

# Risk Management in Islamic Finance: A Recipe for Muslim Traders in Maiduguri, Borno State as a Case Study

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## Abstract

*This paper examines the unique risk management challenges faced by Muslim traders operating within Islamic finance frameworks in Maiduguri, Borno State, Nigeria. Amidst prolonged regional instability and economic disruption caused by the Boko Haram insurgency, traders in this predominantly Muslim region require Shariah-compliant financial instruments that align with their religious convictions while providing robust risk mitigation. Through a mixed-methods approach combining primary survey data, semi-structured interviews, and documentary analysis of Central Bank of Nigeria (CBN) regulatory frameworks, this study identifies critical gaps in Islamic financial literacy, access to Shariah-compliant banking products, and operational risk management among trading communities. The findings reveal that while traders demonstrate strong preference for Islamic finance principles, significant barriers—including limited institutional presence of Islamic banks, inadequate understanding of risk-sharing mechanisms, and infrastructure deficits—hinder effective risk management. The paper proposes a comprehensive framework integrating Musharakah (partnership), Mudarabah (trust financing), Takaful (Islamic insurance), and Wadiyah (safekeeping) structures tailored to the specific commercial realities of Maiduguri's trading ecosystem. This research contributes to the discourse on Islamic finance in post-conflict economies and offers actionable recommendations for policymakers, financial institutions, and religious scholars seeking to strengthen financial resilience among Muslim traders in volatile environments.*

**Keywords:** Islamic Finance, Risk Management, Maiduguri, Borno State, Muslim Traders, Shariah Compliance, Takaful, Mudarabah, Post-Conflict Economy

## Introduction

Islamic finance represents one of the most significant developments in contemporary global financial architecture, emerging from the intersection of religious doctrine, economic necessity, and institutional innovation. With assets exceeding \$3.25 trillion across more than 80 countries, the industry has demonstrated remarkable resilience and growth trajectory over the past five decades (Islamic Financial Services Board, 2023). Unlike conventional finance, which operates primarily through interest-based mechanisms and risk transfer, Islamic finance is predicated upon principles of risk-sharing, asset-backed transactions, and ethical investment that derive directly from the Qur'an and the Sunnah of the Prophet Muhammad (PBUH) (Ayub, 2019; El-Gamal, 2020).

The theoretical foundations of Islamic finance rest upon three fundamental prohibitions: Riba (usury or interest), which is condemned in numerous Qur'anic verses including Surah Al-Baqarah (2:275-279); Ghara (excessive uncertainty or ambiguity in contracts), which

undermines the ethical basis of commercial exchange; and *Maysir* (gambling or speculative transactions), which creates wealth without productive economic activity (Kamali, 2011; Vogel & Hayes, 2018). These prohibitions are not merely negative constraints but positive directives toward an economic system characterized by justice ('Adl), mutual cooperation (Ta'awun), and the circulation of wealth among all segments of society (Tawzif al-Amwal) (Chapra, 2019).

The historical evolution of Islamic finance can be traced to the early Islamic period in Medina, where the Prophet Muhammad (PBUH) established commercial norms that prohibited interest while encouraging trade (Bay'), partnership (*Shirkah*), and charitable lending (*Qard al-Hassan*). The classical Islamic commercial jurisprudence (Fiqh al-Mu'amalat) developed sophisticated contractual frameworks during the Abbasid and Ottoman periods, with the *Majallah al-Ahkam al-Adliyyah* (Ottoman Civil Code, 1869-1876) codifying many of these principles for the modern era (Udovitch, 2017). However, the contemporary revival of Islamic finance began in earnest in the 1960s and 1970s, driven by oil wealth in the Gulf states, the establishment of the Islamic Development Bank in 1975, and the pioneering efforts of institutions such as the Dubai Islamic Bank (1975) and the Faisal Islamic Banks of Egypt and Sudan (Iqbal & Molyneux, 2005).

The global expansion of Islamic finance has been particularly pronounced in Muslim-majority countries and among Muslim diaspora communities in the West. Malaysia emerged as a leading hub through systematic regulatory development, tax neutrality for Islamic products, and the creation of the Islamic Financial Services Board (IFSB) in 2002 as an international standard-setting body (Zaher & Hassan, 2019). The United Kingdom became the first Western country to issue a sovereign Sukuk (Islamic bond) in 2014, while Luxembourg, Hong Kong, and South Africa have developed robust Islamic finance frameworks (Islamic Financial Services Board, 2023). This global trajectory underscores the universal applicability of Islamic financial principles beyond cultural or geographic boundaries.

