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The Role of Islamic Microfinance on Poverty Alleviation: A Case Study of Al-Barakah Microfinance Bank, Lagos, Lessons for Yobe Microfinance Bank, Nigeria

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Abstract:

This study aims to examine the impact of Islamic microfinance on poverty alleviation among Islamic microfinance bank customers. A cross sectional survey research was adopted to collect data. A sample of 200 customers participated as respondents. Stratified Random Sampling technique was used to select sample of the respondents. Similarly, Structured questionnaire was utilized in data collection. The descriptive and inferential statistics were used to analyze the data. Result showed that Islamic microfinance has contributed to welfare improvement, growth of small enterprises, increase in income level, personal savings and expenditure of the customers. Besides, Logit model was applied to determine whether the level of poverty has reduced or not, due to the influence of particular explanatory variable. In this regard, a positive relationship was observed on the relationship between respondents' income level, age, education level, religion and poverty reduction. Consequently, this study concludes that Islamic microfinance has a positive effect on poverty alleviation. Therefore, this study recommends the adoption of Islamic microfinance as tool for poverty alleviation in Nigeria. Furthermore, it is advocated that conventional microfinance banks should consider full-fledge Islamic microfinance banking in order to alleviate poverty in states having majority Muslim population in Nigeria, particularly in Yobe state due to its peculiar poverty level and large Muslim population. Also, it is suggested that policy makers should encourage the establishing of more Islamic finance banks in Nigeria by providing less stringent policies and providing training on Islamic micro financing and banking.

Keywords: Bank, Islam, microfinance, poverty alleviation, Nigeria

1. Introduction

The population of Nigeria was projected by the United Nation Population Fund (UNFPA), as 206.1 million people in 2020. These millions require financial services especially credit in order to engage actively in productive activities and improve their standard of living. Besides, Nigeria is blessed with abundant resources. But, the level of poverty, inequality and unemployment is alarming and getting worse every year. Recent Statistics from the National Bureau of statistics (NBS) show that, 40.1% of Nigerians are poor (NBS, 2020).

The policy makers and academicians have recommended microfinance as a viable, efficient and effective tool for poverty reduction (Rokhman, 2013). The underlying assumption of Microfinance on poverty alleviation is that, access to finance also translates into enhanced income education, business progress, among others (Rokhman, 2013). Therefore, the primary aim of microfinance is to assist the poor people to be self-employed and become economically independent.

Combining the Islamic social principle of caring for the less, Islamic Microfinance has been advanced by scholars as more efficient and effective in poverty alleviation (Jibril, 2012). Islamic microfinance has become a machinery through which poverty is being alleviated as observed in some Muslim countries such as Bangladesh, Pakistan, Indonesia, Turkey, Malaysia, Sudan, among others (Gumel, Saad & Kassim, 2014).

In view of the fact that microfinance institutions and programs have been identified as the essential development strategies to alleviate poverty. In this vein, the impact of microfinance on poverty reduction has attracted the attention of some scholars (Kasali, Ahmad & Lim, 2016). Consequently, there are abundant studies on the impact of Islamic microfinance banks on poverty reduction. However, majority of the previous studies were conducted in Asian countries (Rokhman, 2013; Aslam, 2014; Asmawati & Ahmed, 2015; Mahmood, *et al.*, 2015; Bhuiyan, 2017; Hassan & Saleem, 2017; Mahmood & Fatima, 2017; Nimsith & Safna, 2019; Febianto, Johari & Kefeli, 2019; Shafique, *et al.*, 2020). Besides, in the

Nigerian context, most studies on the impact of microfinance focused much on conventional microfinance banks. There as on is that, Islamic microfinance in particular and Islamic finance in general are recent financial innovation in the Nigerian financial sector; it came to light in 2010 (Central Bank of Nigeria CBN, 2010). Thus, there is dearth of research works on the impact of Islamic microfinance on poverty in Nigeria. Hence, this research examines the impact of Islamic Microfinance on poverty reduction to fill the gap that exists in the literature.

Consequently, the following research questions are raised:

- To what extent can Islamic Microfinance reduce the level of poverty?
- Does Al-barakah Microfinance Bank help towards improving the welfare of its customers?
- Does Al-barakah Microfinance contribute towards the growth of micro and small-scale enterprises?
- Does Al-barakah Microfinance Bank help towards improving the income level of its customers?
- Does Al-barakah Microfinance Bank contribute towards improving the savings of customers?
- Does Al-barakah Microfinance Bank contribute towards improving the expenditure profile of its customers?
- Is there any positive impact in the Al-barakah Microfinance Bank to be emulated by the Yobe Microfinance Bank?

Thus, the broad objective of this study was to examine the impact of Islamic microfinance on poverty alleviation in Nigeria, using Al-barakah Islamic Microfinance Bank, Lagos as a case study. Al-barakah Islamic Microfinance Bank was chosen due to its pioneer status in Islamic microfinance in Nigeria (Premium, 2020), and large customer base with over 10,000 customers (Yusuf & Mobolaji, 2012). The specific objectives of this study are to: assess the influence of Islamic microfinance in improving income, welfare, savings, and expenditure profile of customers, and assess the impact of Islamic microfinance towards the growth of small enterprises.

