

## **Applicability of Islamic Principles of Finance to avert Economic Recession of a Monoprodukt-Cum-Monopsonic Economy**

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**Abstract :** *Due to the claim of unremitted crude-oil income, blames and existence of economic recession in Nigeria the paper obliged by the instruction given by Allah (SWT) to man to revise (Q 59: 18) in order to sought and suggest Islamic Economic Solution to Economic Recession in Nigeria. The paper obtained data on Crude-Oil Income and Expenditure of Nigeria from the Nigerian Budgets of 2007 to 2016 and compared it with international benchmark prices of crude-oil using Content Analysis of documents obtained, as acceptable by Islam, the Compendium of knowledge, to analyze the Public Resource Management (PRM) of Crude-Oil with a view to provide solution to economic recession in Nigeria. It is found that forensic test was not needed to know that Excess Crude-oil Income (ECI) was not accounted for in the assessed budgets; Expenditure were not attached to income and all Nigerians should be blamed for Economic Recession, among others. It suggests that Federal Government of Nigeria (FGN) should adopt Islamic Principles of Financing (IPF) by making provisions for National Economic Stabilization Account (NESA) in the Nigerian Budgets, quick spending on Productive Ventures: Public Goods, and financing the Private Sector on Interest-Free Basis (IFB) to prevent reoccurrence of Economic Recession and achieve Sustainable Economic Growth and Development of the Nation.*

**Keywords** - *Economic Recession, Economic Reserve, Economic Revision, Islamic Principles of Finance, Monoprodukt-Cum-Monopsonic Economy and Management.*

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### **I. Introduction**

In the Holy Qur'an, Allah (SWT) says He created a lot of resources for man's sustenance (Q 2: 22). Thus, one can deduce that one of the resources created for Nigeria is Crude-Oil. Allah (SWT) owns everything (Q 2: 284), thus, human beings are expected to use them as He, the Owner, desires. However, Allah (SWT) says that if men were to be given power over all things they would not like to spend them due to their stinginess (Q 17: 100). Islamic Economics is in support of full capacity utilization of resources for Allah (SWT) advises man to spend from their wealth before a day when there would be no trade, no intercession and no relief (Q 2: 254). "No relief" could mean economic recession of this world and sufferings in the next world.

Nigeria is the highest producer of Crude-Oil in Africa, sixth in the World and is permitted to export 2.5 million barrels of Crude-Oil per day (Trading Economics, 2016). There was a Global Economic Meltdown in 2008 when the price of crude-oil fell from USD \$137 to about \$38 (Jonathan, 2012). The sub-headings of Public Expenditure in Nigeria are Recurrent Expenditure, Capital Expenditures, Statutory Transfer and Debt Service as could be read from the budget speeches of Nigerian Presidents Obasanjo in 2007; Yar'adua in 2007 and 2008; Jonathan from 2009 to 2015 and Buhari in 2016. The objective of the 2012 budget was to establish and strengthen macroeconomic environment, facilitate private sector growth, boost employment generation, and ensure wealth creation (Omisore, 2011). The economic recession of 2016 in Nigeria shows the objectives were not achieved.

About 20% of 2008 budget was on security due to Niger Delta Problems (Yar'adua, 2007). About 25% of 2014 budget was allocated to security due to insecurity caused by Boko-Haram insurgents (Jonathan, 2004). These budgeted figures are showing that huge percentages were allocated as security votes which imply that many Nigerians were not pleased with the ways Nigerian leaders managed the national resources and led to insecurity. The economic recession in Nigeria is shown by the inability of the Nigerian governments (Federal, State and Local) to pay the salaries of some civil-servants in Nigeria for some months since 2015 up till the period of this study despite the fact that FGN gave bail-out funds (Emefiele, 2017) and Paris Loans refunds (Adeosun, 2017) to States.

There was uncertainty in the world Economy (Jonathan, 2013). The uncertainty could be shown if the benchmark of crude-oil prices (BCP) given by IMF/World Bank Data is different from the one used for Nigerian Budgets for some years. Allah (SWT), in the Holy Qur'an (Q 17: 100) says man would not like to spend of their wealth even if they are given wealth filling the worlds; and in (Q 2: 155) He (SWT) warned all men of tests (fear, hunger, diminishing wealth, depopulation, etc) or challenges that could be termed Economic Recession.

Islam forbids the act of not feeding the needy (Q 107: 3); not pleased with the act of aggregating money and thinking it will sustain man (Q 104: 2-3); and debunked excessive materialism (Q 102: 1-8). In addition, men are superior to women because men spend their resources on women (Q 4: 34) and men (i.e. heads of governments) must protect themselves and family members (i.e. the governed) from the fire of hell (i.e. Economic Recession in this world and Hell in the hereafter)(Q 66: 6).

