



## Perception of micro, small and medium entrepreneurs (MSMEs) on Islamic banking products and services in Yobe State

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### Abstract

The main objective of this study is to assess the perception of micro, small and medium scale entrepreneurs (MSMSEs) on Islamic banking products and services in Yobe state. This study adopted descriptive survey design approach. The target population under this study is 784,044 registered micro, small and medium scale entrepreneur, Using Krejcie & Morgan sample size formula the study arrived at a sample size of (382), respondents were selected using a judgmental sampling technique across the three zones proportionately. binary logistic regression was employed to test the hypothesized model of the study. The data was analysed using the Statistical Package for Social Sciences (SPSS) software, version 22.0. The result revealed that education, age, religion, and level of income significantly affect perception on Islamic banking system and operations. The research recommended the need to establish more branches of Islamic banks to enhance easy access to their services by customers. The research also recommended a mass campaign to be organized by Islamic banking institutions in conjunction with MSMSEs for enlightenment purpose, this can be achieved through the use of radio station, TV channels, newspapers outlets and social media platforms. This study also recommends the patronize of Islamic banking products and services among MSMEs because of its inherent nature of risk management. Lastly, the study also suggested Islamic banking institutions to provide excellent and quality service delivery, as well as, strong affirmation to Islamic principles of non interest ethical mode of financing to help easily draw the attention of MSMSEs to consider it as an ethical mode of financing.

**Keywords:** entrepreneurs, MSMEs, banking, Yobe State

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### Introduction

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of Islamic law (*Shariah*) and its practical application through the development of Islamic economics. (Q 2:275) prohibits the payment or acceptance of interest on loans of money (*Riba/usury*). The idea of Islamic banking goes back to as early as the 7th century, but it was only commercially implemented in the last century (De Jonge, 1996) <sup>[19]</sup>. As the end of the colonial era approached, some of the newly formed and independent Muslim states reassessed their economic policies on the basis of *Shariah* principles. This marked the beginning of the present-day revival of Islamic finance. Small scale limited scope interest-free institutions were unsuccessfully tried in the mid-1940s in Malaysia and 1950s in Pakistan (Gafoor, 1996) <sup>[20]</sup>. From 1946 onwards, research by Muslim scholars gradually produced principles for banking practices that were likely to be acceptable to the banking and Islamic communities.

The first successful application of Islamic finance was undertaken in 1963 by Egypt's Mit Ghamr Savings Bank, which earned its income from profit-sharing investments rather than from interest. By the 1970s, the push for Islamic finance had gained greater momentum in the Muslim and non-Muslim countries (Algaoud & Lewis, 2001) <sup>[4]</sup>. In 1973 the conference of foreign ministers of Muslim countries decided to establish the Islamic Development Bank with the aim of fostering economic development and social progress of Muslim countries in accordance with the principles of *Shariah*. This marked the first major collective step taken by Muslim countries to promote Islamic finance (Saeed, 2001). As at 2019 globally, there are 47 financial institutions with more than \$10bn in *sharia*-compliant assets, with 27 institutions recording a pre-tax profit of more than \$500m. Furthermore, in 2008 the Islamic banking industry experienced a growth of 15-20% per annum. These institutions are not only operating in the Muslim countries but as well in other countries where Muslims are a minority, for example, in the United States, Great-Britain, Australia, China and France. Furthermore, the Islamic banking products are not solely used by Muslims but as well by people with other religious backgrounds. The compliance with principles that forbid ambiguity, exploitation, deceit and fraud is appealing to many non-Muslims as well (Venardos, 2006) <sup>[45]</sup>.

There has been large scale growth into the Islamic banking in many countries around the world from 1980's to date as the performance growth is influenced by factors including the introduction of broad macroeconomic and structural reforms in financial systems, the liberalization of capital movements, privatization, the global integration of financial markets, and the introduction of innovative and new Islamic products. Islamic finance is now reaching new levels of sophistication (Cornelisse and Steffelaar, 2018).

It was argued that partnership contracts further reveal the uniqueness of Islamic banking system. The advocates of Islamic banking therefore claim that Islamic banks are supposed to act as suppliers of venture capital, financing promising ideas, and worthy ventures in exchange for shares in the profits (Khan 2010) <sup>[24]</sup>. Moreover, it is generally believed that the basic philosophy of Islamic banking cannot be translated in to reality, unless Islamic banks expand the use of partnership contracts. (Usmani, 2007) <sup>[44]</sup>.

