

# Islamic banking product and services for socio-economic enhancement: Evidences from Nigeria

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## ABSTRACT

The use of debt financing strategy by the Nigeria government to promote socioeconomic development has rather impacted negatively on the growth potentials of the economy and deepen the country debt in the global community. The survey research design was used in this study. With a sample size of 636 populace, the study used a convenient sampling technique. The Socioeconomic Impact of Islamic Banking Products Survey (SIBP) with high reliability coefficient and descriptive statistics were employed. The findings shows that Islamic banking and services promotes socio-economic development, engendered the growth of SMEs, enhance foreign direct investment (FDI) inflow and create friendly business environment by improving the ease of doing business through access to financial resources. Based on the study, Islamic banking product and services are catalyst that promotes social welfare and reduce poverty rate thereby engendering socio-economic development in Nigeria.

**Keywords:** *Islamic banking, Socioeconomic, Ease of doing business, Foreign Direct Investment*

## INTRODUCTION

A plethora of evidence exists on the claim that Islamic banking was first attempted in the mid-1940s in Malaysia, and late 1950s in Pakistan and formally established in Egypt in 1963, (BT Shahar et. al, 2017: 506). This claim holds that Mit Ghamr Savings Bank, being the generally accepted as the first bank was established in 1963 by Ahmad El-Najjar. The reason for establishing Islamic banking system is basically to afford the Muslim community of the opportunity to enjoy lawful earnings and transactions since *riba* (interest) which is the core tenet in conventional banking practice has been forbidden by the shari'ah (Islamic law). Apart from prohibition of interest, other principles that are unique with Islamic banking include profit and loss sharing, ban on uncertainty (*gharar*), prohibition of unethical investment and asset backing transactions among others, (Fatai, 2012: 26).

Since its evolution in the contemporary economic market, Islamic banking has been widely accepted with significant growth rate. Yahaya et.al (2016: 264) assert that

Islamic banking sector has grown on a large scale with a double-digit annual growth of 14-18 percent. Shaikh (2014: 61) emphasizes that the growth achieved by Islamic banking are sustained even during recession and beyond. With this global acceptance, Nigeria is not left out in the Islamic banking industry. After several attempt to register a shari'ah based banking system, Jaiz Bank was licensed in June 2011, (Oladimeji, Abdul Aziz & Khain, 2013: 149), while Taj Bank limited was registered by the Apex Bank in March 2019, (Central Bank Website). With the establishment of these banks and few other micro-finance banks, Islamic banking industry has been enlisted in the Nigerian banking sector.

Going by the various principles upon which shari'ah based banking operate, there is no doubt that Nigerian Muslims are now having opportunity to participate in their choice banking transactions. Although, there is still a very 'narrow path to tread' due to the few existing Islamic banks at present, it is however important to note that patronage of Islamic banking will largely depend on the performance of the existing ones in terms of service delivery efficiency and customer satisfaction. Wajdi & Irwan (2007: 142) have noted that one of the major factors that determines patronage of Islamic banks by customers is quality of service delivery and financial reputation. There is no doubt that impactful service delivery will reflect on the visible growth of small and medium enterprises (SMEs) of Islamic Bank customers. By extension, such growth will equally record steady success in the area of cross border economic transaction.

In specific terms, Jaiz bank as the oldest of the current Islamic banking industry in Nigeria is seen to be fulfilling the country's objective of accommodating a segment of the unbanked Muslim population. Equally, Jaiz bank has been found to be doing well in Sukuk and Ijara investments with positive effect on financial performance, (Abubakar, Garba & Suleiman, 2020: 90). Taj Bank is relatively new though, the fact that it has started operation makes it a good basis for assessment to discern the level of customers' satisfaction. In view of the foregoing, this study is meant to examine the impacts of the products and services being offered by Islamic banks in Nigeria on the socio-economic status of customers. How these products and services have been able to improve the well-being of customers and by extension, the growth of SMEs are the focus of this study.

## **The Concept of Islamic Banking**

Islamic banking is an alternative system to the conventional banking system. It is a banking system which operates on the principles of shari'ah in compliant with the injunctions of Allah as desired for His obedient servants. It is on this premise that Islamic economics which encapsulates Islamic banking is defined as "an approach to interpreting and solving man's economic problems based on the values, norms, laws and institutions found in, and derived from, the sources of knowledge in Islam' (Mohamed Haneef, 1997: 50). With this broad idea of Islamic economics, it is glaring that every institution that evolves from it requires the interpretation of the sources of knowledge in Islam. Hence, Islamic banking is an institution that is strictly implemented on the basis of Islamic law and tenets. Describing Islamic banking, Abdurahman & Shittu (2016: 26) submit that it is a financial intermediation based on Islamic law. They explain further that it is guided and codified within the frame of Islamic law called Fiqh al-Muamalat (Islamic rules on transaction) by the Qur'an, the Sunnah and other

secondary sources of Islamic law. Shaikh (2018: 98) clarifies that financial intermediation by Islamic banks are on the basis of Mudarabah and actual profits earned through the investment of deposit funds are distributed between the banks and depositors. With this, it suggests that a depositor in an Islamic bank is able to engage his or her fund in a contract through which certain return in terms of profit can be anticipated.

