

Utilization of Islamic Financial Instruments for Poverty Reduction and Sustainable Households in Nigeria

Yusuff Jelili Amuda¹, Sanaa Elshaarawy²

Abstract

Predominant poverty has affected many households in Nigeria and little focus of attention is given to the utilization of Islamic financial instruments in addressing the challenges of poverty and sustainable household in the country. The study attempts to fill the gap in the existing literature concerning the utilization of Islamic financial instruments for poverty reduction and sustainable households in the country. Qualitative research method with an emphasis on critical content analysis was utilized. Materials or different sources were used whereby journals, online peer review, and library sources were considered for in-depth analysis of Islamic financial instruments for poverty reduction and sustainable households in attaining vision 2030 in the country. Adequate implementations of various Islamic financial instruments that would create room for inclusion through which low-income families or families in poverty would experience sustainable standard of living through an efficient Islamic financial instrument for their empowerment. Hence, it will expand the scope and understanding of Islamic financial instruments in the context of Nigeria. In so doing, there would be basis for restructuring the economic conditions of households experiencing an abject poverty by ensuring that their living conditions are improved for better. An emphasis on the judicious utilization of Islamic financial instruments especially towards sustainable households in the country is an integral part of expanding the understanding about the efficiency of Islamic financial instruments in the society. Central bank of Nigeria has issued a drafted framework for application of Islamic financial instruments and operation of Islamic banking system and less attention is given to the application of Islamic financial instruments in the country. This paper therefore has tried to provide explanation for the application of utilizing Islamic financial instruments for poverty reduction and sustainable households in the country.

Keywords: *Islamic financial instruments; Poverty; sustainability; sustainable development goals; vision 2030; sustainable households.*

Introduction

There is a social discrimination against individuals and families experiencing poverty in different parts of the world. Hence, poverty is a social stigma that needs urgent attention in addressing it among the households. Addressing this social challenge has been a concern in advanced countries through evolution of an effective policy and efficient financial instrument that will improve the living condition of low-income households that will immensely contribute to the thrive and sustainability of the society [1]. Africa in general and Nigeria in particular are regarded as the pivotal hub of poverty in the world [2]. Lack of effective governmental policy and political will to reduce poverty in the country has been overwhelmingly discussed in extant literature. However, the recent effort of new administration in Nigeria has demonstrated willingness and political will and effective policy to address the abject poverty in the country. In spite of this, there is little effort in considering the instrumentality of Islamic financial mechanisms for a drastic reduction of poverty in order to improve living conditions of households in particular as well as to achieve the overall socio-economic development in general in Nigeria. Islamic financial instruments are not only meant for Muslims but International Monetary Fund (IMF) regarded it as the most fastest growing financial sector in the entire world with 15% growth per annum [3].

It is crucial to note that Islamic finance is regarded as an alternative prime source of finance that can be used for social development. However, there is general impression among Nigeria that Islamic finance is ascribed to Islamic religious beliefs without looking at the positive ethical consideration and contribution to all facets of human endeavours. This can be regarded as a misconception despite the fact that there is high demand for application Islamic financial instruments as an alternative financial tool that can address the multifarious challenges of the society including households in poverty or low-income families in the context of Nigeria. It is noteworthy to say that in the context of United Kingdom as one of non-Muslim countries, has been successful in utilizing Islamic financial system for improving the welfare of the citizens. Reiteratively, many other non-Muslim countries such as Luxembourg, South Africa, Hong Kong etc. have

¹ College of Law, Prince Sultan University, Saudi Arabia. Email: yusuffja@psu.edu.sa or akorede4@yahoo.com

² Prince Sultan University, Saudi Arabia. Email: sshaarawy@psu.edu.sa or hekal2005@hotmail.com

significantly utilized the instrumentality of sukuk market as an integral part of Islamic financial instruments [4].

Moreso, there is a challenge at the moment or limitation towards mobilizing resources for fostering and helping the disadvantaged families. It is on this note to reiterate that the Islamic financial instruments can be deeply explored for providing sustainable households in Nigeria. A decade ago, Nigeria has recorded remarkable progress and the operation of Islamic banking system has been recognized in the of Central Bank of Nigeria (CBN)'s Act. Fundamentally, utilization of Islamic financial instrument such as Islamic bond (*sukuk*) has been identified in the cursory literature for boasting vaccine-funding [5]. *Sukuk* has been used in recent time by the Federal government in executing various projects such as construction of roads in the country.

Onwards, overwhelming studies have been conducted on Islamic banking and financial system in the country as a result of the demand for an alternative financial instrument to address the multifarious socio-economic challenges of the society. It should be reiterated that predominant Muslim and non-Muslim countries have seen the significant importance in the application of Islamic financial instruments in improving socio-economic progress in general and in fostering living conditions of the low-income or poor households. One of the major impediments to the socio-economic development is poverty. Different countries across the world including Nigeria have been advocating for sustainable development goals (SDGs). However, abject poverty is a serious issue that can hinder the attainment of SDGs specifically by addressing poverty that will improve sustainable households in the country.

