

Islamic Banking Financing Growth of Small and Medium Enterprises (SMEs) In Zaria, Kaduna State Nigeria

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ABSTRACT

The study aimed to examine the relationship between Islamic banking and the growth of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria. Specific Objectives were to determine the relationship between Islamic banking and profitability; to examine the relationship between Islamic banking and market share; and to find out the relationship between Islamic banks and return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria. The study adopted correlational and cross-sectional research designs. The study used primary data collection through the use of questionnaires. Questionnaires, both structured and unstructured were designed with snares to check validity and reliability, a sample size of 217 respondents given a study population of 500 respondents was selected using Krejcie and Morgan table. Findings reflected that there was a strong positive relationship between Islamic banking and profitability by a correlation coefficient (r) of 0.871 which is statistically significant since the p-value (0.000) < 0.01. Findings revealed that there is a moderate positive relationship between Islamic banking and profitability as this was evidenced by a correlation coefficient (r) of 0.525 which is statistically significant since the p-value (0.000) < 0.01. The study concluded that there is a significant positive relationship between, there is a significant positive relationship between Islamic banks and the return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria, and there is a significant positive relationship between Islamic banks and the return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria. The study recommended; that the relationship between Islamic banks and Small and Medium Enterprises growth should be studied in another important town in Nigeria. There should be aggressive marketing of Islamic bank products to reach out to the populace beyond the business owners. Islamic should organize regular meetings with business owners to educate them on risk-taking that can hinder their growth.

Keywords: Islamic Banking, Small and Medium Enterprises (SMEs), Profitability, Return on Investment (ROI), Zaria, Kaduna State

INTRODUCTION

Islamic banking is a system of trade and banking activities in line with the principles of Islamic Shariah. Islamic banking and finance broadly refer to the financing activities that are guided by Shariah [1] while avoiding all the prohibited activities such as riba (interest). Therefore, it is a non-interest banking. The description of the non-interest bank by the Central Bank of Nigeria (CBN) shows that the bank is required to comply with the principles and rules of Islamic commercial jurisprudence. The foundation of Islamic banks is in Islamic finance, which prohibits interest. Therefore, in Islamic finance, all types of transactions are interest-free and of a risk-sharing nature. The prohibition of interest or usury is based on the arguments of social justice and equality [2]. Islamic banking like any other banking organization needs funds to run smoothly and efficiently in the long run. Recent studies have shown that the owners and workers of small and medium enterprises (SMEs) hold a perception that Islamic Financing has aided their businesses in obtaining the funds needed for facilitating business operations [3]. Islamic banking means conducting banking operations in consonance with Islamic teachings. If there is one distinguishing characteristic of the Islamic economy, it is the prohibition of Riba. This is nothing new. The ban on Riba was already observed in the medieval Muslim world [4] and famous scholars such as al-Ghazali took the ban on riba for granted [5]. In Nigeria, Small and Medium Enterprises (SMEs) employ more than 2.5m people, SMEs contribute over 70% of gross domestic product (GDP) and play a crucial role in income generation, especially for the poor. [6], defines SMEs by capital invested, number of workers employed, and sales turnover. SMEs are the backbone of the private sector, contributing approximately 90 percent of Nigeria's private sector and contribute two-thirds of national income [7]. SMEs as the key drivers of economic development [8]. SMEs create jobs and value addition, and