By the philosophy and design of Islamic banking system, it is believed that the system operates with certain features that are ideologically inclined. Those features as outlined by Mawoli & Abdusalam (2012: 2) include (i) all property are owned by Allah and man is only a trustee (ii) man is expected to use property under his trustee according to the dictates of Allah (iii) riba is prohibited in all forms (iv) financing alcohol, prostitution and other non-permissible businesses in Islam are forbidden (v) encouragement of investment that yield legitimate profit and add to social value (vi) sanctity of contract.

### **Statement of Problem**

Interest rates worsen unemployment and crime rates, discourage investment, increase economic volatility, and discourage funding of low-return but socially relevant projects. It is the biggest tool for international exploitation, it prevents the growth of entrepreneurship, it makes most economies naturally susceptible to outside manipulation, it exacerbates the burden of internal and external debt. Abubakar and Adiyah (2018). Olusegun Obasanjo, a former president of Nigeria, said at the G8 summit in August 2000 in Okinawa, Japan, "We have paid about \$16 billion, but we are still being told that we owe about \$28 billion. All of the money we borrowed up until 1985 or 1986 was about \$5 billion. The unfair interest rates charged by the foreign creditors led to the creation of that \$28 billion. Compound interest, if you ask me, is the worst thing that could possibly exist (Alaro, 2021: 2). According to Yusuf and Mohd's (2021), external debt slowed long-term economic growth while boosting it in the short run. Debt service payments slowed growth in both the long and short run. The debt crisis in African countries can be attributed to the interest rates associated with obtaining a loan. Most countries, Nigeria inclusive would have paid the initial amount borrowed and yet still servicing the debt, with money that can be channeled to economic development.

Banks charge more for business loans when interest rates rise. This implies you'll have to use more of your income to pay interest on your loans, which reduces earnings; you may decide not to start new projects or expand during periods of high interest rates, which stifles company growth. Businesses can borrow more easily when interest rates remain low. Low-interest loans can fund business growth and increase profitability because new ventures can generate enough revenue to cover loan interest while still leaving money for profits. Johnston (2019). With the emergence of Islamic banks in the Nigerian banking market, the necessary concern now is to assess how viable these banks are in relation to service delivery, customers satisfaction, growth of businesses and vibrancy of cross-border business interaction. There is a dire need to measure the socio-economic impact of these banks along the variables identified above.

## **Literature Review**

Since the evolution of Islamic banking in the economic system, there have been numerous researches regarding how effective and impactful it has been. This effort has been sustained due to inquisitiveness of stakeholders about the potentials of Islamic banking. In this particular study, some of these previous researches will be examined in order to identify gaps that can be filled with the present attempt. Oloso (2010) chronicled how attempts were made on several occasions to establish Islamic banks in Nigeria but frustrated by different policies of successive governments. He lamented how majority of Muslims had been marginalized over the years due to the non-existent of an Islamic bank. Just a year after this study in 2011 Jaiz bank was established and began operation. Taj bank was equally registered much later and the country now have Islamic banks in practice. The concern now is to find out how impactful are these banks on customers socio-economic status.

Minhas (2020) aims to analyse stakeholders' perceptions of Islamic banking's adherence to Shari'ah. He used a direct poll and discovered that respondents had a poor opinion of the current type of Islamic banking owing to numerous similarities between conventional and Islamic banking services and operations. Although it has been argued among scholars of Islamic Jurisprudence that certain features of the Islamic banking system are similar if not the same with what is obtainable in the conventional system. The major concern as regards the current study is to determine how productive and impactful are products and services offered by the Islamic banks. The skepticism expressed by customers about the Islamic banks must be specific and must focus on the advantage of the services as regards socio-economic impact.

According to Oladimeji, Abdul Aziz, and Khain (2013), Nigeria has the potential to become the continent's hub for Islamic banking and financial services. Consequently, they contended that poverty eradication could be achieved through financial inclusion. Going by this speculation, there is need to empirically confirm from participants, especially the bank customers, if truly, the services of Islamic banks really add value to their socio-economic status as stakeholders. Similarly, Yahaya et. al, (2016) asserted that Islamic banking sector has grown on a large scale globally and can repeat similar feat in Nigeria. There is need to confirm this claim locally with a view to ascertaining the effectiveness of Islamic banking system within the general banking industry in the country.