The research problem arises due to the fact that the use of well established econometric methodology of oil price moving averages (Jonathan, 2013) and FGN budget proposal as the product of extensive consultation with key stakeholders (Jonathan, 2012) did not prevent economic depression in Nigeria in 2016. Some state governors were not using the bail-out fund given to them by FGN to pay salaries of their workers (Emefiele, 2017). They claim that some of the money (\$20m) realized by Nigeria National Petroleum Company from Crude-Oil was not remitted into the federation purse and the forensic audit conducted on the allegation proved it wrong (PricewaterhouseCoopers, 2015). National Bureau of Economic Research (NBER) defines Economic Recession as a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real gross domestic product (GDP), real income, employment, industrial production and wholesale-retail sales (Jones, 2017). Nwankwo (2017) observed that, after a decade of growth of about 6% in the Nigerian economy there came recession. Paris Loan Refunds given to State Governments by FGN with conditions that they use 50% of the money to settle arrears of salaries owing civil-servants (Adeosun, 2017) could not solve their recession problems. Nigeria was adjudged to be in the phase of recession following a sustained drop in her gross domestic product (GDP) of about 2.06 percent in the second quarters of 2016 after falling 0.36 percent (Nwankwo, 2017). The recession in Nigeria showed that econometric theory failed to predict economic doldrums facing Nigeria. Thus, Economic recession is a situation where both private and public sectors of the economy could not alleviate the macroeconomic problems of underemployment, low productivity, rising commodities' prices and low rewards for works done.

Based on the analogies made above, this paper asked the following questions: Do we need forensic tests to discover missing public funds? Was there any missing income? What are the things Nigerian could have benefited if she had applied Islamic Principles of Financing? This paper is showing that Nigeria could not have witnessed Economic Recession if Islamic Principles of Finance (IPF) had been applied to the management of Excess Crude-oil Income (ECI). Among the IPF are that of savings for the future as in the Glorious Qur'an (Q 59: 18) which says believers should fear Allah (SWT) and look at their preparations for the future [when Allah (SWT) may seize the flow of their wealth (Q 67: 30)]. It is expected that Nigeria can be keeping the Excess Crude-oil Income, in the hands of Nigerians, for tomorrow [(when there may be no excess that flows, as believers are intimidated in the Glorious Qur'an (Q 2: 155; and Q 27: 30)].

The study avoids hypothesis formulation for Allah (SWT) commands believers to shun assumptions (Q 49: 12) and says no assumptions can supersede the truth (Q 53: 27; Q 10: 32 & 36), enjoins man to shun assumptions (Q 43: 28), and whosoever does not judge with what Allah (SWT) has revealed is an evil doer (Q 5: 45). In addition, to Allah (SWT) belongs the perfect proof, if He wills, He would guide everybody to the right path (Q 6: 149) and those in doubt should seek solutions in Allah (SWT) and His Apostle (SAAWS) for that is better and more suitable for final determination (Q 4: 59).

## **II. Review of Relevant Literature**

This paper is based on the Philosophy of Islam which accepts that Allah (SWT) owns everything, if one discloses or hides what is in his mind He, Allah (SWT) would call man to account for it (Q 2: 254). He, Allah (SWT) releases all adornment on the Earth as tests for human beings to know which of them would be of good behavior (Q 18: 7). Believers should spend in the ways of Allah (SWT) (Q 49: 15), Stingy people are wounding their own souls (Q 47: 38). Good deeds are given better rewards (Q 18: 2) and no reduction of rewards of good deeds of believers (Q 18: 2; Q 18: 30; and Q 49: 14) among other IPF accepted by this paper.

A mono-product nation is where a product accounts for about 85% of its income at the International trade (Cuhan-Pole, 2013). Mono-product economy will remain vulnerable due to the vulnerability of oil price, to have steady growth; Cuhan-Pole (2013) then suggests the adoption of diversification strategy to the affected countries. The contribution of crude-oil to GDP was 40%, 90% to export and 50% to revenue (Yar'adua, 2008). This shows that Nigeria is a Monoproduct nation. About 50% of Nigerians were living below poverty line (Yar'adua, 2008). Yar'adua (2008) called for the reversal of these ratios without giving any method of doing this.

