An Assessment of *Halal* Certification on Non-Interest Bank Lending Risk Acceptance Criteria in Borno State

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Abstract

This paper examines the application of Halal certification on Non Interest Bank lending risk acceptance criteria in Borno state. The paper used primary data in form of structured questionnaire administered to Bank staff. Convenience sampling was adopted for the study. The population of the study is made up of forty-five staff from banks practicingNon interest banking principles according to Islamic jurisprudence. Non-parametric statistics specifically the chi-square was used at 5% level of freedom to test the hypothesis. The findings of the paper revealed that customers are aware of the banks' lending products and its risk acceptance criteria but they do not key into the halal certification because of its processes, cost and time involved. More so, the study revealed that NIB has created a special windows for clients without certification but subject to the confirmation of the advisory committee of experts. The study also shows that the key challenges in the application of halal certification is lack of awareness/consumer perception, lack of standardization and legal framework. The paper concluded that the halal certification has a significant synergy with banks risk acceptance criteria in ensuring that it's financing is Shariah compliant. The paper further recommends that there is need for adequate awareness, enabling environment should be created to facilitate the entry of more halal certification firms, and synergy among scholars is needed in the areas of issuance of standards.

Keywords**:** *Halal Certification, Non-Interest Bank, Risk acceptance criteria*

1. Introduction

Lending or financing is considered as one of the core functions of a bank owing to the fact that it is considered as a financial intermediary. This means that they mobilize resources from surplus area and direct it to the deficit areas. This aspect of the bank function cut across all segments of the market be it retail, commercial, corporate, High Net worth Individuals (HNI's) and Government. The business of lending is not only restricted to conventional banks alone as Islamic Bank which is considered as a branch of Non Interest banking (NIB) model in the Nigeria context(Central Bank of Nigeria, 2011) have also key into this business, so as to support the real sector of the economy.

However, lending under the Non-Interest Banking model especially the Islamic variant is anchored on the profit and loss basis which is underpinned by the maxims of "*al ghunmbilghurm,*" meaning "there is no return without risk. Under this arrangement, NIB have various lending or financing products that fit into their various customer needs. These lending or financing products can be broadly categorized into debt based, equity and sales based (Tajur,2009) which can be decomposed further as thus; *Murabaha* (Cost-plus), *Mudaraba* (Trustee or silent partnership), *Musharaka* (Partnership), *Ijara*(lease), *Istisna* (Contract of Manufacture), *Bai-salam* (Deferred sale usually in agriculture), B*ai-muajjal* (credit Sales) , *Tawaruq* (Over draft facilities) to mention but a few and they have their distinctive features (Tabash and Dhankar, 2014) that highly differentiate it from the conventional lending products.

Consequently, in undertaking the business of lending or financing, Non Interest Banks have their first aid kit that is been applied to ensure that certain vital information are obtained from customers. This is crowned with the acronyms called"PARTS" or "5Cs of Credit" (John, 2011). The PARTS implies purpose, amount, repayment, tenor and security and whereas the 5Cs is expressed as character, capacity, capital, condition and collateral. These criterions are very cogent to the smooth administering of lending or financing activities of the bank.

In addition, to ensure that their lending operations are in tandem with the *Shariah*, the Non Interest Bank has the *Shariah* advisory committee (SAC) which is called advisory committee of experts (ACE) in the Nigeria context. Despite, having an ACE that ensures that the bank operations is in line with the *Shariah* one basic issue is whether the products or businesses which they may finance are *Shariah* compliant as the ACEs might not at all times ascertain whether or not a product to be finance is *Shariah* compliance because there are some products or raw materials that need to pass through some rigorous process such as laboratory testing in order to ascertain whether its recipe and processes are in accordance with the *Shariah*.

This calls for the adoption of *halal* certification as part of lending risk acceptance criteria by Non Interest Banks to ensure that they do not finance products that are not *Shariah* compliance. Thus, creating the need for a synergy between the Non-Interest Banks and *halal* industry. This is an industry that has *halal* certification as its product and it covers food products, processed food, meat, beverages, restaurants, cosmetics, pharmaceuticals, chemicals, healthcare, media, fashion, logistics, hospitality and tourism. The industry is estimated to be at about USD2.3 trillion with the exception of Islamic finance and it has a growth rate of 20% and its valued at USD560 billion a year (Azam and Abdullah, 2020).

