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The influence of Murabaha and Ijara on Financial Inclusion in Kano, Nigeria: A Study of Jaiz Bank Plc

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ABSTRACT
Jaiz Bank was recently introduced in Nigeria, before its introduction many people, especially the northern Muslims were not banking with the conventional banking system because of their detestation to interest based financial products and services and this led to the exclusion of huge amount of money outside the formal financial system. This study therefore, investigated the contributions of Islamic financial products on financial inclusion in Kano State. The study uses a sample of 378 customers of Jaiz bank in Kano. This meant that 378 copies of the questionnaire were administered to solicit responses from the customers of Jaiz bank on the contributions of Islamic financial products on financial inclusion. The scales used for measuring Ijara Financial inclusion and Murabahawere adopted from multiple sources, data were analyzed using multiple regressions. It was found that two independent variables namely; Ijara, and Murabaha had significant contributions on financial inclusion; it is therefore recommended that Jaiz bank should make the repayment period to be according to customers' needs. It is also recommended that government should ensure costumer protection, a supervisory framework for Islamic finance and Islamic financial education be introduced at different levels of education i.e. primary to tertiary level, as all these could be helpful in encouraging Nigerians to use Shari'ah-compliant financial products and services.

INTRODUCTION
Nigeria has an estimated figure of 183.5 million as at 2015 which is increasing at a rate of over 2% yearly, Nigeria is the most populous country in Africa (UNDP, 2015). Many Nigerians for numerous reasons are unbanked and lack access to formal financial services. The result of EFInA's survey (2016) on access to financial services in Nigeria showed that; 40.1 million adults representing 41.6% of the adults' population were financially excluded, only 36.9 million adults representing 38.3% of the adults' population were banked. Similarly, a survey on financial access by Geo-political zones as shown by EFInA (2016) North-West has the highest percentage of financial exclusion at 70.0%, north-East 62.0%, north-central 39.0%, south-west 18.0%, south-east 28.0% and south-south 31.0% exclusion rate. This situation has socio-economic consequences not just on the affected Nigerians, but on the country's economic development aspirations. It is against this realization that the Central Bank of Nigeria CBN (2011) rolled out guidelines for the country's financial inclusion strategy. Globally there is a growing literature on financial inclusion; researches conducted focus more on the investigation of how to achieve financial inclusion through conventional finance. Products like; mobile banking, cashless policies, infrastructures to mention a few are used to examine their impacts on financial inclusion (Andinanaivo, &Kpodar, 2011, Brussels,

2006; Connoly, & Hajaj, 2001; Goland, Biys, & Chaic, 2010; Hanning, & Jansen, 2010; Hogarth, & Donnell, 1999; Kempson, & Whyley, 1999;Kempson, 2006; McAteer, 2008). Studies show that access to a well-functioning financial system, by creating equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to development and protects themselves against economic shocks (Srikanth, 2013) Additionally, reseaches on how to increase access to finance in Nigeria have been receiving a great deal of research, (Aamaeshi, Ezeoha, & Nwafu, 2000; Haruna & Saifullahi 2012). Moreover, Bayero (2014) Found that Awareness, Consumer/User Value Proposition, and Infrastructure have strong significant relationship with Financial Inclusion while Business Model of Financial institution have no relationship with Financial Inclusion. Similarly, researches carried out on achieving financial inclusion through Islamic finance in different countries such as United Kingdom, Saudi Arabia, Pakistan, Malaysia, India, Indonesia, Kuwait to mention a few (Alsadek, & Andrew, 2000; Al-Shamrani, 2014; Amin, Ghazali, & Supinah, 2010; Asli, Demirgue-Kunt, & Randal, 2009; Ben, Barajas, & Massara, 2015; Bashir, 2012; Haron, & Ahmad, 2010; Hersi, 2009; Jahya, 2004; Lada, Tanakinjal, & Amin, 2009; Manhud, Zamir, Ahmed, &Xiaochen, 2011; Mohieldin, 2011; Rahajeij, 2000; Zaiden, 2015) using different Islamic banking products have shown the potential of achieving financial inclusion through Islamic banking products. Yet not so much researches have been conducted to investigate how Islamic banking will enhance financial inclusion in Nigeria. Moreover, researches established that Islamic banking is a tool to financial inclusion (Rahajeij, 2000; Rimsan, Hilmy, & Suraiya, 2014; Mohieldin, 2011; Manhud, Zamir, Ahmed, &Xiaochen, 2011; Knight, 2006; Adeola, 2009). Therefore, more studies needed to be conducted for better understanding of the relationship between Islamic banking and financial inclusion in the Nigerian context.