this brings in foreign exchange and investment, improves labour skills, and has connections with large organizations [9]. A study in 2007 revealed that SMEs account for 90 percent of the private sector and employ over 1.5million people [10]. SMEs are a key source of economic growth [11], whether in developed or developing countries and are the backbone of all economies. In Saudi Arabia, SMEs represent more than 90% of enterprises providing 51% of jobs in the private sector and contributing 22% of the GDP [12]. The importance of SMEs is now widely recognized as they play a key role in creating new jobs. SMEs account for over 95% of firms [13, 14]. They are responsible for between 60-70% net of jobs created in OECD countries [14]. Small businesses are particularly important for bringing innovative products or techniques to the market [14, 15, 16]. There are numerous challenges to the development of the Islamic banking system in the country, including misrepresentation of the system, lack of linkages and investment institutions, lack of adequate knowledge, as well as shroud business ethos and corruption, which is endemic in the country [2]. It is on record that most growth of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria failed in the first two years, the majority employ less than five workers, are not growing, and contribute less than 20% to GDP [17]. Among the many SMEs that emerge in Zaria, Kaduna State. In Nigeria, few transform into big enterprises and few boast of expanded sales, profits, or opening up branches. Moreover, many SMEs are in poor working conditions [5], many are renting and many lack the capital to expand. This failure of SMEs to progress and/ or to grow is likely to discourage new SMEs and also students who graduate would prefer to seek jobs than create their own. As a result, Zaria, Kaduna State, Nigeria will remain underdeveloped due to low GDP, few jobs created and so the unemployment problem will remain.

Whereas many factors account for SMEs' growth or failure (e.g. capital, environment, government support, etc.), prevailing high costs of capital are very crucial [1], for even if other factors like capital or government support are in place, without proper interest rates management, SMEs will continue to fail. Access to financing remains a significant challenge for Small and Medium Enterprises (SMEs) in Nigeria, hindering their growth and economic contribution, Conventional banks often have stringent collateral requirements, high interest rates, and lengthy approval processes, making it difficult for SMEs, particularly those without substantial assets, to secure loans, Islamic banks, which offers sharia-compliant financing options, could potentially provide an alternatives solutions for SMEs seeking capital. However, several key issues and challenges hinder the effective utilization of Islamic bank financing for SMEs in Nigeria. While this problem has been well documented, few researchers [1] have bothered to investigate the causes and of these none has surveyed the extent to which Islamic financing affects the growth of these SMEs. This necessitated this study to cover this research gap by examining the extent to which Islamic banking affects the growth of Small and Medium Enterprises in Zaria, Kaduna State. Nigeria.

Conceptual Framework

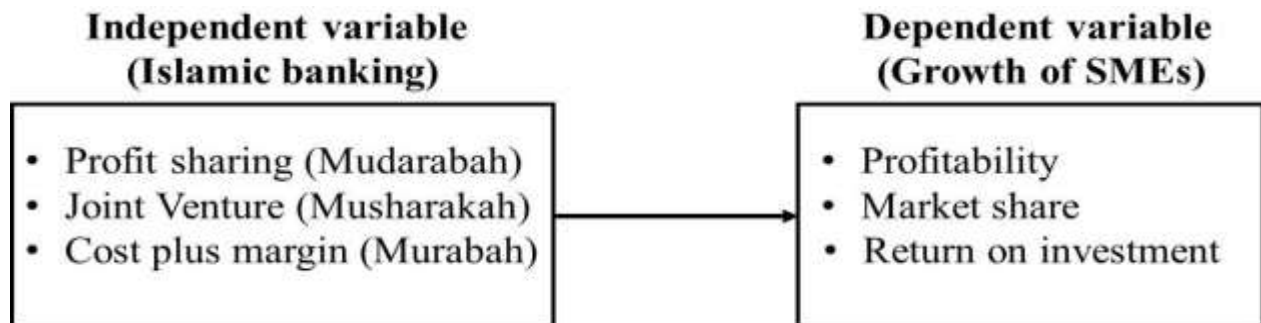


Figure 1: Conceptual Framework

Source: Adopted from Aggarwal & Yousef, (2000) and modified by the researcher (2024)

The study is to examine the relationship between Islamic banking and the growth of Small and Medium Enterprises in Zaria, Kaduna State. Nigeria. This study focused on the relationship between Islamic banking in terms of profit sharing (Mudarabah), Joint Ventures (Musharakah), and Cost-plus Finance (Murabahah) and growth of Small and Medium Enterprises conceptualized as Profitability, Market Sharing, and Return on Investment.