Although, the development *halal* certification seems to be new in its application in the operations of NIB in Nigeria when compared to countries like Malaysia, Indonesia, and Qatar to mention but a few. It is against this background that this paper was carried out to examine the application of *Halal* certification on Non-Interest Bank lending risk acceptance criteria in Borno State. In fulfilling this aim, the study is hinged on the following hypothesis.

> H_0: There exist no synergy between *Halal* certification and Non-Interest bank lending risk acceptance criteria

II. Literature Review

2.1 Conceptual Review

2.1.1 *Halal Certification:* *Halal* is an Arabic term which refers to as permissible. This involves a process which ensures or guarantees that the characteristics and quality of a products and services corroborates with the tenets of the *Shariah.* It mostly adopted for meat products and other food items like canned foods, additives, beverages, cosmetics, pharmaceuticals, hotels, tourism etc. Once a products is declared as *halal* certified they are labeled with asymbol or simply letter “M”. In Nigeria, several *halal* certification firms tend to exist. Among which are Cert Value-*Halal* Consultant, *Halal* Compliance Food Safety Limited, The Muslim Congress-*Halal* Certification Authority and *Halal* Research Council etc. The *Halal* certification is relevant due to the following reasons; authenticate that the recipe used in the products is *Shariah* compliant, check consumer deception in the preparation, distribution and sales of *halal* product, facilitate business in *halal* product.

2.1.2 *Non-Interest Bank:* NIB refers to a bank under the purview of the Central Bank of Nigeria (CBN), which transacts banking business, engages in trading, investment and commercial activities as well as the provision of financial products and services in accordance with any established non-interest banking principles (Central Bank of Nigeria, 2011). The Non-interest banking model is decomposed into two: Non-interest based on Islamic law and Non-interest based on any other established non-interest. To conceptualize this concept, Non-interest bank refers to bank or a unit of a bank that engages in the provision of financial services in accordance to Islamic law. Consequently, the study is limited to Jaiz Bank plc and Sterling Bank plc.

2.1.3 ***Risk Acceptance Criteria*** usually called RAC. It is a criteria used as a benchmark for making informed decision about certain acceptable risk. In addition, it is considered as a screening tool to guide disbursement of facilities taking into cognizance what level of risk (*Shariah*risk) that is acceptable or tolerable (Development Bank of Singapore, 2014)

2.2 Theoretical Framework

This paper is hinged on the *halal* and *haram* model (H- Square Model) as set by the Islamic Law. The glorious Qur'an says that

> "O you people, eat of what is on earth, lawful and good; and do not follow the footsteps of the devil (the evil one) for he is to you an avowed enemy"
>
> "He hath forbidden you only carrion, and blood, and swineflesh, and that which hath been immolated to (the name of) any other than Allah. But he who is driven by necessity, neither craving nor transgressing, it is no sin for him. Lo! Allah is Forgiving, Merciful" (2:173).
>
> "O ye who believe! Fulfill your undertakings. The beast of cattle is made lawful unto you (for food) except that which is announced unto you (herein), game being unlawful when ye are on pilgrimage. Lo! Allah ordaineth that which pleases Him" (5:1)

In a similar vein, Abu Hurairah reported that the Messenger of Allah said:

> "Allah the Almighty is good and accepts only that which is good. Allah has commanded the Faithful to do that which He commanded the Messengers, and the Almighty has said: "O ye Messengers! Eat of the good things, and do right.." (Q23:51). And Allah the Almighty has said: "O ye who believe! Eat of the good things wherewith We have provided you.." (2:172). then he mentioned [the case of] a man who, having journeyed far, is disheveled and dusty and who spreads out his hands to the sky [saying]: O Lord! O Lord!- while his food is unlawful, his drink is unlawful, his clothing unlawful, and he is nourished unlawfully, so how can he be answered!"(Muslim, 1994).