It has been established in Nigeria that north has the highest rate of financial exclusion mostly because of their aversion to interest based financial products (EfinA, 2014). Therefore, this situation stimulates research interest. Even though majority of the studies on the relationship between Islamic banking products and financial inclusion were only conducted in the United Kingdom, Malaysia, and Saudi Arabia to mention a few. Only few researches were conducted in Nigeria, which attempt to study the relationship between financial inclusion and Islamic banking. Examples of these studies are; Islamic Finance; the answer to Financial Inclusion in Nigeria (Adeola, 2009), Islamic Financing and its products (Akinsulire, 2013), Critical Insights into an Integrated Literature Review on Customers' Adoption of Islamic Banking (Gumel, Mohammad, & Yusof, 2012). Similarly, Imam and Zubairu (2010) Study the Perception of Islamic Financial System in Borno state of Nigeria; its obstacle in application. Challenges facing the Acceptability of Islamic Banking in Nigeria (Muhammad, & Gulani, 2013), Why Nigeria Needs Islamic Financing (Sanusi, 2013), Non-Interest banking and financial inclusion (Yawande, 2011). Therefore, in view of the focus of the previous studies, some gaps exist for future studies to fill in. It is on this premise that this study stands to make contribution by examining the perceived effects of Islamic banking products on financial inclusion in Kano metropolisy.

LITERATURE REVIEW

The concept of Islamic Banking

Interest, was prohibited by most major religions. Like Islam, Judaism and Christianity had both condemned interest. There are specific chapters in the Bible that has categorically forbid the taking of interest. Exodus 22:25. "If you lend money to any of my people who are poor among you, you shall not be like a money lender to him; you shall not charge him interest" (Good News, 25: p.79).Therefore, the instruments offered by Islamic bank have strong historical roots and have been applied throughout history in various Muslim communities. Islamic banking offers a rich set of instruments and unconventional approaches if implemented in a true spirit and can lead to reduced poverty and inequality in Nigeria.

Products of Islamic Banks

The Cost-plus Sale (Murabahah)*:* Murabahais a sale of a commodity for the price at which the seller has purchased it, with the addition of the stated profit known to both the buyer and the seller. The profit can be in figures or based on a percentage. This concept transforms the traditional lending activity into a sale purchase agreement under which the lender buys goods, whether in the form of raw materials, machines or other equipment as required by the borrower at higher price agreed upon by both parties. The settlement of the price can be on the spot or deferred and in lump sum or installment. This concept is also known as a markup price or sale on credit.

Conditions

Disclosure of cost to the buyer is necessary. Under Murabaha arrangement customer requests to the Islamic Financial Institution to purchase an asset for him (customer) and sell on deferred payment.

i. Islamic bank must purchase the required commodity from supplier first and then sell to customer.
ii. Recovery could be agreed in installments payment. Amount of installment or price of the asset cannot be (stipulated) increased or decreased in case of default or early payment.

Leasing (Ijarah): It is a contract whereby an Islamic bank purchases an asset and leases it out to its client on the agreement that the client will be paying a fixed amount at regular interval usually monthly for a specified period to the Islamic bank. It may also include the option of the client purchasing the asset at the end of the contract from the bank.

There are two types of leasing used by Islamic bank. One, the lessee pays the lesser installment payments that go towards ultimate purchase of the equipment by the lessee. This type of lease/purchase agreement is known as ijarahWa-iqtina. The second type of leasing maintains the ownership of the lesser as per the lease contract.

Conditions

i. Ownership risks of the asset are born by Islamic bank while expenses relating to use the asset are the responsibility of client.
ii. The difference between Ijara and sale is that ownership in Ijara remains with lesser while in case of sales it is transferred to purchaser.
iii. Contract can be executed prior to purchase and possession of asset.

Right of lessee to use the asset is restricted to lease agreement and as per normal course of business. Lessee is liable for any harm to the asset caused by any misuse or negligence on his part.

Bai Salam: Is a forward sale, where the Islamic Bank pays in advance for buying specified assets at a predetermined price, quality and quantity specifications, which the seller agrees to supply on a future date. In order word Salam is a sale contract wherein the buyer (client) paid the price to the Islamic bank in advance at the time of making the contract and the Islamic bank agrees to supply the commodities at a specified future date. Siddiqi (2008) declares that it is used for products that can be traded on secondary markets such as agriculture or mineral products.

Conditions;

i. Islamic bank purchase goods for spot payment with deferred delivery.
ii. It is used in financing of agricultural needs of farmers.
iii. Generally spot price agreed is lesser than future price of the actual date of delivery; hence Islamic banks are making profit.

The Musharakah (Equity Partnership): Musharakahcan be defined as a business where two or more people combine their capital or labor or creditworthiness, together, having similar rights and liabilities to share the profits or a yield or appreciation in value and to share the loss, if any, according to their proportionate ownership. In this case, the Islamic bank acts as a partner for contributing in the capital formation and, therefore, shares in the profit and loss. Profit according to Islamic law can be made through purchase, sale, hire or wages.

Conditions

i. There must be an agreement written (verbal) among the partners stating clearly the terms and conditions including management, capital contributions, and profit and loss sharing among the partners.
ii. Capital can be contributed in cash as well as in assets. However, once an asset is contributed as capital that belongs to firm and contributing partner is relieved from the bar of risks and returns attached with ownership.
iii. Profit is distributed according to agreement of partnership however sleeping partner cannot claim share in profit more than his proportionate share in equity.
iv. None of the partner can guarantee the capital or profit share to any other partner.

What Makes a Financial Product Sharia-Compliant?

Islamic finance refers to a system of finance based on Sharia. Islamic financial principles are premised on the general principle of providing for the welfare of the population by prohibiting practices considered unfair or exploitative. The most widely known characteristic of the Islamic financial system is the strict prohibition on giving or receiving any fixed, predetermined rate of return on financial transactions. This ban on interest, agreed upon by a majority of Islamic scholars. According to Mayada, El-Zoghbi, Michael and Tarazi, (2013) the followings are what makes financial products shariah- compliant.