Partnership contracts are preferable to non-partnership contracts for several reasons: Including their risk sharing features (Dar & Presley, 2000) <sup>[16]</sup>. Partnership can play a vital role in gearing up economic stability and growth in several ways. First, promoting partnership in Islamic financial institutions (IFI's) will reduce the financial constraints faced by small and medium entrepreneurs (SMEs) and new firms. Small and new firms hardly have any access to finances from traditional financial institutions because these firms often do not have enough acceptable physical collateral or track record to obtain finance from institutional sources (Berger and Udell, 1998).

In January 2012, the Central Bank of Nigeria granted Jaiz Bank an approval in principle to operate as a regional interest-free bank in northern Nigeria. As a result of that, Jaiz bank became the first and the only full-fledged Islamic banking in Nigeria which is followed by Taj Bank which start operation in 2019. Like any other Islamic banking, Jaiz bank and Taj bank are structured to retain a clearly differentiated status between shareholders' capital and clients' deposits in order to make sure profits are shared appropriately. In 2012,

Jaiz bank started with three branches namely in Abuja, Kaduna, and Kano and Taj bank also come into being in 2019. Aside Jaiz bank and Taj bank there are two national banks in Nigeria that also got license to operate window of Islamic banking, they are to conduct banking operations based on the system of Islamic *Shariah* law. The banks are Stanbic IBTC Bank, and Sterling Bank Plc. They offered Islamic Finance Services and they are not full-fledged Islamic bank like Jaiz bank. The Central Bank of Nigeria recapitalization policy in 2004 required Deposit Money Banks minimum capital base of 25 billion naira required to obtain banking license to operate Islamic bank.

Central Bank of Nigeria report (2018) said that a total of 39.2 million adult Nigerians (46.3 percent) of Nigeria's population were financially excluded in 2018. The analysis revealed further that in 2018, 54.4 percent of the excluded population were women, 73.8 percent were younger than 45 years, while 34.0 percent had no formal education, and 80.4 percent resided in rural areas. Northern Nigeria is further disadvantaged, with 68 percent of adults excluded in both the North-East and North-West regions. Financial exclusion is voluntary where non-users have access to financial products and or services but decide not to use them because they do not need them or because they do not want to use such services due to religious, cultural and other reasons.

National Financial Inclusion Strategy (NFIS) was initiated by the Central bank of Nigeria to achieve 80% financial inclusion by 2020 (Aro-gordon, 2016) <sup>[8]</sup>. Therefore, with large amount of Muslims population in Nigeria, Islamic finance could lead the stride of promoting financial inclusion in Nigeria only if there is proper understanding of Islamic banking system (Babatunde, 2014) <sup>[10]</sup>.

This study will significantly influence the nascent Islamic banking and Finance industry in Nigeria. Especially, towards improving their products and services to the optimal level that could lead to achieve financial inclusion, especially among the Muslim adult in the Northern part of the country, where financial exclusion is predominant. However, there is convincing evidence from the literature on the significance of financial inclusion an Islamic finance on inclusive development, there is dearth of literature on this regard in the Nigerian context. Hence, this study will contribute to the existing body of literature by assesses the level of perception of micro, small and medium entrepreneurs (MSMEs) on Islamic products and services in Yobe state so as to improve development of Islamic finance and financial inclusion in Nigeria. It is in the light of the foregoing that this study seeks to assess the perception of micro, small and medium entrepreneurs (MSMEs) on Islamic products and services in Yobe state with a view to achieving financial inclusion and enhance entrepreneurship activities.

### Objectives of the study

The main objective of this study is to assess the perception of micro, small and medium scale entrepreneurs (MSMEs) on Islamic banking products and services in Yobe state. The Specific objectives are:

1. To examine whether education has significant effect on perception of micro, small and medium scale entrepreneurs toward Islamic products and services in Yobe state.
2. To investigate whether age has significant effect on perception of micro, small and medium scale entrepreneurs toward Islamic products and services in

- Yobe state
3. To find out whether religion has significant effect on perception of micro, small and medium scale entrepreneurs toward Islamic products and services in Yobe state
  4. To assess whether level of income has significant effect on perception of micro, small and medium scale entrepreneurs toward Islamic products and services in Yobe state.