This model is relevant to this study because it reveals and set the limit or benchmark for an ideal products be financed or consumed by any economic agent be it house hold, Firms or Government.

2.3 Empirical Literature

Gambo (2013) investigates customer perception of the effectiveness of service quality delivery of Islamic banks in Nigeria with reference to Jaiz bank. The study concluded that amongst the loan instruments *Murabaha, Mudarabah* and *Ijarah* are considered as the leading three products highly patronized by customer when compared to other products like *Sukuk, Istisna.*Ahmad (2011) stressed that there is no requirement for *Halal* compliance to be linked with Islamic mode of financing and that the *Shariah* compliance should be all encompassing as it should covers its ingredients and production process.

Similarly, Rosnan *et al* (2015) examine *halal* certification with focus on Non-certified restaurants where they conclude that despite some restaurants not having *halal* certification it does not hinder Muslims from patronizing their restaurants. Raphie*et al* (2014) assessed *halal* certification for financial products looking at the transaction cost perspective which they concluded that it could reduce high transaction cost relating to buying Islamic financial products as individual Muslims would boycott cost related to efforts in learning Islamic law and monitoring cost.

Nurul *et al* (2014) examining integrating Islamic financing and *halal* industry from the view of authorities which they stressed that it will be a good synergy between both sector and the study further showed that each authorities adopts different yard stick and methods of assessment in regards to their *Shariah* compliant process. The study concluded that the *Shariah* advisory council parameters are considered as much more comprehensive compared to others. Likewise, Jaffar and Musa (2013) examined the determinant of attitude towards Islamic financing among *halal* certified Micro and SME which stressed that due to low penetration of Islamic finance among *halal* industry players, the concept of *halal* ecosystem is underutilized.

Subsequently, Ahmad, *et al* (2017) examined the critical success factors that affects the implementation of *halal* food management systems specifically from the perspective of *halal* executives, consultants and auditors. The study revealed that these factors are dearth of manpower and staff incompetency. More so, Wan Hassan and Awang (2009) in their study on *Halal* food in New Zealand restaurants concluded that there is the inadequate information about *halal* procedures in the mass media. In addition, Karaman *et al* (2012) assessed the challenges and gains of the implementation of food safety management systems among the Turkish dairy industry. The study reveals that *halal* certification guides are fairly complex and cannot be easily understood which has created difficulty among the non-Muslim entrepreneurs in comprehending the process of the halal certification.

Additionally, Marzuki *et al.* (2012) examined *halal* certification from the perspective of restaurant managers. The study revealed that possessing *Halal* certificate will assist the business to have Islamic qualities, better market indicators and marketing visibility. More so, the findings showed that the cost of processing this certification is exorbitant, its steps and procedure are time consuming which accounted for some of the reason why most entrepreneurs do not to apply for a *halal* certificate.

Mohammad *et al* (2020) assessed the challenges faced by *halal* certification authorities in managing the *halal* certification process in Malaysia. This study revealed that there are many challenges such as shortage of manpower which has made the *Halal* Auditors to be overworked and also there is lack of standardization especially between the JAKIM and JAIS (which represent Federal and State level government respectively)

Soesilowati (2010) examined the business opportunities for *Halal* products in the global market specifically Muslim consumer behaviour and *Halal* food consumption The study revealed that the awareness of Muslims in Banten concerning *halal* and *haram* food was considerably high when it comes to *halal* and *haram* foods, the role of government in enforcing such behaviour is very low and that the religious laws of conduct and leaders played active roles which depicts a high correlation between religiosity and *halal* foods consumption.

Furthermore, Noordin (2009) assessed the value chain of *halal* certification system using Malaysia *halal* industry. The study revealed that the key issue in the certification system is inefficiency of *Halal* certification process and there is a disagreement between federal government and state Government in terms of authority and governance of the process. Similarly, Yusuf *et al* (2016) in their study on *Halal* certification versus business growth of food industry which they concluded that *Halal* certification can be considered as among the critical factors to ensure business growth of Malaysian food industry.