Monopsony is an English word that originates from two ancient Greek words "mono" and "opsonia" which means "single" and "purchase" respectively (Kerr and Harcourt, 2002). Joan Robinson in her book 'The Economics of imperfect competition written in 1933 was the first to use the word "Monopsony" which means a situation where there is only one or major buyer among many sellers in an economy (Kerr & Harcourt, 2002). Thus, Monopsonic economy is where there is a single and major buyer for a product that has many sellers. For most of Nigerians are working and still wish to work under the public sector means that Nigeria is a Monopsonic economy.

The relevance of Monopsony concept in this paper is that Allah (SWT) is warning everyone that if He disallows the flow of the fluid (Q 67: 30) nobody can mobilize it. The similitude of the fluid is the income from Crude-oil and experience has shown that Nigeria economy is heavily reliant on the income generated from the crude-oil sector to the extent that all Budgets in Nigeria are based on crude-oil income. The Monopsony and Monopsonic nature of the Nigeria Economy was exhibited by the fact that the Private Sector (Household and Market sectors) could not rescue the Nigeria economy from recession when the Public Sector failed.

Management is the transformation of resource into utility (Malik, 2011). This is in consonance with the fact that all men are expected to use what Allah (SWT) has given them to acquire betterments or utilities of this world and hereafter (Q 28: 77). In Nigeria, both of the bail-out (Emefiele, 2017) and Paris club loan refunds (Adeosun, 2017) have not been spent to create the desire utilities to reduce recession.

Islamic Principle of Finance (IPF) are showing that resources are created by Allah (SWT) for man (Q 2: 22), owned and appreciated by Him (Q 2: 254 and Q 31: 26), whether hidden or displayed is owned and known by Him (Q 2: 284), will always test man with it (Q 2: 155) and should be used to assist the poor (Q 107: 1-3); spent on time (Q 2: 254) and must not be excessively accumulated by any man (Q 102: 1 - 8). Therefore, nobody can do otherwise when He retrieves it (Q 67: 30). Allah (SWT) would not relegate anybody except those who reduced what was in their mind (Q 13: 11), man must neither be a spendthrift nor stingy (Q 17: 29-39) but everyone must fulfill scale of measurement (Q 17: 35). Men are superior to women by spending their resources on them (Q 4:34), and should prevent themselves and family from torment of hell fire (Q 66: 6). Men will be asked of their pleasures in life (Q 102: 8). Men are expected to prevent themselves and family members from His Fire of Hell (Q 66: 6). All men are expected to use what Allah (SWT) has given them to secure Utilities (Q 28: 77).

Increase in supply of money would lead to inflation (Fisher, 1932). Increase in money supply has psychological factors that increase propensity to consume, and expectation of future yield (Keynes, 1936). Thus, it is not wrong to expect all recurrent and non-debt spending of government (salaries, overheads, and other transfers) to yield liquid and sustainable assets. Permanent Income Hypothesis recognizes the existence of permanent and transitory income (Friedman, 1957) but did not discuss these with the existence of Allah (SWT). At least, he recognized the existence of unknown and unexpected income. In addition, the theory did not explain a situation where the income earners may desire not to add the transitory income to the present consumption expenditure in order to give it out as interest-free loan.

Past leaders of the country, since the return of democracy in 1999, were culpable of the present economic problems of the country (Saraki, 2016). Saraki (2016) suggested that what was needed from all stakeholders is a collective participation of all for the good of Nigerians. Between 30 and 40% percent of every Naira earned was spent on servicing debts and that the new borrowed are simply recycled into much higher recurrent expenditure (Sanusi, 2017). The GDP was growing largely due to consumer items and Nigeria became bankrupt due to some policies implemented by its leaders (Sanusi, 2017).

The synthesis of the literature reviewed shows that there was no agreement on the effects of increase in supply of money on the economy among the classical (e.g. Irvin Fisher) and Neo-Classical (John Maynard Keynes) economists. In addition, Nigeria leaders (administrative, political, financial and econometrical) were only exposing their weaknesses without propounding any economic policy that could have prevented economic recession in Nigeria. The philosophy of Islamic Economics is that the application of Islamic Principles of Finance (IPF) better and more suitable for final determination (Q 4: 59). Thus, this paper is written in compliance with IPF.

### **III. Methodology**

The objectives of researches are to solve the unsolved problems and there are three types of research, viz: Library, Field and Laboratory Research (Kothari, 2004). This paper is made of Library Research. Research Methods are Analysis of Historical Records and Analysis of Documents (Kothari, 2004). This paper is aimed at providing policy strategy of solving the unsolved problem of Economic Recession in Nigeria. The Analysis of Documents Method is adopted for Allah (SWT) would call man to account for how he spent His resources (Q 2: 284) and believers are intimated of a book of recording deeds of man which leaves neither a small thing nor a big thing without recording it in numbers (Q 18: 49). The Documents obtained for the paper are Budgets of Federal Republic of Nigeria from 2007 to 2016.