RESEARCH METHODOLOGY

Research Design

A research design is a way of carrying on research with a high level of control over the variants that could influence the quality and validity of findings of the research methodology [18]. This study followed a descriptive correlational cross-sectional survey design and adopted a quantitative approach. The study was descriptive in that the researcher intended to describe the level of Islamic banking and the level of growth of SMEs. The correlational design was used to establish whether there is a significant relationship between Islamic banking and the level of growth of SMEs in Zaria, Kaduna State. The survey design was used since the study investigated the levels of Islamic banking and the level of growth of SMEs in Zaria, Kaduna State [19]. It was cross-sectional since data will be collected at once and for a short period. It was quantitative in that variables were measured and analyzed using numbers, pre-determined hypotheses, population, procedure, and instrument and data analysis techniques.

Study Population

According to [20], Population may be defined as the total number of units (individuals, organizations, events,

objects, or items) from which samples are selected for measurement. The target population of this study comprised all the owners of SMEs in Zaria, Kaduna State, Nigeria. According to the Nigeria business register, there are 500 SMEs in Zaria, Kaduna State, Nigeria [21]. This population comprises; Professionalservices firms like schools, health, law firms, consultancy firms, and non-professional firms like wholesale shops. The respondents were Small and Medium Enterprises owners within Zaria, Kaduna State, Nigeria.

Sample Size

Given a total population of 500 owners of SMEs in Zaria, Kaduna State, Nigeria, a sample size of 217 respondents was selected using the [22] table for determining sample size for research activities, for any given population. In this table, given the population of 500, the corresponding sample size is 217 comprising owners of SMEs in Zaria, Kaduna State, Nigeria in professional and nonprofessional categories [23]. According to [24], researchers normally work to a confidence level of 95% and a margin error of between 3% and 5%.

Sampling Technique

The sampling technique is classified into two main parts, which are probability and non-probability. Probability samples are based on chance of selection procedures whereas non-probability is where the sample is selected in some non-random manner. purposive sampling methods were used to select owners of professional and nonprofessional firms, using Zaria, Kaduna State, Nigeria records. For purposive sampling techniques, the researcher used the following criteria for selecting respondents; a) For the professional owners, the selected enterprise owner had to be either a primary or secondary school or a health service-related business. b) For the non-professional firms, the entrepreneur selected had to own either a retail or a wholesale shop or a restaurant. After the above stratification according to field of operation, quota, purposive, and convenient methods of sampling were used to select respondents.

Data Collection Methods

The study used primary data collection through the use of questionnaires. Questionnaires, both structured and unstructured were designed with snares to check validity and reliability. They are predetermined and arranged questions that are short and presented to the subject respondents where necessary options or multiple choices were used to restrict the answers that were given. This questionnaire was composed of closed-ended questions where respondents were able to tick the best option that describes their feelings and opinions. The researcher used a 5-point Likert scale format (Strongly Disagree=5; Disagree=4; Not Sure =3; Agree=2 and Strongly Agree=1). The questions were framed based on the research objectives. The researcher also made use of secondary data by reviewing relevant written sources to review the literature and discuss the findings.

Data Validity and Reliability

Validity of the Instruments

[25], contend that the usual procedure in assessing the content validity of a measure is to use a professional expert in a particular field. To establish the validity of this study's instrument, the researcher sought the opinions of experts in the field of study, including the researcher's supervisor and lecturers in the field of management. These experts were requested to judge the question items one by one, indicating what is relevant and what is not. A content Validity Index (CVI) was then calculated using the following formula; $CVI = (n / N)$, where: n = items related to the relevant, N=Total number of items. A minimum CVI of 0.7 (Amin, 2005) was used to declare the instrument valid.

Reliability of the Instrument

The reliability of the research instrument concerns the extent to which the instrument yields the same result on repeated trials. The reliability of the instrument was tested using Cronbach's coefficient alpha, which was computed using SPSS. A Cronbach alpha coefficient of 0.7 was used as the minimum coefficient to declare the instrument reliable.

Data Collection Procedures

Upon accomplishment and acceptance of the research proposal, the researcher obtained an introductory letter from the School of Graduate Studies and Research Team University, seeking permission from Jaiz Bank and SME owners to allow her access to participants to participate in the study. All relevant procedures were adhered to before, during, and after collecting data.