This study has both theoretical and practical contributions. Regarding theoretical contribution, literature review shows that most studies on the role of Islamic microfinance on poverty alleviation were in the context of Asian countries, hence, using data from Islamic Microfinance bank in Nigeria, this paper adds to our understanding on the relationship between Islamic microfinance and poverty alleviation. Therefore, this study adds to the limited Islamic microfinance literature in Africa as a whole, and Nigeria in particular. Concerning practical contribution, possible outcomes of the study are envisaged to advance the practical experience of Islamic microfinance activities and its universal frame and business strategy to support the viable poverty alleviation actions of microfinance banking industry in Nigeria.

This paper is organized into five sections. Section one is introduction; section two delves on literature review and it discusses the concepts of microfinance, poverty, Islamic microfinance, poverty in Nigeria, the relationship between microfinance and income, welfare, savings, and expenditure, and review of related studies; section three is the methodology of the study; section four presents result of the study, discusses the findings and implications of the finding, and section five concludes the paper and made recommendations.

2. Literature Review

2.1. Concept of Microfinance

Microfinance is the provision of small units of financial services such as credit, deposits and savings to micro entrepreneurs and low-income household. Central Bank of Nigeria (CBN) (2005) defines microfinance bank as any company licensed by the CBN to carry on the business of providing financial services, such as savings and deposits, loans, domestic fund transfer, other financial and non-financial services to micro-entrepreneurs. The features of microfinance include; collateral substitution, priority focus on women, small units of services, access to repeat loans, door-step service delivery as well as group delivery methodology (CBN, 2005).

2.1.1. Impact of Microfinance on Welfare, Income, Expenditure, and Savings

The microfinance concerns with financial inclusion system reaching lower level of people and providing financial assistance for them. Besides, microfinance also benefits poor people in terms of their well-being through better quality living standards, access to proper children education, better health services, good sanitation, pure water as well as raising asset and wealth that could repay the loan. Thus, the borrowers will rise above the poverty line and gain a better life. In other words, microfinance gives a wider impact on the borrower's welfare. Similarly, the loans given will improve the borrowers' financial ability. They use the funds for investment in business activities. As a result, it will ultimately rise their expenditure and consumption because of enhanced income (Mohamed & Fauziyyah, 2020).

Based on the above, this study examines the impact of Islamic microfinance on poverty alleviation by focusing on the socio-economic indicators of poverty which include, welfare, income, and savings.

2.2. Concept of Islamic Microfinance

Islamic Microfinance is the provision of Sharī'ah compliant financial services to economically active poor and micro enterprises. Islamic microfinance is the convergence of two rapidly developing industries: microfinance and Islamic finance. It has the potential to reduce poverty and unemployment through providing financial access to the poor. Unlocking this potential could be the key to providing financial access to millions of Muslim poor who currently reject microfinance products that do not comply with Islamic law (Karim, *et al.*, 2008). Empirical evidences from countries with Muslim majority like, Bangladesh, Pakistan, Indonesia, Turkey, Malaysia, Sudan and Yemen proved Islamic Microfinance as an efficient and effective tool in poverty alleviation (Gumel, Saad & Kassim, 2014).

2.3. Principles of Islamic Banking and Finance

Islamic banking and finance in general are purely based on guidance Qur'ān; the 'Sunnah' (the saying, practice and approvals) of the prophet Muhammad (Peace Be Upon Him)(p.b.u.h.); the consensus of the opinion (Ijm'ai)' and the analogical deductions of jurists (Qiyas) (Ayub,2007;Shanmugan &Zahari, 2009). Scholars have identified several principles of Islamic banking finance and they discussed as follows:

2.3.1. Principle of Permissibility of Trade and the Prohibition of Riba

One of the fundamental values of the Sharī'ah which Islamic banking and finance is the permissibility of trade and the prohibition of riba in all business transactions. For example, the Qur'ān states: '*But Allah has permitted trade and Has prohibited riba*' (Al- Qur'ān 2:275). Zaher and Hassan (2001, p.156) stated that the term riba is used in the Sharī'ah in two senses. First is ribal al-nasi'ah, which is the fixing in advance of a positive return on a loan as a reward for waiting to be repaid. Second, riba al-fadl, is encountered in a hand-to-hand purchase and sale of commodities. The Sharī'ah prohibits both forms of riba.

In forbidding riba, Islam seeks to promote an atmosphere based on fairness and justice. A financial loan with fixed return to the lender regardless of the end result of the borrower's course of action is considered unfair. In place of riba, Islam encourages income generation through the sharing of risk and return between parties to a transaction. This manner is believed to encourage people to become partners and work together. This promotes mutual responsibility for the outcome of the project which is believed to increase the possibility of success of the venture (Shanmugan&Zahari, 2009).

2.3.2. The Principles of Profit-Sharing and Profit/Loss Sharing

Sharī'ah provides profit-sharing and profit/loss sharing as principles of Islamic banking and finance. Zaher and Hassan (2001) stated that while current Islamic banking and finance is seen to be a new development, its early commencement is being traced to the practice of mudharabah performed by Prophet Muhammad (p.b.u.h). Under this arrangement a party supplies fund to a manager who uses his skills and effort and manage the fund but they only share the returns of the business while loss from the business is borne by the capital supplier and the manager suffers from the loss of his skill and efforts. The profit or loss sharing on the other hand is an arrangement involving full partnership in capital and management, and division of profit and loss and is known as musharakah.