Ethically, Islam accepts capital as a component of production but forbids it from making a fixed claim on the economic surplus in the form of interest. This position was clearly affirmed by BT Shahar et. al (2017) while they further submitted that Islamic banks therefore appoint shari'ah board that approve products and services that comply with shari'ah. The beauty of such products and services lies in the viability and value they impact on the end users who patronize the banks. To ascertain this fact, a study of this nature is needed for this purpose. In a study with similar objective carried out in Malaysia, Doraisami et. al, (2011) researched on customer's preference for Islamic banking products and services. The study revealed that people patronize Islamic banks for reasons such as better return, lower fee, meeting consumer financial needs, non-interest element, good reputation among others. The study however found that consumers have some reservations for the Islamic banks which border on quality and profitability. The authors therefore recommended that Islamic banks should ensure

that their products and services are better than those of conventional banks. Rustam et. al (2011) equally found out a similar response through a related study carried out in Pakistan. Customers were insistent on profit maximization principle in their own case. With this submission, will it be correct to assume that same response will be gotten in Nigeria? It is therefore imperative to carry out an independent study to have a good basis for comparison.

Various products and services of Islamic banks are the major feature that differentiate them from the conventional banks. Warninda (2013) affirms that both Mudarabah and Musharakah have positive influence on the profitability of Islamic banks in Indonesia. Shah et.al, (2017) equally confirm that Islamic banks in Pakistan offer several financial products and services which have significantly improved the economy over the years. Similar to these reports is the study conducted on the performance of Jaiz bank of Nigeria by Abubakar et. al (2020). The study found that sukuk and ijara assets have significant positive effect on the financial performance of the bank. It is evident from these reports that researchers are enthusiastic due to obtainable evidence from the field of research concerning the prospect Islamic banks. It would be necessary therefore, to conduct an assessment on how the acclaimed profitability of various financial products and services are impacting on the consumers who patronize Islamic banks.

Raza et.al. (2017) acknowledged that due to religious belief, many Small and Medium enterprises in Pakistan avoided seeking loan from conventional banks. As a result, they researched into the challenges and prospects such services from the Islamic banks. It was found that many Islamic banks were reluctant to fund SMEs due to scepticism about market performance while SMEs in turn were not fully aware of the products available in Islamic banks, hence there was hindered relationship. They therefore recommended that Islamic banks needed to be more innovative to remain vibrant in the industry. Similarly, Sabiu and Abduh (2021) researched on effectiveness of access to Islamic banking financing in promoting MSME's growth in Kano Metropolis. They asserted that Jaiz bank had recorded positive impact on MSME's employment growth. Kano being a state in Nigeria, there is need to measure a nation wide impact of not only Jaiz bank but the entire Islamic bank industry. The present study will fill this gap and enhances the strenght of existing literature on the subject matter. The foregoing studies have highlighted areas of convergence with the present study. Consequently, gaps have been identified regarding the need to assess the socio-economic impacts of Islamic banks on the consumers and by extension on the economic development of the country.

## **METHODOLOGY**

The survey research design was used in this study. With a sample size of 636 respondents, the study used a convenient sampling technique. The Socioeconomic Impact of Islamic Banking Products Survey (SIBP) was used to collect data, and it was derived from a study by Soud and Sayilir (2017) titled Perceptions of Islamic Banking among Muslim and Non-Muslim Citizens in Tanzania. The Cronbach's Alpha value for awareness questions was found to be .936, while the Cronbach's Alpha value for perception questions was found to be .854, which is considered appropriate. The Socioeconomic Impact of Islamic Banking Products Survey (SIBP) had two sections:

section A contains demographic data, while section B elicits information on Islamic banking and socioeconomic development (items 1-10), Islamic banking and SMEs growth (items 11-15), interest-free banking and foreign direct investments (items 16-20), and Islamic banking and ease of doing business (items 16-20). (Items 21-25). It employed a four-point Likert scale, with 4 points for Strongly Agree, 3 points for Agree, 2 points for Disagree, and 1 point for Strongly Disagree, with scores of 4 points for Strongly Agree, 3 points for Agree, 2 points for Disagree, and 1 point for Strongly Disagree. The data obtained for the study were analysed using descriptive statistics.