Money Has No Intrinsic Worth. Money can increase in value only if it joins other resources to undertake productive activity. For this reason, money cannot be bought and sold as a commodity, and money not backed by assets cannot increase in value over time. All financial transactions must be linked, either directly or indirectly, to a real economic activity; they must be backed by assets, and investments may be made only in real, durable assets.

Fund Providers Must Share the Business Risk. Providers of funds are not considered creditors (who are typically guaranteed a predetermined rate of return), but rather investors (who share the rewards as well as risks associated with their investment).

Investment Activity. Activities that are deemed inconsistent with Sharia, such as those relating to the consumption of alcohol or pork and those relating to gambling and the development of weapons of mass destruction, cannot be financed.

No Contractual Exploitation. To protect both parties, contracts are required to be by mutual agreement and must stipulate exact terms and conditions. Additionally, all parties involved must have precise knowledge of the product or service that is being bought or sold.

THE CONCEPT OF FINANCIAL INCLUSION IN ISLAMIC FINANCE

Financial Inclusion through Qard-al-Hasan

Qard-al-Hasan is defined in Shariahas an interest free loan. It is usually granted from well off lenders to poor borrowers. It can also be directed from borrowers to intermediaries that can redirect it on their behalf to poor borrowers. Qard-al-Hasan is therefore a non-rewarding loan (with no expected return) and the borrower is under obligation to repay the loan depending on the borrower's financial capacity to do so. Loan procedures are usually informal and social capital is the basic collateral for this instrument. Qard-al-Hasan can also be considered as excellent avenue for supporting small scale enterprises SME's and penetrating to lower income levels that are deprived of financial resources that is not properly tapped in Islamic countries. It provides a reliable source of funding to economic development and targets minimizing the lending risk as it builds on pooling and social collateral.

Financial Inclusion through Mudarabah/ Musharakah/ Ijara

Financing modes that best suit SMEs include mudarabah (principal/agent) and musharakah (equity partnership). Both forms serve a useful purpose: they provide investors with high liquidity at low risk. Islamic banks were recently encouraged to provide more profit-sharing finance and are developing arrangements to reduce risks and the costs of funding. Many Innovative examples were provided among which is setting up specialized Institutions, as well as introducing new consistent products with the aim of reducing risks Through pooling the funds and establishing Wikalah agencies to perform monitoring and to minimize moral hazard. However, Shariah compliant SME finance is not limited to these instruments; innovative approaches tend to involve more comprehensive financing schemes that mix the aforementioned saving as a tool for insurance hedging against future turbulence. Ijarah has been one of the most Widely used forms of financing SMEs as it reduces the startup cost in addition to providing Security to lenders. The issue with promoting SME financing is not the availability of appropriate tools but the challenge is to provide an enabling environment.

Financial Inclusion through Risk-sharing

Islam has long endorsed risk sharing as the preferred organizational structure for all economic activities, specifically the most comprehensive application of risk sharing and going beyond anything put forward by modern theories. On the one hand, Islam prohibits, and without any exceptions, explicit and implicit interest-based contracts of any kind and requires mandatory risk sharing with the poor, the deprived and the handicapped based on its principles of property rights Since the central proposition of Islamic finance is risk-sharing, any debt-based instrument that is structured based on extracting a rent (interest) as a percentage of the principal that was loaned for a specific time period and without the full transfer of the property rights over the money loaned to the borrower, is eliminated from the financial system. One result of this type of debt-based transaction is that the risk is borne by the borrower. Rather, Islam proposes a mutual exchange (al-bai) in which one bundle of property rights is exchanged for another, thus allowing both parties to share the risks of the transaction, something which is sanctioned. The emphasis on risk-sharing is evident from one of the most important verses in the Holy Qur'an with respect to economic relations (2:275).

Challenges of Enhancing Inclusion through Islamic Finance As noted by Mahmoud Mohieldin, Zamir, Iqbal, Ahmed, Rostom and Xiaochen (2014) the followings served as obstacles to financial inclusion through Islamic finance

Knowledge of Shariah Rules among Working Staff: Most employees have little background in Islamic finance before. The knowledge gap increases the risk of the institution's deviation from Shariah rules and deterred Shariah-compliant financial product innovation. Many evidences support this concern. For example, Ahmed (2007) found that some Islamic banks in Bangladesh extensively use financial tools such as Bai-Muajjal and Bai-Murabaha without knowing the Shariah implication of the terms. The knowledge gap may also trigger reputational risks of the institutions: Example in Indonesia, society prejudice toward operations of some Islamic banks that are not in line with Shariah rules may cause trust degradation among potential and current clients.

How to Attract More Islamic Clients to Enter the Market is a Big Issue for Both Government and Islamic Banks: Society's understanding of Islamic financial products is still limited. In order to tap larger proportion of potential market, both institutions and governments should exert more efforts to educate low income Islamic individuals and invite them to use available services.

Others: other obstacle includes lack of transparency and the absence of a broadly accepted standardized process for assessing the compliance of financial institutions with Shari'ah guidelines, which makes it difficult for many individuals. Shari'ah-compliant financial products and instruments can play a significant role in enhancing financial inclusion among Muslim populations.