2.3.3. Prohibition of Gharar(Ambiguity, Deception, Excessive risk, or Excessive uncertainty)

Gharar is regularly translated as ambiguity, deception, excessive risk, or excessive uncertainty (Saleem, 2012). Ayub (2007) defines gharar as 'entering into a contract in absolute risk or uncertainty about the ultimate result of the contract and the nature and/or quality and specifications of the subject matter or the rights and obligations of the parties' [p.75]. In Islam, Jahl-ignorance or non-clarity about parties, or their rights and obligations, the goods or services, the price is deemed as part of gharar (Suzuki, 2014).Al-Saati (2003) as in Gait and Worthington (2007) has understood the forbiddance of gharar from a verse of the Qur'ān which states as follows: '*And do not eat up your property among yourselves for vanities, nor use it as bait for the judges.*'(Qur'ān, 2:188).

Not like riba which involves the question of the presence or absence of riba, gharar raises the question of extent. Also, gharar does not apply to non-commutative contracts, for example, gifts, which do not involve an exchange (Shanmugan&Zahari, 2009). Thus, an Islamic bank business must evade excessive uncertainty or ambiguity in its business operations (Ariff&Igbal, 2011).

2.3.4. Prohibition of Dealings in Haram Products and Services

Business dealings in alcoholic beverages, intoxicants, gambling, among others, are prohibited in Islam. The Qur'ān states: '*O believers, wine and gambling (maysir), idols and divination by arrows are but abominations devised by Satan; avoid them so that you may prosper. Indeed, Satan seeks to stir up enmity and hatred among you by means of wine and gambling and to keep you away from remembrance of Allāh (the Glorified) and from your prayers*' (Al-Qur'ān, 5:90-91).This prohibition applies to Islamic banking and finance(Ayub,2007).

2.3.5. Adherence to the Rules for Islamic Contracts

Islamic banking and finance is conducted on the basis of Sharī'ah approved contracts. Shanmugam and Zahari (2009) have stated that in Islamic banking and finance, contracts perform an essential duty in order to maintain clearness and structure transactions so that compliance with Islam is met.

2.3.6. Payment of Zakat (Payment to the Poor) from Their Income

Shanmugam and Zahari (2009) stated that Zakat may be taxed on the original capital of an Islamic bank, its reserves and its return.Ahmed (2004) cited in Gait and Worthington (2007) defines Zakat as a due right on definite asset, in explicit percentages with stipulation of passage of a year and fulfilment of the stipulation of nisab. Nisab is the stage that wealth will attain to be eligible for payment of Zakat and Zakat is given to category of individuals as specified by the Sharī'ah. Paying Zakat represents a financial avenue to help those who are deprived and the disadvantaged.

2.4. The Concept of Poverty and Poverty in Nigeria

According to Jinghan (2012), poverty is a low level of per capita income. Therefore, Poverty is a situation characterized by severe deprivation of food, clothing, shelter, education, health care and other economic and social needs of human beings. There are various methods used by different countries and international organizations in assessing the

level of poverty. They include; absolute poverty measurement, dollar per day, relative and subjective poverty measurement approaches. The Absolute poverty measure considers a set standard to afford a minimum standard of basic needs. Dollar per day poverty measurement used the World Bank Purchasing Power Parity (PPP) index, which considers the people living below US\$1.25 a day as poor. The relative poverty method separates rich and poor by considering the income inequality of the people in a given society. Subjective poverty Measurement is an unscientific method of poverty assessment. Because it is purely based on self-assessment from the respondents, whether they consider themselves poor or not (National Bureau of Statistics (NBS), 2012). Poverty is one of the great problems of this century, and a major challenge to the policy makers. The poverty trend in Nigeria is frightening. Statistics from the World Poverty Clock (2018) shows that, Nigeria has the largest number of people living with extreme poverty. Besides, a recent report from Nigeria showed that 40.1%, representing over 82.9 million Nigerians are poor using the Dollar per Day measure. In other words, on average 4 out of 10 individuals in Nigeria are poor (NBS, 2020).

2.5. Profile of Al-Barakah Microfinance Bank

Al-barakah Microfinance Bank Limited is a unit microfinance bank licensed to operate in Lagos. Al-barakah Microfinance Bank was incorporated in March, 2009 and licensed by Central Bank of Nigeria in February, 2010 to provide Islamic microfinance. It commenced operations in April, 2010. It commenced operations in April, 2010, with an authorized share capital of 100 naira million. The bank was established by the Muslim Congress (TMC). (Rano, 2012; Yusuf & Mobolaji, 2012). Al-Barakah Microfinance Bank Limited is the pioneer Islamic microfinance in Nigeria (Premium, 2020). The Bank has a staff strength of 43 (forty-three) and attracted over 10,000 in its first four years of operations.