The Content Analysis of the data obtained is based on the Islamic Principles of Finance (IPF) with *Khilafat* Model which accepts that Allah (SWT) owns everything and He, Allah (SWT) gives man (His vice-regents) parts of what he requests for, the Mercy of Allah (SWT) is innumerable but man is ungrateful (Q 14: 34). Man is permitted to seek Means of Approaching (*Wasilah*) Him, Allah (SWT) and strive hard to be successful (Q 5: 35). Man may conceal and/or reveal some information (Q 2: 254) but Allah (SWT) knows all and is taking records of all (Q 2: 284 & Q 59: 19). Man must take heed in worshipping Allah (SWT) and look at what he has prepared for tomorrow (Q 59: 18). Those who spend their wealth night and day, secret and open would get better rewards and fear no recession (Q 2: 274). Believers who do good deeds would have fair rewards (Q 18: 2).

Secondary data was obtained on the Revenue Side (Benchmark of Crude-Oil) as forwarded by IMF/World Bank and compares it with the Benchmark of Crude-Oil used by various Nigeria governments to draw the Nigerian Budgets for ten years (2007 to 2016)] and the Expenditure Side of the Nigerian Budgets. The Islamic model of analysis of the budget to is find the reality of concealment of data (e.g. excess income from crude oil) as stated in the Glorious Qur'an (Q 2: 284) by looking for the differences and/or similarities in the Benchmarks (DBM) used by Nigeria for her budgets and ones displayed by IMF/World Bank. The difference then is multiplied by the daily volume of crude oil produced to get excess crude income in dollars per day. The Excess and/or Deficit Crude-Oil Income in dollars are further multiplied with exchange rate of Naira to dollars to get daily oil income in millions of naira. To get annual income realized from crude oil in naira, the study multiplies the figures obtained by 365 and 366 for the normal and leap years, respectively. The data obtained covers the budget speeches of four Nigerian Presidents: Obasanjo in 2007; Yar\adua in 2008 and 2009; Jonathan between 2010 and 2015 and Buhari in 2016.

The volume of Crude-Oil sold by Nigeria is stated in Million Barrels Per Day (mb/d). The paper displays the expenditure side of Nigeria budget [(Provisional Budgeted Figure' (PBF), Provisions for Statutory Transfer (PST), Provisions for Capital Expenditure (PCE), Provisions for Debt Services (PDS) and allocations to MDAs (Ministries, Departments and Agencies)] in order o compare them with the ECI of the years studied.. year 2007 is the base period.

This method is acceptable in Islam for it makes use of, at least a Qur'anic Verse and/or an *Hadith*(Prophetic Speeches) to back our arguments in the method adopted. This is in consonance with the last verse of *Suratul-Kahf* (Q 18: 110) where Allah (SWT) says whosoever wants to meet His Lord should do good deeds and do not doubt his worship of his Lord. That is to say, we made sure that we have used, at least one Qur'anic verse and/or *Hadith* to back our arguments in this paper. Prophet Yusuf (ASW) is said to have invented food barn or storage when scarcity of food and/or famine was imminent on them (Q 12: 1-52). Thus, Islamic and all leaders are permitted to revise (Q 59: 18), store food and other valuable resources for rainy days (Q 12).

#### IV. Data Presentation, Analysis, Findings and Discussion

##### 4.1 Data Presentation

The data obtained onincome (Benchmark prices of crude-oil used by International Community and Nigerian Government via volume of crude oil production, exchange rate of naira to dollar) andexpenditure (Provisions for Statutory Transfers; Provisions for Capital Expenditures; Provisions for Ministries, Departments and Agencies; Provisions for Debt Services; and Total Reserves) of Nigeria for ten years(2007 to 2016) goes thus:

**Table 4.I: Table of Data obtained for the Study**

Year	IBM (\$)	NBM (\$)	COP (mb/d)	NDR (N)	PCE (N'm)	PDS (N'm)	NTR (N'm)	PST (N'M)
	"a"	"b"	"c"	"d"				
2007	69.4	40	2.5	127	491000	326000	51907035	102000
2008	94.1	59	2.5	117	634200	372200	53599284	187600
2009	50.86	45	2.29	129	796700	283600	45509823	140700
2010	77.38	57	2.01	150	1370000	517070	35884926	180300
2011	107.46	75	2.3	150	1560000	445100	36263659	496600
2012	109.45	72	2.48	160	1320000	560000	47548405	398000
2013	105.67	75	2.53	160	1640000	591760	46500000	380020
2014	96.29	77.5	2.39	160	1120000	712000	37497240	408690
2015	49.45	65	2.28	190	577780	953620	31334502	412000
2016	40.68	38	2.2	197	1760000	1361000	25720000	351370

**Sources:** Authors' extraction from the following websites:

<http://www.nigerianstat.gov.ng/library>. and

<http://m.theglobaleconomy.com/Nigeria/Reserves/> including Nigeria Budget Figures.