The current situation in Nigeria requires the use of pragmatic approach to the utilization of Islamic financial instruments through functional approach that will foster sustainable households. This is necessary as a result of the gap between poverty reduction and sustainable households. utilization of Islamic financial instruments would be taken into account to reconnect poverty reduction and sustainable household in Nigeria. Therefore, this study attempts to explore the utilization of various Islamic financial instruments for reduction of poverty as well as for improvement of sustainable households. Using this implies that the study will expand the scope of existing studies on poverty reduction and sustainable household in Nigeria.

Therefore, this study tries to explore the utilization of Islamic financial instruments for poverty reduction as well as necessary for improving living conditions of low-income households in order to achieve overall sustainable development in the country's vision 2030. The gap of this study is that there are multifarious studies on poverty reduction among households and sustainable development but they are conducted independently in different countries including Nigeria. The novelty of this study manifests from the utilization of Islamic financial instruments in achieving sustainable living conditions among the households as an integral part of achieving the overall sustainable development (SDGs)'s vision 2030 as well as to achieve attain socio-economic development in the country as contrary to the application of conventional financial system.

Materials and Methods

Critical content analysis of secondary data was explored in this research. Various databases were explored in elaborating on the interconnectedness of the variables or themes of the study. Of such databases explored for this study were: library sources, web of science (WOS), google scholars, peer review resources where scholarly journals or articles were accessed and reviewed for this study. More specifically, despite the fact that there are overwhelming studies on various themes of the study, the researcher is limited to selection of articles between 2011 and 2023. Based on the exploration of extant literatures, various themes were extracted thus: poverty versus sustainability focusing on Sustainable Development Goals (SDGs); sustainable households with focus on four different models (i.e., donations-based, reward-based, lending-based and equity-based) and application of Islamic financial instruments alms-giving (*Zakat*)/personal donations (*Sadaqah*); partnership (*Musharakah*); *Qard-Hassan/Murabaha, Mudarabah, Ijarah, Salam/Istisna* and crowd-lending/funding. The analysis of the aforementioned themes is purposely aimed at reducing abject poverty and improving living conditions of the low-income families in the country. Total number of forty-eight (48) articles are explored and analyzed in relation to the generated themes of the study. In so doing, Nigeria would be able to be among the comity of nations willing to achieve overall socio-economic development as an integral part of vision 2030 of Sustainable Development Goals (SDGs) in the country.

Results

This part presents the results of analysis of secondary data explored from cursory literature. The results of the analyzes are sub-divided into two namely: An Overview of Poverty and Sustainability, Utilizing Islamic financial instruments for sustainable households.

An Overview of Poverty and Sustainability

According to Multidimensional Poverty Index (2022), it was revealed that 63% of citizens accounting for 133 million peoples are dimensionally poor. There is a growing interest and demands concerning the significance of Islamic financial tool that would address the challenges of poverty and consequently lead to propelling progress that would metamorphose into sustainable development in the country. Overwhelming studies have been conducted on poverty from general perspective in the context of Nigeria and it occupies a central climax in the discourse of sustainable development with specifically attention in meeting the demands of the low-income households. Nonetheless, conflicting interests and the misuse of political power contribute immensely to the misuse of resources through corruption. Hence, taking care of welfare of poor people becomes a herculean task to be dealt with. It is therefore essential to bridge this gap with specific attention in exploring an alternative measure. Majority of households in Nigeria are living below USD 1.90 per day and this scenario is pathetic which makes researchers to consider the country as the hub of poverty in the world [6]. More important, in 2019, the poverty rate was 40% while between 2021 and 2022, there was a projection of 44% while the aforementioned report of the survey conducted by Multidimensional Poverty Index (2022) indicated 63% which surpassed the projection made. Figure 1 shows poverty headcount rate and absolute number of poor people.



Figure 1. Poverty headcount rate and absolute number of poor people.

This assertion consequentially hinders the countries to attain sustainable development among the households in the country. It is further confirmed by the Oxford Poverty and Human Development Initiative (OPHI) (2019) concerning the extent of endemic poverty among the households in Nigeria which inhibits the overall living conditions of the citizens especially those experiencing poverty [7]. More specifically, there is a distinction between rural and urban households that are experiencing poverty in the country and the rural dwellers are more vulnerable compared to urban dwellers. Figure 2 shows poverty rate in the country based on the areas of households.

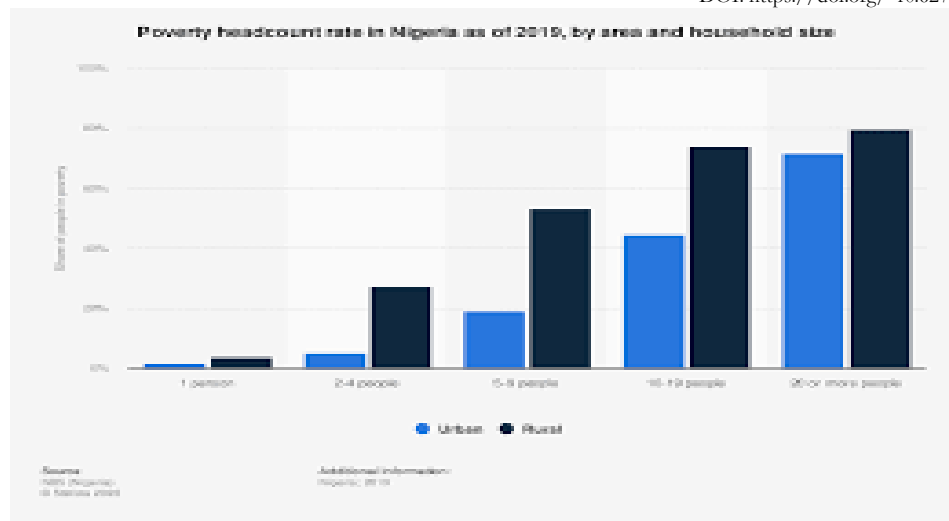


Figure 2. Poverty rate in Nigeria by area and household.