Data Analysis

Data was collected, processed, and analyzed using Statistical Package for Social Scientists (SPSS). Frequency counts were used to present data on the profile characteristics of respondents. Means and standard deviations were used to determine the extent of the study variables. Pearson's linear correlation coefficient and linear regression were used to establish the relationship between the study variables. For this analysis, a ranking of 3, 4, and 5 will be interpreted to mean a strong factor whereas a ranking of 1 and 2 were interpreted to mean a weak factor. The analysis identified the extent how which Islamic banking financing had affected the growth of SMEs. To aid and speed up the data analysis process, Statistical Package for the Social Sciences (SPSS) was used to generate the main statistics including mean and standard deviations with the aid of factor analysis.

Limitations of the Study

The study is expected to face the following limitations:

- The researcher faced a financial limitation due to the physical movements to and from the case studies, which are far away from Uganda. But through good collaboration with the owners of SMEs, the researcher will manage to collect the data for this study.

- The researcher faced a limitation of restrictions when in the field and even during the collection of data from respondents. The fears in this limitation were attributed to the fact that the target population was still worried about pandemics of bandits and kidnappers, which hindered their willingness to freely participate in the study. However, with the Presidential directive easing the restrictions, the researcher managed to obtain the required data for this study.
- Dishonesty and personal biases of respondents were also among the issues that limited the study. The researcher has no control over the honesty of respondents and personal biases since the study used self-administered questionnaires. The objectivity of respondents is crucial for the validity and reliability of the data for any given study. However, during the data processing stage, the researcher managed to clean the data of all inconsistencies and incompleteness hence rendering it ready for analysis.

Ethical Consideration

Ethics relating to respondents were enhanced by keeping information given confidential. Self-esteem and dignity were maintained to eliminate fear and anxiety among respondents. Subjects were told the truth about the research to give reliable information. Letters seeking approval to carry out research were obtained from relevant institutions and the consent of respondents was acknowledged by requesting them to sign the informed consent letter.

RESULTS

Response rate

Table 1: A response rate of respondents

Variable	Response rate	Percentage (%)
Positive responses	196	90.3
Non-responses	21	9.7
Sample Size	217	100

Source: Primary data (2023)

Table 1 revealed that 196 respondents positively responded to the study which represents a 90.3% response rate that is above 50%. Based on [26], stipulate that a 50% response rate is adequate, 60% is good and 70% and above is rated very good. Based on this assertion, the response rate was very good hence viable for this study.

Demographic Data

This part presents the background information of the respondents who participated in this Study; the purpose of this background information is to find out the characteristics of the respondents. Furthermore, the respondents have also given the promise that all the data they provided is used only for academic purpose research and that the identities of the respondents will be confidential. In total 196 respondents were collected this questionnaire was selected from different SME owners in Zaria, Kaduna State, Nigeria. The shape of the questionnaire in the demographic section is looked upon in terms of Gender, Age, level of education, Duration of business, and Awareness of Islamic banks.

Gender of the Respondent

Table 2: Gender of the respondent

Description	Frequency	Percentage
Male	127	64.80 %
Female	69	35.20 %
Total	196	100%

Sources: primary data 2024

Table 2 shows the gender of the respondents. About 65% of the respondents are male, while 35% of the respondents are female. This shows that the most active members in this research are male. This also shows that the business owners are mostly dominated by male individuals.

Age of Respondents

Table 3: Age of respondents

Description	Frequency	Percentage
Less than 30 years	28	14.29 %
31-40 years	105	53.57 %
41-50 years	52	26.53 %
51 and above	11	5.61 %
Total	196	100 %

Source: Primary Data 2024

Table 3 shows that 14.29% of the respondents are less than 30 years, while 53.57% of the respondents are between the ages of 31-40 years. This shows that most of the businesses are 40 years or less. Thus, the business owners are dominated by the youth.

Educational Level of Respondent
Table 4: Educational Level of Respondent

Description	Frequency	Percentage
Senior school certificate and below	50	25.51 %
Diploma	27	13.78 %
Bachelor Degree	92	46.94 %
Postgraduate	27	13.77 %
Total	196	100%

Sources: Primary data 2024

Table 4 shows that the majority of the respondents are bachelor's degree holders representing 46.94% while 13.78% of the respondents have a diploma and postgraduate level of education, this shows that about 75% of the respondents have a post-secondary school education and the feedback of the respondents are thereby reliable.

