A TALE OF TWO MARKETS: DETERMINANTS OF PERFORMANCE DIVERGENCE BETWEEN SOVEREIGN AND CORPORATE SUKUK IN NIGERIA'S ISLAMIC CAPITAL MARKET (*Evidence from the Arthur Islamic finance market index (January–April 2026)*)

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Abstract

This paper investigated the structural, regulatory, and pricing determinants of the persistent performance gap between Nigeria's sovereign and corporate sukuk segments. Using January–April 2026 data from the Arthur Islamic Finance Market (AIFM) Index, the study documented a 19.8-point divergence (sovereign 88.8 vs. corporate 69.0) and evaluated this disparity against maqasid al-shariah criteria, particularly the principle of wealth circulation (tadawul al-amwal). A comparative case analysis was employed, drawing on four monthly AIFM reports triangulated with Debt Management Office (DMO), Securities and Exchange Commission (SEC), and Nigerian Exchange Group (NGX) sources. Simple descriptive statistics — percentages, ratios, ranges, and month-over-month growth rates — characterized market dynamics. Three factors were identified as most consistent with the divergence: (i) a persistent 200-basis-point profit-rate differential (sovereign 14.2% vs. corporate 16.2% average); (ii) regulatory asymmetry between the DMO's proactive sovereign framework and the SEC's historically reactive corporate approach; and (iii) severe market breadth constraints, with a 44.7:1 outstanding volume ratio and only eight live corporate instruments against twenty-five-plus sovereign papers. The sovereign segment's 42% foreign participation contrasted sharply with negligible foreign interest in corporate paper. The NGX Lotus Islamic Index's strong historical outperformance (+22.53% in 2009 versus the conventional index's −33.78%) confirmed that investor demand for Shariah-compliant products was not the constraint; the failure was structural and supply-side. Policy recommendations included SEC fee waivers for maqasid-aligned corporate sukuk, institutional allocation mandates for non-interest banks and takaful funds, and a sovereign-corporate co-issuance model with partial DMO credit enhancement to lower corporate pricing.

Keywords: AIFM Index; corporate sukuk; Islamic capital market; maqasid al-shariah; sovereign sukuk

1.0 Introduction

1.1 Background and Context

Nigeria has emerged as Africa's most significant Islamic finance jurisdiction by sovereign issuance volume. The Federal Government of Nigeria (FGN) sukuk programme, launched in 2017, has grown to an outstanding balance of ₦3.8 trillion by April 2026, funding critical infrastructure including roads, housing, and, most recently, green energy projects through a landmark ₦400 billion green sukuk issuance in the first quarter of 2026 (Arthur Group, 2026a; Debt Management Office Nigeria, 2026). The Nigerian Exchange Group (NGX) now hosts fifteen active non-interest securities, and the non-interest banking sector has expanded to ₦3.8 trillion in assets, representing 5.2% of system-wide banking assets (Arthur Group, 2026a). These are remarkable achievements for a jurisdiction that had no functional Islamic capital market infrastructure a decade ago.

Less examined, however, is whether this growth has been balanced across market segments. The Arthur Islamic Finance Market (AIFM) Index — a composite indicator tracking five segments of Nigeria's Islamic finance industry across four weighted pillars — reveals a striking asymmetry. In April 2026, the sovereign sukuk segment stood at 88.8 points, firmly within the "Advanced & Mature" classification. The corporate sukuk segment stood at 69.0 points, a full 19.8 points lower, in "Growth & Integration" territory. More remarkably, this gap had been reversed just four months earlier: in January 2026, the corporate segment (73.9) actually led the sovereign segment (60.4). The complete trajectory reversal within a single quarter demands systematic explanation.

1.2 Statement of the Problem

The Nigerian Islamic capital market presents a paradox. Both segments operate under the same macroeconomic conditions of 28.5% inflation, naira volatility, conventional FGN bond yields of 18–20%, and under overlapping regulatory institutions. If sovereign sukuk issuance creates the enabling conditions for corporate follow-on, establishing benchmark yield curves, building investor familiarity, developing regulatory capacity, and creating secondary market infrastructure, then why has Nigeria's corporate segment not responded more substantially after nine years of sovereign presence? Indeed, why did the corporate index decline 4.9 points while the sovereign index surged 28.4 points over the same four-month window? No existing study has investigated this question using consistent, segment-disaggregated index data.