Liow, (2012) in his study stressed that frozen food manufacturers in Malaysia have expanded their business by 100% after obtaining the *Halal* certificate. The study revealed that European-based company has geographically expanded their business from the European market to Asian market because they now has *Halal* certificate. Machfud et *al* (2011) stressed that *Halal* certificate is considered as marketing instrument and it provides other competitive advantage and gains for manufacturers such as earning consumer's confidence, compliance to Islamic, hygiene and safety requirements. The study concluded that *Halal* certification could improve business performance.

Noor *et al* (2014) in their studies axiomatic approach of *tauhid* in resolving issues in *halal* economy. He stressed that Islamic finance has not fully maximized the *halal* industry since the *halal* products producers are mostly dominated by non-Muslims producers who are less concern about *halal* compliance. However, from these review studies, most of the works were carried out in countries like Malaysia, Indonesia, Bangladesh where the synergy between Islamic banks and *halal* industry have tend to reached advanced stage, thus it will be unfair to generalize their outcome to the Nigeria specifically Borno state. More so, the existing studies tries to link *halal* certification to SMEs, financing products but little or no studies has specifically tries to link *halal* certification to NIB risk acceptance criteria.

III. Methodology

The paper adopts a survey research method. Primary data was used which was obtained from structured questionnaires distributed to staff of NIB banks. More so, Convenience sampling method was adopted. The total population of the study is forty-five (45) staff which constitute staff from banks practicing Non-Interest principles according to Islamic jurisprudence in Maiduguri Borno state. Consequently, Jaiz Bank Plc and Sterling Bank Plc was considered. This implies that twenty-one (21) and twenty four (24) staff are from Jaiz Bank Plc and Sterling Bank Plc respectively. However, since the entire population is less than 50, the whole population was adopted as the sample size in order to achieve accuracy.

Subsequently, out of the forty-five (45) questionnaires distributed, thirty-two (32) was retrieved successfully while thirteen (13) was not returned successfully. Additionally, descriptive statistics such as simple tables, frequency, percentages and bar/pie-charts were used to present, analyze the data while non-parametric statistics precisely the chi-square was used in testing the hypothesis.

IV. Results and Discussions

Socio Economic Characteristics of Respondents

The study reveals that out of the 32 respondents that participated, they are more male than female. Most of whom are within the ages of 31-35 years and they are married. More so, majority of the respondents have their first degree which is considered as a basic requirement for banks to employ applicants as their permanent staff and they are in operations unit. Additionally, most of them are having a working experience between 0-10 years which made them vital to give relevant information on the study (See figure 4.1 in appendix I)

Awareness of NIB Financing Products

The findings shows that all respondents are of the opinion that their customers are aware of the banks financing products owing to the fact that 100% opted for a yes option. More so, with regards to the suitability of these products to their needs, yes recorded 94% whereas no recorded 6% from the respondents which implies that one can conclude that these products do satisfy customer needs.

Also, on the product that recorded high patronage, it revealed that the *Murabaha* recorded high patronage followed by *Mudaraba* and *Ijara*. This is because *Murabaha* recorded 41%, *Mudaraba* has 31% while *Ijara* recorded 25%. Also, as per customers' awareness on the banks' lending criteria, yes recorded 97% while no recorded 3%. This shows that majority of the respondents are of the opinion that the customers are enlightened about the bank lending criteria. (See table 4.1 in appendix I)

Halal Certification on NIB Lending Risk Acceptance Criteria

The result reveals that all the respondents have heard about *Halal* certification because78% opted for yes whereas 22% record no. This means that the banks must have educated her staff on the *Halal* certification concept owing to the fact that it occupies a central position in the operations of the bank business of lending. Also, on the awareness of the bank risk acceptance criteria, yes recorded 81% whereas no recorded 19% from the respondents. One can conclude that the majority of the staff are fully aware of the bank lending risk acceptance criteria. This implies that irrespective of their various unit, the staff were fully equipped with the bank's lending risk criteria. More so, on the *halal* certification been incorporated into the banks' lending risk acceptance criteria, It shows that yes recorded 75% whereas no recorded 25%. This is a confirmation to the fact that the staff were adequately enlightened about their internal credit policy which is an embodiment of the banks risk acceptance criteria.