Moreover, sustainable development is meant efficiency of resources to cater for the citizens which should not in any way impede the prospects of future generation. This is important because the contemporary discourse of sustainability has become a remarkable benchmark for attaining socio-economic development through the efforts of government and non-governmental organizations (NGOs) as an integral part of mobilizing private sector to partake in financing different projects such as infrastructure [8]. An inference can be drawn that sustainable development has to do with an active role of the government for an efficient and equitable management and distribution of resources for the benefit of the citizens is part of sustainable development as well as a mechanism or impetus used by the government to propel social needs of the citizens [9]. In so doing, it will enhance standard living of the poor families at the grassroots. Literature identifies three major interrelated components of sustainable development namely: economic, social and environment. Economic dimension of sustainability deals with fostering of productivity and consumption. The fundamental goals of economic sustainability are increase in production of goods and services, satisfaction of basic needs or reduction of poverty and improvement of poverty. Moreso, the social aspect of sustainability is based on the precepts of justice and equality. Environmental dimensional is relating to enhancement of climatic environmental condition in the society. This is essentially important to achieve socio-equity, equitable distribution of wealth. There are several factors of sustainable households such as: increased in food production, educational service, health care, real income, water supply and sanitation [10, 11]. In this regard, policy is an essential pillar that help in reducing poverty among the households in the country.

In order to close the financial gap for sustainable household as an integral part of SDGs, there is projection of USD 93 trillion for sustainable infrastructure between 2015 and 2030 at the global level [12] whereby Nigeria also needs to intensify effort on global direction. Little attention is given to Islamic financial instruments as an integral part of Islamic financial system that has potential contribution to the enhancement of living condition of households in poverty in order to achieve Sustainable Development Goals (SDGs) in Nigeria. Furthermore, literature contends that some countries are expected to largely invest in all indicators of SDGs. More importantly, it is noted that Nigeria is among countries that also need huge amount to invest in infrastructure in order to fill the gap among the households' experiencing poverty in the country. It has been confirmed in the previous studies that many predominant Muslim countries like Nigeria have been faced with high levels of poverty and there are hinderances to the progress in achieving sustainable households as part of SDGs [13]. Inferably, there is need for an exorbitant amount in achieving and improving living condition of poor and low-income families in the context of Nigeria. It is essential to note that there is need for blended finance as well as private-public partnership (PPP) in order to improve the living conditions of the poor households in the society. Nigeria is one of predominant Muslim countries in Sub-Sahara Africa where high level of poverty contributes to large percentage of homeless people in the society. It should be reiterated that United National Development Programme (UNDP) has emphatically stressed that infrastructural development is an essential indicator of Sustainable Development Goals (SDGs) in developing countries like Nigeria.

Onwards, sustainability of households is paramount and more importantly, various financial instruments whereby Islamic financial institutions such as banks and cooperations can play significant roles for ameliorating poor conditions of many households in the society. It should be reiterated that; sustainability can be made systematically related to financial instrument as a framework in tackling the socio-economic challenges in the society. As a result, the paramount significance of sustainability is emphatically stressed in Sustainable Development Goals (SDGs) of United Nations. In the context of Nigeria, various aspects of sustainable development are identified in order to achieve sustainable development as demonstrated in Figure 3.