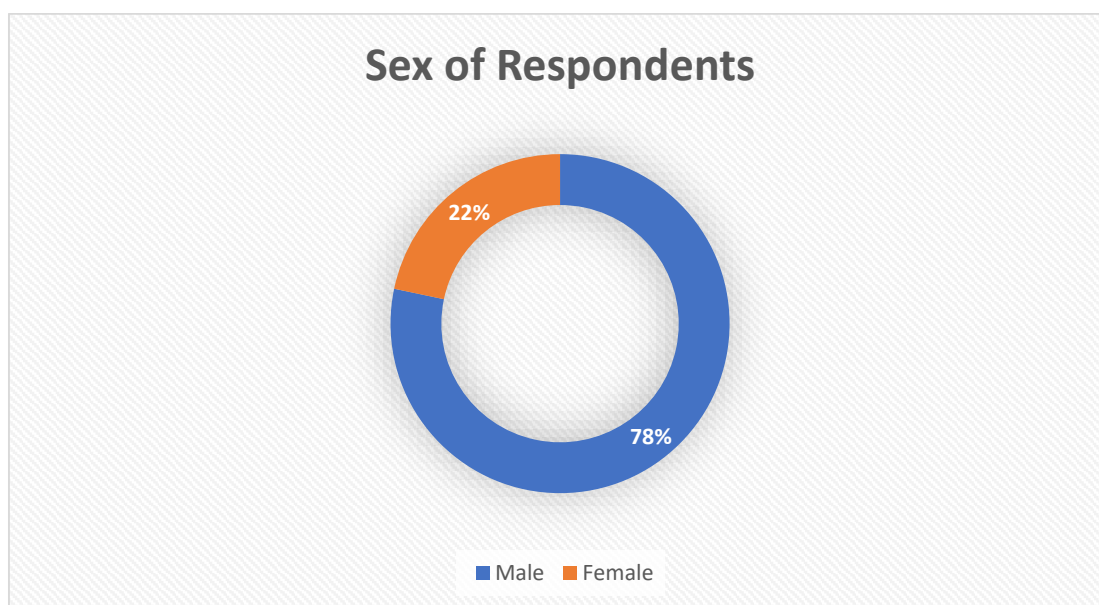
## Data Collection

**Table 1: Sex of Respondents**

Sex	Frequency	Percentage
Male	498	78.3
Female	138	21.7
<b>Total</b>	<b>636</b>	<b>100.0</b>

Source: Field Survey, 2021

## Chart 1



## Chart showing distribution of respondents by gender

The table 1 above shows the distribution of respondents by gender. 498 of the respondents are male which account for 78% of the total population of the respondents, while 138 of the respondents are female which accounts for 22% of the total population of respondents. It was observed that there are more male respondents than female respondents.

**Table 2: Age of Respondents**

Age	Frequency	Percentage
18-25	77	12.1
26-33	133	20.9
34-41	224	35.2
42-49	146	23.0
50-57	50	7.9
58 and above	6	0.9
<b>Total</b>	<b>636</b>	<b>100.0</b>

Source: Field Survey, 2021

Chart 2

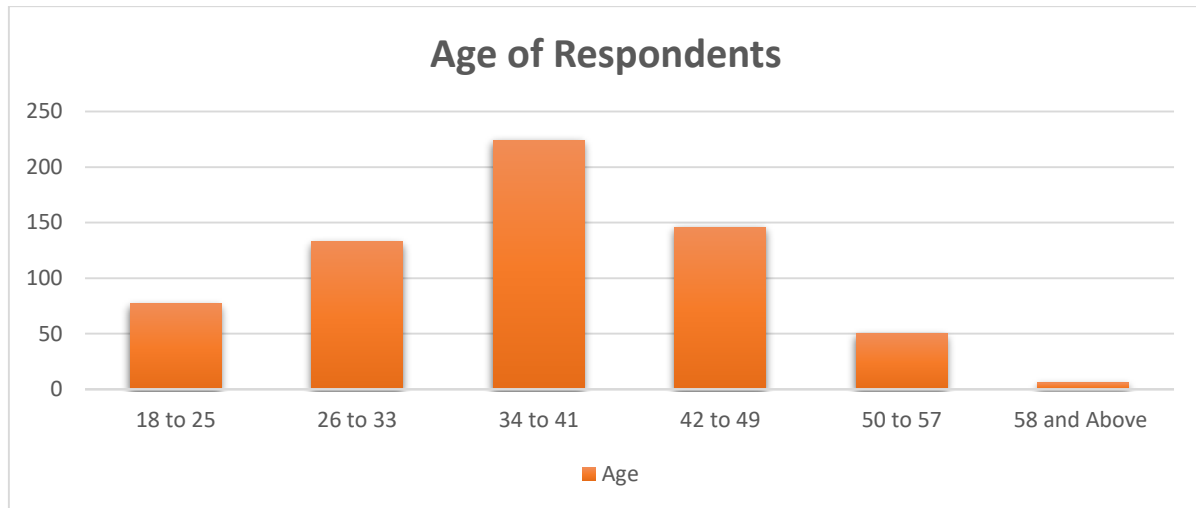


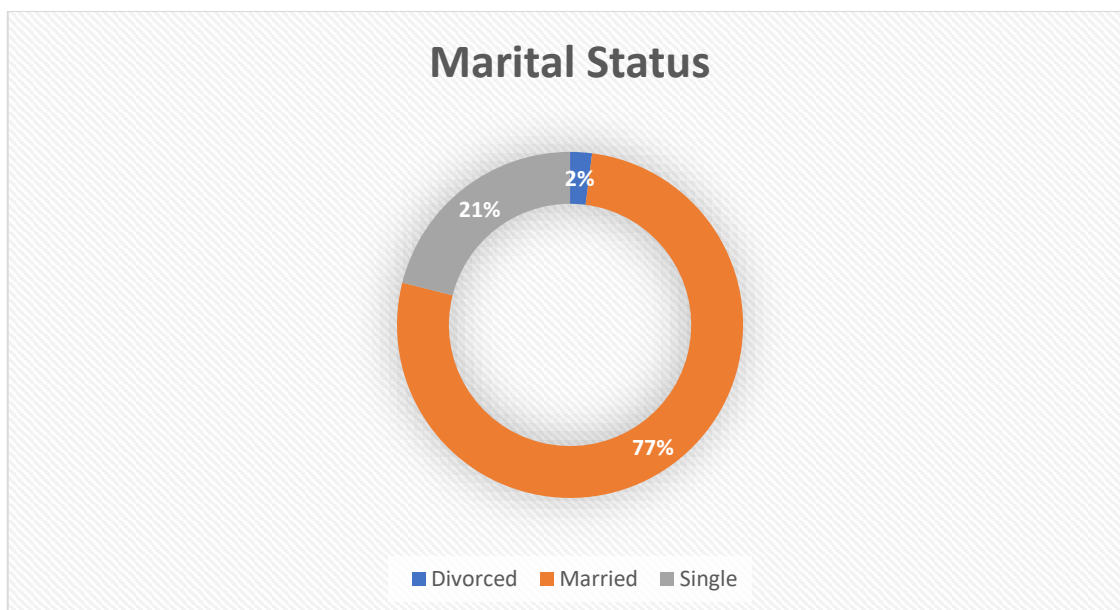
Chart showing the distribution of respondents by age