Also, majority of the respondents attest to the fact that *Halal* certification is considered as a compulsory risk acceptance criteria for financing products/services or businesses because yes recorded 59% while no recorded 41%. This outcome is in tandem to the fact that the bank must ensure that it does not finance *haram* (non-permissible) products or services. In addition, on the acceptability of *Halal* certification, it reveals that majority of the respondents are of the opinion that their customers both Muslims and non-Muslims are not accepting *Halal* Certification as a lending risk acceptance criterion. This is because 66% of the respondents opted for no while 34% recorded yes. This outcome could be as a result of different challenges been faced by customers which could be due to factors like poor awareness, cost and time involved in its process and to mention but a few.

Furthermore, on the special window to take care of customers without *Halal* certification, yes recorded 53% whereas no recorded 47%. This means that majority of the respondents are of the opinion that there is special window that takes care of this certification for customers who do not have the *halal* certificate. This further implies that on the interim, a confirmation by the bank advisory committee of experts could be used for further processing. Also, the study revealed that majority of the respondents agree to the fact that that once the advisory committee of experts (ACE) approves the products/services or businesses to be financed as *Shariah* compliance, they still require *halal* certification. This is because yes recorded 66% while no recorded 34%. This outcome is a confirmation that despite the special windows created for customers without *Halal* certificate, they still have to provide the certificate aftermath.

Similarly, the findings further shows that majority of the respondents are of the opinion that it does not require the acceptance of both the ACE and the *Halal* Certification on a product/service or businesses as *Shariah* Compliant before it can be financed. This is against the background that 66% of the respondents opted for no while 34% chose yes option. This outcome indicates that either the opinion of ACE or the *Halal* certification firms declaring a product or services as *Shariah* compliance can suffice for further processing of loan.

Additionally, on the existence of conflicts between ACE and *Halal* certification, it depicts that 59% opted for yes, while 41% chose no response. One can conclude that there have been some conflicts between the outcome of *Halal* certification and the ruling of the ACE regarding the *Shariah* compliant of a products or services. This outcome could be as result of the issue of interpretation which could further create a standardization problems. Likewise, on the superiority of ruling, it shows that most of the respondents are of the opinion that whenever there is any conflicts between the outcome of *Halal* certification and ACE, the ruling of the ACE regarding the *Shariah* compliance of a products or services prevails. This is because no recorded 37% while yes recorded 63%.This outcome is against the backdrop that the ACE are considered as the highest decision making body of NIB apart from the Board of Directors.

Subsequently, the study shows that majority of the respondents are of the opinion that NIB have special arrangement (Memorandum of Understanding) between them and the *Halal* certification firms to make such process of *Halal* certification less cumbersome for its customers. This is because 59% of the respondents opted for yes, while 49% choose no option. This suggests that the bank have these *halal* certification firms as accredited vendors to make their customers request seamless. Also, on the impact of *halal* certification, the respondents agreed that the application of *Halal* certification have immense benefit on the banks' lending risk acceptance criteria. This is because 69% recorded yes, while no recorded 31%. The outcome implies that *Halal* certification could minimize risk in lending especially the *Shariah* risk and any other related risks. (See table 4.2 in appendix I)

Challenges of the application of Halal Certification as NIB lending risk acceptance criteria.

The findings shows that the challenges confronting the application of *Halal* certification as NIB lending risk acceptance criteria. The major challenges are lack of awareness/consumer perception, lack of standardization and legal framework. This is because 60% went for lack of awareness/consumer perception, 16% went for lack of standardization, 9% of the respondents opted for inadequate framework, 6% chose dearth of manpower and cost of conducting laboratory test while 3% went for delay in receiving laboratory results. (See figure 4.2 in appendix I)

Test of Hypothesis

The study hypothesis was tested at five percent (5%) level of significance. degree of freedom (*df*) is given by *df* =(r-1) (k-1). The decision rule is that if **χ^2-Cal >χ^2-Tab,** we reject the null hypothesis (H_o) and accept the alternative hypothesis (H_1) and vice versa. Therefore, the hypothesis is restated as thus