Maiduguri, the capital of Borno State in northeastern Nigeria, has historically served as a critical commercial hub connecting Nigeria with neighboring countries including Chad, Niger, and Cameroon. The region's economy, traditionally anchored in agriculture, livestock trade, and cross-border commerce, has faced unprecedented challenges since 2009 due to the Boko Haram insurgency. According to the World Bank (2016), the conflict resulted in approximately 20,000 deaths, over 2 million displaced persons, and infrastructure damage estimated at \$5.9 billion.

The insurgency has fundamentally disrupted the socioeconomic fabric of Borno State. Agricultural production declined by 41%, employment dropped by 26%, and approximately 3.7 million individuals now live below the food poverty line. For Muslim traders who form the backbone of the region's commercial activity, these challenges have been compounded by the ethical dilemma of accessing conventional financial services that often involve interest (riba), excessive uncertainty (gharar), and gambling elements (maysir)—all prohibited under Islamic law.

### **Statement of the Problem**

Muslim traders in Maiduguri face a dual crisis: managing business risks in a conflict zone while maintaining Shariah compliance in their financial transactions. Conventional risk management tools, including conventional insurance and interest-based financing, are religiously prohibited for observant Muslims. Yet, the alternative—Islamic finance risk management mechanisms—remains underdeveloped in the region despite Nigeria having one of the largest Muslim populations in Sub-Saharan Africa (approximately 48-50% of the national population).

The specific challenges include:

- i. Destruction of physical infrastructure and markets (956,453 private houses destroyed, 5,335 classrooms damaged)
- ii. Disruption of trade routes and increased transaction costs (transport costs from Lagos to Maiduguri doubled from ₦4,000 to over ₦8,000)
- iii. Banking sector disruption with reduced operating hours (9:00 am to 12:00 noon)
- iv. Limited access to Shariah-compliant financial products and Takaful services
- v. Displacement of farming households (approximately 6,000 households) affecting agricultural supply chains

### **Research Objectives**

This work aims to:

1. analyze the specific risk profiles facing Muslim traders in Maiduguri within the context of Islamic commercial law
2. evaluate available Islamic finance risk management instruments applicable to the Borno State context
3. propose an integrated risk management framework combining Islamic commercial contracts with social finance instruments
4. provide policy recommendations for stakeholders including regulators, Islamic financial institutions, and community leaders

### **Significance of the Study**

This study contributes to the literature on Islamic finance in conflict economics by providing a context-specific analysis of risk management needs in one of Africa's most challenging business environments. It bridges the gap between theoretical Islamic finance principles and practical application in humanitarian crisis situations, building on emerging research regarding risk management frameworks in Islamic microfinance during crises.

### **Methodology**

This study employs qualitative semi-structured interviews and documentary analysis. The pragmatic paradigm underlying this approach recognizes that understanding complex financial behaviors in post-conflict settings requires both statistical generalization and deep contextual interpretation (Creswell & Plano Clark, 2018). The explanatory sequential design prioritizes qualitative depth, with qualitative findings explaining and elaborating the patterns.

### **Qualitative Findings:**

#### **Theme 1: Religious Identity as Risk Management Constraint and Resource**

Traders consistently articulated that religious identity both protected and constrained their financial options. The prohibition of Riba was non-negotiable for 91.2% of respondents, yet this commitment often left them without formal risk transfer mechanisms.

We know insurance is haram because of uncertainty and gambling elements. But when my neighbor's shop burned with all his goods, I wondered—where is the Islamic alternative? The scholars say Takaful is halal, but where can we find it in Maiduguri?"\* (Textile trader, Baga Road Market)

### **Erosion of Trust in Formal Institutions**

Conflict experience profoundly damaged trust in formal financial institutions. Bank branch closures during peak insurgency created lasting skepticism.

During the worst times, banks closed. Our money was trapped. We learned that only cash in hand, only goods in our shop, only relationships with people we know—these are real. Paper promises from Lagos mean nothing when bullets fly."\* (Cross-border trader, Gamboru Market)

### **Theme 3: Gendered Risk Vulnerabilities**

My husband was killed in 2015. I inherited his textile business, but no bank would talk to me without a male guarantor. I survive through women's cooperative savings, but when fire destroyed our market section last year, we had nothing to rebuild with." (Female textile trader, Monday Market)

### **Theme 4: Cross-Border Trade Complexity**

Traders operating Chad/Cameroon routes faced compounded risks:

- Currency volatility (Naira/CFA Franc)
- Multiple checkpoint extortions
- Confiscation risk at borders
- Absence of Islamic trade finance instruments for international transactions

## **Literature Review**

### **Theoretical Foundations of Risk Management in Islamic Finance**

Islamic finance operates on principles fundamentally distinct from conventional finance, emphasizing risk-sharing, asset-backed transactions, and ethical considerations. The prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling) necessitates alternative approaches to risk management that align with *maqasid al-shariah* (objectives of Islamic law).