### Hypotheses

In order to achieve the objectives of the study, the following hypotheses are formulated to serve as guide

- H<sub>01</sub>:** There is no significant relationship between education and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.
- H<sub>02</sub>:** There is no significant relationship between age and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.
- H<sub>03</sub>:** There is no significant relationship between religion and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.
- H<sub>04</sub>:** There is no significant relationship between level of income and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.

### Empirical Literature Review

Latif (2019) <sup>[28]</sup> study was aimed at determined and analyzed the level of awareness and perceptions of Muslim society towards Islamic banking in the Philippines. Self-structured questionnaires were administered and distributed to 70 employees of some selected offices of the Mindanao State University (MSU), Marawi City and the data were processed and analyzed descriptively. The results revealed that most of the respondents are aware of the existence of the Al-Amanah Islamic Investment Bank of the Philippines and that interest and uncertainties are prohibited in all forms of business transactions including in Islamic banking. Conversely, they are not aware of Islamic banking products and services and its modes of financing such as *musharakah*, *mudharabah*, *murabaha* and *Ijaraah*. Furthermore, the study found that most of the respondents perceived that Al-Amanah Islamic Investment Bank of the Philippines has not done enough to promote and market its products and service to the public. The problem of peace and order, and the lack of emphasis placed on the importance of Islamic banking in the country have affected its development. The study also indicated that majority of respondents believed that Islamic banking has a potential positive future in the Philippines. Hence, promotion through policies and marketing strategies is necessary in strengthening Islamic banking in the country.

Lateh, Ismail and Ariffin (2016) <sup>[29]</sup> study intends to capture the perceptions of Thai customers towards the objectives and characteristics of the Islamic bank. In addition, this study aims to determine the important bank selection criteria as perceived by the customers and the differences in the perceptions of Muslim and non-Muslim customers were identified. The study surveys a sample of 462 respondents. The empirical findings show that the Thai customers know that the essential characteristic of the Islamic bank is interest

prohibition. They tend to support the idea that the Islamic bank should strive to achieve its social objectives more than the commercial objectives. In addition, the results showed that there are differences between the Thai Muslim and non-Muslim customers' preferences toward various bank selection criteria. The Muslims highly considered the interest-free saving facilities, while the non-Muslims tended to concern more about its reputation and image, and knowledgeable and competent personnel.

Adeyemi and Zare (2015) <sup>[1]</sup> examine customer's perception on the viability of Islamic banking in the country. Specifically, the study investigates the level of awareness of the bank customer respondents about Islamic banking as well as the factors that motivate their patronage. A sample of 274 respondents residing in Abidjan, Côte d'Ivoire took part in this research. The data elicited via an adapted research instrument is subjected to both descriptive and inferential statistics using IBM SPSS Amos software version 21. The results reveal that most of the Ivorian bank customers are aware of Islamic banking but lack knowledge about its operation. Moreover, the customers indicate commendable willingness to patronize the Islamic banks when established in Côte d'Ivoire as long as it is not relatively costlier to do so. The likely patronage-influencing factors include religion, banking-related and customer-related factors, and societal norms. Recommendations based on research findings are also offered.

On the other hand, Rammal and Zurbruegg (2012) <sup>[39]</sup> intended to examine the awareness of Muslim Australians of Islamic banking, especially the demand for profit-and-loss sharing agreements. Their results show that generally there is a lack of awareness in regards to the basic rules and principles of Islamic financing. The results also indicate that a number of respondents would not take up *halal* financing options if credit facilities were taken away.

James and Zogby, (2011) <sup>[22]</sup> expanded his previous research work on Islamic banking and argued that in the present day, the obligation is on Islamic bankers to engage with the media to create awareness of Islamic banking product and services. This suggestion was in line with outcome of the world Islamic banking conference (WIBC, 2005). The lead panelists at the conference came to their own general consensus on the state of the industry. They felt that the industry had grown up and matured, but that in order to continue this growth more investment in product development was needed as a way to widen the reach of the industry, increase human capital, and improve reporting. In another study by Curry and Penman (2010) <sup>[15]</sup> service quality is considered very important indicator towards customer perception and satisfaction by delivering quality services according to customers' expectations explored the service quality in Greek banking industry and found a varied influence of each dimension of service quality on customer satisfaction. It is reported that service quality is important for differentiation to compete in the market and retain the customers for long-term benefits, service quality has positive influence to customer's and financial performance.