1.3 Research Objectives and Questions

Main Objective --- The main objective of this study is to explain why a large and widening performance gap exists between Nigeria's sovereign and corporate sukuk segments, and to assess what this gap means for the Islamic principle of fair wealth circulation (tadawul al-amwal).

Specific Objectives --- To achieve the main objective, the study pursues four specific objectives: (i) to identify and analyze the measurable factors associated with the sovereign-corporate performance gap, using monthly AIFM Index data from January to April 2026;

(ii) to evaluate the regulatory environment governing each segment, with particular attention to the differences between the Debt Management Office's (DMO) sovereign framework and the Securities and Exchange Commission's (SEC) corporate framework;

(iii) to assess the performance gap against maqasid al-shariah criteria, particularly the principle of wealth circulation; and

(iv) to propose a policy framework, informed by Islamic economics, for narrowing the gap.

Research Questions --- Each specific objective is addressed through a corresponding research question.

RQ1 (Objective i): What measurable factors are associated with the widening 19.8-point index gap between sovereign and corporate sukuk in Nigeria between January and April 2026?

RQ2 (Objective ii): How do regulatory frameworks differentially enable or constrain each segment?

RQ3 (Objective iii): What does this divergence imply for the maqasid principle of wealth circulation (tadawul al-amwal)?
RQ4 (Objective iv): What policy measures, consistent with maqasid al-shariah, could help narrow the gap?
To keep the hypotheses consistent with these objectives and questions, RQ1 and RQ2 are further translated into three testable working hypotheses (H1--H3), presented in Section 3.2 and evaluated in Sections 5 and 6 through descriptive analysis and process tracing. RQ3 and RQ4, by contrast, concern value judgement and policy design rather than measurable cause-and-effect relationships; these are addressed through normative maqasid assessment (Section 6.3) and policy analysis (Section 7.2) rather than hypothesis testing.

1.4 Significance and Scope

The study makes three contributions. Theoretically, it extends maqasid al-shariah application from instrument design (Shinta et al., 2023) to capital market segment evaluation — a novel application of a well-established normative framework. Empirically, it provides the first segment-disaggregated, multi-month, index-based analysis of Nigeria's Islamic capital market, adding a frontier African jurisdiction to a literature dominated by Malaysian and GCC studies. Policy-wise, it offers actionable recommendations grounded in empirical evidence for regulators, issuers, and multilateral development partners. The study is bounded geographically to Nigeria, temporally to January–April 2026, and analytically to the sovereign and corporate sukuk segments.

2. Literature Review

2.1 Conceptual Framework

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines sukuk as "certificates of equal value representing undivided shares in ownership of tangible assets, usufructs, and services, or assets of particular projects or special investment activity" (AAOIFI, 2015, Shariah Standard No. 17). Three features distinguish sukuk from conventional bonds: sukuk represent ownership shares, not debt instruments; returns derive from the performance of underlying assets, not predetermined interest; and the underlying asset must be Shariah-compliant. The form-over-substance tension — whereby ijara and murabaha structures replicate conventional bond cash flows while satisfying only the legal form of Shariah compliance — is well-documented (El-Gamal, 2006) and forms a central concern of this paper's maqasid evaluation.

Sovereign sukuk, issued by national governments or their agencies, carry sovereign guarantees, benefit from high credit ratings, and typically enjoy tax exemptions (Jobst et al., 2008; International Monetary Fund, 2015). In Nigeria, the DMO has issued ijarah sukuk for road construction since 2017 and, in Q1 2026, launched the country's first sovereign green sukuk for solar-hybrid affordable housing. Corporate sukuk, issued by private entities, carry entity-specific credit risk, require identifiable assets for segregation, face higher structuring and rating costs, and lack sovereign guarantees (Godlewski et al., 2013; Mohamed et al., 2015). The higher cost structure of corporate sukuk is directly reflected in the profit-rate differential documented in this study. This sovereign-corporate distinction is not unique to Nigeria: globally, sovereign and quasi-sovereign issuers continue to dominate primary sukuk volumes even as total outstanding sukuk has expanded (International Islamic Financial Market, 2025), and rating agencies characterise the global sukuk market as increasingly resilient but still geographically concentrated in a handful of core jurisdictions, with corporate issuance in frontier markets remaining comparatively underdeveloped (S&P Global, 2025).