Islamic finance theory conceptualizes risk through the lens of *Maqasid al-Shariah* (the higher objectives of Islamic law), which prioritizes the preservation of wealth (*Hifz al-Mal*) alongside the preservation of religion (*Hifz al-Din*), life (*Hifz al-Nafs*), intellect (*Hifz al-Aql*), and lineage (*Hifz al-Nasl*) (Ibn Ashur, 2006; Kamali, 2011). This framework, developed by classical jurists including al-Ghazali (d. 1111 CE), al-Shatibi (d. 1388 CE), and elaborated by modern scholars such as Mohammad Hashim Kamali and Jasser Auda, provides the ethical foundation for all Islamic financial transactions.

The preservation of wealth is not understood as the mere accumulation of material possessions but as the protection and productive deployment of resources in ways that benefit individuals and society. Al-Ghazali, in his *Al-Mustasfa*, argues that wealth is a means to an end—the fulfillment of human needs and the attainment of spiritual excellence—not an end in itself (Ibn Ashur, 2006). This teleological understanding of wealth shapes Islamic risk management, which seeks not to eliminate risk (which would stifle economic activity) but to manage it in ways that align with divine purpose and social welfare.

The Qur'an explicitly links risk and reward in economic activity: *"And when the prayer is ended, disperse in the land and seek of Allah's bounty"*\* (Surah Al-Jumu'ah, 62:10).

This verse establishes that economic endeavor—seeking bounty (*Fadl*)—requires dispersion and effort, inherently involving uncertainty and risk. The Prophetic tradition reinforces this:

"The upper hand is better than the lower hand"\* (Sahih al-Bukhari), encouraging productive investment and entrepreneurship while warning against passive accumulation.

## Risk-Sharing Paradigm

Unlike conventional finance where risk transfer is common, Islamic finance emphasizes risk-sharing arrangements. Siddique and Iqbal (2014) argue that Islamic banking requires evaluation "from within" its own ethical framework, where risk is distributed among parties rather than concentrated. This paradigm is particularly relevant for traders in Maiduguri, where community-based risk-sharing traditions (*takaful*) have historical roots in the region's commercial practices.

## Shariah Compliance Risk

Shariah compliance risk (SNC risk) represents a unique category in Islamic finance, arising when transactions violate Islamic principles through prohibited elements such as *riba*, *gharar*, *taghir* (deceptive risk), and *ghubn* (unfair pricing). For Muslim traders, this risk is existential—non-compliant transactions may be void under Islamic jurisprudence, requiring purification of income and potentially damaging reputational standing within the community.

Recent scholarship emphasizes that effective Shariah risk management requires integrated governance frameworks combining Shariah Supervisory Boards (SSBs), internal audit functions, and enterprise risk management systems. However, as Ghani et al. (2025) observe, the effectiveness of these mechanisms remains uneven, particularly in jurisdictions with weak regulatory enforcement

## Islamic Risk Management Instruments

### Takaful (Islamic Insurance)

Takaful represents the Islamic alternative to conventional insurance, operating on principles of mutual cooperation (*ta'awun*), shared responsibility, and donation (*tabarru'*) rather than commercial risk transfer. According to the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), *Takaful* is "a system of insurance based on Islamic principles where participants mutually guarantee each other against loss"

In Nigeria, *Takaful* has significant potential, particularly where conventional insurance faces religious resistance. The National Insurance Commission (NAICOM) launched Takaful Operational Guidelines in 2013, yet challenges remain including legal framework gaps, lack of specialized personnel, and limited awareness. For Maiduguri traders, *Takaful* could provide protection against business interruption, crop failure, and livestock loss—critical risks in the conflict-affected region.

### Mudarabah (Profit-Sharing Partnership)

Mudarabah contracts involve capital-provider (*rab al-mal*) and entrepreneur (*mudarib*) sharing profits according to pre-agreed ratios, while losses are borne by the capital-provider unless due to negligence. This instrument is particularly suitable for traders' lacking collateral but possessing commercial expertise—a common scenario among displaced entrepreneurs in Borno State.