The table 4.1excludes Excess-income from the Crude-Oil Sector as income because none of the budget statements included it. In addition, income generated from all of the public expenditures listed were not attached to them.

**4.2 Data Analysis**

From the Table 4.1 above, the study discovers that those budgets were based on the expected crude-oil prices and production; and exchange rate of Naira to Dollar neglecting the differences or deviations that may arise from them which confirms that man may forget Allah (SWT) and thereby forget themselves as in Qur'an (Q 59: 19). The data analysis is now based on the differences between the IBM and NBM of Crude-Oil Prices. Allah (SWT) would not change what He designed for people until they change what is in their souls (Q 8: 53). We gain the knowledge of Economic Revision and challenge to manage resources in order to have provision for future in the Holy Qur'an (Q 59: 18) and (Q 12: 1-52). Thus, all human beings are the vicegerent of Allah (SWT) who must employ everything created (Q 2: 22) by Allah (SWT) as desired by Him, Allah (SWT) in the Qur'an (Q 49: 45; 50: 50; and 50: 54). Based on the Qur'anic verse (Q 59: 18) suggesting Economic Revision the study revises the differences in benchmark of crude oil and gets the substantial part of national income, omitted from the Nigerian budgets, as follows:

**Table 4.2: Analysis of Excess Crude-Oil Revenue earned by Nigeria between 2007 and 2016**

Year	IBM (\$) "a"	NBM (\$) "b"	COP (mb/d) "c"	NDR (N) "d"	DBM (\$) "e"	ECId (\$)"f"=e.c	ECId (N)"g"=f.d	ECId (N)"h"
2007	69.4	40	2.5	127	29.4	7.35	933.45	3,360,738
2008	94.1	59	2.5	117	35.1	87.75	10266.8	3,757,631
2009	50.86	45	2.29	129	5.86	13.42	1731.18	63,210.70
2010	77.38	57	2.01	150	20.38	40.97	6145.5	2,242,560
2011	107.46	75	2.3	150	32.46	74.66	11199	4,982,724
2012	109.45	72	2.48	160	37.45	92.88	14860.8	5,365,853
2013	105.67	75	2.53	160	30.67	77.6	12416	4,531,840
2014	96.29	77.5	2.39	160	19.79	47.3	7568	2,622,744
2015	49.45	65	2.28	190	-15.55	-35.45	-6735.5	-2,458,458
2016	40.68	38	2.2	197	2.68	5.9	1162.3	425,401.80

**Source:** Authors' collation from the Budget Speeches of Nigerian Presidents from 2007 to 2016 and International Benchmark Prices of Crude-Oil

That is to say, IBM (\$) "a" represents International Benchmark Price of Crude-Oil. IBM (\$) and are obtained from a website, [www.tradingeconomics.com/Nigeria/-crude-oil-production](http://www.tradingeconomics.com/Nigeria/-crude-oil-production) while the other variables are extracted from budget speeches of Nigerian Presidents within the period studied.

NBM (\$) "b" stands for Nigeria Benchmark Price of Crude-Oil.

COP (mb/d) "c" connotes units of Crude-Oil Produced per day.

NDR (N) "d" implies Naira/Dollar Rate.

DBM (\$) "e" takes the place of Difference in Benchmark Price of Crude-Oil.

ECId (\$) "f"="e.c" is Excess Crude-Oil Income per day, in dollar.

ECId (N) "g"="f.d" means s Excess Crude-Oil Income per day in naira in dollar.

ECI (N) "h" denotes s Excess Crude-Oil Income per annum in naira.

From the table above (table 4.2), one could see that all of the variables studied as expenditure: NBF, PCE, PDS, NTR, MDAs, and PST were only rising without any commensurate increase in the income generated from them and ECI. But because when there was negative ECI in 2015 Nigeria witnessed Economic Recession in 2016. It also indicates that FGN did not attach the income to expenses earned from all sectors on which they expended the oil income.