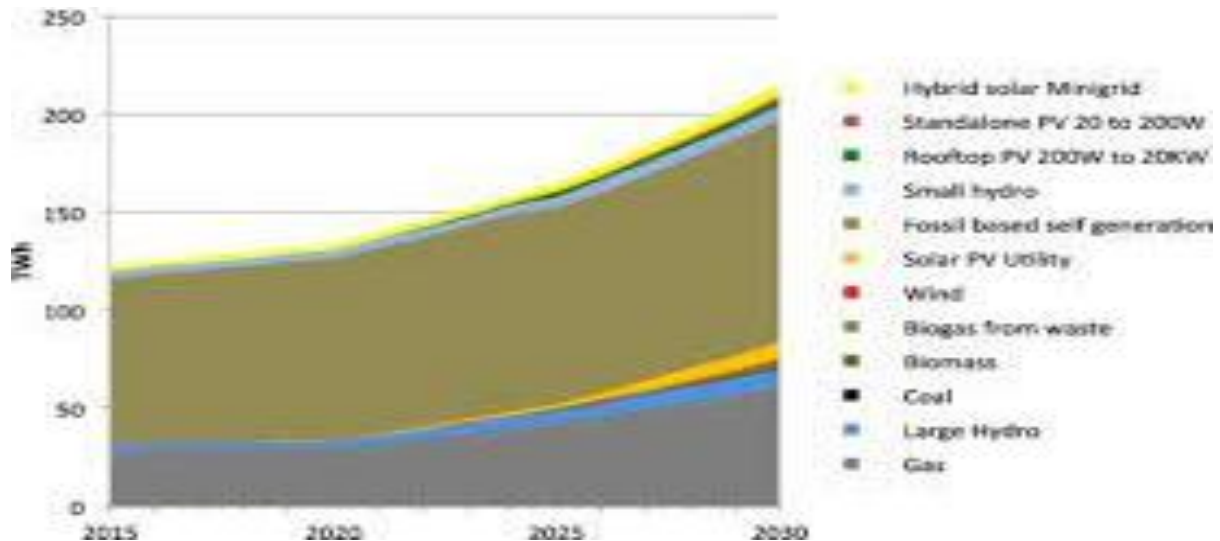


Figure 3. Aspects of sustainable development.

It is essential that the application of Islamic financial instruments operating within the regulatory framework of Shari'ah should also be made sustainable in the context of Nigeria. Hence, the practical applications of various Islamic financial instruments can be made sustainable among households by fostering networking of investment rather than total reliance on contributions from individuals. In so doing, this would be broader explanation of sustainability in connection with Islamic financial instruments [14].

Moreso, there are four prime models across the Muslim world that can be relevant to sustainable household as the central thesis of this study. Specifically, it is explicitly related to the utilization of Islamic financial instruments for poverty reduction among the households and consequently in attaining sustainable households. The models are as follows: donations-based, reward-based, lending-based and equity-based sustainable households.

First, donations-based sustainable households are in a situation whereby donors would be requested to provide financial support to a particular business idea or initiative by making donations for such through demonstration of philanthropic gesture in order to assist the less privileged individuals or households without any expectation of compensation in the nearest future. Second, reward-based sustainable household refers to a situation whereby actors tend to get an appreciation on the basis of giving a necessary support for a particular business idea. The reward can be in form of monetary gift for support of being part of success story of a particular product or service rendered to promote a project of business enterprise among low-income households [15].

Third, lending-based sustainable households is in form of investment for poor or low-income families whereby crowd investors such as Islamic banks or cooperatives can give loans to the beneficiaries among the households in order to startups small and medium enterprises which consequently give a pay back or returns that will benefit other families in order to drastically reduce poverty in the society. Fourth, equity-based sustainable households are where investors are interested in supporting small and medium enterprises through provision of funds to the low-income households which would be repaid back after having a financial gain from the business or investment in order to benefit other disadvantaged families in the society. Hence, with this kind of sustainable support to households, the investors are expected to be given shares as a result of the finance being provided for the business venture or investment. However, profit and loss

sharing agreement will be explicitly stipulated by the actors or backers and the beneficiaries among households who get the fund for the startups of the business activities [16].

Based on the explanations of the aforementioned models of sustainable households, it is noteworthy to say that low-income families or disadvantaged families can benefit from various identified models of sustainable households because the models are related to the existing concepts of alms giving (*Zakat*) and voluntary donation (*Sadaqah*) in Islam. It can be deduced that the practices of donations and reward-based sustainable households among Muslims significantly contributed to its large percentage of 51.4%. Nonetheless, most of the *Shari'ah*-compliant banking system as well as Islamic cooperatives in different part of Muslim countries tend to practise lending-based sustainable households with his distinctiveness of avoiding usury or interest as literature contends. However, literature attributed interest or return to the practice of lending-based sustainable households in the conventional setting especially in the Western countries. Hence, lending-based sustainable households represents 44.2% as compared to 4.2% obtainable in equity-based sustainable households for low-income families through an effective policy as literature contends [17, 18]. It is essential to address the challenges faced by people living below USD 1.9 per day. Figure 4 shows the proportion of the poor in the country.

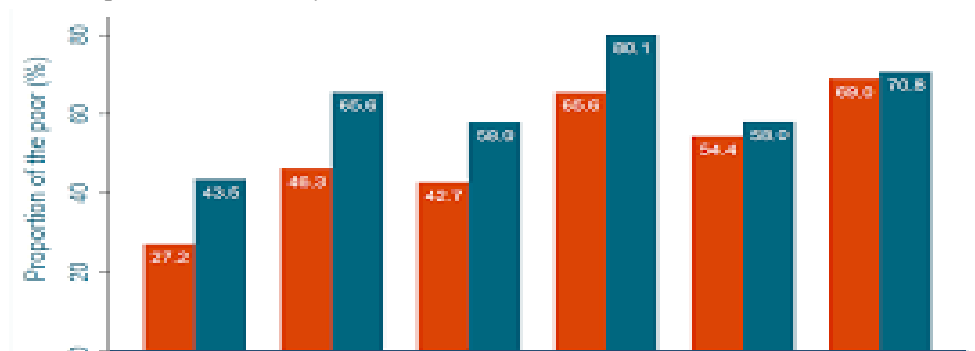


Figure 4. Proportion of the poor.

Literature advocates for addressing the challenges associated with equity-based crowd funding in some countries like United States, United Kingdom, Malaysia among others through the provision of regulatory legal frameworks which are lucidly developed by the authorities of capital market in order to govern the activities related to equity-based sustainable households [19]. The foregoing is explicitly explained different models of sustainable household. Figure 5 shows the models of sustainable household.