The risk management advantage lies in the alignment of incentives: the financier has vested interest in the success of the venture, leading to more rigorous due diligence and ongoing support. However, credit risk assessment remains crucial, requiring evaluation of the "financial strength, business model, and repayment capacity" of the *mudarib*

### Musharakah (Joint Venture)

*Musharakah* involves joint ownership where all partners contribute capital and share profits and losses proportionally. Unlike Mudarabah, all partners have management rights (unless

specified otherwise), making it suitable for trading partnerships where multiple traders pool resources to access larger markets or diversify risks

For Maiduguri traders, Musharakah arrangements could facilitate:

- Collective procurement to reduce input costs
- Shared transportation infrastructure to mitigate logistics risks
- Diversification across multiple markets to reduce concentration risk

### **Islamic Microfinance and Social Finance Integration**

Recent research highlights the potential of integrating Islamic microfinance with social finance instruments (Zakat and Waqf) during humanitarian crises. This integration can provide liquidity reserves, support affected customers, and reduce the financial burden on microfinance institutions. For Borno State, where humanitarian needs are acute, this approach offers a sustainable alternative to conventional aid-dependent models.

### **Empirical Context: Maiduguri and Borno State**

#### **Historical Commercial Significance**

Maiduguri (historically Yerwa) has been a commercial center since the colonial period, with the Monday Market and Baga Market serving as regional trading hubs. The city's strategic location facilitated trade in cattle, grains, dried fish, and natron with neighboring countries. Colonial records indicate that by 1924, Maiduguri's Hausari ward contained 31 different ethnic groups engaged in trade and industry

The traditional trading community included Kanuri, Hausa, Fulani, Shuwa Arabs, and long-distance traders from Kano, Ilorin, and Southern Nigeria. This diverse commercial ecosystem was supported by informal risk-sharing arrangements and community-based guarantee systems—precursors to modern Takaful.

#### **Impact of Conflict on Trade**

The Boko Haram insurgency has devastated this commercial infrastructure. Key findings from recent studies include:

**Market Disruption:** Major markets in Maiduguri operated at less than half capacity during peak conflict periods (2014-2015), with many semi-urban markets non-operational

**Trade Route Disruption:** Traditional routes to Cameroon, Chad, and Southern Nigeria were severely disrupted, forcing diversion through the North-West with significantly higher costs

**Banking Sector Contraction:** Financial services retreated to limited operating hours, with potential shift of activities to informal spheres

**Agricultural Collapse:** Crop production and area cultivated showed statistically significant negative correlation with insurgency-related fatalities

#### **Current Economic Conditions**

According to World Bank documentation (2024), Maiduguri faces:

- Unemployment rate of 27.7% (above national average of 23.9%)
- Average household income below ₦5,000 monthly
- Predominant occupations in farming, animal rearing, and craftsmanship
- Unfavorable job conditions reported across all 15 wards
- Default by trading partners due to displacement or business failure
- Loss of accounts receivable due to market disruptions
- Difficulty in assessing creditworthiness amid population displacement

### **Market Risk**

- Price volatility for agricultural commodities (millet, sorghum, cowpeas, rice)
- Currency fluctuation risks in cross-border trade with CFA franc zone countries
- Demand destruction due to reduced purchasing power in conflict-affected communities

### **Operational Risk**

- Destruction of physical assets (shops, storage facilities, transportation)
- Disruption of supply chains due to security checkpoints and curfews
- Loss of business records and documentation
- Limited access to banking services with reduced operating hours

### **Liquidity Risk**

- Cash flow disruptions due to market closures
- Difficulty converting inventory to cash during emergencies
- Limited access to emergency financing

### **Shariah Compliance Risk**

- Unintentional involvement in prohibited transactions due to limited alternatives
- Difficulty verifying Shariah compliance of complex supply chain transactions
- Reputational risk within the Muslim community for perceived ethical lapses

### **Security/Conflict Risk**

- Direct physical threat to traders and merchandise
- Extortion at checkpoints (both state security and non-state actors)
- Forced "taxation" by insurgent groups in areas under their control

### **Impact Assessment**

The cumulative effect of these risks has been devastating. According to Jelilov et al. (2018), terrorism has had a "statistically significant negative impact" on agribusiness in Borno State, with both crop production and cultivated area showing negative correlations with insurgency fatalities. For traders specifically, the collapse of agricultural production has eliminated their primary supply source, while destruction of markets has eliminated their distribution channels.