Duration of the Business
Table 5: Duration of the Business

Description	Frequency	Percentage
Less than a year	22	11.22 %
Between 1 and 5 years	67	34.18%
Above 5 years	107	54.60 %
Total	196	100%

Sources: Primary data 2024

Table 5 shows how long the respondents have been in business. About 54.60% of respondents have been in the business for more than five years, while 34.18% of respondents have been in business for a period of 1- 5 years. This shows that more than 80% of the respondents are not new entrants into business.

Empirical Findings of the Study

Findings of Islamic banking and Market share of SMEs in Zaria, Kaduna State, Nigeria

The respondents were asked questions about how they feel about the different statements concerning strongly agree, agree, don't know, disagree, and strongly disagree aligning to determine the relationship between Islamic Banking and the Market share of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria.

Table 6: Descriptive findings about Islamic banking and Market share of SMEs in Zaria, Kaduna State, Nigeria

Statements	SA (%)	A (%)	NS (%)	D (%)	SD (%)	M	STD
Islamic banking increases the market share of small and medium enterprises	49 (55.3)	30 (34.1)	2 (2.4)	7 (8.2)	0 (0)	4.4	0.88
Islamic banking decreases the proportion of unbanked business owners	43 (49.6)	27 (30.6)	6 (7.1)	11 (12.7)	0 (0)	4.2	1.03
Islamic banking increases the volume of business money deposited by businesses	29 (32.9)	53 (61.2)	0 (0)	5 (5.9)	0 (0)	4.2	0.72
Islamic banking helps to reduce business risk	12 (14.1)	74 (84.7)	0 (0)	1 (1.2)	0 (0)	4.1	0.42
Islamic banking helps increase savings among business owners	14 (16.5)	30 (34.1)	6 (7.1)	37 (42.4)	0 (0)	3.25	1.17
Islamic banking increases the private sector credit ratio among the business	20 (22.4)	37 (42.6)	25 (28.2)	6 (7.1)	0 (0)	3.8	0.87
Islamic banking encourages lending to individuals without assets which	11 (12.9)	64 (72.9)	0 (0)	6 (7.1)	6 (7.1)	3.78	1.01

Source: Primary data (2024)

Study findings in Table 4.6 revealed that 89.4% of respondents agreed that Islamic banking increases the market share of small and medium enterprises through increasing business activities 80.2% agreed with the statement, with 7.1% uncertain, and 12.9% contrary. In addition, study findings revealed that 94.1% of the respondents agreed that Islamic banking decreases the proportion of unbanked business owners. Regarding whether Islamic banking increases the volume of business money deposited by business owners monthly, 98.8% agreed with this statement. It was revealed by a 4.33 mean and 0.81 standard deviation. Furthermore, results agree that Islamic banking helps to reduce business risk with a percentage of 65% and a mean of 3.25 and 1.17 standard deviations. Concerning whether Islamic banking helps in increasing savings among business owners, the majority of 85.8% agree, and 7.1% contrary. Concerning whether Islamic banking encourages lending to individuals without assets which increases trust, 85.9% of the respondents agreed with this statement while 14% of the respondents were not.

Table 7: To determine the relationship between Islamic Banking and Market share of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Correlations			
Variables		Islamic Banking	Market share of SMEs
Islamic Banking	Pearson Correlation	1	0.871**
	Sig. (2-tailed)		0.000
	N	196	196
Market share of SMEs	Pearson Correlation	0.871**	1
	Sig. (2-tailed)	0.000	
	N	196	196
Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data (2024)

Findings from the table above reflect that there is a strong positive relationship between Islamic Banking and the Market share of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria by a correlation coefficient (r) of 0.871 which is statistically significant since the p-value (0.000) < 0.01.