According to the Muslim congress (2020), the bank business model is based on micro credit products and facilities based on profit sharing principles; risk management framework that focuses on business viability rather than assets collateralization, and banking Services based on transparency, service excellence, trust and partnership. The products and services provided by the bank include business financing; consumer cooperative support account; Bbby bond/smart kids' savings; hajj/umrah savings, and sallah /other festival savings; fixed deposit & notice account.

2.6. Empirical Review

Shafique *et al.* (2020) examined the impact of Islamic microfinance on poverty alleviation and women empowerment in Pakistan, using survey research. The authors have found and reported strong relationship between microcredit financing, poverty alleviation and women empowerment. In a related study, Febianto, Johari and Kefeli (2019) assessed the effect of Islamic microfinance on poverty alleviation using a case of Baitul mal watamwil in Bandung, Indonesia. The authors adopted survey research design and found that the number of poor micro entrepreneurs in Bandung has been decreasing since they received Islamic financing and the financing has influenced poverty alleviation among micro entrepreneurs.

In a similar study, Nimsith, Hilmy and Safna (2019) examined the relationship between on poverty alleviation in eastern Sri Lanka, using survey research. The authors have found and reported significant relationship between Islamic microfinance and poverty alleviation and concluded that Islamic microfinance helps the poor people to enhance their lives in compliance the Sharī'ah. Besides, the authors have found positive relationship between incomer and poverty alleviation as well as education level and poverty alleviation. Mahmood, Abbas and Fatima (2017) analyzed the effect of Islamic microfinance on the household in Pakistan, using a case study. The authors had found and reported that borrowing from Islamic microfinance organizations has significantly improved monthly income of the borrower, raised expenditure on food, education, health and increment in household assets. In another study, Hassan & Saleem (2017) studied the effect of Islamic microfinance on socio-economic well-being of women in Bangladesh. They found and reported that Islamic microfinance has been positively linked to income, assets, education of girls and the education of boys. Furthermore, their result has shown that there was no significant correlation between Islamic microfinance and the awareness of health; and the awareness of the harmony in the household.

Asmawati and Shah (2015) assessed the impact of baitulqiradh (Islamic microfinance) on poverty alleviation among beneficiaries in Aceh Province. Result showed that the Islamic microfinancing has helped to decreased poverty among the beneficiaries. Mahmood *et al.* (2015) assessed the role of Islamic microfinance on the assets and poverty status of the households who received Islamic microfinance in Lahore, Punjab, Pakistan, using survey research. Their finding has shown that positive influence of Islamic microfinance on the lives of the poor. Aslam (2014) evaluated the role of Islamic microfinance on alleviating poverty in Pakistan, among others. The author has found and reported that Islamic microfinance future of Islamic performed an important role towards improving the living standard, per capita income, educational level, employment level among the beneficiaries, using survey research. Rokhman (2013) assessed the effect of Islamic microfinance on poverty alleviation in Indonesia, employing survey research, Result revealed that Islamic microfinance had a significant impact in improving income level, education, and business progress. However, the study did not find any significant relationship between Islamic microfinance and access to health.

Findings from the previous research have provided valuable information on the roles and impacts of Islamic Microfinance on poverty reduction in many countries. However, most of the researches were conducted abroad, especially in the Muslim dominated Asian countries. Empirical researches on impact of Islamic Microfinance on poverty alleviation in Nigeria are scanty. This research, unlike the previous researches, examines the impact of Islamic Microfinance from the customers in Nigeria.

3. Methodology

In this study, a cross-sectional survey was adopted to collect data. The population of this study includes all customers of Al-barakah Microfinance Bank. A sample of 200 respondents was selected from the population. A minimum of 200 samples are recommended for any statistical analysis (Hoe, 2008). A sample size ranging from 200 to 400 is also recommended to be sufficient for a very good research (Hair *et al.*, 2006). Most statisticians agree that the minimum sample size to get any kind of meaningful result is 100 and a good maximum sample size is usually around 10% of the population, as long as this does not exceed 1000 (Cridland, 2015). Hence, the adoption of 200 respondents in this study. Stratified Random Sampling technique was used for the selection of (200) samples from the population. The most common strata used in Stratified Random Sampling are age, gender, religion, occupation, income levels, among others (White, 2000, Agbonifoh and Yomere, 1999). Against this background, the population of the study was organized into homogenous subsets (strata) of men and women. From each group the sample was selected randomly based on proportion of the population.

Structured questionnaire was used to collect data. The questionnaire is divided into five sections, section one (1) contains questions on regarding demography of the respondents. Section three (3) provides questions on Islamic micro financing. Section four (4) of the questionnaire contains questions on incomes, expenditures and savings of the respondents. Lastly, section five (5) sought information on Islamic microfinance and poverty alleviation. Measurement items in the questionnaire were obtained from the previous studies and adapted to suit the context of this present study. Studies of Aslam (2014) and Hassan and Saleem (2017) contained questions related to the questionnaire of this study. Both descriptive and inferential statistics were used to analyze data. The descriptive statistics used included frequency distributions, and simple percentage while, the Logit model was employed in this study to find out whether the level of poverty has reduced or not, due to the influence of particular explanatory variable. In this research 'Poverty Reduction' is the dependent variable. The independent variables are; Access to banking facility, Income, Education, Religion and Family members engaged in economic activities. The logit model is represented below:

$$\ln[\text{Pi}/1-\text{Pi}] = \beta_0 + \beta_1\text{ATF}_i + \beta_2\text{AGE}_i + \beta_3\text{INC}_i + \beta_4\text{EDU}_i + \beta_5\text{REL}_i + \beta_6\text{FAM}_i + u_i$$

Where:

- Pi = probability that the level of poverty is reduced.
- 1-Pi = probability that the level of poverty is not reduced.
- ATF = Access to Finance.
- INC = Income
- EDU = Education measured as categorical variable.
- REL = Religion
- FMIG = Number of family members engaged in income generating activities.
- A = Constant, b1 = coefficient and u = error term.