**4.3 How Nigeria could have averted Economic Recession if IPF had been applied**

The knowledge of Economic Revision and Reservation for Future (ERRF) are traced to the statement of Allah (SWT): "O! you who believe, fear Allah (SWT) and look at what you prepared for tomorrow" (Q59: 18). All rational men may think that if the main sector generating revenue for Nigeria have had savings as recommended by Islam there would not have been Economic Recession. In order to preserve resources for tomorrow (Q 59: 18) the Federal Government of Nigeria may use the *Wasila* (A devise that serves as a step towards the attainment of objective) of earmarking, spending and lending (ESL) copied from Prophet Yusuf (Q 12: 1-52) who created a lot of food barn in preparation for famine. Thus, FGN can set aside, annually, a sum between two and a half (2.5%, compulsory on rich Muslims) and ten percent (10% as tithe paid by Christians) of excess Crude-Oil Income for Social Security Scheme (SSS) as beggars have rights in the wealth of the rich (Q 51: 19) inform of Zakat [to be given to the poor, needy, wayfarer, debtors, ways of Allah (community development), widows, new converts (recently freed prisoners)], and orphans in the Holy Qur'an and gives the remaining ninety percent (90%) as loan to the able-bodied men and women in the economy, the resultant effect will be as tabulated below.

**Table 4.3: Schedule of how Nigeria might have averted Economic Recession if IPF were applied**

This schedule is formulated based on the fact that Allah (SWT) says whosoever does not judge with Qur'an is an evil doer (Q 5: 45); what is with Him is better than amusement or merchandise and He is the best provider (Q 62: 11); and Prophet Yusuf (ASW) as in the Glorious Qur'an, Chapter twelve provided warehouses for his people when the King of his era dreamt of famine. This is where the proposition of National Economic Stabilization Account (NESA) came in. Prophet Muhammad (SAAWS) said if Mount Uhd were turned to gold he would have spent it in the ways (say Social Security Scheme) of Allah (SWT) within three days except that with which he would settle his debts (Khan, 1994; *Hadith*: 1103). This is where the suggestion of prompt disbursement of ECI as Social Security to the extremely poor people and loans to the civil-servants comes in. Ten percent is used for SSS to ensure that it would cover the non-Muslims' (Christians especially) acceptable charity limit.

Year	ECI (₦' m) "a"	Amount Allocated for the SSS (₦' m) "b=10%(a)"	Loan Issued (₦' m) "c=90%(a)"	Cumulative Loan Issued (₦' m) "d <sub>n</sub> = d <sub>n-1</sub> + C <sub>n</sub> "
2007	3,360,738	336073.8	3024664.2	3024664.2
2008	3,757,631	375763.1	3381867.9	6406532.1
2009	63,210.7	6321.07	56889.63	6463421.73
2010	2,242,560	224256.0	2018304	8481725.73
2011	4,982,724	498272.4	4484451.6	12966177.33
2012	5,365,853	536585.3	4829267.7	17795445.03
2013	4,531,840	453184.0	4978656	21874101.03
2014	2,622,744	262274.4	2360469.6	24234570.63
2015	-2,458,458	0	0	24234570.63
2016	425,401.8	42540.18	382861.62	24617432.25

Source: Authors' Computation, 2017.

Based on the above table, FGN could have had between 24234570.63 and 24,617,432.25 naira in the National Economic Stabilization Account (NESA) from which she could also borrow money for developmental projects. The above table excludes the Multiplier effects that cannot be predetermined. The money in this account should be given as loans, on interest-free basis, to the little or low income earners in Nigerian, if and only if, they can provide collaterals. The repayment period shall not be more than ten months and civil-servants can act as guarantors for the self-employed people. This means that FGN could have had almost twenty-five trillion naira in the hands of Nigerians in the private sector and FGN can also borrow from this money whenever the need be.

The FGN has to spend and/or lend this money on time for Allah (SWT) says we must spend before death comes (Q 63: 10) and the Holy Prophet, Muhammad (SAW) says if Mount *Uhud* (A hill in Medina was turned to gold for him, he would not allow anything unspent of it in the ways of Allah (SWT), after three days except that with which he would pay debts (Khan, 1994; *Hadith*: 1103). This allows FGN to be spending the ten percent on the production of essential items for the less privileged like Prophet Yusuf did (Q 12) and lend out the remaining ninety percent to the able bodied and credit worthy Nigerians within the next three days after the national executive meetings. Giving out of part of ECI as loans is in compliance with Mithel-Innes's (1914) view of money as debt.