The AIFM Index measures Islamic capital market development through four pillars: Size & Activity (30%), Liquidity (30%), Breadth & Participation (20%), and Quality & Resilience (20%), producing scores across five developmental stages from Nascent (0–20) to Advanced & Mature (81–100) (Arthur Group, 2026a). In plain terms, Size & Activity captures how large and active a segment is (outstanding value and issuance volume); Liquidity captures how easily instruments can be bought and sold in the secondary market; Breadth & Participation captures how many issuers and investors take part, including foreign investors; and Quality & Resilience captures the strength of the supporting regulatory, disclosure, and market infrastructure. A segment scores well only when it performs across all four dimensions, not merely on size alone. A complementary but distinct index, the NGX Lotus Islamic Index (NGX LII), was launched in 2009 through a collaboration between the Nigerian Exchange Group and Lotus Capital. It tracks approximately fifteen Shariah-screened equities using a two-stage process: qualitative screening excludes companies in prohibited sectors (alcohol, gambling, tobacco, conventional banking), while quantitative screening filters out entities with excessive debt, cash, or interest income ratios. Constituent stocks are reviewed bi-annually, with sector weights capped at 40% and individual stock weights capped at 30% (Nigerian Exchange Group, n.d.). During the 2009 global financial crisis, the NGX LII returned +22.53% while the conventional All-Share Index declined −33.78%; in 2010, it returned +41.98% against the ASI's +18.93% (Nigerian Exchange Group, n.d.). In April 2026, the AIFM Equity Index — which tracks NGX Lotus constituents — stood at 83.0 and was outperforming the conventional ASI year-to-date (28.7% vs. 26.2%) (Arthur Group, 2026a). This persistent outperformance constitutes a critical counterfactual: demand for Shariah-compliant products is demonstrably robust in Nigeria.

2.2 Empirical Review

The global sukuk market has expanded substantially, with sovereign and quasi-sovereign instruments accounting for 55–65% of total outstanding volume (Kamarudin et al., 2021; Smaoui & Khawaja, 2017). Frontier markets are universally dominated by sovereign issuance, mirroring the Nigerian pattern. Osanmaz et al. (2025), using panel regression across fourteen countries, find that sovereign and corporate sukuk exert differential GDP effects — sovereign sukuk in non-Islamic countries carry negative GDP coefficients, while corporate sukuk in those contexts carry positive ones — establishing the theoretical and empirical case for segment-disaggregated analysis. The present study extends this insight from macroeconomic GDP effects to market development trajectories within a single country. Regional evidence reinforces the case for segment-level analysis. In the Gulf Cooperation Council, Grassa and Miniaoui (2018) find that corporate issuers' choice between sukuk and conventional bonds is shaped primarily by conventional capital-structure fundamentals — leverage, profitability, and asset tangibility — rather than by religious preference alone, indicating that even in relatively mature GCC markets the corporate segment responds to ordinary financial determinants more than to Shariah demand per se. In Pakistan, Khan et al. (2020) show that retail investors' sukuk investment intentions are driven primarily by social and normative factors rather than pricing considerations, evidence of demand-side receptiveness that parallels the NGX Lotus Islamic Index pattern discussed in Section 2.1 for Nigeria.

Ghazoui (2024) examined Morocco, where sovereign Ijara sukuk launched in 2018 failed to catalyze any corporate follow-on. The present study examines the inverse and more analytically challenging case: Nigeria, where sovereign sukuk has flourished to Advanced & Mature status and yet corporate sukuk lags, suggesting that sovereign success is necessary but not sufficient for corporate market development. Ashraf et al. (2021) identified governance factors — government ownership, board independence, Muslim board representation — shaping corporate sukuk issuance decisions among 736 Malaysian firms. In Indonesia, Ali et al. (2024) document that green sukuk issuance has generated measurable, if modest, positive effects on economic growth, social development, and financial performance, evidence directly relevant to the assessment of Nigeria's own sovereign green sukuk pilot in Section 5.2. The present study shifts the unit of analysis from firm-level determinants in a mature market to segment-level structural determinants in a frontier context. For Nigeria specifically, Dogarawa (2011) provided an early overview of the country's nascent Islamic banking and finance landscape prior to the DMO's 2017 sovereign sukuk debut, Umar and Kurawa (2019) subsequently documented positive infrastructure impacts of sovereign sukuk, Hassan and Raza (2020) analyzed non-interest banking growth, and Adebayo and Ibrahim (2022) identified regulatory fragmentation as a barrier. No prior study has conducted a systematic, multi-period, within-country comparison of segment performance using a composite index or applied a maqasid-based lens to evaluate the outcome.