4. Result

As mentioned earlier, a total of two hundred (200) questionnaires were distributed to the customers of Al-barakah Microfinance Bank. Out of these 200 Questionnaires, a total of 154 representing 77% questionnaires were completed and retrieved as useable for analysis. This response rate is considered adequate.

4.1. Normality Test

Figure 1 below shows a histogram that was used to test for the normality of the data. The diagram shows that the bell-shaped are not evenly skewed to the right and to the left. Therefore, it is non-normally distributed, and appropriate for the estimation of non-parametric test (e.g. Spearman rank correlation and logistic regression analysis).

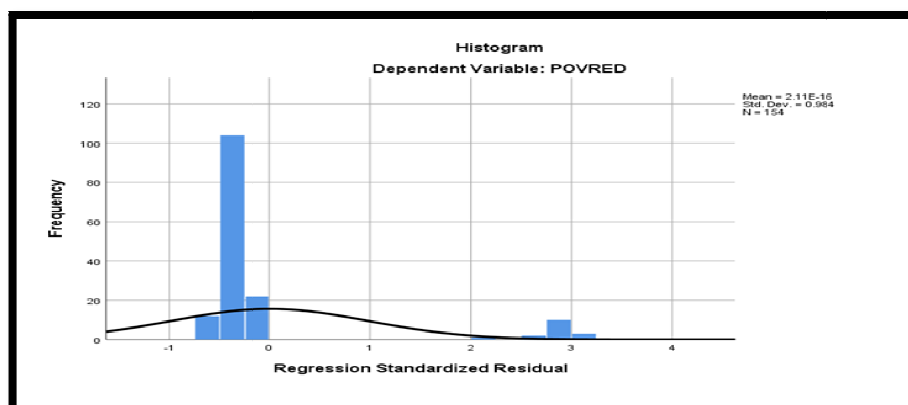


Figure 1: Histogram on Test of Normality of Data

4.2. Test of Non- Normality Test

The Table 4.1 shows the values of Kolmogorov-Smirnova(K-S) and Shapiro-Wilk (S-W) applied to determine the normality of the data used in this study. If the test is not significant, then the data are normal, so any value above .05 indicates normality, similarly, if the test is significant (less than .05) then the data are non-normal (Saiyidi, 2014). Both

tests indicate that the data are non-normal. The confirmation of the non-normality of the data for this study is the justification for the application of the logistic analysis. Since a logistic analysis is a non-parametric test/analysis, it required that the model be non-normal.

4.3. Out of Range Value and Missing Data Analysis

In this study, an out of range values test was performed in order to determine whether the coded values were entered correctly or a human error of entry was committed. The presence of out of range values invalidates the result of the analysis. In this study there were no out of range value, thus indicating that all the coded data were correctly entered. Furthermore, missing data analysis was conducted in this study. Missing data occur when respondents do not respond to some questions. The more there are missing values, the high the chances that the result of the analysis may be biased. This research conducted a missing value test to determine if the missing values are bias to the result. Analysis shows that there was missing value as the percentage of missing value is 0%.

4.4. Descriptive Statistics

4.4.1. Demographic Profile of Respondents

The Table 1 below depicts the demographic profile of the respondents. Regarding gender, 70.1 % of the respondents constituting the majority were female of the respondents were females. This indicates that the proportion of women are higher than men. Concerning age group, the result show that 72.7% of the respondents which represents the majority were between the age bracket of 31-40 years. Furthermore, the result showed that majority of the respondents representing 77.9% have completed OND/ND/NCE. Regarding occupation, it was shown that majority of the respondents representing 72.7% were petty traders. In terms of religion, result showed that majority of the respondents representing 92.2% were Muslims.

	Frequency	(%)
Gender		
Male	46	29.9
Female	108	70.1
Age		
21-30years	23	49.1
31- 40	112	72.7
41-50	18	11.7
51 and above	1	0.6
Level of Education		
Primary	6	3.9
SSCE	8	5.2
Diploma/NCE	120	77.9
HND/Bachelor Degree	17	11
Others	3	1.9
Occupation		
Farming	16	10.4
Fishing	9	5.8
Petty trade	112	72.7
Artisan	12	7.8
Tailoring	5	5.3
Religion		
Islam		92.2
Christianity		7.8

Table 1: Demographic Profile of Respondents

Source: Field Survey, 2020

4.4.2. Respondents' Perception on Islamic Microfinancing Islamic Microfinance and Poverty Reduction

The Table 2 below shows the distribution of respondents by their perception on Islamic micro financing in poverty reduction. Majority (138) respondents, representing (90%) of the total respondents agreed that, Islamic microfinance has helped towards poverty reduction through the provisions of Shari'ah compliant microfinance, only 10% of the respondents disagreed.