In addition, Ahmad and Haron (2009) <sup>[3]</sup> have conducted a study on how the Malaysian corporate customers perceived of Islamic Banking. Their survey which consists of 45 respondents showed that Islamic banking products were not popular among corporate customers. Their studies also found that most of the respondents disagreed that the Islamic banking products available in Malaysia were similar to the

products of the conventional banks except that the Islamic banks used different names for those products.

The findings of Metawaand and Almossawi (2009) [33] arrived at similar conclusions: that the majority of respondents would consider establishing a relationship with an Islamic bank if they had substantial understand its operation. Also, they revealed that Muslims were more aware of the existence of Islamic banking than non-Muslims, and that there was no differentiation in bank selection criteria between Muslims and non-Muslims.

### Theoretical Framework

Generally, the literature documents some key theories that are popular for adaptation or measuring level of perception, namely, technology acceptance model (TAM), theory of reason action (TRA) and theory of planned behavior (TPB), however, theory of planned behavior was adopted to be the theoretical framework of this study.

### Technology Acceptance Model (TAM)

Technology Acceptance Model (TAM) (Davis, 1989) [18] has been one of the most influential models of technology acceptance, with two primary factors influencing an individual's intention to use new technology: perceived ease of use and perceived usefulness. An older adult who perceives digital games as too difficult to play or a waste of time will be unlikely to want to adopt this technology, while an older adult who perceives digital games as providing needed mental stimulation and as easy to learn will be more likely to want to learn how to use digital games. While TAM has been criticized on a number of grounds, it serves as a useful general framework and is consistent with a number of investigations into the factors that influence older adults' intention to use new technology (Braun, 2013) [12].

Theory of reason action (TRA) is a model that finds its origin in the field of psychology. This model developed by Fishbein and Ajzen (1975) defines the links between beliefs, attitudes, norms, intentions and behaviors of individuals. According to this model, a person's behavior is determined by its behavioral intention to perform it. This intention is itself determined by the person attitude and subjective norms towards the behavior. Fishbein and Ajzen (1975) defined the subjective norms as "the person's perception that most people who are important to him think he should or should not perform the behavior in question" (Fishbein and Ajzen 1975). The Theory of Planned Behaviour (TRB) was introduced in 1983 by Icek Ajzen, and also called as Social Cognition Model (SCM). It is a descendant of Theory of Reasoned Action (TRA) that adds a third ascendant of intention; perceived behavioural control, to the TRA model. Perceived behavioural control is determined by the availability of skills, resource and opportunities to achieve outcomes. Perceived behavioural control has been viewed to be closely linked to self-efficacy belief concept. (Ajzen, 1991) The concept of self-efficacy is concerned with people's beliefs in their ability to produce effects (Bandura, 1994).

Some researchers have shown that the TPB has more explanatory power than the TRA for predicting behaviour (Chang, 1998, Kok, *et al.*, 1991) the TPB framework that was proposed by Ajzen (1989) suggests that actual behaviour is preceded by behavioural intention, and the behavioural intention in turn is influenced by either, attitude, subjective

norms or perceived behavioural control or all of the above factors.

Since its establishment, TPB is known as one of the most significant models used to explain user behaviour (Ajzen, 1989, Mathieson, 1991).

Apart from attitude, subjective norm and behavioural control Ajzen and Fishbein (1980) do not deny the presence of others factors, such as character traits, attitude towards the objectives belief concerning the objects, technical factors and social factors.

Therefore, Theory of Planned Behavior (TPB) appears to be germane in explaining the acceptability of Islamic banking products and services

This study therefore adopts Theory of Planned Behavior (TPB) as its theoretical framework and basis for assessing the perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.

### Methodology

#### Research Design

The study adopted descriptive survey research design. The idea behind survey design is to measure variables by asking a set of questions on the relationships among the variables of the study. The questionnaire is used in this study to ask the micro, small and medium scale entrepreneurs (MSMEs) in Yobe state about their perception of Islamic banking product and services.

#### Population of the Study

The population of the study consists of all the registered micro, small and medium scale entrepreneurs (MSMEs) in Yobe state. According to (MSMEs officials, 2017) The total number of the registered MSMEs is seven hundred and eighty four thousand and forty four (MSMEs, 2020) across the three geopolitical zone of Yobe state. Below is the Table representing the population of the three (3) geopolitical zones.

