST-FREE BANKING AND FINANCE (IBF) IN GHANA

**NB:** This is for the purpose of advanced academic thesis at the **International Open University (IOU)**, and you are assured of utmost confidentiality in your responses. Please you may WhatsApp/call +233247900784 for further contribution(s)/enquiries.

#### A: DEMOGRAPHY (Please tick the appropriate column)

1. Religion: Islam  Christianity  Traditional  Other
2. Highest Academic Qualification: PhD  Masters  Bachelor
3. Professional Qualification: ICAG  ACCA  CIBG  CIMA  None

#### B: AWARENESS OF IBF IN GHANA

4. How will you rate the advocacy level of Islamic Banking/Finance in Ghana?

Very High  High  Medium  Low  Very Low

#### C: POTENTIALS OF IBF IN GHANA

5. What are the potential benefits of IBF to the government of Ghana?

Ans:  
.....

## D: POTENTIAL CHALLENGES OF IBF IN GHANA

6. What are the potential challenges of IBF implementation in Ghana?

Ans:  
.....

### 1. GENERAL OPINION ABOUT THE SUCCESS OF IBF IN GHANA

2. What are the recommended solutions to the potential challenges?

Ans:  
.....

S/N	STATEMENTS	SA	A	N	D	SD
8.	BSDTI Act(2016), Act 930 (S.1r) gives credence to IBF.					

## Appendix 2: Questionnaires – Banks’ Version

### POTENTIAL OPPORTUNITIES AND CHALLENGES OF ISLAMIC/NON-INTEREST/INTEREST-FREE BANKING AND FINANCE (IBF) IN GHANA

**NB:** This is for the purpose of academic thesis at the **International Open University (IOU)**, and you are assured of utmost confidentiality in your responses. Please you may WhatsApp/call +233247900784 for further contribution(s)/enquiries.

#### A: DEMOGRAPHY (Please tick the appropriate column)

- Gender: Male  Female  None
- Religion: Islam  Christianity  Traditional  Other
- Field of Specialization: Finance  Banking  Accounting  Other
- Highest Qualification: PhD  Phil.  MSc.  MBA  Other

#### B: AWARENESS OF IBF IN GHANA

5. Please have you read/heard about IBF before?

Yes  No

6. If yes, when was the last time you read/heard about it? Less than three years ago  More than three years ago  Not sure

7. Please are you conversant with the basic principles of IBF?

Yes  No

#### C: POTENTIALS OF IBF IN GHANA ( Strongly Agree = SA, Agree = A, Neutral = N, Disagree = DA and Strongly Disagree = SD)

S/N	STATEMENTS	SA	A	N	D	SD
8	If BoG comes out with a regulatory framework for IBF, local banks can create windows to accommodate it.					
9	IBF can offer alternative innovative investment products for the banking sector.					

10	IBF will attract interest-averse investors, thus broaden financial inclusion.				
11	IBF can attract more foreign investors into the banking system of Ghana.				
12	Some subsidiary banks already practice IBF at the international/parent level.				

**D: POTENTIAL CHALLENGES OF IBF IN GHANA**

13. Please do you feel/sense the propagation of a particular religion in IBF?

Yes [ ]                                      No [ ]

14. Do you think the Arabic terminologies may be a hindrance to the understanding and practice of the concept of IBF in Ghana?

Yes [ ]                                      No [ ]

15. Please is the current regulatory environment favorable to the implementation of IBF in Ghana?

Yes [ ]                                      No [ ]

**1. GENERAL OPINION ABOUT THE SUCCESS OF IBF IN GHANA ( Strongly Agree = SA, Agree = A, Neutral = N, Disagree = DA and Strongly Disagree = SD)**

S/N	STATEMENTS	SA	A	N	DA	SD
16	IBF will offer more benefits to the banking sector.					
17	IBF will pose more challenges to the banking sector.					
18	IBF can be practicable in Ghana.					
19	The Ghanaian banking sector is ready to accept IBF.					
20	The BoG can adopt the regulatory framework for IBF in Nigeria.					