Islamic Microfinance	Frequency	%
Helped in Poverty Reduction	138	90
Did not Reduce Poverty	16	10
Total	154	100

Table 2: Distribution of Respondents' Perception on Islamic Microfinancing and Poverty Reduction
Source: Field Survey, 2020

4.4.3. Contribution of Islamic Microfinance to Welfare Improvement

The Table 3 below shows that, the welfare of one hundred and twenty-six (126) respondents, representing (82%) of the respondents had improved. The welfare of twenty-three (23) respondents, representing (15%) of the respondents had partially improved. The welfare of five (5) respondents, representing 3% of the respondents did not improve.

Welfare Improvement	Frequency	%
Yes	126	82
No	5	3
Partially	23	15
Total	154	100

Table 3: Islamic Microfinancing and Welfare Improvement
Source: Field Survey, 2020

4.4.4. Contribution of Islamic Microfinance to Growth of Small Enterprises

The Table 4 shows the responses on contributions of Al-baraka Microfinance Bank towards the growth of small enterprises. Majority (111) respondents, representing 72% of the respondents agreed that, Islamic Microfinance help towards the growth of small enterprises in Lagos state. While, (20%) agreed that, Islamic Microfinance partially improved micro enterprises. Only (8%) of the respondents disagreed.

Islamic Microfinance	Frequency	%
Help towards the growth of Small Enterprises	111	72
Did not help towards the growth of Small Enterprises	12	8
Partially	31	20
Total	154	100

Table 4: Islamic Microfinance and Small Enterprises
Source: Field Survey, 2020

4.4.5. Contribution of Islamic Microfinance To Respondents' Monthly Income

The Table 5 below shows the respondents monthly income before and after joining Islamic microfinance. Before joining Al-baraka Microfinance Bank, none of the respondents were earning less than N10, 000 monthly. Twenty-eight (28) respondents were earning a monthly income in the range of N10, 000 -19,000. Eighty-nine (89) respondents were earning a monthly income range of N20, 000-29,000 and thirty-seven (37) respondents a range of N30, 000-39,000 monthly. Their average monthly income was N25, 084.

After joining Al-baraka Microfinance Bank, none of the respondents were earning less than N10, 000 monthly. Nineteen (19) respondents were earning a monthly income range of N10, 000 -19,000. Majority (80) were earning a monthly income range of N20, 000-29,000 and fifty-five (55) respondents a range of N30, 000-39,000 monthly. The average Monthly income of the respondents after joining Microfinance was N26, 838. Therefore, the average monthly income of N25, 084 before joining Al-barakah Microfinance Bank increased to N26, 838 after joining the bank. This shows that, Al-barakah Islamic Microfinance Bank helps towards the improvement of income level.

Income Range(N)	Midpoint (X)	Frequency Before (F1)	Frequency After (F2)	F1x	F2x
<10,000	5,000	-	-	-	-
10,000-19,000	14,500	28	19	406,000	275,500
20,000-29,000	24,500	89	80	2,180,500	1,960,000
30,000-39,000	34,500	37	55	1,276,500	1,897,500
40,000and Above	44,500	-	-	-	-
Total		154	154	3,863,000	4,133,000

Table 5: Respondents Monthly Income before and after Microfinance
Source: Field Survey, 2020

4.4.6. Respondents' Monthly Expenditures Before and After Microfinance

The Table 6 below shows the respondents monthly expenditures before and after joining Islamic Microfinance. Before joining Al-barakah Microfinance Bank, none of the respondents were spending less than N10, 000 monthly. Twenty-four (24) respondents were spending a range of N10, 000-19,000 monthly. Majority (107) respondents were spending a range of N20, 000-29,000 monthly. Twenty-three (23) respondents were spending a range of N30, 000-39,000 monthly. None of the respondents is spending N40, 000 and above. Their average monthly expenditures were N24, 435.

After joining Al-barakah Microfinance Bank, none of the respondents were spending less than N10, 000 monthly. Nineteen (19) respondents were spending a range of N10, 000-19,000 monthly. Majority (101) respondents were spending a range of N20, 000-29,000 monthly. Thirty-four (34) respondents were spending a range of N30, 000-39,000 monthly. None of the respondents is spending N40, 000 and above. Their average monthly expenditures were N25, 474. The average monthly expenditures of N24, 435 before joining Al-barakah Microfinance bank increased to N25, 474 after joining the bank. This shows that, Al-barakah Microfinance Bank helps towards the improvement of expenditures of the respondents.