**Table 1:** Population of the Study

S/N	Geopolitical Zones	No. of SMEs
1	Zone 'A'	273,854
2	Zone 'B'	251,754
3	Zone 'C'	258,436
<b>Total</b>		<b>784,044</b>

*Source:* National Survey of Micro, Small and Medium Entrepreneurs, (2020)

#### Sample Size

The sample size represents the portion of the population to be studied. It is also a subgroup representing total population in order to draw conclusion on the population. The sample size of the study is 382 MSMEs as in line with Krejcie & Morgan (1970) [27] table for determining sample size based on the population of the MSMEs of 784,044.

#### Sampling Technique

The target population of this study are the registered micro, small and medium scale entrepreneurs (MSMEs) in Yobe state, judgmental sampling technique is adopted to capture the target respondents and distribution of questionnaires is proportionally based on the target population in each of the three geopolitical zones.

**Table 2:** Summary of sample size proportion distribution

S/N	Geopolitical Zones	No. of MSMEs	Proportion of sample size
1	Zone ‘A’	273,854	133
2	Zone ‘B’	251,754	123
3	Zone ‘C’	258,436	126
<b>Total</b>		<b>784,044</b>	<b>382</b>

Source: National Survey of Micro, Small and Medium Entrepreneurs, (2020)

**Method of Data Collection**

Primary data will be collected with the help of self-administered structured questionnaire, the structured questionnaire was designed to find answers to the questions mentioned at the beginning of the study, hence It is divided into two sections; Section I comprises of demographic information of the respondent, Section II: measured the variable of study namely perception of Islamic banking products and services as the dependent variable and followed by independent variables education, age, religion and level of income.

**Techniques for the Data Analysis of the Study**

First, descriptive statistics will be conducted using frequency, percentages, means and standard deviations for the dependent and independent variable.

Inferential statistics can be used to make more thorough analysis of the subject under investigation. This research will use binary logistic regression under inferential to analyze the data. Binary logistic regression is a type of logistic regression analysis when the dependent variable is qualitative in nature and measure using two options i.e. Yes, or No. As a predictive analysis, the collected data will be subjected to reliability and normality test using statistic in determining the assumption of parametric test. In this research the independent variables include education, age, religion, level of income, where the dependent variable is perception of Islamic banking products and services in Yobe state the analysis will be run by using statistical package of social sciences (SPSS Version 21.0)

The binary logit regression model to be used in this study is given below.

$$\text{Prob (event)} = \frac{\text{Exp}\{\beta_0 + \beta_1 X_1 + \dots + \beta_n X_n\}}{1 + \text{Exp}\{\beta_0 + \beta_1 X_1 + \dots + \beta_n X_n\}}$$

Where;  $X_i$  is the value of variables  $X_j$  which are the same for all items in the group. In this way the variable  $X_i$  to  $X_n$  are allowed to influence the probability of a positive response which is assumed to be the same for all items in the group, irrespective of the positive responses or the negative responses of the other items in that or any other group. Similarly, the probability of a negative response is defined as  $1 - \pi$ , for all items in the group (Anderson, 1997)

**Model specification of the study**

$$Y = F(X) \tag{1}$$

$$Y_i = B_{0i} + B_{1i} X_1 + B_{2i} X_2 + B_{3i} X_3 + B_{4i} X_4 + \mu_i \tag{2}$$

Where:

$Y_i$ = Perception of Islamic products and services

$B_1, B_2$  and  $B_3$ = parameter of the model

$X_1$ = Education

$X_2$ = Age

$X_3$ = Religion

$X_4$ = Level of Income

$B_{0i}$ = Constant

$\mu_i$  = Random variable/ Error term

**Demographic Characteristics of the Respondents**

The survey questionnaire that is distributed to targets respondents required them to answer four demographical questions reflecting their gender, age groups, level of education, religion and monthly income, out of three hundred and eighty two (382) distributed questionnaires, two hundred and four (294) were retrieved which represented 76% of the total responses rate.

**Table 3:** Respondents Profile

Variables	Category	Frequency	Percent
Age Group	Less than 25 years	13	4.4
	25 – 35 years	98	33.3
	36 – 45 years	83	28.2
	46 – 55 years	68	23.1
	56 and above	32	10.9
	Total	294	100.0
Level of Education	Primary	68	22.8
	SSCE	94	31.9
	NCE/OND	42	14.6
	HND/B.Sc./B. A	34	11.6
	Others	56	19.1
	Total	294	100.0
Religion	Islam	267	90.8
	Christianity	27	9.2
	Total	294	100.0
Monthly Income	less than 50,000	106	36.1
	51,000- 550,000	85	28.9
	551,000-1,000,000	45	15.3
	1,001,000-1,550,000	27	9.2
	1,551,000- 2,000,000	19	6.5
	2,001,000 to above	12	4.1
	Total	294	100.0