Financial Inclusion in Nigeria

According to Sanusi (2012) efforts at financial inclusion in Nigeria date back to 2005 with the launching of the Microfinance Policy, Regulatory and Supervisory Framework, subsequently revised in 2011 Key elements which the Policy sets out to achieve are:

i. Assist Microfinance Banks to set up an Apex Regulatory Body.
ii. Establish a Microfinance Certification Program.
iii. Set up credit Bureau.
iv. Promote the setting up of rating agencies for Microfinance Banks.
v. Establish Micro, Small and Medium Enterprises Development Fund (MSMEDF).

Moreover, the following strategies are also employed by CBN to ensure financial inclusion in Nigeria.

Agent Banking, know-Your-Customer Requirements, financial Literacy, Consumer Protection, Linkage Banking, implementation of the MSME Development Fund, Credit Enhancement Programs such as; Agricultural Credit Guarantee Scheme (ACGS), Commercial Agricultural Credit Scheme (CACS), Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), Refinancing and Rediscounting Facilities for SMEs, Small and Medium Enterprise Credit Guarantee Scheme, Entrepreneurship Development Centers. Although, the implementations of these Strategies are impacting positively on the rate of access to financial services, the adult exclusion rate reduced from 46.3% in 2010 to 39.7% in 2012 and 39.4% in 2015. All the geopolitical zones in Nigeria equally recorded improvements with exclusion rate declining between 2010 and 2012 as follows: North East, 68.3% to 59.5%, North West, 68.1% to 63.8%, North Central, 44.2% to 32.4%, South East, 31.9% to 25.6%, South West, 33.1% to 24.8% and South- South, 36.4% to 30.1% (CBN, 2012).

CONVENTIONAL APPROACH TO FINANCIAL INCLUSION

Micro-Finance:

Microfinance institutions have tried to overcome the issue of lack of collateral or steady future income and high transaction costs by innovations such as group lending schemes. Conventional literature focuses on how microfinance unleashes the productive potential of small and un-bankable borrowers.

Small Medium Enterprises (SMEs):

According to Ayyagari, Beck and Demirguc-Kunt (2003) SMEs have functioned as the engine of growth for both developed and developing economies. As for poverty reduction, SMEs are more likely to employ poor and low-income workers than larger firms; sometimes, SMEs are the only source of employment in poor regions and rural areas. However, market failures may cause biases against SMEs. For example, high risks for cost-searching and coordination failure across sectors always prevent start-ups from entering a new market. Thus, industry policies favoring SMEs, such as credit subsidies and tax credits, are recommended for developing countries.

Micro-insurance:

According to Outreville, (1990); Ward and Zurbruegg (2002); and Beck, (2007) provides evidence of a positive causal relationship between insurance penetration and economic growth. The policy holder benefits by increased access to a wider range of products with increased coverage and greater sustainability; and the partnering insurance company has access into a new market without taking extensive marketing, distribution, or administration costs. More importantly, the partner-agent model facilitates the pooling of risks between the formal and informal sectors.

Barriers to Financial Inclusion

Kempson (2006) gave some explanations to the reasons why people are financially excluded. He said that these reasons could vary from country to country. He stated the importance of bank required identification and documents, the terms and conditions of bank accounts, levels of bank charges, physical access and cultural barriers to financial inclusion.

Required Identification

This serve as a threat for unemployed to have an account with bank, since banks need the proof of identity before some services can be offered. This is also attributed to strict money laundering rules. While Brussels (2006) states that it is in response to avoid terrorist attacks, with some people being unable to satisfy required identification. Moreover, Leyshon and Thrift (1995) stated that people with limited income and with some disabilities represent a high risk to the financial institutions, who then avoid such geographical locations where these people reside.

Terms and Conditions of Bank Accounts

Different banks across the world have different terms and conditions to opening accounts with them. Such terms as amount of money to open Account with, the amount of minimum/maximum balance, in 2009 Central Bank of Nigeria (2009) proposed of over twenty thousand as a minimum balance. This will go a long way to having an effect on the extent of financial inclusion. Moreover, Kempson (2006) explained that these different types of terms and conditions can prevent people with low incomes to open an account. Some accounts come with certain contracts that establish the rules on which the accounts are controlled.

Unemployment and low Income

Countries with high rate of unemployment and low levels of income tend to have higher levels of financial exclusion. In most areas of the world, especially in Nigeria, a person who is unemployed and with no source of income is most likely to be excluded from the use of financial services. It is also likely that this will be due to self-exclusion.

Levels of Bank Charges

The issue of hidden bank charges in the industry is not new. At a time, the industry regulator, CBN had cause to intervene, but the bank charges keep coming in various forms. Some of the charges in question include charges on e-banking and mobile transactions. Common among them include complaints of unexplained deductions ranging from charges on text message alerts, which sometimes are sent and charged twice (N5 or N10, depending on the bank), ATM charges especially when a customer used other bank's ATM, charges on Internet access monthly and a separate charge for any money transfer conducted on the Internet (Badewole, 2011). This has contributed to high level of financial exclusion in Nigeria.