Table 8: Model summary on Islamic Banking and Market share of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.871 ^a	0.759	0.756	1.980

Source: Primary data (2024)

Findings indicate that the coefficient of determination R^2 which is 0.759 implies that 75.9% of the variation in Market share of Small and Medium Enterprises is explained by Islamic Banking

Table 9: ANOVA table for Islamic Banking and Market share of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1022.838	1	1022.838	260.804	0.000 ^b
	Residual	325.515	195	3.922		
	Total	1348.353	196			

Source: Primary data (2024)

Table 9, indicated an F value of 260.804 and a p-value of 0.000 which is less than 0.05, implying that there was a significant relationship between Islamic Banking and the Market share of Small and Medium Enterprises.

Findings of Islamic banking products and profitability of SMEs in Zaria, Kaduna State, Nigeria

The respondents were asked questions in relation to how they feel about the different statements with reference to strongly agree, agree, don't know, disagree, and strongly disagree aligning to the relationship between Islamic Banking and the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria.

Table 10: Descriptive Findings about Islamic Banking and Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Statements	SA (%)	A (%)	NS (%)	D (%)	SD (%)	M	Std. D
Murabaha, musharaka and mudarabah products help in the increase of workers in your business	41 (47.1)	40 (45.9)	0 (0)	6 (7.1)	0 (0)	4.33	0.81
Murabaha, musharaka and mudarabah product significantly improve your working capital	14 (16.5)	30 (34.1)	6 (7.1)	37 (42.4)	0 (0)	3.25	1.17
Murabaha, musharaka and mudarabah product helps your business Profitability	20 (22.4)	37 (42.6)	25 (28.2)	6 (7.1)	0 (0)	3.8	0.87
Murabaha, musharaka and mudarabah product lead to the expansion of your business	11 (12.9)	64 (72.9)	0 (0)	6 (7.1)	6 (7.1)	3.78	1.01
Murabaha, musharaka and mudarabah products improve your standard of Living	17 (20)	58 (65.9)	6 (7.1)	6 (7.1)	0 (0)	3.99	0.75

Source: Primary data (2023)

Study findings revealed that Murabaha, musharaka, and mudarabah products help in the increase of workers in your business as this was given by 93% in agreement, with only 7.1% contrary. It was revealed by a 4.33 mean and 0.81 standard deviation. Furthermore, results agree that the Murabaha, musharaka, and mudarabah products significantly improve your working capital with a percentage of 65% and a mean of 3.25 and 1.17 standard deviation. With respect to whether the Murabaha, musharaka, and mudarabah products help your business profitability, the majority of 85.8% agree, and 7.1% contrary. Concerning whether Murabaha, musharaka, and mudarabah products improve your standard of living, 85.9% of the respondents agreed with this statement while 14% of the respondents were not.

Table 11: Relationship between Islamic Banking and Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Correlations			
Variables		Islamic Banking	Profitability of SMEs
Islamic Banking	Pearson Correlation	1	.527**
	Sig. (2-tailed)		.000
	N	196	196
Profitability of SMEs	Pearson Correlation	.527**	1
	Sig. (2-tailed)	.000	
	N	196	196

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2024)

Results in the table above revealed that there was a moderate positive relationship between Islamic Banking and the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria, this was evidenced by a correlation coefficient (r) of 0.527 that is statistically significant since the p-value (0.000) < 0.01. This implies that as Islamic Banking increases, also the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria increases. These findings contrast with Ingersoll (Myres, 2005) who says that Islamic Banking influences the Profitability of Small and Medium Enterprises.

Table 12: Model Summary showing the Relationship between Islamic Banking and Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.527 ^a	0.278	0.269	3.425

a. Predictors: (Constant), Islamic Banking

Source: Primary data (2024)

The table above indicates that the coefficient of determination (R²) value is 0.269 and this implies that 26.9% of the variation in Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria is explained by Islamic Banking.

Table 13: ANOVA table about Islamic Banking and Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	374.952	1	374.952	31.971	.000 ^b
	Residual	973.400	195	11.728		
	Total	1348.353	196			

Source: Primary data (2024)

The ANOVA table indicated an F value of 31.971 and a p-value of 0.000 which is less than 0.05, implying that there was a significant relationship between Islamic Banking and the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria.