3. Theoretical Framework

3.1 Maqasid al-Shariah and Islamic Capital Market Development

This study's theoretical foundation rests on maqasid al-shariah as systematized by Al-Ghazali (1111) and Al-Shatibi (1388). Classical Islamic jurisprudence identifies five higher objectives: preservation of religion, life, intellect, lineage, and wealth. Within hifz al-mal (preservation of wealth), three derivative principles are directly relevant to Islamic capital markets: the prohibition of riba (ensuring returns are performance-linked, not predetermined); the requirement of asset-backing (ensuring instruments are grounded in real economic activity); and the imperative of wealth circulation, or tadawul al-amwal. The Qur'anic injunction at Surah al-Hashr (59:7) — that wealth should not circulate exclusively among the wealthy — provides the normative anchor for evaluating whether a market adequately serves the breadth of economic participants. Chapra (2008) argues that Islamic financial development should be evaluated not by volume growth alone but by the extent to which it distributes risk and reward across society. Dusuki and Bouheraoua (2011) demonstrate that market structures must be assessed for their contribution to all five maqasid dimensions, not merely legal compliance.

Applied to the present context, this framework generates two propositions. First, a market that funds public infrastructure through sovereign sukuk partially fulfils hifz al-mal — it channels riba-free capital to public goods, which is a genuine social good — but incompletely, because it does not enable private producers and entrepreneurs to access Islamic capital. Second, the form-over-substance critique (El-Gamal, 2006) applies asymmetrically: sovereign sukuk with infrastructure use-of-proceeds satisfy the substance of maqasid more organically than corporate sukuk structured purely as debt-mimicry. Nigeria's nascent corporate market presents an opportunity to incentivize genuinely participatory structures before murabaha becomes entrenched as the corporate default.

3.2 Conceptual Model

Drawing on the maqasid framework and the AIFM data, three factors are hypothesized to explain the sovereign-corporate gap. Factor 1 (Pricing Differential, ΔP): the 200-basis-point spread between sovereign benchmark yields (14.2%) and corporate average profit rates (16.2%) reflects conventional credit hierarchies and constrains corporate issuance. Factor 2 (Regulatory Asymmetry, ΔR): the DMO's proactive thematic sovereign framework versus the SEC's historically reactive corporate approach generates a regulatory quality differential that advantages sovereign instruments. Factor 3 (Market Breadth, ΔB): the 44.7:1 outstanding volume ratio and 3:1 instrument count ratio constrain institutional portfolio construction, pricing discovery, and secondary liquidity in the corporate segment. The performance gap is modelled heuristically as: Gap = $f(\Delta P, \Delta R, \Delta B, \varepsilon)$, where ε captures exogenous macroeconomic conditions common to both segments.

These three factors are formalized as the following working hypotheses:

H1: The pricing differential between sovereign and corporate sukuk profit rates is negatively associated with corporate sukuk segment performance.

H2: Regulatory asymmetry between the DMO's proactive sovereign framework and the SEC's historically reactive corporate framework is associated with the widening of the sovereign-corporate performance gap.

H3: Market breadth constraints — outstanding volume and active instrument count — are associated with corporate sukuk segment underperformance.

Given that only four monthly AIFM observations are available at the time of writing (Section 4.3), H1–H3 are evaluated qualitatively through process tracing — matching the observed trajectory data against each hypothesis's expected pattern — rather than through inferential statistical testing. The findings reported in Sections 5 and 6 should therefore be read as evidence that is consistent (or inconsistent) with each hypothesis, not as statistically confirmed causal support.