H_0: There exist no synergy between *Halal* certification and Non-Interest bank lending risk acceptance criteria

Table 4.5 Hypothesis I

O	E	O-E	O-E^2	O-E^2/E
13	19	-6	36	1.89
8	13	-5	25	1.92
19	19	0	0	0.00
13	13	0	0	0.00
11	19	-8	64	3.37
21	13	8	64	4.92
22	19	3	9	0.47
10	13	-3	9	0.69
			χ^2=	**13.28**

Authors Computation, 2020

Degree of freedom is (k-1) (c-1)= (4-1)(2-1)
df = 3
Therefore the **χ^2-**Tab value with*df of 3 @ 5% level of Significance is* **χ^2-**Tab= 7.81
Since, **χ^2-Cal (13.28)>χ^2-Tab (7.81),** we reject the null hypothesis (H_o) and accept the alternative hypothesis (H_1) which implies that *Halal* certification has a synergy with Non-Interest bank lending risk acceptance criteria

4.2 *Summary of Major Findings*

Firstly, majority of the respondents attest to the fact that their customers are aware of the banks financing products and the products largely patronized are *Murabaha, Mudaraba and Ijara*. This could be attributed to the simplicity in the transaction dynamics of these products. However, this outcome is in tandem with the works of Gambo (2013).

Secondly, the respondents stressed that the customers are aware of the banks' lending criteria but the compliance level is relatively low. This could be as a results of some factors such as cost, process and time involved in the processing of such certification when compared to the exigency of their loan request. This outcome is in compliance with the works of Karaman *et al* (2012), Marzuki *et al.* (2012).

Thirdly, the study revealed that *halal* certification is compulsory before financing a business. Although, there exist special window which requires the node of the advisory committee of experts (ACE) pending the outcome of the *halal* certification. But if there exist a situation when the banks advisory committee of experts and the *halal* certification companies differs, the opinion of the ACE supersede. This situation could be due to opinions/ interpretation among scholars and thoughts which could degenerate to standardization issue. This outcome is in line with the works of Noordin (2009) and Mohammed *et al*(2020).

Fourthly, the study revealed that the application of *halal* certification has a significant synergy with the NIB lending risk acceptance criteria in ensuring that its financing is *Shariah* compliance. This is supported by the outcome of the test conducted where **χ^2-Cal (13.28) > χ^2-Tab (7.81)**,which depicts accepting null hypothesis which states that *Halal* certification has relationship with Non-Interest bank lending risk acceptance criteria. This is further buttressed by the works of Yusuf *et al* (2016),Liow, (2012) and Machfud *et al* (2011).

Lastly, the findings revealed that the major challenges in the application of halal certification on the NIB lending risk acceptance criteria is as lack of awareness/consumer perception, lack of standardization and legal framework. This outcome confirm with the works of Mohammed *et al* (2020), Soesilowati (2010), Wan Hassan and Awang (2009) and Karaman *et al* (2012)**.**

V. Conclusion and Recommendations

5.1 Conclusion

Halal certification is still at its infant stage within the landscape of Non-Interest banking operations in Nigeria. Though, the *halal* industry been a trillion dollar business has its potentials within the banking and other sector but it is yet to be fully harnessed. So, with its gradual application in the Non-interest banking sector especially as its lending risk acceptance criteria.it could serve as a boast to the entire ecosystem of Islamic finance industry despite the following challenges such as lack of awareness, lack of standardization to mention but a few. Therefore, the study concluded that *halal* certification has a significant synergy with NIB lending risk acceptance criteria. Thereby, minimizing the *Shariah* risk and related risk as buttressed by the outcome of the tests of hypothesis conducted.