Findings of Islamic Banking and Return on SMEs

The respondents were asked questions in relation to how they feel about the different statements with reference to strongly agree, agree, don't know, disagree, and strongly disagree aligning to the relationship between Islamic banks and the return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria.

Table 14: Descriptive findings about Islamic banks and return on investment of Smalland Medium Enterprises in Zaria, Kaduna State, Nigeria

Statements.	SA (%)	A (%)	NS (%)	D (%)	SD (%)
Islamic banking enhances the financial stability of your business	25 (29.4)	52 (61.2)	0 (0)	8 (9.4)	0 (0)
Islamic banking helps in increasing your business capacity	25 (29.4)	44 (51.8)	9 (10.6)	7 (8.2)	0 (0)
Islamic banking can help in raising the savings of business owners who refrain from using conventional banks	26 (30.6)	49 (57.6)	0 (0)	7 (8.2)	3 (3.5)
Islamic banking helps the overall growth of your business	14 (16.5)	57 (67.1)	6 (7.1)	6 (7.1)	2 (2.4)

Source: Primary data (2024)

Study findings revealed that Islamic banking enhances the financial stability of your business with a percentage of 90.6% in agreement with the statement. Results reflected that Islamic banking helps in increasing your business capacity by 88.2% in agreement with the statement, with only 8.2% contrary. The findings further indicate that Islamic banking helps the overall growth of your business with a percentage of 83.6 with in agreement with the statement.

Table 15: Relationship between Islamic banking and return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Correlations			
Variables		Islamic banking	Return on investment of SMEs
Islamic banking	Pearson Correlation	1	0.525**
	Sig. (2-tailed)		0.000
	N	196	196
Return on investment of SMEs	Pearson Correlation	0.525**	1
	Sig. (2-tailed)	0.000	
	N	196	196

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data (2024)

Results in the table show that there is a moderate positive relationship between Islamic banking and the return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria as this was evidenced by a correlation coefficient (r) of 0.525 which is statistically significant since the p-value (0.000) < 0.01. This implies that as Islamic banking increases, also the likelihood of an increment in the Return on investment of SMEs.

Table 16: Model summary on Islamic banking and return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.525 ^a	0.275	0.267	3.431

Source: Primary data (2024)

The findings above indicate that the coefficient of determination R-square (0.275) which implies that 26.7% of the variation in the return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria is explained by Islamic banking.

Table 17: ANOVA for Islamic banking and return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	371.467	1	371.467	31.561	.000 ^b
	Residual	976.886	195	11.770		
	Total	1348.353	196			

Source: Primary data (2024)

The ANOVA table above shows a P-value ($0.000 < 0.01$) and an F ratio of 31.561, and a p-value of 0.00 which is less than 0.05 implies there exists a significant Islamic banking and return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria.

Table 18: Study findings about the level of Awareness of Islamic Banking among Small and Medium Enterprises in Zaria, Kaduna State Nigeria

Statements	SA (%)	A (%)	NS (%)	D (%)	SD (%)	M	STD
You have heard about Islamic banking	49 (55.3)	30 (34.1)	2 (2.4)	7 (8.2)	0 (0)	4.4	0.88
Muslims and non-Muslims use Islamic banking bank products and services	43 (49.6)	27 (30.6)	6 (7.1)	11 (12.7)	0 (0)	4.2	1.03
The Islamic banking products and services are acceptable to Muslim and non-Muslims	29 (32.9)	53 (61.2)	0 (0)	5 (5.9)	0 (0)	4.2	0.72
There are differences between the operation of Islamic banks and other conventional banks	12 (14.1)	74 (84.7)	0 (0)	1 (1.2)	0 (0)	4.1	0.42

Source: Primary data (2024)

Study findings revealed that respondents had heard about Islamic banking and 89.1% of the respondents agreed with this statement, 80.2% of them agreed that Muslims and non-Muslims use Islamic banking bank products and services, 94.1 % of the respondents agreed with the statement that the Islamic banking products and services are acceptable to Muslim and non-Muslims. Further, the study revealed that 98.8% of the respondents agreed with the statement that there are differences between the operation of Islamic banks and other conventional banks.