4. Methodology

4.1 Research Design and Philosophy

A comparative case analysis design is employed, treating the sovereign and corporate sukuk segments as two analytically distinct cases within the same national setting (Nigeria, January–April 2026). This design enables controlled comparison under identical macroeconomic conditions and overlapping regulatory institutions — a natural experiment that multi-country panel studies cannot replicate. The study adopts a post-positivist stance, acknowledging the value-laden nature of Islamic economic inquiry while maintaining rigorous empirical grounding (Chapra, 2008; Siddiqi, 2011). The normative commitment to maqasid is stated transparently as an evaluative framework, not presented as a positive empirical claim.

4.2 Data Sources and Variables

The primary data source is four monthly AIFM Index reports covering January through April 2026 (Arthur Group, 2026a–d). Supplementary sources include the NGX

Lotus Islamic Index methodology and historical performance data (Nigerian Exchange Group, n.d.), the DMO sukuk issuance framework (Debt Management Office Nigeria, 2026), and the SEC's April 15, 2026 circular on streamlined sukuk shelf registration (Securities and Exchange Commission Nigeria, 2026). The AIFM Index is the most comprehensive, segment-disaggregated Islamic finance indicator available for Nigeria. Acknowledged limitations include proprietary aggregation methodology and Arthur Group's dual role as market participant and index provider; these are mitigated through triangulation with official DMO, SEC, and NGX data.

Core variables for April 2026 are: AIFM Index scores (sovereign 88.8; corporate 69.0), outstanding balances (₦3.8tn vs. ₦85bn), active instruments (25+ vs. 8), benchmark profit rates (14.2% vs. 16.2%), foreign participation (42% vs. negligible), and secondary market volumes (high vs. ₦18.5bn). The four-month trajectory data (January–April 2026) provides the longitudinal dimension.

4.3 Analytical Approach

Given that the AIFM Index launched in January 2026, this study has four monthly observations at the time of writing. This precludes econometric techniques requiring larger samples — multiple regression, cointegration analysis, or time-series modelling. The study employs simple descriptive statistics: percentage changes, ratios, averages, ranges, and month-over-month growth rates. This approach prioritizes transparency, replicability, and interpretability over false precision. Analytical inference proceeds through process tracing: matching observed patterns to H1–H3 and assessing pattern-consistency rather than statistical significance. The NGX LII's historical performance data provides a counterfactual test of the demand-side explanation.

5. Empirical Analysis and Findings

5.1 Market Trajectory (Jan.–April 2026)

The composite AIFM Index demonstrated consistent growth from 66.9 in January to 71.3 in April 2026 — a gain of 4.4 points (6.6%) — against persistent macroeconomic headwinds: 28.5% inflation, naira volatility, and conventional FGN bond yields at 18–20% (Arthur Group, 2026a). Within this aggregate picture, however, segment trajectories diverged dramatically. Table 1 presents the full trajectory.

Table 1: AIFM Index Performance Trajectory, January–April 2026

Index	Jan 2026	Feb 2026	Mar 2026	Apr 2026	4-Month Δ	Stage (Apr)
AIFM Composite	66.9	70.0	71.2	71.3	+4.4	Growth & Integration
AIFM Equity	64.1	83.0	81.5	83.0	+18.9	Advanced & Mature
AIFM Sovereign Sukuk	60.4	82.7	89.6	88.8	+28.4	Advanced & Mature
AIFM Corporate Sukuk	73.9	71.9	70.9	69.0	−4.9	Growth & Integration
AIFM Sub-National Sukuk	43.8	43.8	43.8	43.7	−0.1	Emerging
AIFM Non-Interest	75.3	68.5	70.2	72.1	−3.2	Growth &

Banking	Integration

Source: Author's compilation from Arthur Group (2026a, 2026b, 2026c, 2026d)

Two observations from Table 1 are analytically critical. First, the sovereign sukuk index surged 28.4 points (+47.0%) in four months, driven by landmark issuances and strong foreign participation. Second, the corporate sukuk index simultaneously declined 4.9 points (−6.6%), despite operating under identical macroeconomic conditions. The segments crossed in February 2026, after which the gap widened each successive month, reaching 19.8 points by April.

