The Perceived Influence of Islamic Banking on Financial Inclusion in Nigeria: A Study of Jaiz Customers in Kano: A Pilot Study

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Abstract

This study attempts to examine a few sample data on perceived influence of Islamic banking on financial inclusion in Nigeria: a study of jaiz customers in Kano. Thus, instruments such as content and face validity, reliability and the data normality were also examined base on the on revised version by expert, a few data were analyzed using the statistical software SPSS version 16. The result reveals that the instruments are reliable and the data for pilot study show evidence of rational normality.

Keywords: Financial inclusion, Ja`iz Bank, formal financial system

1. Introduction

Lack of access to financial services by millions of adults all over the world poses serious challenges to global economic growth and development (Moghalu, 2011). In Nigeria, a survey conducted by the Enhancing Financial Innovation and Access EFInA (2010) indicated that only 30.7 million out of the 85 million Nigerians above the age of eighteen have access to formal financial services (services from deposit money banks and other formal institutions), leaving out over 54 million either served by the informal institutions or totally unbanked. The formally banked (25.4 million) use the products and services of the deposit money banks either as salaried workers or as business men and women, while the remainders (5.3 million) of the formally serviced uses the services of other formal institutions like the finance houses, microfinance banks. Additionally, Nigeria has a higher proportion of financially excluded adults at 46.3 per cent, compared with 26.0 per cent in South Africa, 33.0 per cent in Botswana and 32.7 per cent in Kenya (EFInA, 2010).

Inclusive financial systems are those with high share of individuals and firms that use financial services. Absence of financial inclusion implies that, people must rely on their own limited savings to invest. Development theory provides important clues about the impact of financial inclusion on economic development. Available models illustrate how financial exclusion and, in particular, lack of access to finance can lead to poverty traps and inequality (Aghion & Bolton 1997; Banerjee & Newman 1993; Galor & Zeira, 1993). For example, the work of Galor and Zeira (1993) Reports that it is because of financial market frictions that poor people cannot invest in their education, despite their high marginal productivity of investment. While in Banerjee and Newman's model (1993) it was shown that the occupational choices of individuals (between becoming entrepreneurs or remaining wage earners) are limited by the initial endowments. These occupational choices determine how much the individuals can save and what risks they can bear. These models show that lack of access to finance can be critical for generating persistent income inequality or poverty traps, as well as lower growth.

Mehrotra (2009) emphasized that access to financial services allows the poor to save money outside the house safety, and helps in mitigating the risks that the poor faces as a result of economic shocks. Therefore, providing access to financial services is increasingly becoming an area of concern for every policymaker for the obvious reason that it has far reaching economic and social implications, (Kama & Adigun, 2013). Financial inclusion has therefore become an explicit strategy for accelerated economic growth and is considered to be critical for achieving inclusive growth in a country. This realization, in the recent past, was the major drive for the adoption of policies and measures aimed at growing global financial inclusion as a means of promoting world economic prosperity. Sanusi (2013, p.7) asserted that "Islamic finance has shown its potential in achieving financial inclusion in many economies by bringing in large under bank populations, especially Muslims into the urbanized financial sector". While, Kama and Adigun (2013) opined that greater financial inclusion is achieved when every economic activities, geographical region and segments of the society have access to financial information, financial assistances, financial services and financing with ease and at minimum cost. This helps to promote balanced growth through its process of facilitating savings and investment and thus causing efficient resource allocation from surplus sector of the society to deficit sectors of the society. By this process, financial transaction is made easy, people safe along with the use of financial services, income level and growth increase with equity and poverty is eliminated, while the economy becomes insulated from external shock.

2. Methodology

Knowing to the information that this study is a pilot test of ongoing research small samples of Jaiz customers

were randomly selected. This is in accordance with the recommendation by Malhotra (2008) that the sample size for pre-test is usually few, starting from 15-30 respondents but it be increased substantially if the test involves several stages. Hence, a total of 75 copies of questionnaires were individually circulated among Jaiz customers and 60 were completed and returned.

Sekaran and Bougie (2010) specified that the most accepted test of inter-item uniformity reliability is Cronbach's alpha coefficient. Thus, Cronbach alpha test is engaged in this research to determine internal uniformity of the tool. The data was analyzed using SPSS version 16 for windows. Before the delivery of the questionnaires, the draft was firstly submitted to experts and also to the distinctive respondent for look and content validity. The entire procedure was finished between the periods of four weeks in the months May 2015 to September 2015.

2.1 Instrumentation and Measurement of Variables

A well prepared questionnaire comprising of closed ended multiple choice-questions was used for this study. Based on the fact that items in the questionnaire are besieged to measuring the respondents' perceptions. Likert-type scale is regarded as the most appropriate and reliable (Alreck & Settle, 1995; Miller, 1991).