Lack of Physical Access

Most of banks in Nigeria are located in cities, while rural areas were neglected and this has been the main barrier to financial inclusion in Nigeria, because rural residents have to travel to cities in order to reach a bank branch.

Cultural Barriers

In countries with high levels of financial exclusion, self-exclusion by individuals with low or no income is more of the reason for lack of access to banking services than direct exclusion by the banks refusing to open accounts (Kempson, 2006). Help the aged (2005) noted that cultural and language barriers is one of the issues that minority community dwellers face in accessing financial services.

Lack of Financial Education

Some customers did not know the importance of banks services and its instruments. This has resulted to high level of financial exclusion especially in rural areas. Banks need to educate their customers on the various products that are available and the benefits attach to each product. Such as current account/Wadiah, savings account/Mudarabah, Leasing/Ijara Instrument and cost-plus sale/Murabaha product, this will enhance financial inclusion.

Others: Belief that bank accounts are not for poor people or low-income people, bad past experience, Fear of seizures, avoidance of interests-based products and services and lack of trust. The Finscope surveys suggest that the proportion of the population without access to formal financial services ranges from 44 percent in South Africa to 92 percent in Mozambique, with Nigeria, the most populous country in Africa, lying at the higher end of this scale with 79 Percent, approximately four-fifths of the adult population, estimated to be 'unbanked' (Honohan& King, 2012).

The Challenges of Financial Inclusion

Moghalu (2011) noted that the major challenges within the general economic conditions have manifested in the forms of:

Low level of Financial Literacy: Majority of the estimated 40 million financially excluded Nigerians lack knowledge of the services and benefits derivable from accessing financial services, while staff of the service providers often display lack of adequate understanding of the services and products and so unable to educate effectively. In fact, sub-optimal outcome from attempts to increase customer awareness is reflected in the lack of appreciable progress in the literacy level of the populace. This has remained a major impediment to the progress of the financial inclusion.

The Inability to save: this is as a result of double digit inflation in the economy, with its attendant effects on real interest rate and continuous loss of money value. The disincentive negative real interest rates obviously have made potential savers remain with other non-bank avenues for savings.

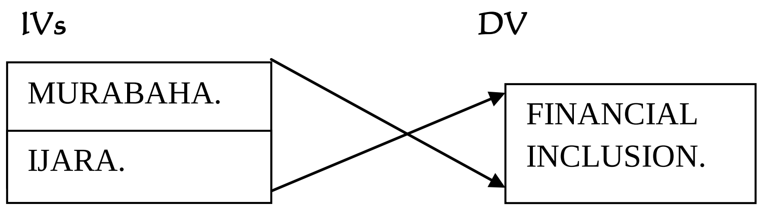
Increasing Poverty: The economy has been reported to have grown at an average of 7.0 per cent between 2009 and 2011; unemployment rate continues to increase while progress on many of the poverty reducing Millennium Development Goals has been slow.

The Uncompetitive Wage Levels: Especially in the public sector where a large number belong to the low-cadre means that these groups are excluded financially. Though their salaries are paid into the bank but the personnel only visit the bank once in a month to collect their salaries with little or nothing to save.

The theory of Reasoned Action (TRA)

This theory is propounded by Fishbein and Ajzen (1975). The theory assumed that individuals make rational decisions (intention) pertaining to their actions. Therefore, for every behavior, there must be an intention to perform the behavior. And the higher the behavioral intention, the greater will be the probability of performing the behavior in question. For example, one is likely to adopt Islamic banking, if he intends to adopt it, and likely not, if he has not made an intention. According to this theory intention is a product of attitude and subjective norm. Attitude is the positive or negative feelings of an individual towards a particular behavior, while subjective norm is the individual's perception and the motivation to comply with the perceptions. Therefore, the greater the intention to engage in Islamic banking products, the greater the chances the person will eventually perform that behavior.

Figure 2: The Research Framework



RESEARCH METHODOLOGY

Research Design

A cross-sectional survey design was employed for this research work. The unit of analysis of the survey is customers of Jaiz Bank. Cross-sectional surveys are the most common type of surveys and are more quantitative in approach than qualitative. They provide a structured approach to data collection that allows for the systematic comparison of variables against each other (McKernan, 1991, De Vaus, 2002, Greenwood, & Axford, 2004, Minichiello, & Sullivan 2004). Moreover, "cross-sectional design involves the collection of data on more than one case and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables, which are then examined to detect patterns of association" (Bryman & Bell, 2007; 55).

Population of the Study

The Customers of the three branches of Jaiz Bank in Kano metropolis constitute the population size of this. As at the time of data collection (November, 2015), Tafawa Balewa Branch has10,032 Customers while Bello way branch has 10,339 Customers and the Kabuga Branch has 3,968 Customers. The Jaiz Bank Customer base is increasing on daily basis, the break down given above represent their actual Customer base as at the time of writing this work. Therefore, for the purpose of this study the population consists of all Jaiz bank Customers in all the three branches in Kano metropolis, in totality, Jaiz Bank Kano metropolitan branches have24,339 Customers as at November, 2015 and this constitute the population size for this study.