5.2 The Sovereign Sukuk Segment

The AIFM Sovereign Sukuk Index registered 88.8 in April — the only sukuk segment in Advanced & Mature territory (Arthur Group, 2026a). Outstanding FGN sukuk reached ₦3.8 trillion across twenty-five-plus active papers, representing 12% year-on-year growth. Two issuances drove the surge. In February 2026, the DMO listed a ₦300 billion 10-year Road Ijarah Sukuk that was oversubscribed by 120%, with total bids of ₦360 billion — a signal of strong institutional and foreign investor demand (Arthur Group, 2026b). In March 2026, Nigeria issued its first sovereign green sukuk: a ₦400 billion 10-year instrument funding 60,000–80,000 solar-hybrid affordable housing units across Lagos, Ogun, FCT, Kano, Rivers, and Kaduna, priced at 9.2% per annum (Arthur Group, 2026c). Benchmark 2033 papers yielded 14.2%, anchoring the Islamic yield curve. Foreign participation reached 42%, the highest across all AIFM segments. From a maqasid standpoint, the segment demonstrates strong maslahah alignment: proceeds fund identifiable public infrastructure, and the green sukuk adds an explicit environmental and social dimension to the wealth preservation objective.

5.3 The Corporate Sukuk Segment

The AIFM Corporate Sukuk Index declined from 73.9 in January to 69.0 in April — a 4.9-point drop representing the weakest four-month performance of any major AIFM segment (Arthur Group, 2026a). Only eight live corporate sukuk exist, with ₦85 billion outstanding — a 44.7:1 ratio relative to sovereign. The average profit rate of 16.2% implies a 200-basis-point premium over the sovereign benchmark. No new corporate sukuk issuances occurred in April 2026. Despite the negative primary market momentum, secondary market indicators improved: NGX trading volumes rose 12% month-on-month to ₦18.5 billion, Stanbic IBTC's 2024 green sukuk traded at 101.2% of par (yielding 15.8%), Jaiz Bank's ₦10 billion mudarabah held at 98.5%, and bid-ask spreads narrowed to 25 basis points from 40 in March (Arthur Group, 2026a). The SEC's April 15, 2026 circular streamlined shelf registrations to 45 days and introduced "sukuk-friendly" asset-backed rules (Securities and Exchange Commission Nigeria, 2026). Issuer surveys reported 65% of mid-tier firms planning sukuk issuance by H2 2026, with 42% of anticipated demand from Islamic funds (Arthur Group, 2026a). Table 2 presents the segment comparison.

Table 2: Sovereign vs. Corporate Sukuk — Key Indicators, April 2026

Indicator	Sovereign Sukuk	Corporate Sukuk	Differential/Ratio
AIFM Index Score (Apr)	88.8	69.0	19.8 pts
4-Month Trajectory	+28.4 pts (+47.0%)	−4.9 pts (−6.6%)	33.3 pts reversal
Outstanding Balance	₦3.8 trillion	₦85 billion	44.7:1
Active Instruments	25+	8	>3:1
Benchmark Profit Rate	14.2%	16.2% (avg)	200 bps
Foreign Participation	42%	Negligible	—
Secondary Market Vol.	High (implied)	₦18.5bn (+12%)	—
Regulatory Framework	Mature, proactive	Newly reformed	9-year temporal lag

Source: Author's compilation from Arthur Group (2026a, 2026b, 2026c, 2026d)
Note: The "Regulatory Framework" row reflects a point-in-time snapshot as of April 2026. The SEC's streamlined shelf-registration circular, dated April 15, 2026, falls within the study's own observation window; its characterisation as "newly reformed" should therefore be read as the position at the end of the period under review, not as a stable, long-run state.

6. Discussion

6.1 The Three Determinants Evaluated

The observed trajectory data are consistent with all three hypothesised factors (H1–H3), though — consistent with the descriptive, four-observation design set out in Section 4.3 — this constitutes pattern-consistency rather than statistical confirmation. Factor 1 (Pricing Differential): the 200-basis-point spread makes corporate sukuk structurally expensive relative to sovereign alternatives. Private issuers face higher absolute financing costs, while investors receive insufficient yield premium to compensate for the liquidity and credit risk differentials. The spread also replicates conventional debt-seniority hierarchies within a nominally Shariah-compliant framework — precisely the form-over-substance problem identified by El-Gamal (2006). The spread is not market-clearing in the conventional sense; it is a structural artefact of the absence of credit enhancement mechanisms and rating infrastructure for Islamic instruments.