The mostly rating scales for measuring the latent construct in social science research will be used in the study (Churchill & Peter 1984). The research will structure all constructs in the measuring instrument to use 7-poin Likert type of scale, including the independent and the dependent variables. Despite some other literatures that argued on the benefits inherent in 5-point Likert type of scale, but still a 7-point Likert scale is said to provide detail feedback and also not subjecting the respondents into any undue cognitive burden (Hair et al., 2010; Cavana et al., 2001; Churchill & Peter 1984). Thus, to achieve a better optimal result in information processing and scale reliability, 7-point Likert scales is said to be efficient (Churchill &Peter 1984).

Moreover, a 7- point scale appears to be optimal, this is because a scale with more points enables the respondents to show their stand comfortably, similarly, adopting a scale with mid-point based on the comments by Krosnick and Fabrigar (1997), that forcing participants to act in a particular direction could result in an increase of measurement error. Krosnick and Fabrigar (1997) also found that the effect of interviewer bias tends to decrease and data quality tends to increase when a midpoint is included in a scale. This will give the respondents independence of expressing their feeling.

The key factors contained in the study are: Mudarabah, Murabaha, Ijara, Wadiah and financial inclusion. All the constructs/variables are uni-dimensional Section 1: consists of set of questions that seek to measure the perceived influence of Islamic banking on financial inclusion. Section 2: demographic data of the respondents.

3. Results of Validity and Reliability Tests
3.1 Content and Face Validity

This involves an orderly appraisal of the scale's ability to determine what is theoretical to measure. Thus, content validity entails requiring a few samples of characteristic respondents and/or team of specialist to make judgement on the appropriateness of the items chosen to determine a variable (Hair, Money, Samouel & Page, 2007; Hair, Black, Babin, Anderson, Tathan, 2010; Sekaran and Bougie, 2010).

Therefore, a sample of the instrument of this paper was circulated to specialist in order to get outcome regarding the appropriateness, comfortable, and sufficiency of the items that are planned to determine the constructs under examination. Similarly, some Ph.D. holders who were well-known with the context of the study were also contacted to ensure the clearness of the instrument. A number of observations were re-worded/rephrase in order to determine the constructs properly and also to be clear to the possible respondents. This process of seeking for specialist opinion was completed within three-week period. Following delightful into consideration of the observation by the specialist, then the researcher came up with an enhanced version of the instrument which was eventually administered for the pilot study.

3.2 Reliability Test

Apart from the content and face validity different kind of reliability tests are frequently employed, therefore, the common method used by researchers is the internal consistency reliability test (Litwin, 1995). It is refer as the degree to which items "dangle jointly as a set" and are able of autonomously measure the identical concept to the degree that the items are related with one another. Thus, Sekaran and Bougie (2010) state that the most acceptable test of inter-item consistency reliability is Cronbach's alpha coefficient. Therefore, Cronbach alpha test is employed in this study to determine internal consistency of the mechanism. After administering the data using SPSS version 16 for windows, the result reveals that all the measures have high reliability criterion ranging from 0.683 to 0.891. This is in line with the yardstick that an instrument with coefficient of 0.60 is considered to have an average reliability while the coefficient of 0.70 and above shows that the instrument has a high reliability standard (Hair, Black, Babin, Anderson, & Tatham, 2006, 2010; Nunally,1967; Sekaran & Bougie, 2010) and coefficient of 0.50 as supportive (Nunally, 1967). Furthermore, Hair, Money, Samouel, and Page

(2007) view that researcher usually regard that an alpha value of 0.70 as a least, however, lower coefficients may be acceptable. Table1 shows the digest of the reliability results. It may perhaps be seen from the table that the result of pilot study shows that Cronbach's alpha values for the variable under examination are all above 0.60. Accordingly, given the recognized yardstick of 0.60 all the variables are reliable.

3.3 Data Distribution

Generally the inferential statistical methods necessitate the completion of normality hypothesis (Pallant, 2001; Tabacknich & Fidell, 2007). Normal data is the one that is balanced, bell-shape, with the maximum frequency of scores in the middle and smaller distribution towards the extreme ends. Normality can be measured by using the values of skewness and kurtosis. While skewness deals with the symmetary, kurtosis shows the extent to which the data is peak or flat (Tabacknich & Fidell, 2007). Therefore values of skewness and kurtosis show that the data can be regarded as rationally normal

4. Conclusion

This study is a pilot study aims at determining the validity and reliability of an instrument of a continuous study in homework for the large scale study. Thus, the end of this study is tied to its aims which are mainly statistical in nature at this point. The implication of the constructs would be fully exposed after the main study is carried out. The study brings the few scale data that was collected during the pilot study. Content and face validity were carry out which consequently led consideration of specialist view to attain the revised version of the instruments. Moreover, the inter-item reliability test indicated that all the items were reliable with Cronbach Alpha well above the yardstick of 0.60; by this means no items was deleted. Finally, normality test using skewness and kurtosis shows that the data as an entire is rationally normal.

TABLE 1

CONSTRUCT	NO. OF ITEMS	CRONBACH ALPHA
FINANCIAL INCLUSION	6	.683
MUDARABAH	7	.891
WADIAH	7	.863
IJARA	7	.844
MURABAHA	7	.764

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