The distribution of respondents by age is seen in table 2 above. 77 of the respondents are between the ages of 18 and 25, accounting for 12.1% of the total population of respondents; 133 are between the ages of 26 and 33, accounting for 20.9% of the total population of respondents; 224 are between the ages of 33 and 41, accounting for 35.2% of the total population of respondents; and 146 are between the ages of 42 and 49, accounting for 23% of the total population of respondents. 50 respondents are between the ages of 50 and 57, accounting for 7.9% of the overall population of respondents, while 6 respondents are 58 and older, accounting for 0.9% of the entire population of respondents. The majority of responses are between the ages of 34 and 41.

Table 3: Marital Status of Respondents

Status	Frequency	Percentage
Divorced	13	2.0
Married	489	76.9
Single	134	21.1
<b>Total</b>	<b>636</b>	<b>100.0</b>

Source: Field Survey, 2021



**Chart showing the distribution of respondents by marital status**

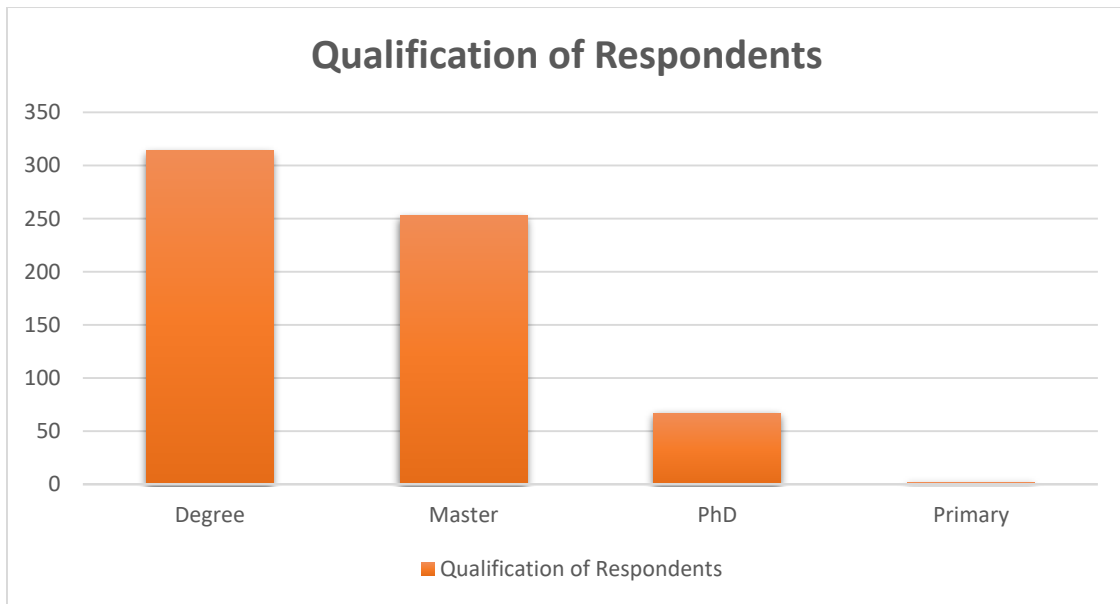
The table 3 above shows the distribution of respondents by marital status. 13 of the respondents are divorced and this accounts for 2% of the total population of the respondents, 489 of the respondents are married this accounts for 77% of the total population of respondents, lastly 134 of the respondents are single which accounts for 21% of the total population of respondents. It was observed that participants who are married have the highest frequency.