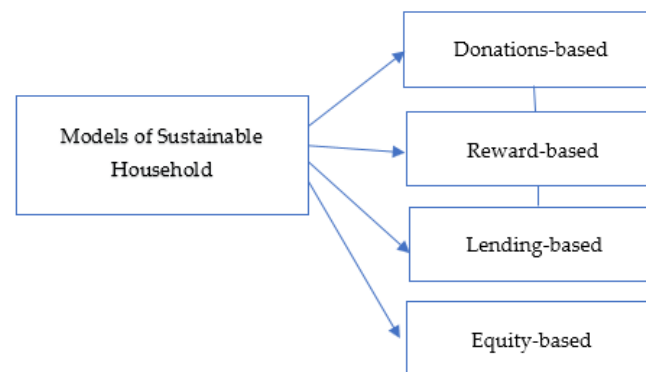


Figure 5. Models of sustainable household.

Utilizing Islamic Financial Instruments for Sustainable Households

This part explains the vital importance of Islamic financial instruments within the theoretical background of attaining sustainable households in Nigeria. It is noteworthy to say that Islamic financial instruments are multifarious which are distinctive from conventional financial instruments being utilized in different countries across the world. There are a number of Islamic financial instruments specifically explored in connection with the reduction of poverty and sustainable households in Nigeria. The are as follows: alms-giving (*Zakat*)/personal donations (*Sadaqah*); partnership (*Musharakah*); *Qard-Hassan*/*Murabaha*, *Mudarabah*, *Ijarah*, *Salam* and *Istisna* crowd-lending/funding. Each of these is explained in the subsequent paragraphs.

First, it is noteworthy to posit that the concepts of alms-giving and Islamic charity are essential Islamic financial instruments that can be employed to improve the living conditions of the poor and the needy in the society. Islamic clarity through the instrumentality of *Zakat* or *Sadaqah* is integral part donation-based alms-giving whereby beneficiary should have a mind of poverty reduction in the society. Islamic charity deals with alms-giving (*Zakat*) and personal donations (*Sadaqah*) are grounded in the Qur'an and the Hadith of the Prophet (S.A.W.).

Second, partnership (*Musharakah*) is an integral part of Islamic financial instrument that can be used to alleviate poverty among the households. For instance, the households can engage in a joint business venture with little resources and consequently profits can be shared according to the agreed formula between the parties involve in the business venture. However, profit and loss sharing cannot be disassociated from a partnership venture (*Musharakah*). Reiteratively, *Musharakah* is regarded as a business contract between two or partners who jointly contribute capital for business and consequently share profits and losses emanating from the business transactions. It should be stressed that profits are shared between the partners that partake in the business activities based on the mutual agreement in the contract as agreed upon. Nevertheless, if any of the partners considers himself/herself as non-working partner, thus, the ratio of profit sharing should not be more than the ratio of money contributed to the capital investment. *Musharakah* is meant for the working capital or running of financing, joint venture and equity participation respectively [20].

Third, *Qard-Hassan/ Murabaha* is another financial tool that can be used by the households in order to ensure their living conditions are improved meaningfully. Nonetheless, Islamic financial windows should be opened by the Islamic financial institutions such as banks and cooperatives in order to enable low-income households to have access to interest free-loan for the purpose of achieving sustainable at the family level. In addition, the expertise of Shari'ah scholars is required in ensuring the interest-free loan is devoid of usury which is against the principle of *Shari'ah* legal provision. *Shari'ah* experts are to ensure that investments to be engaged in by the households should be *Shari'ah*-compliant the prime target of applications of Islamic financial instruments are to fulfill the social needs of households experiencing abject poverty in the country [21]. It is noteworthy to assert that the business start-ups with interest-free loan should be *Shari'ah*-compliant and all non-Shari'ah sources should be avoided. It is on this basis that the actors in giving out the loan such as providers (e.g., Islamic banks or Islamic cooperatives) and beneficiaries (low-income households or poor households) should understand legal provision in relation with interest-free loan in order to ensure that the partnership in the start-ups does not promote interest-based loan. Emphatically, principles of *Shari'ah* legal provision in accordance with the must be strictly adhered to by both actors and beneficiaries in this regard. Furthermore, *Murabahab* contract is means that there is need for availability of goods meant for sales and the profit is embedded in the price of goods. Thus, the product for sale must be exist, it must be owned by the seller and it must be in possession of the seller who bears the risks that might be attached to the product. Thus, there must be offer and acceptance between the seller and the buyer. In addition, there is need for clear certainty of the price, place of delivery of the product and the actual date for the payment of the product bought the buyer [22].

Fourth, *Mudarabah* contract is an Islamic financial instrument which involves two or more parties while one person involves with monetary contribution and other participants contribute with efforts. There would be contractual agreement between someone that participate with money and the other one with effort. Financial losses are not shared between the investors and the person that put effort in the business activities but the financial losses shall be solely borne by the person that invest money in the *Mudarabah* contract. Hence, the profit earns from the business activities would be shared proportionally. It should be stressed that; predetermined amount of return should not be considered as a condition for engagement in *Mudarabah*. Hence, this kind of Islamic financial instrument can be institutionalized and strengthened in enhancing the living conditions of the poor families in the country [23].