Expenditures Range(N)	Midpoint (X)	Frequency Before (F1)	Frequency After (F2)	F1x	F2x
<10,000	5,000	-	-	-	-
10,000-19,000	14,500	24	19	348,000	275,500
20,000-29,000	24,500	107	101	2,621,500	2,474,500
30,000-39,000	34,500	23	34	793,500	1,173,000
40,000and Above	44,500	-	-	-	-
Total		154	154	3,763,000	3,923,000

Table 6: Respondents' Monthly Expenditures before and after Microfinance

Source: Field Survey, 2020

4.4.7. Respondents Monthly Savings Before and after Microfinance

The Table 4.9 below shows the respondent's monthly savings before and after joining Al-barakah Microfinance Bank. Before joining Al-barakah Microfinance Bank, forty-one (41) respondents were not saving. Two (2) respondents were saving less than N10, 000 monthly. Majority (111) respondents were saving a range of N10, 000-19,000 monthly. None of the respondents is saving more than N20, 000 monthly. Their average monthly savings were N10, 516.

After joining Al-barakah Microfinance Bank, eleven (11) respondents were not saving. Twelve (12) respondents were saving less than N10, 000 monthly. Majority (129) respondents were saving a range of N10, 000 -19,000 monthly. Two (2) respondents were saving a range of N20, 000-29,000 monthly. None of the respondents is saving more than N30, 000 monthly. Their average Monthly savings before joining Microfinance was N10, 516. The average monthly savings increased from N10, 516 before joining, to N12, 853 after joining Al-barakah Microfinance Bank.

Savings Range(N)	Midpoint (X)	Frequency Before (F1)	Frequency After (F2)	F1x	F2x
Zero	-	41	11	0	0
<10,000	5,000	2	12	10,000	60,000
10,000-19,000	14,500	111	129	1,609,500	1,870,500
20,000-29,000	24,500	-	2	-	49,000
30,000-39,000	34,500	-	-	-	-
40,000and Above	44,500	-	-	-	-
Total		154	154	1,619,500	1,979,500

Table 7: Respondents Monthly Savings Before And After Microfinance

Source: Field Survey, 2020

4.5. Results on the Relationships between Variables

Model Estimation

$$\ln[\text{Pi}/1-\text{Pi}] = \beta_0 + \beta_1\text{ATF}_i + \beta_2\text{AGE}_i + \beta_3\text{INC}_i + \beta_4\text{EDU}_i + \beta_5\text{REL}_i + \beta_6\text{FAM}_i + u_i$$

Where:

Pi = probability that the level of poverty is reduced.

1-Pi = probability that the level of poverty is not reduced.

ATF= Access to Finance.

INC= Income

EDU = Education measured as categorical variable.

REL= Religion

FMIG = Number of family members engaged in income generating activities.

a = Constant, b1 = coefficient and u = error term.

4.5.1. Minimum Requirement Test

Table 8 below shows the summary of sample data used for the study. The result shows that 154 samples were used for the estimation of the logistic model and non-accounted for missing value. The minimum number of cases per independent variable is 10, using a guideline provided in (Hosmer&Lemeshow, 2000). The number of independent variables for this study is 5 which meet the requirement for further analysis. The violation of this requirement leads to large standard error making the logistic regression estimation method inconsistent

Unweighted Cases ^a		N	Percent
Selected Cases	Included in Analysis	154	100.0
	Missing Cases	0	.0
	Total	154	100.0
Unselected Cases		0	.0
Total		154	100.0

Table 8: Minimum Requirement Test
Source: SPSS 26.0

4.5.2. Dependent Variable Encoding

Table 9 below shows the dichotomous measure for the dependent variable used for the estimation of the logistic regression. The dependent variable value is between 0.0 and 1.0. The value of 1 indicated poverty is reduced, while 0 indicated poverty not reduced.

Original Value	Internal Value
poverty not reduced	0
poverty is reduced	1

Table 9: Dependent Variable Encoding
Sources: SPSS 26.0

4.5.3. Result on the Relationship Between Variables in the Equation

The Table 10 below depicts the relationship between Variables in the equation. The variable (ATF) which represents access to finance shows that there is a negative relationship between ATF and poverty reduction in because the coefficient as computed in the Table 4.4.3 for ATF is negative which is -0.150. This indicated that ATF has a decreasing effect and is less likely to affect the poverty reduction. The relationship between income (INC) and poverty reduction is positive with coefficient value of 0.320. This indicated that INC has an increasing effect and is more likely to reduce the level of poverty.

The result of the relationship between age of the respondents and poverty reduction is positive with age having a coefficient value of 0.449. This indicated that age of respondents is more likely to bring about poverty reduction. The variable (EDU) which represents education shows that there is a positive relationship between EDU of respondents and reduction in poverty. This is because the coefficient for EDU which is 0.233 is positive. This indicated that EDU has an increasing effect and is more likely to bring about reduction in poverty. The relationship between religion (REL) and reduction of poverty is positive with coefficient value of 0.656. This indicated that REL has an increasing effect and is more likely to lead to poverty reduction

Similarly, the Table 10 below shows that the variable (FMIG) which represents number of family members engaged in income generating activities shows that there is a negative relationship between FMIG and reduction in poverty. This is because the coefficient as computed in the Table 10 for FMIG is positive which is -0.665. This indicated that FMIG has a decreasing effect and is less likely to bring about reduction in poverty.