Source: Field survey (2021) and computed using SPSS version 22

Table 3 also shows that 13 (4.4%) of the respondents are below 25 years, while (25-35) age bracket consists of 98(33.3%) of the respondents and 83(28.2%) respondents fall within (36-45), also 68(23.1%) are within (46-55) age bracket and lastly 32(10.9%) of the respondents fall within (56-Above). This entails that majority of the respondents are young entrepreneurs that fall within (25-35) age bracket then followed by (36-45).

Table 3 reveals that 68(22.8%) of the respondents have earned primary school certificate and 94(31.9%) acquired secondary school certificate, while 42(14.6%) of the respondents were able to acquire either NCE/OND certificate, 34(11.6%) of the respondents obtained HND/B.Sc./B. A or Equivalent, while 56(19.1%) of the respondents fall under other category (i.e., *Islamiya* and *Tsangaya* schools). This signifies that many of the respondents obtained a basic knowledge of either primary, secondary or *islamiyya/ Tsangaya* school.

Table 3 shown that 267(90.8%) of the respondents are Muslims, while only 27(9.2%) of the respondents are

Christians, this signifies that majority of the respondents practice Islam as a religion.

Table 3 reveals that 106(36.1%) have annual income of below N50, 000, while 85(28.9) of the respondents have an annual income of N51, 000 - 550,000 and 45(15.3%) have the annual income of N551,000 - N1, 000,001 and 27(9.2%) of the respondents earn annual income of 1,000,000 - 1,550,000 and 19(6.5%) of the respondents annual income range from N1,551,000 - N2,000,000 and lastly 12(4.1%) of the respondents annual income range from N2,001,000 to above, This indicates that majority of the target respondents are micro scale entrepreneurs with annual income ranging below N50, 000 then follows by N51, 000 - 550,000.

**Assessment of Normality**

Table 4 shows the summary of the normality test for the variable used in the study. The Kolmogorov-Smirnov significant value should be less than 0.05, which indicates the data is normally distributed (Hair *et al.*, 2006). Based on the normality test results, all the variable significant value is less than 0.05 i.e. indicating normally distribution. In addition to that, further analyses show the skewness and kurtosis of the distribution support the normality distribution of the data as both values fall within the range of -1 to +1. Values falling outside this range indicate a non-normal distribution of data (Hair *et al.*, 2006). Based on the Table 4 below, it can be concluded that the data is normally distributed.

**Table 4:** Normality Test

Variable	Statistic	Df	Significant	Skewness	Kurtosis
Education	0.832	294	0.064	-0.497	0.257
Age	0.543	294	0.026	-0.332	-0.397
Religion	0.543	294	0.014	-0.371	0.252
Level of income	0.654	294	0.430	-0.506	0.414
Perception	0.764	294	0.023	-0.601	0.342

Source: field survey (2021) and computed using SPSS version 22

Table 4 shows the summary of the normality test for the variables used in the study, the skewness and kurtosis of the distribution support the normality distribution of the data as both values fall within the range of -1 to +1. Values falling outside this range indicate a non-normal distribution of data

(Hair *et al.*, 2006). Based on the Table 4, it can be concluded that the data is normally distributed. Hence, further binary logistic analyses can be conducted.

**Multicollinearity Test**

In this study variance inflated factor (VIF), tolerance value and condition index were examined to detect multi-collinearity problem. Multi-collinearity is a concern if VIF value is higher than 5 and tolerance should be greater than 0.2 Table 5 shows the VIF and tolerance values condition indices for the independent variables.