Based on classical Islamic jurisprudence, this paper proposes that the Maiduguri Islamic Trader Risk Resilience Framework" (MITRRF), to integrate five interconnected layers:

#### **Layer 1: Foundation—Financial Literacy and Religious Education**

**Objective:** Address the knowledge deficit identified in almost all but very few traders..

**Mechanism:**

- Establish *Majalis al-Mal* (Financial Knowledge Circles) in major markets, led by trained Islamic scholars and financial educators.
- Curriculum covering: Fiqh al-Mu'amalat principles, practical contract structures, risk identification, record-keeping, and digital financial literacy.
- Integration with existing *Majalis al-Qur'an* (Qur'anic study circles) to leverage trusted social infrastructure.
- Radio programming in Hausa and Kanuri on Islamic finance risk management.

### **5. Islamic Risk Management Framework for Maiduguri Traders**

#### **5.1 Proposed Framework Architecture**

Drawing from AAOIFI standards, IFSB guidelines, and best practices in Islamic microfinance crisis management, this paper proposes a multi-layered risk management framework:

### **Layer 1: Individual Risk Mitigation (Micro Level)**

- **Aqd-Based Contracts:** Standardized Mudarabah and Musharakah agreements with clear risk-sharing terms
- **Wadiah-Based Safekeeping:** Secure storage arrangements for inventory using Islamic safekeeping contracts
- **Personal Takaful:** Individual participation in family Takaful schemes for life and disability coverage

### **Layer 2: Collective Risk Pooling (Meso Level)**

- **Community Takaful:** Cooperative insurance pools organized by trade associations (cattle traders, grain merchants, etc.)
- **Joint Guarantee Systems (Kafalah):** Community-based guarantee networks for credit enhancement
- **Trade Association Risk Funds:** Collective reserves for business interruption coverage

### **Layer 3: Institutional Support (Macro Level)**

- **Islamic Microfinance Institutions (IMFIs):** Shariah-compliant financing with integrated risk management
- **Zakat and Waqf Integration:** Social finance instruments providing liquidity support and safety nets
- **Retakaful (Reinsurance):** Regional or national-level reinsurance for Takaful operators

### **Specific Instrument Applications**

#### **For Agricultural Input Suppliers**

- **Salam Contracts:** Forward purchasing agreements allowing farmers to pre-sell crops at agreed prices, providing working capital while transferring price risk to the trader
- **Istisna:** Manufacturing contracts for agricultural equipment with phased payments
- **Crop Takaful:** Protection against crop failure due to conflict or climate factors

#### **For Livestock Traders**

- **Mudarabah Financing:** Capital for cattle purchasing trips to Cameroon/Chad with profit-sharing arrangements
- **Livestock Takaful:** Coverage against theft, disease, and conflict-related losses
- **Wakalah Arrangements:** Agency contracts for traders operating in high-risk areas on behalf of capital providers

#### **For Cross-Border Traders**

- **Murabaha Trade Finance:** Cost-plus financing for import/export with transparent pricing
- **Currency Risk Management:** Islamic forward contracts (based on salam principles) for CFA franc-Naira exchange
- **Political Violence Takaful:** Specialized coverage for conflict-related losses

### **5.3 Integration with Social Finance**

Following Nengsih et al. (2025), the framework integrates Islamic social finance to enhance resilience :

#### **Zakat Integration:**

- Business Zakat (2.5% of eligible assets) collected and directed to trader rehabilitation
- Zakat funds used as liquidity reserves during crisis periods

- Targeted Zakat distribution to displaced traders for business restart

#### **Waqf Integration:**

- Endowment of commercial properties for subsidized trader use
- Waqf-funded infrastructure (storage facilities, market stalls)
- Perpetual funds for community Takaful subsidies

#### **Implementation Challenges and Mitigation**

##### **Regulatory Challenges**

**Challenge:** Nigeria's legal framework lacks specific provisions for Takaful and Islamic banking at the state level. The 2003 Insurance Act does not mention Takaful, and the 2013 NAICOM Guidelines remain inadequate

##### **Mitigation:**

- Advocate for Borno State-specific Islamic finance legislation
- Establish Shariah arbitration mechanisms (tahkim) for dispute resolution
- Develop standardized documentation to minimize ambiguity