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 ^a	ATF	-.150	.644	.054	1	.816	.861	.244	3.040
	INC	.320	.422	.576	1	.448	1.378	.602	3.152
	AGE	.449	.486	.851	1	.356	1.566	.604	4.060
	EDU	.233	.416	.316	1	.574	1.263	.559	2.852
	RELIG	.656	.876	.560	1	.454	1.927	.346	10.729
	FMIG	-.665	.793	.703	1	.402	.514	.109	2.435
	Constant	-4.181	2.838	2.170	1	.141	.015		

a. Variable(s) entered on step 1: ATF, INC, AGE, EDU, RELIG, FMIG.

Table 10: Variables in the Equation
Sources: SPSS 26.0

4.6. Discussion and Implications

This study examines the effect of Islamic microfinance on poverty alleviation using some socio-economic indicators which included income, welfare, savings, expenditure, and business growth.

The result of this study has revealed that Islamic microfinance has helped towards poverty reduction through the provisions of Shari'ah compliant microfinance. This finding concurs with the finding in (Shafique, *et al.*, 2020; Febianto, Johari & Kefeli, 2019; Nimsith, Hilmy & Safna, 2019; Asmawati & Shah, 2015). In addition, result of this study has demonstrated that Al-Barakah Islamic Bank microfinancing activities has improved the welfare of majority of the respondents. This finding is consistent with finding in (Aslam, 2014; Mahmood, *et al.*, 2015; Nimsith, Hilmy & Safna 2019). Similarly, the result has shown that of Al-Barakah Microfinance Bank towards the growth of small enterprises as inferred from the responses of majority respondents. This finding agrees with finding of Rokhman (2013), who had found and reported positive effect of Islamic microfinance on business progress in the context of Bangladesh.

Furthermore, the result shows that Al-Barakah Islamic Microfinance Bank financing activities has helped towards the improvement of income level among its customers. This finding is consistent with the finding in (Aslam, 2014; Rokhman, 2013; Hassan & Saleem, 2017). Besides, a positive relationship between income level and poverty alleviation was observed. This finding is consistent with finding in (Nimsith, Hilmy & Safna 2019). Also, the result has revealed that the average expenditure of the respondents has increased due to the Islamic microfinance loan. This finding concurs with the finding in (Abbas & Fatima, 2017). Additionally, the result of this study has indicated that Al-Barakah microfinance bank helps towards the improvement of savings of the respondents. This finding agrees with findings in (Mahmood, *et al.* 2017). Similarly, result had shown positive relationship between education level and poverty alleviation. This finding is consistent with finding in (Nimsith, Hilmy & Safna 2019)

The findings of this study have both theoretical and practical implications. From the theoretical perspective, in this study the focus has been on Islamic microfinance. Since, this study has interpreted this topic as highly essential for poverty alleviation, the study has provided an understanding of the positive linkage between Islamic microfinance and poverty alleviation. From the practical perspective, this study has brought to limelight, the socio-economic dimensions which influence poverty alleviation. This finding will help managers of Islamic microfinance banks in developing products and services which would strongly affect the various socio-economic indicators identified in this study in order to achieve poverty alleviation among their customers.

4.6.1. Lesson for Yobe Microfinance Bank from the Findings

The Nigeria Poverty Profile Report from the Nigerian Living Standards Survey (NLSS, 2020) of NBS (2020) shows that, Yobe state is among the poorest states in the country with a poverty headcount rate of 72.34, which is above the national average. Yobe State ranked 7th according to the report. The extreme poverty levels among families in the state continue to have significant impacts on the wellbeing and development of the state (NBS, 2020). According to the 2006 Census, Yobe state has a total of (2.231) million people, with an estimated/projected population of 3.4 million people. These people require financial services especially Microfinance since the majority of the populace are poor. But, Yobe state has the lowest number of microfinance banks in Nigeria (CBN, 2012). Besides, the state lacks an Islamic microfinance bank. Furthermore, majority of the Yobe state population is Muslim who are not allowed to deal with the conventional microfinance due to interest element.

The finding of this study has shown that Islamic microfinance has a positive influence on poverty alleviation and this finding can serve as a lesson for the Yobe Microfinance Bank. Thus, the Yobe Microfinance Bank needs to introduce Islamic compliant products and services in order to alleviate poverty in Yobe state and encourage financial inclusion of the poor Muslims who averse to interest receipt and payment.

5. Conclusion and Recommendation

This study recognized Islamic microfinance as an important tool that should be adopted in Nigeria, in view of its impact on businesses and lives of the beneficiaries in several positive ways, particularly in poverty reduction. In a country where poverty is high like Nigeria, government can use Islamic microfinance as a tool for poverty alleviation.

Based on the findings of this research, the following recommendations are made; Al-Barakah Microfinance Bank should provide timely training to their customers on Islamic Banking products and services in order to reduce the ignorance of their customers on Islamic Microfinance. The Central Bank of Nigeria should provide capacity building for stakeholders and conducts proper supervision for smooth, efficient and effective Islamic Micro financing in Nigeria. For Islamic Micro financing to be efficient and effective in Nigeria, the government should also provide enabling fiscal and monetary policies as well as conducive environment for the operations of this subsector. Finally, Muslims, investors and policy makers' society should support the Islamic microfinance banks by additional funding and capability to expand the role of banks on poverty reduction. Finally, the government should provide training and development on Islamic microfinance. The ability of Islamic microfinance staff to manage their organization will significantly improve the role of Islamic microfinance on poverty.

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