Sampling Techniques and Sample Size

There are two sampling techniques: probability and non-probability methods (Rabson, 2007). Non-probability sampling was used for this study. The researcher also selected convenience sampling, because there is no sampling frame available to the researcher, as such this sampling best suits the population, as it considers the number of customers of each branch of the bank in selecting the sample from each branch. The sample size is determined using Krejcie and Morgan (1970) statistical formula for drawing sampling size,

The formula is expressed as: $n=\frac{x^2 * N * P * (1-P)}{(ME^2 * (N-1)+(x^2 * P * (1-P)}$

Where:
n = sample size
X^2 = chi-square for the specified confidence level at 1 degree of freedom
N = population size
P = population proportion
ME = desired margin of error

Therefore, using the above formula the researcher determined the sample to be 378 at a confidence level of 95 percent and margin error of 5 percent. However, the 378 customers were proportionately drawn from the three Jaiz bank branches in Kano metropolitan using convenience sampling method.

Similarly, 378 copies of the questionnaire were distributed to the Customers of Jaiz Bank (respondents). Copies of the questionnaire were distributed proportionately among the three branches of Jaiz Bank in Kano Metropolis, see Table 1.1 below

Table 1.1: Sample Size of the Study

Branches	Population	Calculation	Proportionate sample
Tafawa Balewa	10032	10032/24,339*378	156
Bello way	10,339	10,339/24,339*378	161
Kabuga	3,968	3,968/24,339*378	61
Total	24,339		378

Source:Maiyaki, Aliyu& Idris 2015.

Location of the Study

Kano is a city located in the north-western part of Nigeria, in the Sahelian geographic region of the south of the Sahara. Kano is a commercial nerve centre of Northern Nigeria and is the second largest city in Nigeria after Lagos, the metropolitan area covers 499KM^2 and comprises of eight LGAs with a population of 2, 828, 861, as at 2006. (Wikipedia, 2015) Kano is selected because of the fact that it is the only city in Nigeria that presently has three Jaiz Bank branches. The respondents were drawn from all the three branches.

Model Specification

Financial inclusion can be measured both from loans and saving aspects. Therefore, the present study attempts to measure financial inclusion from Islamic products (Murabaha and Ijara) aspects of financial inclusion. There are two dimensions of the independent variables in the model. The selected independent variables are being taken based upon the various literatures on financial inclusion. Financial inclusion itself is taken as the dependent variable in the model. On the other hand, Murabaha and Ijara are taken as independent variables.

Regression Equation:

Model: $Yi= \alpha i + \beta 1X1i + \beta 2X2i\ ei$........ (1)

Yi stands for dependent variable while Xi stands for the number of the independent variables

Where:

Yi= Financial inclusion

X1i =Murabaha

X2i =Ijara

αi = Constant value

β1= Coefficient of variables

ei= Error term associated with variables

Table 1.2 Regression table

variables to measure the Financial Inclusion/ S/No	Variables	Notation Used
1	Murabaha	**X1i**
2	Ijara	**X2i**

Source: Maiyaki, Aliyu and Idris, 2015.

Pilot Test

In order to ensure the reliability and consistency of the instruments a pilot study was conducted. A total of 60 copies of the questionnaire were distributed in the study area. Moreover, a lower Cronbach's Alpha was observed in the dependent variable which led to the removal of an item to improve the Cronbach's Alpha. However, all the instruments scaled through an internal consistency test which measures the degree to which the items that make the scale hang together, According to Hulland, (1999) a Cronbach's alpha of 0.50 and above is considered appropriate. Therefore, the instrument for this study has been tested to ensure internal consistency of the measures and the results obtained were presented in the table 1.3 bellow

Table 1.3 Reliability values for the instruments

Item	No of items deleted	No of items	Cronbach Alpha
Financial inclusion	1	5	0.770
Ijara	0	7	0.863
Murabaha	0	7	0.844

From Table 1.3 above it can clearly be seen that the Cronbach's alpha ranges from 0.770 to 0.863 which connotes that the instruments were reliable and that the instruments can give consistent results on the effects of Islamic banking products on financial inclusion

Validity of the Instruments

According to Kimberlin and Winterstein (2008) Validity is defined as the extent to which an instrument measures what it supposes to measure. Furthermore, Content Validity is concerned with how well the content of the instrument samples the kinds of things about which conclusions are to be drawn. Therefore, a content validity was done to ascertain if the content of the instrument would actually measure both the dependent and independent variables. Experts were given the questionnaire for the content validation and based on their appraisal no item was deleted but some were modified.

Method of Data Analysis

The data obtained for this study were analyzed using inferential statistical techniques. Pearson correlation coefficient and linear regression were employed to test each hypothesis at 95 percent confidence level. Pearson correlation indicated the strength and the relationship between the dependent variable (Financial Inclusion) and the independent variables (Islamic banking products).Moreover, Regression analysis was used to measure which among the independent variables are related to the dependent variable, and to explore the forms of these relationships. Descriptive and basic statistical analyses of the data were performed using SPSS version 20 computer software.