Fifth, *Ijarah* contract is another essential Islamic financial instrument which means lease or rent. It is commonly known Islamic mode of finance whereby *Ijarah* is meant for selling the benefit of using a particular service specifically for a fixed price of wage respectively. For instance, bank or Islamic cooperative society can make an asset or equipment available for the interested individuals or households for a fixe period or rent. For instance, a particular product, motor vehicle can be provided to the low-income households in order to use it for business purpose. However, the corpus of the leased product or

commodity remains in the ownership of the lessor, nonetheless, the usufruct is transferred to the lessee in order to derive benefit from it. Ijarah or leasing is meant for the financing of equipment, buildings, autos, machinery among others [24].

Sixth, *Salam* and *Istisna* are two different Islamic financial instruments. On one hand, *Salam* is another mode of Islamic financial instrument whereby the seller request for the supply of a particular commodity or product at a future date where price of the goods is paid in full at the time of entering the agreement. However, if the amount is not paid in full, it would be regarded as debt against debt which is considered unlawful in Islamic financial transaction. On the other hand, *Istisna* refers to a situation whereby a buyer contacts a manufacturing company for a particular product on an agreed price which would be delivered on a future date. One of the main conditions of this kind of contractual agreement is that, the commodity must be known, type, kind, quality and quantity must be specified on the mutual agreement of both parties without ambiguities [25].

Seventh, crowd-lending that is guided with *Shari'ah* principles such as avoiding usury can be utilized to improve the living conditions of the poor and low-income households in Nigeria. However, literature posits that conventional crowd-lending which is directly related to interest payments by the beneficiaries is considered as being uncompliant with Shari'ah provision. Nonetheless, this kind of crowd-lending can be modified in order to make it Shari'ah-compliant by removing interest through an emphasis on the application of Islamic financial contracts. In so doing, interest free crowd-lending that is in line with the provision of Islamic legal system should be promoted among the disadvantaged households in order to achieve sustainability in the country. In addition, equity-based crowd-lending integrates social development benefits as well as opportunities for investments among the beneficiaries who are willing to become investors and entrepreneurs among the households. It should be reiterated that the practice of any type of crowd-lending through accessibility to capital for entrepreneurship activities by the disadvantaged or low-income households which will greatly contribute to the reduction of funding gap that immensely contribute to prevalence of poverty in the society [26]. In so doing, the financial status of low-income households will be tremendously improved. Figure 6 shows the utilization of Islamic financial instruments for sustainable household.

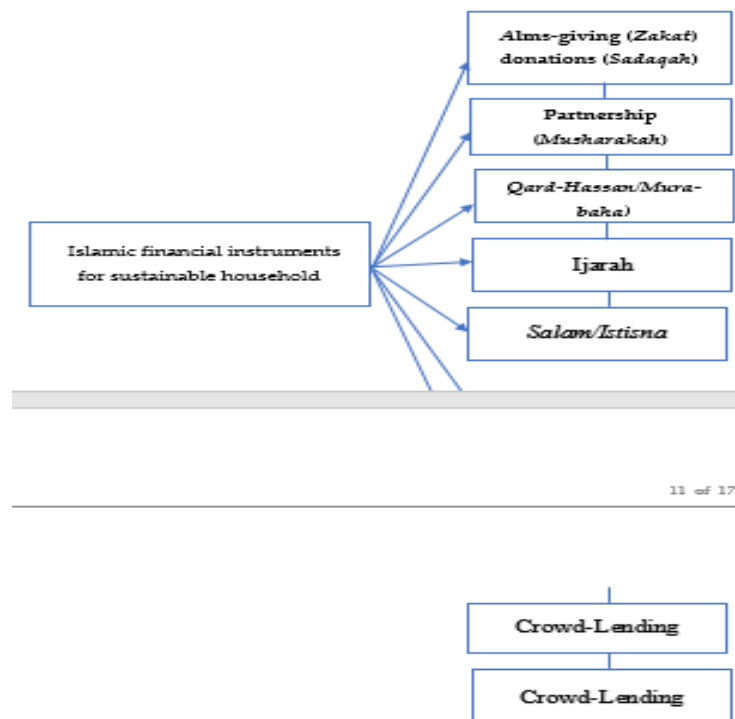


Figure 6. Utilization of Islamic financial instruments for sustainable household.

The foregoing is explicitly elucidated on the practical utilization of Islamic financial instruments for sustainable households which do not go contrary to the financial intermediation in the context of Nigeria. Banks, insurance companies and pension funds play significant roles in the financial markets.

The roles of lender-savers and borrower-spenders (i.e., business firms, governments and households) cannot be underestimated in the financial markets as well as in investment.