No one can predict the extent of the multiplier effect of the application of this method for Allah (SWT) says the rewards of believers who belief and do hard work are limitless (Q 84: 25). The Keynesian multiplier can follow suit if FGN has expended all loaned out ECI as postulated above. Islamic Multiplier can also take place when the labor force is growing the output of resources is expected to grow for Allah (SWT) promises better rewards for good deeds (Q 18: 88). In this vein, Nigeria has no business with borrowing from abroad, low output and recession.

If IPF had been adopted, Nigeria could have had enough resources to counter Economic Recession by the beginning of the third year of this study. This is because Nigeria could have had over six trillion naira (see table 4.3) in the NESA as at the end of the second year of application if compared with the maximum provisional budget figure of less than five trillion naira for the ten years studied.

#### 4.4 Findings and Discussion

Based on the data obtained, presented and analyzed, it is found that:

- i. None of the budgets assessed indicated the differences between the benchmark prices of Crude-Oil given by the International Community and the ones used to draw Nigerian Budgets was a means of revenue. This shows that, actually, a lot of money has not been remitted to the national cover. That is to say, Allah (SWT) in (Q 2: 284) is right and Sanusi (2016) was also right to have said that some revenues were not remitted to CBN.
- ii. Nigerian Budget Planners were conservative enough to ensure that it was in one out of ten years that there was no excess crude-oil income. The Nigerian Budget Planners were able to predict lesser benchmark prices of crude-oil for ninety percent of the period studied. This shows that they are good but cannot predict everything accurately despite the fact that President Jonathan (Jonathan 2013, 2) said that they were using sophisticated econometric methods to determine the prices of crude oil.

- iii. Nigerian economy witnessed Economic Recession in the year that followed the negative ECI. Thus, if the Nigerian governments had adopted the IPF there might have not been any economic recession. With this Fisher's postulate is not right while Malik's and Keynes' propositions are right to be applied, Islamically, in Nigeria.
- iv. A considerable amount of money was spent on sub-sectors that were not yielding revenue to FGN. Since these sectors had not been generating enough money to surpass the petroleum sector it means that the petroleum money has not been spent on productive ventures.
- v. Everybody should be blamed for the current economic recession because there was no report of anybody who quarreled and/or quit the government due to misappropriation of excess crude-oil income. Instead, everybody was just trying to hold one political post or the other without any concrete plan for socio-economic development of Nigeria. Saraki (1) is right to have said all Nigerian leaders between 1999 and 2016 are to be blamed for the economic recession.
- vi. There is no need of using Forensic Audit before people know there was missing oil income.
- vii. Nigeria is a Monoproduct and Monopsonic Economy (Monoproduct-cum-Monopsonic Economy). This of crude oil income. Thus, Sanusi (1) is right by Nigeria did not need to borrow money to fund her projects.
- viii. Revision of Economic Activities is Islamically accepted as in Qur'an (Q 59: 18).
- ix. Reservation of Economic Resources for the sake of tomorrow is also accepted in Islam as in the Holy Qur'an (Q 59: 18).

## **V. Conclusion And Recommendations**

### **5.1 Conclusion**

Conclusively, none of the assessed budget indicates the differences between the benchmark prices of Crude-Oil given by International Organizations and the ones used in drafting Nigerian Budget. Nigerian Budget Planners were conservative enough to ensure that it was only in one year that there was no excess crude-oil income. It was possible that some monies were not remitted to the government because the benchmark of crude-oil prices (BCP) given by IMF/World Bank Data was more than the one used for Nigerian Budgets in one out of ten years. Nigerian is a Monoproduct-cum-Monopsonic Economy. Money spent on sub-sectors were not generating appreciable revenue to FGN. Nobody saved enough for the rainy days. Almost everybody should be blamed for the current economic recession because there is virtually a very few report of anybody (civil-servants and politicians) who quarreled with or quit the public service due to misappropriation of excess crude-oil income. If IPF had been adopted, Nigeria would not have witnessed Economics Recession and IPF would have provided a sustainable economic condition for the economy.