Factor 2 (Regulatory Asymmetry): The DMO has operated a proactive, thematic sovereign sukuk framework since 2017, building benchmark yield curves, cultivating foreign investor relationships, and progressively expanding product innovation from standard ijarah to green sukuk. The SEC, by contrast, only issued its first substantive corporate sukuk facilitation circular in April 2026 — nine years after the sovereign programme launched. The temporal lag is not merely administrative; it has denied corporate issuers nearly a decade of the regulatory certainty, streamlined approval pathways, and investor education that sovereign instruments have enjoyed. The April 2026 circular is a corrective, but its impact will take time to manifest in primary issuance volumes.

Factor 3 (Market Breadth): The 44.7:1 volume ratio and eight-instrument thinness are structurally self-reinforcing. Without depth, institutional investors cannot build diversified sukuk portfolios, reducing demand. Without institutional demand, corporate issuers face thin order books, increasing issuance costs. Without issuance activity, the market cannot develop the benchmark yield reference points that would narrow the pricing gap. This market-breadth trap is well-documented in frontier fixed-income markets globally and requires deliberate policy intervention to break.

6.2 The Foundational Sequence Question

A competing explanation attributes the gap to the standard developmental sequence of capital markets: sovereign issuance necessarily precedes corporate issuance, as it establishes the yield curve, investor base, regulatory capacity, and market infrastructure on which corporate markets depend. This argument has merit and historical support — Malaysia experienced a similar sovereign-led phase before corporate sukuk became substantial. However, three considerations limit its explanatory power in the Nigerian context.

First, by April 2026, the enabling conditions are largely in place. A benchmark yield curve exists (14.2% for 2033 papers). Foreign investor relationships are established (42% participation). Regulatory capacity at the SEC, while historically lagging, is being upgraded. Secondary market infrastructure exists on the NGX. The question has therefore shifted from "is it too early?" to "what structural barriers persist?" Second, the January 2026 data reveal that the corporate segment was already more developed (73.9) than the sovereign segment (60.4) at the start of the observation window. The subsequent divergence is not the natural sequence playing out; it is an abrupt reversal driven by differential regulatory activation. Third, Morocco's experience (Ghazoui, 2024) demonstrates that the foundational sequence is not automatic: sovereign sukuk can achieve maturity without catalyzing corporate follow-on indefinitely. The sequence must be actively facilitated.

This paper's position is that the gap is not abnormal by positive developmental standards but is normatively suboptimal when evaluated against maqasid criteria and is prolonged by identifiable structural factors that policy can address.

6.3 Maqasid Assessment and the Demand-Side Counterfactual

From a maqasid al-shariah perspective, an ideal Islamic capital market would allocate capital across both public goods (sovereign sukuk) and private productive enterprise (corporate sukuk), fulfilling tadawul al-amwal comprehensively. Nigeria's current configuration achieves the former but not the latter. The sovereign segment channels riba-free capital to public infrastructure with genuine maslahah — a significant achievement. The corporate segment's underdevelopment, however, means that private entrepreneurs, SMEs, and growth-stage companies in the real economy lack access to Islamic capital on comparable terms. This constitutes a maqasid deficit: the market is functionally riba-free at the sovereign level but structurally exclusionary at the enterprise level.

The NGX LII's sustained outperformance — +22.53% in 2009 versus the ASI's −33.78%, and continued equity leadership in 2026 — is decisive evidence against a demand-side explanation. Investors with halal preferences are active and growing in Nigeria; they are already channelling capital into Shariah-compliant equities. The constraint on corporate sukuk is not a lack of investor appetite but a lack of investable supply caused by structural pricing, regulatory, and breadth barriers. This supply-side diagnosis has direct policy implications: demand stimulation through marketing or investor education would be insufficient; the interventions must target the supply-side barriers.