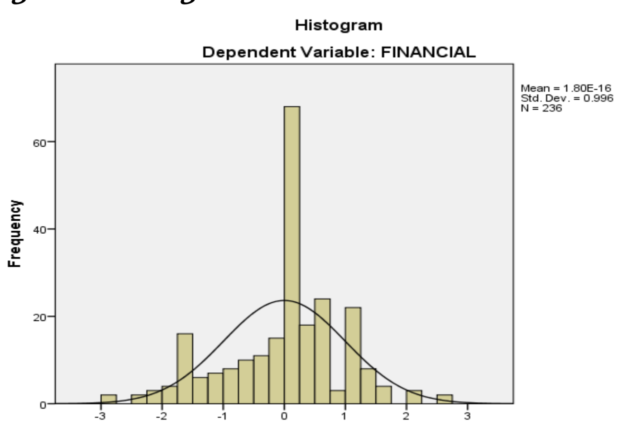
RESULTS

Multiple regression and hypothesis test

Assumptions of Multiple Regressions

There are four basic assumptions of multiple regressions they are; normality, linearity, multicollinearity and homoscedasticity (Pallant, 2001). Therefore, all the dependent and independent variables used for this study were checked for normality, linearity, multicollinearity and homoscedasticity to see if they satisfy the basic assumptions of the multiple regression analysis.

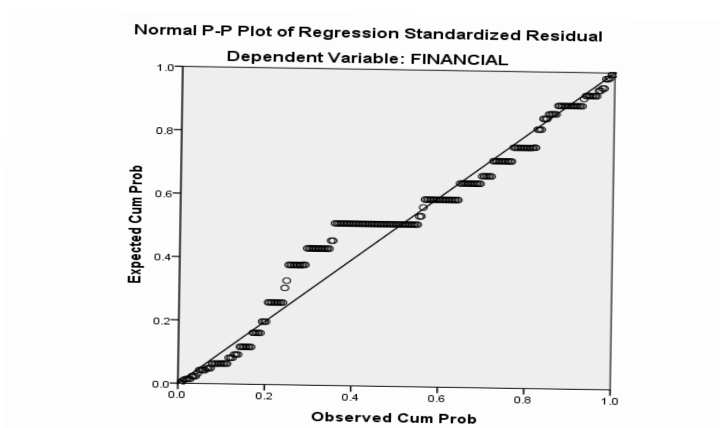
Figure 1.1 Histogram



Normality

According to Hair (2010) the assumption of normality is met when the residuals fall along the diagonal with no substantial or systematic departure and can be examined from the histogram of the standardized residuals and the Q-Q plots. Normality can also be evaluated through statistical or graphical method. When a distribution is normal, the value of skewness and kurtosis must be close to zero. Graphically, normality is usually determined through histogram residual plot. This refers to a shape of data distribution to an individual continuous variable and its correspondence to normal distribution. If the assumption is met, the residual should be normally and independently distributed (Tabanchnich&Fidell, 2007). The figure 1.1 above represent the normal histogram indicating that the normality assumption is met it can be seen from the figure 1.1 above the residuals appears to be normal curve. While the p-p plot in figure 1.2 shows a straight diagonal line from the bottom left to top right, and this mean that no diversion from normality. Moreover, in figure 1.3 the scatter plot shows that the residuals are somewhat rectangular with most of the scores in the centre which mean there is no diversion from the normality assumption

1.2 p-p plot



Linearity

The second assumption of multiple regressions is linearity, that is the relationship between the dependent variable and independent variables must be linear or otherwise the assumption is said to be violated. Therefore, if non-linear relationship is ignored in the analysis, it will underestimate the actual strength in the analysis (Tabanchnich&Fidell, 2007). The researcher used residual plot to see whether the linearity is achieved, normally the residual plot ought to scatter around zeros and must of the scores should concentrate at zero points (see figure 1.3). Therefore, the linearity assumption is not violated because the plot shows that residual converged at the center along the zero point. This indicates that the linearity assumption is met.

Table 1.4: VIFandthe Tolerance Value ofthe Independent Variables

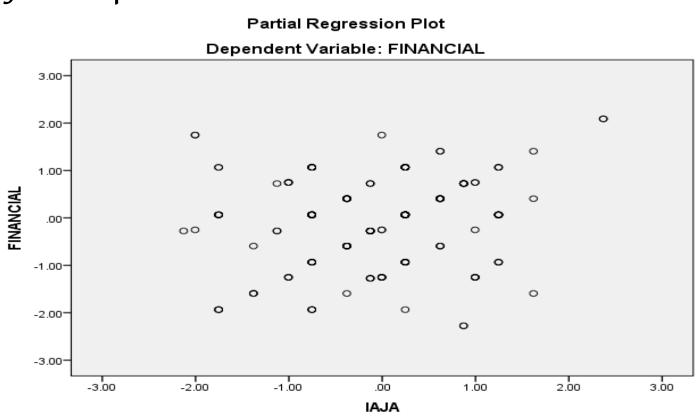
Independent variable	Tolerance value	VIF
Ijara	.872	1.146
Murabaha	.872	1.146

Source;Maiyaki, Aliyu& Idris2015

Multicollinearity

According to Fall (2004)there are two methods of identifying multicollinearity they are; examining or calculating the Variance Inflation Factor (VIF) and Tolerance value or through examining the correlation matrix whichever method one adopts will get the same results the benchmark for identifying Multicollinearity using correlation matrix is any value above 0.9 as argued by Hair (2010). While VIF as argued by Hair (1988) is any value below 10 and tolerance value of not less than 0.10, that is If VIF ≥10 and tolerance < 0.10then there is a problem of Multicollinearity. Therefore, the results in Table 1.4 above show the VIF and the tolerance value of the independent variables which clearly indicated that the problem of Multicollinearity does not exist among the independent variables because the tolerance values are more than 0.10 and the VIF values are less than 10.