5.2 Recommendations

Based on the findings, the study proffer the following recommendations as follows:-

i. There is need to sustain and intensify the awareness campaign on *Halal* Certification to both NIB staff and customers.
ii. NIB customer needs to be properly enlightened on the need for *halal* certification noting that it is not only required for loan purposes but could also create visibility for their business to grow.
iii. The regulatory bodies should ensure that certain high level of standardization in its process is achieved.
iv. There is a need of synergy among stakeholders in ensuring that standards are issued so as to minimize the differences of opinions as regards interpretations
v. The cost of obtaining *halal* certificate should be reduced or shared between NIB and its customers as this could motivate them to key into this certification.
vi. The process of *halal* certification should be seamless and less time consuming. This could be achieved with a strong synergy between *halal* firms and NIBs.
vii. Lastly, there is need for the government and its related agencies to create an enabling environment, so as to encourage the entry of more *halal* certification firms as this could result to stiff competition and thus reduce cost.

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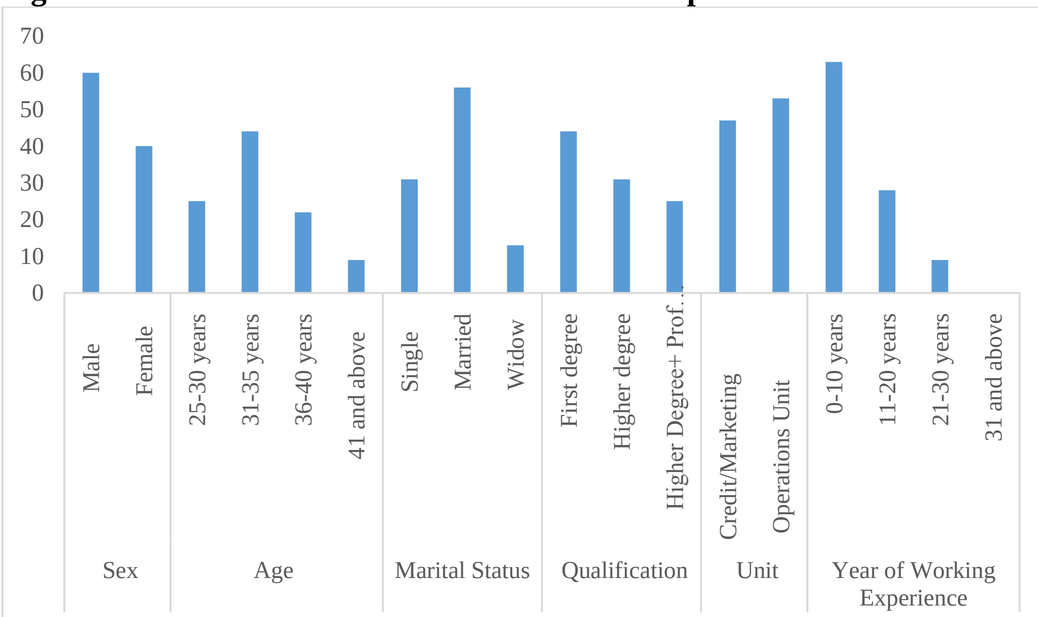
Appendix I

Figure 4.1: Socio-Economic Characteristics of Respondents



Field Survey, 2020

Table 4.1: Awareness of NIB Financing Products

SN	Awareness of NIB Financing Products	Responses	Frequency	Percentage
1	Are your customers aware of the Banks financing products?	Yes	32	100
		No	0	0
		Total	**32**	**100**
2	Do they patronize these financing products to meet their needs?	Yes	30	94
		No	2	6
		Total	**32**	**100**
3	Which of these products have received high patronage overtime?	*Mudaraba*	10	31
		Musharaka	1	3
	•	*Murabaha*	13	41
		Ijara	8	25
		Istisna	0	0
		Bai Salam	0	0
		Qard Hassan	0	0
		Total	**32**	**100**
4	Are your customers enlightened about the banks' lending Criteria	Yes	31	97
		No	1	3
		Total	**32**	**100**