**Table 4: Qualification of Respondents**

Sex	Frequency	Percentage
Degree	314	49.4
Master	253	39.8
PHD	67	10.5
Primary	2	0.3
<b>Total</b>	<b>636</b>	<b>100.0</b>

**Source:** Field Survey, 2021





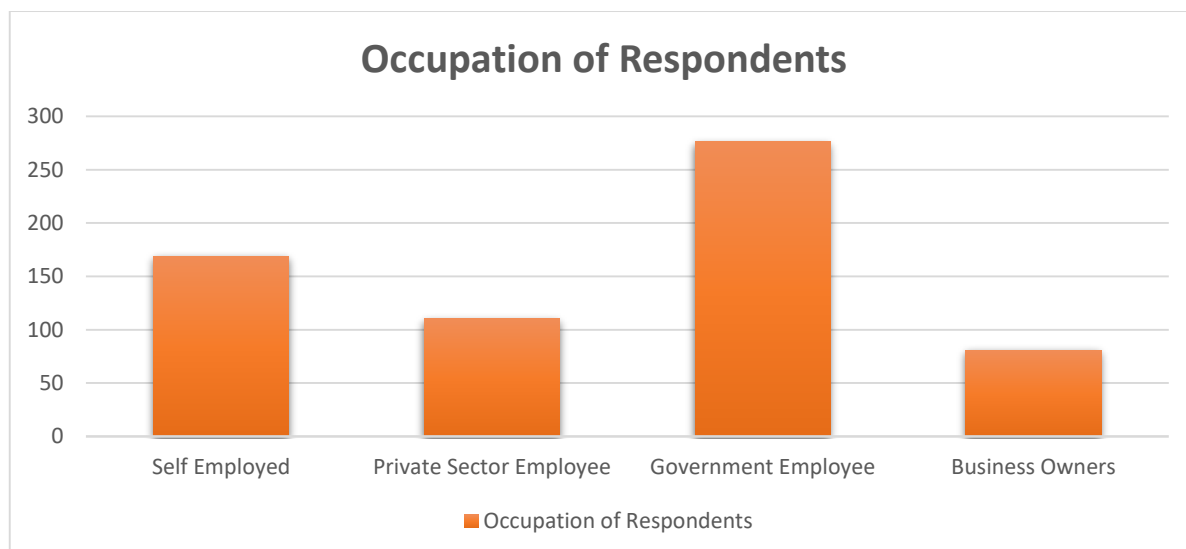
**Chart showing the distribution of respondents by qualification**

The table 4 above shows the distribution of respondents by qualification. 314 of the respondents have bachelor's degree they account for 49.4% of the total population of the respondents, 253 of the respondents have master's degree they account for 39.8% of the total population of respondents, 67 of the respondents have doctorate degree and they account for 21% of the total population of respondents, lastly 2 of the respondents have primary education which accounts for 0.3% of the total population of respondents. It was observed that participants with a bachelor's degree have the highest frequency.

**Table 5: Occupation of Respondents**

<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>
Self Employed	169	26.6
Private Sector Employee	110	17.3
Govt Employee	276	43.4
Business Owners	81	12.7
<b>Total</b>	<b>636</b>	<b>100.0</b>

**Source:** Field Survey, 2021



**Chart showing the distribution of respondents by occupation**

The table 5 above shows the distribution of respondents by occupation. 169 of the respondents are self-employed which account for 26.6% of the total population of the respondents, 110 of the respondents work in the private sector and they account for 17.3% of the total population of respondents, 276 of the respondents are government employees and they account for 43.4% of the total population of respondents, lastly 81 respondents are business owners who account for 12.7% of the total population of respondents. It was observed that participants who are government workers have the highest frequency.

## Answering of Research Question

### Research question 1

Does Islamic banking promote socio-economic developments?

**Table 6:** Promotion of Socio-Economic Development

S/N		SA	A	D	SD	SUM TOTAL	SUM PRODUCT	MEAN	DECISION
		4	3	2	1	X	FX	FX/X	
1	Islamic banks are only for Muslims. It has nothing to do with non-Muslims.	45 (180 )	33 (99)	224 (448 )	334 (33 4)	636	1061	1.67	Rejected
2	Islamic banking can be a good alternative source of financing besides the conventional banking.	448 (179 2)	153 (45 9)	13 (26)	22 (22)	636	2299	3.61	Accepted
3	Islamic banking can contribute in removing society's inequalities and improving general standard of living.	427 (170 8)	187 (56 1)	0 (0)	22 (22)	636	2291	3.60	Accepted
4	Islamic banking is faith-based type of finance; thus, it is free from exploitations of rich to poor.	319 (127 6)	257 (53 1)	33 (66)	27 (27)	636	2140	3.36	Accepted
5	Islamic banking can contribute to social welfare.	426 (170 4)	177 (53 1)	5 (10)	28 (28)	636	2273	3.57	Accepted
6	No interest charges in the loan and deposits	397 (158 8)	179 (53 7)	27 (54)	33 (33)	636	2212	3.48	Accepted
7	Islamic bank's goal is not only limited to maximisation of shareholders wealth but also includes enhancement of standard of living and welfare of society.	378 (151 2)	222 (66 6)	25 (50)	11 (11)	636	2239	3.52	Accepted
8	There is high potential for Islamic banking products in the Nigeria	299 (119 6)	305 (91 5)	11 (22)	21 (21)	636	2154	3.39	Accepted
9	Islamic banking products and services available in the Nigeria are similar to products and services of conventional banks,	53 (212 )	208 (62 4)	250 (500 )	125 (12 5)	636	1461	2.30	Rejected

	except the different names used by the bank in highlighting those products.								
10	In order to survive in their competitive business environment, conventional banks should also adopt the Profit and Loss Sharing principle (Shariah compliance).	17 (17)	60 (12 0)	343 (102 9)	216 (86 4)	636	2030	3.19	Accepted
	<b>GRAND MEAN</b>							<b>3.17</b>	<b>Accepted</b>