1.3 Partial plot



Homoscedasticity

Homoscedasticity is the variance of the dependent variable which is approximately the same at different level of the independent variables (Hair, 2010), that is, the error term in a regression model has a constant variance. Homoscedasticity is normally examined by visual inspection of the scatter plot of the regression residual. It appears to be indicated when the width of the band of the residuals is approximately the same at dissimilar level of the dependent variables and scatter plot shows a pattern of residuals normally disseminated around the mean (Berry & Feildman, 1985). Homoscedasticity was checked and it was found that for all the independent variables, the assumption was not violated. See figure 1.3

Table 1.5 Measures of model summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.370[a]	.137	.129	.82250	.137	18.426	2	233	.000	1.948

a. Predictors: (Constant), MURA, IAJA
b. Dependent Variable: FINANCIAL

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.931	2	12.465	18.426	.000[b]
	Residual	157.624	233	.676		
	Total	182.555	235			

a. Dependent Variable: FINANCIAL
b. Predictors: (Constant), MURA, IAJA

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2.196	.277		7.936	.000	1.651	2.742		
	IAJA	.166	.064	.170	2.612	.010	.041	.291	.872	1.146
	MURA	.279	.067	.273	4.186	.000	.148	.410	.872	1.146

A regression analysis was run, with two predicator variables which include Murabaha, and Ijara to see their contribution towards financial inclusion. The table 1.5above shows that R=.370[a], R^2=137, adjusted $R^{2=}$.129, F=change 18.426, and this indicate that 13.7% of the variability in financial inclusion (dependent variable) has been explained by the independent variables. Therefore, the result obtained show that independent variables (Murabahaand Ijara) are good predictors of financial inclusion moreover; this explained the correlation between dependent variables and independent variables which also mean a significant contribution was made by the independent variables in explaining the variability in the dependent variable.

Table 1.6: Regression Result and Finding

Null Hypotheses	Statements of Null Hypothesis	Findings
H_{01}	Murabaha (Cost plus Sale) financing has no significant effects On financial inclusion	Not Supported
H_{02}	Ijara (Leasing) has no significant effects on financial inclusion.	Not Supported

From the table above, the result of regression analysis shows that, all of the variables hypothesized to have relationships with the dependent variable having been tested and found to be statistically significant.

DISCUSSION OF FINDINGS

The Null Hypothesis1, which says "Ijara (Leasing) has no significant effects on financial inclusion. Is rejected because it has made contribution in explaining the dependent variable it has a *Beta* and *t* values of β=0. 170, t=0. 2.612, p=0. 010. It means that there is positive relationship between Ijara and Financial inclusion. Therefore, the null hypothesis is rejected. This finding confirmed the finding of Al-Mutairi (2010) whose study confirmed that there is a positive relationship between Ijara and Financial inclusion. Moreover, the finding also contradicts the finding of Abedifar, Ebrahim, Molyneux & Tarazi (2015) whose study found no positive relationship between Ijara and Financial inclusion.

The Null Hypothesis2 which says "Murabaha (Cost plus Sales) financing has no significant effects on financial inclusion". Is rejected on the basis of having a *Beta* and *t* values of β=0.273, t=4.186, p=0.000. The relationship is significant therefore we reject the null hypothesis. This finding contradicts the finding of Ben, Barajas, and Massara (2015) whose study shows a weaker relationship between Mudarabah and Financial inclusion. It confirmed the finding of Rimsan, Hilmy and Suraiya (2014) whose study found that Murabaha accounts are not acceptable by customers. Therefore, financial inclusion is significantly influenced by Ijara and Murabaha.

RECOMMENDATIONS FOR JAIZ BANK

Repayment Periods should be According to Customers' Needs; it is recommended that the interests of customers (Ijara buyers) should be considered. This can be achieved by removing all ethical difficulties, unnecessary terms and conditions associated with conventional mortgage and highlighting all the ethical advantages associated with Ijara. Moreover, the findings of this study indicate that the Jaiz bank customers show a low level of awareness of Ijara and this might be the reason why we got weaker relationship between Ijara and financial inclusion, therefore, Jaiz bank need to employ marketing strategies to target group of customers whose age is between 35-45 years old, as this group tend to have need for homeownership

RECOMMENDATIONS FOR GOVERNMENT

To Promote Financial Inclusion Through Islamic Banking; government should ensure costumer protection, a supervisory framework for Islamic finance and Islamic financial education be introduced at different levels of education i.e. primary to tertiary level, as all these could be helpful in encouraging Nigerians to use Shari'ah-compliant financial products and services.

CONCLUSION

Based on the findings it can be concluded that Islamic banking products (Ijara and Murabaha) are good predictors of financial inclusion. In other word Shariah compliant financial products enhances financial inclusion. Furthermore, the research findings revealed that some Nigerians prefer informal financial services than the formal financial services. Therefore, enhancing the informal financial services and assisting them with funds and professional training will help in their quick conversion to formal financial institutions.

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