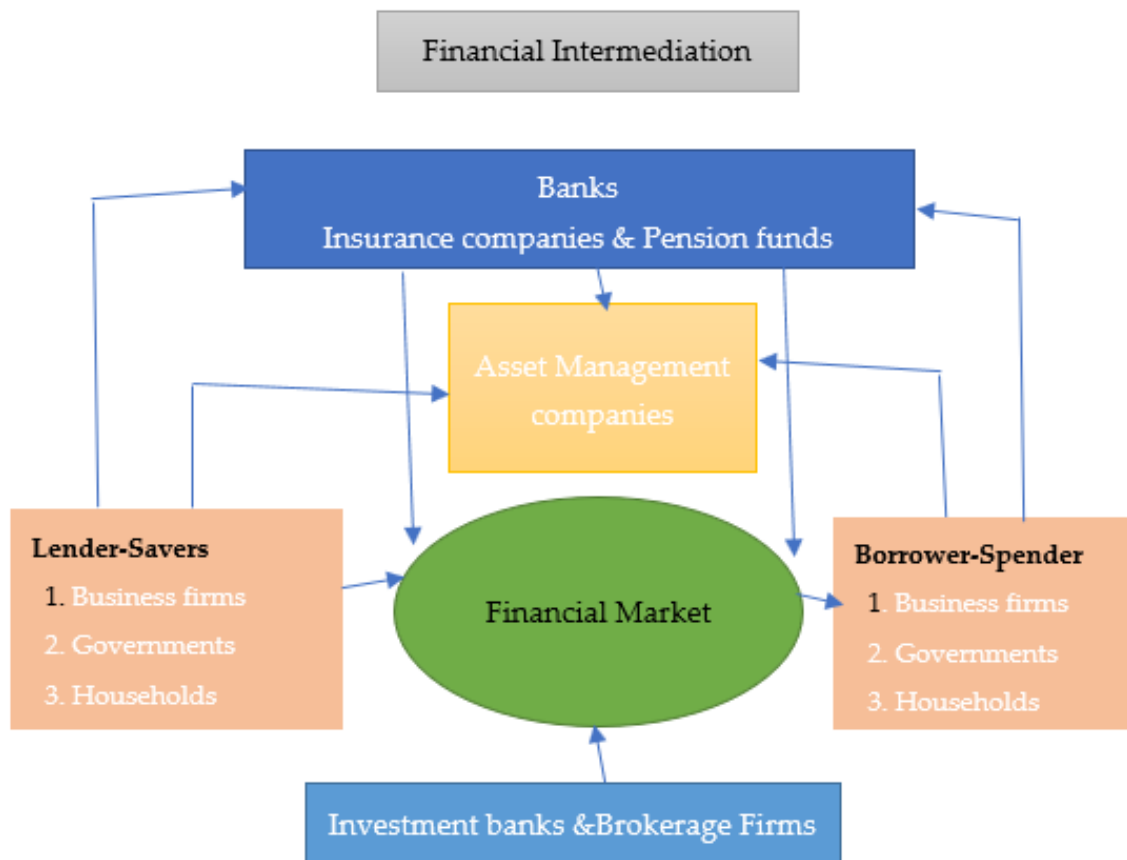


Figure 7.

Discussion

This part presents the discussion of overall analysis of various studies explored in this study. Islamic financial contribution to improving living conditions of households have been extensively explored in different parts of the predominant Muslim world in solving the challenges of poverty among the less-privileged citizens and in consequently achieving sustainable households. Nonetheless, less attention is given to this in the past in the Nigerian context. Undoubtedly, Nigeria is one of the countries in Sub-Sahara Africa that has been trying to explore the utilization of Islamic financial instruments such in order to improve all spheres of human endeavours such as infrastructural development. This is in agreement with previous studies that contend that partnership with private sector will bring about improvement into various programmes and initiatives that enhance the living standard of low-income households [27]. It is undoubtful to posit that the country is an important growth market for financial products in general as well as to enhance standard of living of low-income families. The exploration Islamic financial instruments especially for improving living conditions of poor and low-income households will go along with intensification of effort in of achieving vision 2030 in the country. Shari'ah-compliant investment is emphatically stressed as a central climax with specific focus on framework of *maqasid al-Shari'ah* (objectives of *Shari'ah*) which has implications on the overall Islamic finance as literature posits [28]. Literature has significantly identified *Shari'ah*-compliant Islamic financial instruments as major modes discussed in connection to banking. However, the identified modes have been essentially discussed and related to sustainable households in the context of Nigeria.

Literature contends that Islamic financial services is essential for achieving financial inclusion at the micro level such as family level for their well beings as well as for macro level such as infrastructural development in attaining the overall socio-economic development of the country [29]. Conventional insurance has been criticized for its inclusion of interest transactions; Muslims are therefore antagonistic to and eventually do

not engage themselves in conventional financial activities due to their convictions that conventional insurance is prohibited from the view-lens of Islamic instruments that prohibits certain elements such as: uncertainty and gambling as literature contends [30]. It should be reiterated that Islam is detestable to exploitative practices in all spheres of human endeavours. More significantly, the overall economic activities of Islamic financing are guided with the principles and values of Islamic legal system which provides an alternative to conventional financial system whereby various Islamic financial services industries have been successful in predominant Muslim countries [31]. It should be reiterated that Islamic legal system in general and the application of Islamic insurance in particular targets on enhancement of human well-being specifically by fostering welfare of the citizens as well as to prevent harm to the citizens. Islamic financial instruments are essential to be strengthened in the context of Nigeria in order to address the challenges of facing the needy and poor households in the country. It is essential to utilize financial instruments for investment in the lives of poor families in order to achieve sustainable financial inclusion in the society. This is in agreement with the existing literature that advocates for promoting long-term investment using private financing scheme for partnership through government support [32, 33]. Literature contends that improving livelihood of the rural households by taking them out of the poverty is a prime factor of sustainability in the context of China [35] which is similar to the advocacy in the Nigerian context. The contemporary discourse about the paramount importance of sustainable development that can make the stakeholders to take a proactive steps and actions that would make poverty to be transient is essential. World Economic Forum has recommended for an efficient global financial system in order to achieve future financial development and sustainability [36, 37].