**Source:** Field Survey, 2021

The table 6 above presents analysis on if Islamic banking promote socio-economic developments. The mean score represents the average of responses based on the Likert scale. In the table the mean score of items ranged from (1.67 to 3.61), the acceptance mean score is 2.5 and above, while mean score below 2.5 are rejected. All but two items were accepted as they are above the acceptance mean of 2.5. the grand mean of 3.17 is also above the acceptance mean of 2.5, this shows the level at which Islamic banking promotes socio-economic development is high.

## Research question 2

Does interest free loan strategy of the Islamic bank promote the growth of SMEs?

**Table 7:** Promotion of the Growth of SMEs

S/N		SA	A	D	SD	SUM TOTAL	SUM PRODUCT	MEAN	DECISION
		4	3	2	1	X	FX	FX/X	
11	Interest free banking motivate micro, small and medium traders to take loan and boost their business	379 (1516)	211 (633)	10 (20)	36 (36)	636	2205	3.47	Accepted
12	Interest free banking increases saving mobilization on micro, small and medium enterprise	318 (1272)	288 (864)	20 (40)	10 (10)	636	2186	3.44	Accepted
13	Interest free banking creates less volatile business cycles on SMEs	200 (800)	357 (1071)	70 (140)	9 (9)	636	2020	3.18	Accepted
14	Interest free banking promotes and enhances	317 (1268)	302 (906)	15 (30)	2 (2)	636	2206	3.47	Accepted

15	effective business cycles on SMEs Interest free banking creates employment opportunities for SMEs	320 (1280)	269 (807)	29 (58)	18 (18)	636	2163	3.40	Accepted
<b>GRAND MEAN</b>								<b>3.39</b>	<b>Accepted</b>

**Source:** Field Survey, 2021

The table 7 above presents analysis on if Islamic banking promote growth of SMEs. The mean score represents the average of responses based on the Likert scale. In the table the mean score of items ranged from (3.18 to 3.47), the acceptance mean score is 2.5 and above, while mean score below 2.5 are rejected. All items were accepted as they are above the acceptance mean of 2.5. the grand mean of 3.39 is also above the acceptance mean of 2.5, this shows the level at which Islamic banking promotes the growth of SMEs is high.

### Research question 3

Does interest free banking enhance foreign direct investments (FDI)?

**Table 8:** Enhancement of Foreign Direct Investment (FDI)

S/N		SA	A	D	SD	SUM TOTAL	SUM PRODUCT	MEAN	DECISION
		4	3	2	1	X	FX	FX/X	
16	Interest free banking promotes foreign direct investment	216 (864)	366 (1098)	24 (48)	30 (30)	636	2040	3.21	Accepted
17	Interest free banking promotes ease of doing business between countries/and or states	237 (948)	344 (1032)	27 (54)	28 (28)	636	2062	3.24	Accepted
18	Interest free banking reduces business failures thereby encouraging foreign investors	235 (940)	353 (1059)	43 (86)	5 (5)	636	2090	3.29	Accepted
19	Interest free banking encourages greater reliance on equity, profit and loss-sharing thereby promoting the aggregate level of investment.	298 (1192)	318 (954)	15 (30)	5 (5)	636	2181	3.43	Accepted
20	Interest free banking provides a safer and more stable way to finance development and therefore impacts	286 (1144)	316 (948)	0 (0)	34 (34)	636	2126	3.34	Accepted

ownership and control of investment.

**GRAND MEAN**

**3.30**

**Accepted**

**Source:** Field Survey, 2021

The table 8 above presents analysis on if Islamic banking enhances foreign direct investment. The mean score represents the average of responses based on the Likert scale. In the table, the mean score of items ranged from (3.21 to 3.43), the acceptance mean score is 2.5 and above, while mean score below 2.5 are rejected. All items were accepted as they are above the acceptance mean of 2.5. the grand mean of 3.30 is also above the acceptance mean of 2.5, this shows that the level at which Islamic banking enhances foreign direct investment (FDI) is very high.

#### Research question 4

Does Islamic banking products and services have impact on socio-economic developments?