**Table 5:** Tolerance and Variance Inflation Factors (VIF)

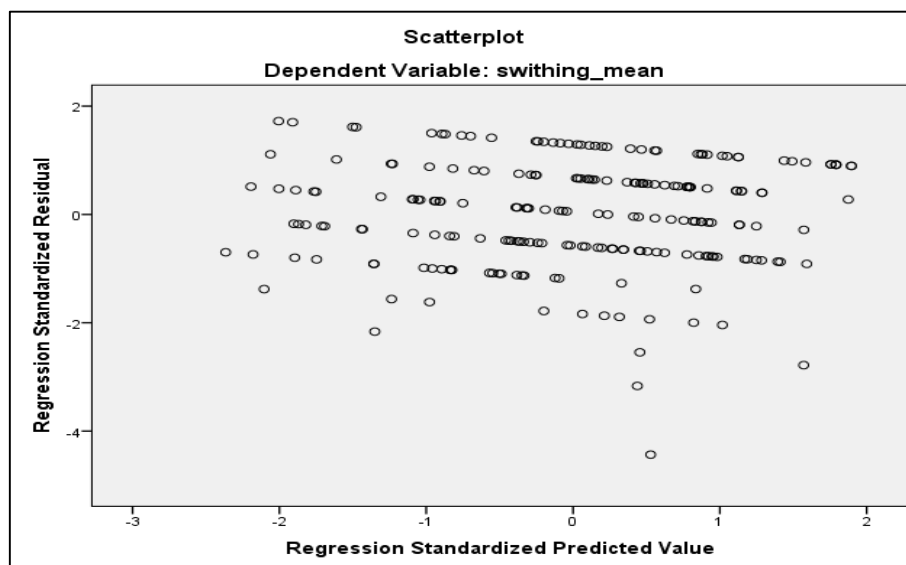
Variable	Check for Collinearity	
	Tolerance	VIF
Education	.986	1.014
Age	.970	1.031
Religion	.960	1.042
Level of income	.865	1.451

Source: Field Survey (2021) and computed using SPSS

Table 5 reveals that no multicollinearity in the model i.e., there is no much similarity among the independents variables as all VIF values were less than 5 and tolerance values exceeded 0.20. Thus, that none of the variables is highly correlated with another as such the data is free from multicollinearity.

**Test for Heteroscedasticity**

According to Tabachnick and Fidell (2007) homoscedasticity refers to the variability in scores for one continuous variable is roughly the same at all values for another continuous variable. Homoscedasticity explains that variance between independent variable should be similar across all the independent variables of the study (Rovai, Baker, & Ponton, 2013). Homoscedasticity assumptions has been considered as one of the basic for any multivariate analysis, which its violation may not only weaken the result but also be catastrophic especially for ungrouped data (Tabachnick & Fidell, 2007).



**Fig 1:** Standardized Residuals against the Standardized Predicted Value

This scatter plot reveals a linear relationship between X and Y: for a given value of X, the predicted value of Y will fall on a line. The plot further reveals that the variation in Y about the predicted value is about the same ( $\pm 2$  units), regardless of the value of X. Statistically, this is referred to as homoscedasticity. Such homoscedasticity is very important as it is an underlying assumption for regression, and its violation leads to parameter estimates with inflated variances. Since the data are homoscedastic, then the binary logistic regression estimates can be used.

### Result of Binary Logistic Regression

There are several types of regression analysis but they all examine the influence of one or more independent variables on dependent variable. Thus, the study proposed binary logistic regression to analyse the influence of four independent variables, namely, education, age, religion and level of income on one dependent variable perception on Islamic banking system and operations.

**Table 6:** Result of R-square

R-Square	
Nagelkerke	0.572

Source: field survey (2021) and computed using SPSS version 22

In predicting the dependent variable in the model an R-square of (0.572= 57.2 percent) is estimated which signifies the variance in perception on Islamic banking system and operations. This is to say, that other variables or predictors that could explain the remaining model account for (0.428= 42.8 percent). This signifies that education, age, religion and level of income influence perception on Islamic banking system and operations by 57.2 percent while other 42.8% changes in perception on Islamic banking system and operations is caused by other variables that are not stated in the model which are represented by error terms.

### Result of Coefficient of the Regression

In this sub-section the analysis of hypothesis that earlier formulates in chapter one is presented.

**Table 7:** Parameter Estimates

Variables in the Equation					
		$\beta$	Sig.	95% C.I. for EXP(B)	
				Lower	Upper
Step 1 <sup>a</sup>	Education	78.543	0.021	0.178	0.423
	Age	25.765	0.056	-0.043	0.125
	Religion	65.341	0.001	0.237	1.947
	Level of income	23.765	0.017	-0.987	0.876
	Constant	52.541	0.002		

Source: field survey (2021) and computed using SPSS version 22

The above Table 7 indicates that education and perception on Islamic banking system and operations have positive relationship meaning, one unit change in education cause a change in perception on Islamic banking system and operations by 78.543 units, also if age changes by a unit the perception on Islamic banking system and operations increase by 25.765 units. In case of a unit change in religion, perception on Islamic banking system and operations will change by 65.341 levels and lastly when level of income raises by one unit, perception on Islamic banking system and operations changes by 23.765. Hence, education is the most influential factor that determines perception on Islamic

banking system and operations among the entrepreneurs then followed by religion and age whereas, level of income is the least factor that influence perception.