Onwards, literature advocates for the transformation of the world through investment that would contribute to the support of Sustainable Development Goals (SDGs) [38] where multidimensionality of household poverty in the context of Nigeria such as lack of accessibility to electricity, lack of education, inadequate residential house, land of land ownership and livestock ownership are considered as significant impediments for sustainable development in the country. The effectiveness and efficiency of Islamic financial instruments have made non-Muslims to explore them [39]. It is on this basis that this study has established that *Zakat* and *Sadaqah* are commonly being practised in predominant Muslim communities in order to significantly reduce poverty to minimal level among the poor households in the country. There are a number of studies that established the paramount importance of partnership in alleviating poverty in the society. Thus, it should be emphatically stressed that partnership (*Musharakah*) in business activities should be based on *Shari'ah* provision. In other words, it is significant to say that *Musharakah* should be made compliant with *Shari'ah* legal provision especially by involving *Shari'ah* experts in guiding the activities of the business activities as a strategy to alienating the negative impression of poverty ascribed to the country as a hinderance to sustainable development [40].

Moreover, this study has further shown that, with respect to the practical application of *Murabahah*, it is used mainly in the trade and business activities, working capital finance and fixed assets financing among others. This financial instrument can be useful in enhancing the living conditions of the poor households by supplying them a particular product to be sold and the profit earns can improve their standard of living. In so doing, this will maximally reduce poverty in the society as literature suggest [41, 42]. The study has argued in favour of the utilization of Islamic bond (*sukuk*) for different developmental project which literature has acknowledged its immense benefits for solving the problems of the poor people in the society [43, 44]. Similarly, literature identifies Islamic securitization as a strong element in Islamic capital market investments [45]. The practical applications of both *Salam* and *Istisna* can be used by the sustainability of households where *Salam* can be effectively and efficiently utilized in agricultural and commodity financing for the low-income families in order to reduce poverty. On the other hand, *Istisna* can be applied whereby capital can be invested in the construction of buildings, factories, exports of commodities whereby the profits earn from the investment can be to sustain the households in the country. This is why literature contends that diversification of Islamic financial instruments such as *Takaful* can foster sustainable efficiency of resources [46] In so doing, high level of poverty among the poor families will be drastically reduced. More important, literature contends that, crowd-lending should be significantly utilized for improvement of living conditions of households through diversification of the economic activities and sources of income which will contribute to sustainable development through efficient economic planning and development in the country as literature contends [47, 48]. In so doing, this will give them necessary support for the growth of enterprises or ventures among poor and low-income households in the context

of Nigeria using the practical application of Islamic financial instruments as the central focus of this study [49,50, 51].

Conclusion and Suggestions

The paper has explicitly explicated the paramount importance of utilization of multifarious Islamic financial instruments. The paper specifically stressed that poverty is an hinderance for overall development of Nigeria. The paper has delt with various studies on sustainable development with specific attention in actualizing sustainable households in the country. The paper argued that at the institutional level, the government and other stakeholders in Islamic financial system have significant role to play in the overall socio-economic development of the country in general and improve social welfares of the disadvantaged families in particular in Nigeria in order to minimize high level of abject poverty for achieving sustainable development in the country. More importantly, the paper has discussed the relevance and applications of different modes of Islamic financial instruments such as: alms-giving (*Zakat*)/personal donations (*Sadaqah*); partnership (*Musharakah*); *Qard-Hassan/Murabaha*, *Mudarabah*, *Ijarah*, *Salam* and *Istisna* crowd-lending/funding as strategies or mechanisms for achieving sustainable households in Nigeria. Based on the discourse of the paper, the following suggestions are therefore made:

1. The stakeholders especially the federal and state governments should explore Islamic financial instruments in addressing the living conditions of millions of citizens living below USD 1.9 per day.
2. The Islamic financial experts should be engaged in the activities of Islamic financial institutions such as Islamic banks and Islamic cooperatives that intend to utilize the Islamic financial instruments in improving the living conditions of the citizens in the country.
3. Social media, Internet and technological facilities can be used as a mechanism for creating awareness and attracting givers of *Zakat* and *Sadaqah* which can be utilized to reduce poverty and consequently improve the living conditions of poor and low-income households in Nigeria.
4. The Islamic financial institutions such as Islamic banks (e.g., Jaiz, Taj banks) as well as Islamic cooperatives can initiate ideas of opening windows relating to crowd lending in order to provide necessary support that would be Shari'ah-compliant in order to achieve poverty reduction in Nigeria.
5. The focus of Islamic financial instruments in uplifting the living conditions of poor households should be mainly geared towards actualizing sustainable development goals (SDGs) vision 2030 in Nigeria.

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