6.4 Emerging Positive Signals

Despite the concerning corporate index trajectory, April 2026 exhibits several convergent positive signals that may represent a structural inflection point. Secondary market depth is improving — volumes rose 12% month-on-month to ₦18.5 billion and bid-ask spreads narrowed to 25 basis points — suggesting that existing corporate sukuk are becoming more liquid even as new issuances stall. The SEC's April 15 circular directly addresses the regulatory asymmetry barrier. Issuer surveys showing 65% of mid-tier firms planning sukuk issuance by H2 2026 indicate latent supply that may be released by regulatory clarity. The 2026 Finance Act's tax incentives for sukuk issuance add a further supply-side catalyst. Whether these signals translate into primary issuances within the 2026 calendar year will be the critical empirical test of whether the convergence trajectory has genuinely reversed.

7. Conclusion and Policy Recommendations

7.1 Summary of Findings

The 19.8-point sovereign-corporate sukuk gap documented in April 2026 is consistent with three structural factors identified through descriptive and process-tracing analysis (H1–H3): a 200-basis-point pricing differential that makes corporate sukuk comparatively expensive; a nine-year regulatory asymmetry between the DMO's proactive sovereign framework and the SEC's reactive corporate approach; and severe market breadth constraints (44.7:1 volume ratio; 8 vs. 25+ instruments) that prevent institutional participation. The gap carries maqasid implications: Nigeria's Islamic capital market funds public infrastructure effectively but underperforms in wealth circulation to private productive enterprise, constituting a tadawul al-amwal deficit. The constraint is structural and supply-side, not a matter of investor demand, as the NGX Lotus Islamic Index's long-run outperformance confirms.

7.2 Policy Recommendations

For the Securities and Exchange Commission: (i) Introduce fee waivers and tax incentive certification for corporate sukuk meeting maqasid-aligned use-of-proceeds criteria (renewable energy, affordable housing, agricultural processing, SME finance). (ii) Extend the 45-day shelf approval to a 21-day fast-track for first-time corporate issuers meeting asset-backing, disclosure, and Shariah governance criteria. (iii) Publish quarterly disaggregated corporate sukuk market data — issuances, maturities, secondary volumes, and yield data — to improve price transparency and investor confidence.

For the Debt Management Office: (iv) Pilot a sovereign-corporate co-issuance model in which the DMO and qualifying private entities jointly structure blended sukuk for infrastructure-adjacent projects (renewable energy, agribusiness logistics, affordable housing). Partial DMO credit enhancement would lower corporate profit rates toward the sovereign benchmark, breaking the pricing trap.

For the Central Bank of Nigeria: (v) Mandate a minimum 5% allocation of non-interest banking assets and takaful fund reserves to corporate sukuk, creating a captive institutional demand base that is currently absent. Asset allocation mandates have been effective in accelerating corporate bond market development in comparable emerging market contexts.

For Multilateral Development Partners (IsDB, IFC): (vi) Provide partial first-loss credit guarantees for qualifying first-time corporate sukuk issuers, reducing the effective credit risk premium and narrowing the pricing differential.

For Issuers and Arrangers: (vii) Prioritize genuinely participatory structures — *mudarabah* and *musharakah* — over debt-mimicking *murabaha* and *ijara* structures in new corporate issuances. Nigeria's nascent corporate sukuk market presents a narrow window to embed participatory norms before fixed-return structures become the default.

7.3 Limitations and Future Research

Four primary limitations constrain this study. First, four monthly observations preclude econometric identification of causal mechanisms; findings are correlational and inference proceeds through process tracing. Second, the AIFM Index involves proprietary aggregation not fully disclosed in public documentation. Third, the four-month window cannot distinguish structural trends from short-term volatility. Fourth, the study lacks primary survey data from corporate treasurers, Shariah boards, and institutional investors on the demand and supply barriers they actually face.

Five avenues for future research follow. First, longitudinal tracking of the corporate sukuk segment as AIFM data accumulates beyond 2026, enabling time-series and event-study analysis of regulatory interventions. Second, primary surveys of corporate treasurers on sukuk awareness, preferences, and perceived barriers. Third, comparative analysis applying the maqasid evaluative framework to sub-Saharan African Islamic finance jurisdictions including South Africa and Kenya. Fourth, event studies examining market reactions to specific regulatory announcements using daily NGX LII data. Fifth, theoretical development of the maqasid-based segment evaluation framework for application to other emerging Islamic capital markets.

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