### Test of Hypothesis

#### Education and Perception

The first hypothesis was formulated as: There is no significant relationship between education and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. The result in Table 7 above shows that education influence perception by 78.543% and statistically significant (P-value=0.021 which is  $\leq 0.05$ , therefore, the alternative hypothesis is accepted, hence, education statistically influence perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. This finding is consistent with the findings of Latif (2019) [28], Lateh, Ismail and Ariffin (2016) [29], Adeyemi and Zare (2015) [1] and Rammal and Zurbruegg (2012) [39].

#### Age and Perception

The second hypothesis was formulated as: There is no significant relationship between age and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. The result in Table 7 reveals that age influence perception at 25.765% and the significant value is greater than 0.05 i.e. (P-value=0.056), hence the result is statistically not significant. Therefore, null hypothesis was accepted and therefore age does not influence perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. This finding is inconsistent with the findings of Latif (2019) [28], Lateh, Ismail and Ariffin (2016) [29], Adeyemi and Zare (2015) [1] and Rammal and Zurbruegg (2012) [39].

#### Religion and Perception

The third hypothesis was formulated as: There is no significant relationship between religion and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. The result in Table 7 above shows that explanatory power of religion on perception is 65.341% and P-Value is less than 0.05 i.e. (P-value=0.001). Therefore, alternative hypothesis was accepted and hence religion positively influence perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. This finding is consistent with the findings of Latif (2019) [28], Lateh, Ismail and Ariffin (2016) [29], Adeyemi and Zare (2015) [1] and Rammal and Zurbruegg (2012) [39].

#### Level of Income and Perception

The fourth hypothesis was formulated as: There is no significant relationship between level of income and perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. The result in Table 7 above shows that level of income influence perception at 23.765% and statistically significant (P-value=0.017 which is  $\leq 0.05$ , therefore, the alternative hypothesis is accepted, hence, level of income statistically influences perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state. This finding is consistent with the findings of Latif (2019) [28], Lateh, Ismail and Ariffin (2016) [29], Adeyemi and Zare (2015) [1] and Rammal and Zurbruegg

(2012) [39].

### Conclusion

The primary aim of this study is to assess perception of MSMEs on Islamic banking products and services. The specific objectives of the study are to assess whether level of education, age group, religion and level of income have significant effects on perception of Islamic banking products and services among MSMEs in Yobe state to address this, relevant data was collected and analysed. From the discussion of the results, the following conclusions were drawn:

The result of this study reveals that independent variables namely level of education, age group, religion and level of income were able to explained 57.2% changes in perception of Islamic banking products and services among MSMEs in Yobe state, hence 42.8% changes was explained by error term, Therefore, this study concludes that the model of the study is fit enough and also desirable as it explained 57.2% variation of the dependent variable which is above the yardstick of 0.1 as suggested by Hair *et al.*, (2010).

The result of this study shows a significant positive effect between level of education and perception; therefore, this study concludes that level of education improves perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.

The result of this study shows an insignificant effect between age and perception; therefore, this study concludes that age does not improves perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.

The result of this study shows a significant positive effect between religion and perception; therefore, this study concludes that religion improves perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.

The result of this study shows a significant positive effect between level of income and perception; therefore, this study concludes that level of income improves perception of Islamic banking products and services among micro, small and medium scale entrepreneurs in Yobe state.

### Recommendations

In line of the conclusion and research findings, the study recommended the following.

1. There is the need to establish more branches of Islamic banks to enhance easy accessibility customers.
2. There should be a mass campaign to be organized by Islamic banking institutions in conjunction with micro, small and medium scale entrepreneurs for enlightenment purpose, this can be achieved through the use of radio station, TV channels, newspapers outlets and social media platforms.
3. This study also recommends a patronage of Islamic banking products and services among MSMEs because of its inherent nature of risk management.
4. Lastly this study recommends the need for Islamic banking institutions to provide excellent and quality service delivery, as well as, strong affirmation to Islamic principles of non interest ethical mode of financing to help easily draw the attention of micro, small and medium scale entrepreneurs to consider it as an ethical mode of financing.

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