**Table 9:** Islamic Banking Products

S/N		SA	A	D	SD	SUM TOTAL	SUM PRODUCT	MEAN	DECISION
		4	3	2	1	X	FX	FX/X	
1	Ethical investment in Islamic banks is profitable for the consumers.	268 (1072)	320 (960)	23 (46)	25 (25)	636	2103	3.31	Accepted
2	Loan contract with Islamic bank is attractive and productive for consumers	252 (1008)	334 (1002)	39 (78)	11 (11)	636	2099	3.30	Accepted
3	Partnership contract with Islamic bank is with lower risk rate.	223 (892)	365 (1095)	46 (92)	2 (2)	636	2081	3.27	Accepted
4	Asset acquisitions with Islamic bank is easy and impactful.	248 (992)	332 (996)	24 (48)	32 (32)	636	2068	3.25	Accepted
5	Services of Islamic banks are generally satisfying from experience.	275 (1100)	327 (981)	32 (64)	2 (2)	636	2145	3.38	Accepted
	<b>GRAND MEAN</b>							<b>3.30</b>	<b>Accepted</b>

**Source:** Field Survey, 2021

The table 9 above presents analysis on whether Islamic banking products and services have impact on socio-economic developments. The mean score represents the average of responses based on the Likert scale. In the table the mean score of items ranged from (3.25 to 3.38), the acceptance mean score is 2.5 and above, while mean score below 2.5 are rejected. All items were accepted as they are above the acceptance mean of 2.5. the grand mean of 3.30 is also above the acceptance mean of 2.5, this shows the level at which Islamic banking products and service impacts socio-economic development is very high.

### **Discussion of findings**

The study provided answers to four pertinent questions. The study seek to find out if Islamic banking promotes socio-economic developments in Nigeria, the findings from the survey revealed that most respondents attested that Islamic banking promotes socio-economic development. This aligns with the study carried out by Ahmed (2019) where he noted that Islamic finance has emerged as a rapidly developing commercial sector that functions on the basis of key Quranic and Sharia principles. According to the examination of the negative impacts of interest on our social development, most academics indicated that interest exploits individuals, increases the weight of debt, raises the price of commodities, lowers inflation and increases risk, and so on. They also suggested a solution using Islamic financial concepts such as Mudaraba, Musharaka, Murabaha, Islamic microfinance, and so on. Also, according to study by Mushtaq and Siddiqui (2016), remittances have a positive significant influence on investment in Islamic countries whereas domestic lending from banks has a negative significant impact on investment in non-Islamic nations.

The study also seeks to find out if interest free loan strategy of the Islamic bank promotes the growth of SMEs. The result from the survey revealed that Islamic finance promotes the growth of SMEs, as they give entrepreneurs access to interest free loans, business support and interest free asset financing. This supports the findings of Tawfiqi, Hamdan, Masfaka, and Muwafak (2018), who concluded that Islamic banks play a part in an entrepreneur's success in their study on the role of Islamic banks in the entrepreneurial success: evidence from Bahrain. Entrepreneurial success in Bahrain is influenced by a number of variables, including entrepreneur awareness, flexibility, the growth of services, and the support offered by Islamic banks. In his journal article, Anifowose (2015) also mentioned how important Islamic banking is for business owners. The most challenging aspect for every entrepreneur is finding funding, but Islamic banking has emerged to remove this barrier and guarantee that entrepreneurs are no longer impacted by cash.

Also, the paper seeks to find out if interest free banking enhances foreign direct investments (FDI), the analysis of data revealed that foreign direct investment is greatly improved by interest free banking. This is consistent with the study of Tajgardon, Noormohamadi, and Behname (2012), which found that FDI support Islamic banking and Islamic banking attracts Direct foreign investment. It is also consistent with Kalayci and Efe Tekin's (2016) research, which discovered a long-term relationship between economic growth, FDI, and the breakdown of participation funds in Islamic banking. They also discovered a two-way relationship between GDP and participation funds in Islamic banking, which supports a short-term relationship between the variables over the period of 2002 to 2014. Results from the Granger

causality test and Johansen co-integration show that Islamic banking has a significant short- and long-term impact on Turkey's economic growth.

Lastly the study seeks to find out whether Islamic banking products and services have any impact on socio-economic developments. The respondents attested that Islamic banking products and services have positive significant impact on socio-economic developments, this is as result of the fact that Islamic banking promotes entrepreneurship and as well foreign direct investment. This is consistent with Dr. Bashir Oshodi's statement in an interview conducted by WebTV's *Islamic Finance Weekly* in 2020, in which he stated that one of the opportunities the Non-Interest Finance market brings to emerging economies like Nigeria is the ability to catalyse socioeconomic development, and he expressed the belief that areas like housing and SME development provide opportunities for local investors to channel resources into alternative investment markets that could have a sizeable impact.

## **CONCLUSION**

According to the findings conclusions of this study, Islamic banking supports socioeconomic development, implying that Islamic banking has a favourable impact on socioeconomic development. The findings also revealed that Islamic banks' interest-free financing approach promotes the growth of SMEs by allowing start-ups to thrive, which in turn contributes to economic development. According to the findings in this study, interest-free loans encourage foreign direct investment (FDI) by making the economy more appealing to international investors who do not have to worry about high interest rates. Lastly the study revealed that Islamic banking product and services are catalyst that promotes social welfare and reduce poverty rate thereby engendering socio-economic development in Nigeria.

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