Field Survey, 202

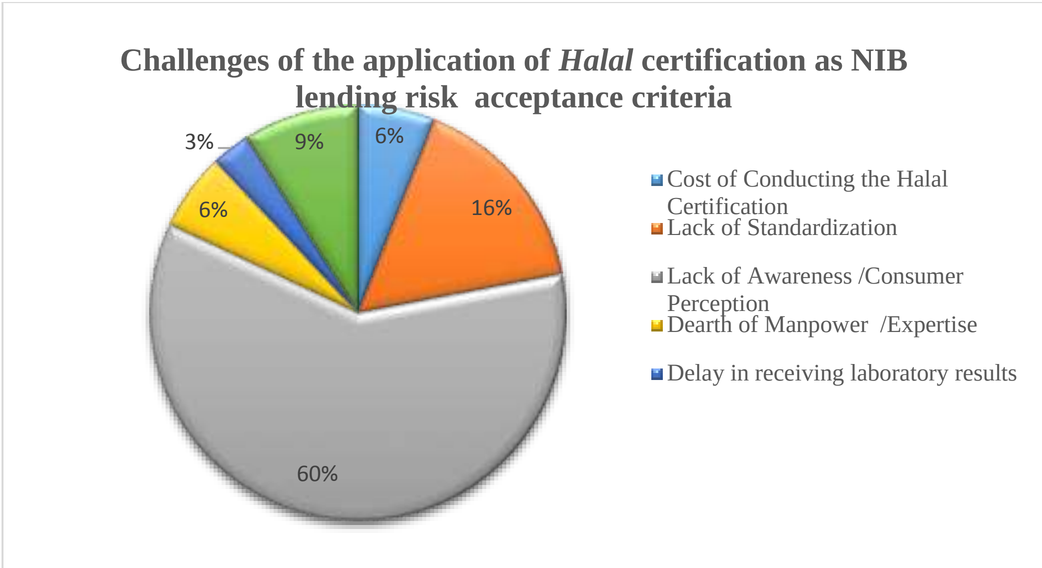
Table 4.2: Halal Certification on NIB Lending Risk Acceptance Criteria

SN	Halal Certification on NIB Lending Risk Acceptance Criteria	Response	Frequency	Percentage
1	Have you heard about *Halal* Certification?	Yes	25	78
		No	7	22
		Total	**32**	**100**
2	Are you aware of the Bank's lending risk acceptance criteria?	Yes	26	81
		No	6	19
		Total	**32**	**100**
3	Is *Halal* Certification captured as part of your bank lending risk acceptance criteria?	Yes	24	75
		No	8	25
		Total	**32**	**100**
4	Is *Halal* Certification considered as a compulsory lending risk acceptance criteria for financing products/services or businesses?	Yes	19	59
		No	13	41
		Total	**32**	**100**
5	Are your customers both Muslims and non-Muslims accepting *Halal* Certification as a lending risk acceptance criterion?	Yes	11	34
		No	21	66
		Total	**32**	**100**
6	Are there special window that takes care of this certification for customers that do not have the *halal* certification?	Yes	17	53
		No	15	47
		Total	**32**	**100**
7	Is it that once your Advisory Committee of Experts (ACE) okays a products/services or businesses as *Shariah* compliant, do you still require *halal* certification?	Yes	20	63
		No	12	37
		Total	**32**	**100**

8	Do you require both the acceptance of the ACE and the *Halal* Certification on a products/services or businesses as*Shariah* Compliant before it can be financed?	Yes	11	34
		No	21	66
		Total	**32**	**100**
9	Have there been any conflicts between the outcome of *Halal* certification and the ruling of the ACE regarding the *Shariah* compliant of a products/services or businesses?	Yes	19	59
		No	13	41
		Total	**32**	**100**
10	If there is a conflict on the ruling between ACE and *Halal* certification, will the ruling of your ACE supersede that of *Halal* certification?	Yes	20	63
		No	12	37
		Total	**32**	**100**
11	Does your bank have any special arrangement (Memorandum of Understanding) between her and the *halal* certification firms to make such process less cumbersome for its customers?	Yes	19	59
		No	13	41
		Total	**32**	**100**
12	Can you say the application of *Halal* certification have immense benefit to the banks RAC in financing towards of ensuring full compliance to *Shariah*	Yes	22	69
		No	10	31
		Total	**32**	**100**

Field Survey, 2020

Figure 4.2: Challenges of the application of Halal Certification as NIB lending risk acceptance criteria.



Field Survey, 2020