### **5.2 Recommendations**

Reference to the statement of Allah (SWT) that enjoins man to follow those who do not ask you for rewards, they are on the right path (Q 36: 21). Allah (SWT) advises man to protect his souls and that of his family members from the fire of Hell (Q 66: 6). FGN should adopt *Khilafat Model* (Q 35: 39) brought by Islam. Here, men are vice-regent of Allah (SWT) and should handover all bad and good things to their successors. Thus, all money realized through ECI must be considered as National Loans not National Cake well-stated in budgets. There must be a National Economic Stabilization Account (NESA). NESA should be employed to store excess income and refill deficient ones. Thus, all workers (households, firms, governments) are expected to work and use their earnings to for the development of their families in this world and in the here-after. It is suggested that FGN should spend ECI on merit goods and should not be charging interest on ECI that is loaned out to Nigerians. The Loan shall look like an Advanced Salary starting from the Low Income Earners and progressing to the High Income Earners who are advised to spend the money as soon as they collect them for the deduction of the Loan or Advanced Salary would start in the month that follows the disbursement, because Allah (SWT) enjoins quick spending or effective aggregate demand (Q 2: 254) and for the fact that the repayments must be regular and in ten months. FGN, through NESA, shall be deducting ten percent of the amount loaned from the Salary Accounts of all Beneficiaries on monthly basis. All these will be possible because we are in electronic world of which CBN can be disbursing and receiving repayments online through Deposit Money Banks. The National Assembly (Nigerian House of Senate and House Representatives) has to discuss and approve of this measure before implementation. Allah (SWT) does not forget believers and good doers, tells them that their future would be better than the past, they should do good to the less privileged to display the Lord's Mercy (Q 93).

Using Expenditure Approach of the Prophetic Income the Paper suggests that the Federal Government of Nigeria should create National Economic Stabilization Account (NESA) which will adopt the Islamic economic principles of quick spending public goods, paupers, savings, lending and avoid interest-based financing of private sectors to prevent the reoccurrence of economic recession but generate Economic Revival. Thus, FGN should create an additional sub-heading for the Nigeria budget, known as, Nigeria Economic

Stabilization Fund (NESA) where the money obtained from the deviations of the Benchmark of Crude-Oil Income are used to draft Nigerian Budget and the real ones used by the entire globe, obtained from IMF/World Bank Statistics will be kept for lending at free interest and repayment must be within ten months. This is better than giving out of the unsustainable Bail-Out Fund and Paris Loans refund.

Nigeria budgets need to include excess crude oil income of the preceding years as one of its major sources of income. Our leaders need to manage our resources the ways they want their resources to be managed. This is because all men are expected to use what Allah (SWT) has given them to secure Utilities (Q 28: 77). The NESA operators must be deducting ten percent of the loans issued from the responsible government allocations to ensure effective utilization. FGN should be matching expenditure to income to be accountable all Nigerians and minimize expenses on the income draining sectors of the economy.

If these recommendations are abided by God willing, *In Shaa Allah* (SWT) economic recession will be a thing of the past in Nigeria and will never occur again. This position is supported by the promise of Allah (SWT) that whoever does good does it for his own soul, the reward of good deeds is in multiple; and Keynesian Model of Income Determination which says that the higher the aggregate demand or expenditure the greater the National Output or Income.

A special day (e.g. a day before Ramadan Fasting) must be taken to decide on the volume of excess crude income in the outgoing year and the amount to be given out as *Sadaqat*. The application of these recommendations are possible in a multi-religious society if they are taken to the national Assembly, discussed extensively and the members reach an equilibrium point that is acceptable by Islam. That is to say a minimum of 2.5 percent must be given out to the people specified by Allah (SWT) in the Holy Qur'an and a maximum of 33.33 percent to comply with prophetic tradition in one of his *Hadiths*. The two extremes (2.5% and 33%) have covered the ten percent (Tithe) that the Christian Leaders are clamoring for.

Researches could be conducted on other revenues of government that are not yet remitted to the government ministries and parastatals like Federal Inland Revenue Service (FIRS), customs and immigration, universities and public corporations. Your Lord, Allah (SWT) is One, The Beneficent, The Merciful (Q 2: 163). Researches can also be conducted on what Nigerians may spend their loans on.

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## GLOSSARY

Abbreviation/Acronym	Meaning
ASW	Alaehis-Salaatuwas-Salaam" which means "On him be Peace and Blessings
CBN	Central Bank of Nigeria
COP	Crude-Oil Production
DIB	Differences in Benchmarks
ERM	Economic Revision Method
ECI	Excess Crude-Oil Income
FGN	Federal Government of Nigeria
IBM	International Benchmark Price for Crude-Oi
IFB	Interest-Free Basis
MDAs	Ministries, Departments and Agencies
NBM	Nigerian Benchmark Price of Crude-Oil
NDR	Naira/Dollar Rate
NESA	National Economic Stabilization Account
PBF	Provisional Budget Figure
PCE	Provisions for Capital Expenditure
PDS	Provision for Debt Service
PRM	Public Resource Management
Q	Holy Qur'an culled from Holy Qur'an Translated by Al-Hilali& Khan (2011)
SAAWS or PBOH	Sala Allahu alalyhi was-Salaam or Peace and Blessings of Allah be on him
SWT	Subuhanahuwat-Tahaala" that means Glory and Esteem of Him (Allah)

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