DISCUSSION

Islamic Banking and Market share of Small and Medium Enterprises owners in Zaria, Kaduna State, Nigeria

Findings reflected that there was a strong positive relationship between Islamic Banking and the Market share of Small and Medium Enterprises owners in Zaria, Kaduna State, Nigeria by a correlation coefficient (r) of 0.871 which is statistically significant since the p-value ($0.000 < 0.01$). The coefficient of determination (R^2) of 0.756 implied that 75.6% of the variation in the Market share of Small and Medium enterprise owners in Zaria, Kaduna State, Nigeria is explained by Islamic Banking among Small and Medium enterprise owners in Zaria, Kaduna State, Nigeria. The F value of 260.804 and the P-value of 0.000 which is less than 0.05 implied that the predictor variable Islamic Banking was statistically significant meaning that there was a linear relationship between Islamic Banking among Small and Medium Enterprises owners in Zaria, Kaduna State, Nigeria.

Relationship between Islamic Banking and Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria

Findings revealed that there is a moderate positive relationship between Islamic Banking (PRODUCT) and the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria as this was evidenced by a correlation coefficient (r) of 0.525 which is statistically significant since the p-value ($0.000 < 0.01$). This implied that as Islamic Banking increases, also there is the likelihood of an increment in the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria. Further, the findings indicated that the coefficient of determination R square (0.275) which implied that 26.7% of the variation in the Profitability of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria was explained by Islamic Banking. Based on the test above found generally that variables of Islamic Banking contribute positively to the growth of SMEs in Nigeria. [2], stressed that a reflection on the size of its population and the developmental opportunities indicates that Nigeria has the prospect of becoming the hub centre of Islamic finance in Africa... The study found significant positive effects on MSMEs' employment growth and the important role of Islamic bank financing in mitigating the unemployment crisis in Nigeria [27]. The most important development in the Islamic finance market has been, the growing integration of Islamic finance into the global economy. Foreign institutions have been known to establish Islamic

banking subsidiaries, and many conventional banks, not only restricted to the Muslim world, now offer "Islamic products" that are sometimes aimed at non-Muslims [28].

CONCLUSION

The first objective of this study is to determine the relationship between Islamic banking and the Market share of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria. The findings revealed that there is a positive correlation between Islamic banking and SME market share. The respondents strongly believed that the market share of small and medium enterprises increases due to increased business activities. The research findings also showed that Islamic banking helps to provide facilities to business owners thereby increasing their credit ratio. The building of trust in the Islamic banks enables the business owners to increase patronage leading to an increased volume of business money deposited in the bank by business owners monthly. The second objective is to determine the relationship between Islamic banking and the profitability of Small and Medium Enterprises business owners in Zaria, Kaduna State, Nigeria. The study findings showed that access to Islamic banking products helps to increase the profitability of business profitability leading to the expansion of business activities. This leads to increased job creation and hiring of more workers. The main benefit of the increase business profitability is in the improved standard of living of the Business owners. The third objective of this study is to find out the relationship between Islamic banking and the return on investment of Small and Medium Enterprises in Zaria, Kaduna State, Nigeria. The results suggest that Islamic banking has a significant and positive impact on SME's return on investment. This result shows that Islamic banking helps the growth of SME businesses. The Islamic bank becomes a preferred bank of choice when compared to other conventional bank because the Islamic bank enhances the financial stability and business capacity of the business owners.

Recommendations

After the study findings and conclusions, the researcher decided to suggest the following recommendations:

- i) There should be aggressive marketing of Islamic bank products to reach out to the populace beyond the business owners
- ii) The researcher recommended that Islamic banks should study more about Islamic finance products (Murabaha, Musharakah, and Mudarabah), its new concept which is very important and critical in how it contributes to the global economy
- iii) Islamic bank institutions to increase entrepreneurship and Islamic investment, the research recommended that Islamic banks should formulate policies and strategies that are aimed at improving and developing the Islamic bank institutions system.
- iv) The researcher also recommended that Islamic banks should encourage and organize regular meetings with business owners to educate them on risk-taking that can hinder the growth of the business.

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