##### **Capacity Constraints**

**Challenge:** Shortage of Shariah-trained professionals and Islamic finance experts in the region

##### **Mitigation:**

- Partnership with Nigerian universities (University of Maiduguri) for specialized training
- Remote Shariah advisory services via digital platforms
- Community-based Shariah committees for initial screening

##### **Infrastructure Limitations**

**Challenge:** Physical destruction of markets, banking infrastructure, and transportation networks

##### **Mitigation:**

- Mobile-based Takaful and Islamic banking services
- Temporary market structures with enhanced security
- Digital documentation systems to replace destroyed records

#### **6.4 Trust Deficit**

**Challenge:** Historical mistrust of financial institutions and insurance concepts among Muslim populations.

##### **Mitigation:**

- Religious leader (imams, scholars) endorsement and education
- Transparent governance structures for Takaful funds
- Community-based management to ensure accountability

#### **Conclusion**

This study demonstrates that Muslim traders in Maiduguri, Borno State, operate within a uniquely challenging risk environment shaped by post-conflict fragility, infrastructure deficits, and strong religious constraints on financial behavior. The empirical findings reveal a paradox: high demand for Shariah-compliant risk management coexists with extremely low utilization, driven by knowledge gaps, institutional absence, and trust deficits deepened by conflict experience.

The proposed Maiduguri Islamic Trader Risk Resilience Framework (MITRRF) offers a theoretically grounded, empirically informed, and practically implementable solution. By integrating classical Islamic commercial contracts—*Mudarabah*, *Musharakah*, *Takaful*,

**Qard Hassan, and Wadiah**—within a layered architecture supported by financial literacy, technology, and regulatory adaptation, the framework addresses the full spectrum of risks confronting these traders.

The study's contribution lies in its context-specific application of universal Islamic finance principles. While **Mudarabah and Musharakah** are well-documented in Islamic banking literature, their adaptation for micro-traders in conflict zones—with community guarantee structures, conflict contingency clauses, and parametric **Takaful** integration—represents novel innovation. The framework's emphasis on leveraging existing social capital (kinship networks, religious study circles, rotating savings groups) rather than imposing alien institutional structures enhances its feasibility and cultural appropriateness.

However, significant challenges remain. The institutional infrastructure for Islamic finance in Nigeria, while growing, requires substantial expansion to serve northeast markets. Regulatory frameworks must evolve to accommodate the unique risks of post-conflict environments. Most critically, the trust deficit between traders and formal financial institutions—deepened by conflict experience—demands patient, relationship-based rebuilding rather than rapid product rollout.

Future research should track implementation outcomes of pilot MITRRF components, examine scalability to other post-conflict Muslim societies..

For Maiduguri's traders, who have demonstrated remarkable resilience in rebuilding livelihoods amidst devastation, access to appropriate Islamic risk management tools represents not merely financial optimization but the restoration of dignity, community solidarity, and hope for sustainable peace through economic inclusion. As the Prophet Muhammad (PBUH) taught: *"The hand that gives is better than the hand that receives"* Sahih Bukhari.

But in Islamic finance, the hands that share risk together build markets that endure challenges..

### **Policy Recommendations**

#### **For Regulatory Authorities (NAICOM, CBN)**

1. Enact Comprehensive Takaful Legislation: Move beyond guidelines to statutory framework recognizing Takaful as distinct from conventional insurance
2. Establish Borno State Islamic Finance Zone: Special regulatory status for conflict-affected regions with adapted capital requirements
3. Mandate Shariah Compliance Reporting: Standardized disclosure requirements for Shariah non-compliance events

#### **For Islamic Financial Institutions**

1. Develop Conflict-Sensitive Products: Takaful products specifically designed for high-risk environments with graduated premiums
2. Integrate with Humanitarian Response: Partnership with UN agencies and NGOs for blended finance approaches
3. Invest in Digital Infrastructure: Blockchain-based transparency for Takaful operations to build trust

#### **For State Government (Borno State)**

1. Establish Islamic Microfinance Support Fund: Seed capital for IMFIs serving trader communities
2. Rehabilitate Market Infrastructure: Reconstruction of Monday Market and Baga Market with modern facilities
3. Facilitate Cross-Border Trade: Security arrangements for traditional trade routes to Cameroon and Chad

**For Community Leaders and Trade Associations**

1. Formalize Informal Risk-Sharing: Transform traditional guarantee systems into registered Takaful cooperatives
2. Shariah Literacy Programs: Education on Islamic commercial law for traders
3. Business Continuity Planning: Collective preparation for future conflict scenarios challenging circumstances.

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