

Empirical Study on Service Quality, Corporate Image and Customers' Acceptance of Islamic Micro Finance in Kano State Nigeria: The Moderating Effect of Religiosity

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Abstract

The main aim of this research paper is to offer model in the way of examining the moderating effect in the relationship in respect of religiosity on Service quality, corporate image and customers' acceptance of Islamic micro finance. Investors can use this study to serve as guidance before engaging them self in investing their money into Islamic micro finance for gaining maximum level of profits. Government agencies such as Central Bank of Nigeria, Stock Exchange Commission and other financial Institutions also the results to make policies to financial sectors obtained from the study. Therefore, the outcomes of this study would be of advantage to corporate bodies, stakeholders as well as financial institutions which also gain from the results to identify the suitable determinants of Islamic micro finance as service quality, corporate image are measured in the study as the factors that could determine the acceptability of Islamic micro finance in Kano State, Nigeria.

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Keywords: customers' acceptance of Islamic micro finance, Service quality, corporate image, religiosity, Conceptual framework

1.1 INTRODUCTION

Erol and El-Bdour (1989) defined Islamic banking as an organized institution planned based on the concept of interest free system by creating investment and banks all over the world that operate within the principle of Islamic economic. It also develops, foster and promote the use of Islamic law, tradition and principles to the banking, business and other related activities. Amin, Abdul Rahman and Abdul Razak (2014) defined Islamic finance as a means of channeling resources from wealthy individual to the less privilege people, consuming or deficit producing units.

Hadisumarto and Isma'il (2010) defined microfinance as a system of providing a wider range of financial services to household low income members. Also defined Islamic micro finance as a system that free the society from riba, establishing justice as well serve as bridge for poverty alleviation and micro enterprises development. Rokhman and Wahibur (2013) explained that microfinance means small-scale financial services, saving and credit provided to the poor members as well as to micro and small enterprises. Their study also used purposive method sampling and the result of the empirical test reveal that microfinance has significant role on business progress, income level and children's education while non-significant on access to health care.

Handayani, Haniffa and Hudaib (2017) used historical research method by collecting data via oral history. The result of the research indicated that development and emergence of Indonesian Islamic micro finance institutions has been shaped

through the process of Islamic movement, politics and social political changes.

Nigerian micro finance institutions was well-known in cronies of both urban and rural areas with aim of accessing fund by the poor members that cannot obtain money from conventional bank due to difficulties of the procedures (financial hand cap). Therefore, the institutions give soft of five thousand to two hundred and fifty thousand Nigerian Naira (N 5000-250,000) which is equivalent to fifty six points eight to two thousand eight hundred and forty point nine Malaysian Ringgit (RM 56.8-2,840.9) that attract many business partner.

Furthermore, according to statement of the Central Bank of Nigeria 2014, the performance of micro finance are stated as the assets in financial year 2009 at the value of 151,610 Naira in billion and increased to 170, 338.9 billion Naira in the year 2010 but decreased in the year 2011 to (117, 872.1). It also continues increasing annually like in the financial year 2015 which 312,322 billion Naira as well 349 billion Naira in the year 2016.

However, with all this increases in the assets of microfinance in Nigeria yet the problems continue to be in existence, unsettled and why the Nigeria micro finance could not settle the problems. Most of the Nigerian prefers to operate in Islamic micro finance and Islamic bank than conventional bank. This is because ninety nine percent of the people in Kano State are Muslim and they don't want to be associated with any charges of interest and customer are interested on the product of Islamic micro finance such as Murabaha, Ijara, Musharaka and many others that can solve the problems of poverty associated with poor and less privilege members (Kettell, 2011; Dandago, Muhammad & Osein, 2013).

This is happening in a situation where by the Nigerian population is fast growing, the population of Nigeria as at July, 2019 stood at 201, 131, and 575 in which 70% remain on the

services of microfinance that their core source of socio-economic main concern (Dandago, Muhammad & Osein, 2013; Obaidullah, 2008; National Population Commission, 2016). The World Bank (2014) report shown that around seventy percent of total population in Nigeria are in need of microfinance to solve the problem of poverty where their earning is less than Four hundred and fifty one Nigerian Naira (# 451) equivalent to one point two five United State dollars (US\$ 1.25) per day which is below the poverty line. Considering that more than half of the population of Nigeria is Muslim, it serves as measure of the need of not just micro finance but Islamic micro finance bank (institutions). Since most of them are Muslims, they must be more comfortable with product that based on Islamic sharia.

1.2 Statement of the Problem

The issue of Service quality, corporate image in relation to acceptance of Islamic microfinance remains a tool for poverty reduction. However, Eniji and Mai-Lafia and Weiping (2013) stated in his study that the formal microfinance establishments operation in Kano State, Nigeria is rise in the level of poverty, unemployment, and social vices such as Boko Haram, Fulani and Farmers among others because of high interest rate charges. Customer service quality is significant while in the other hand loans granted are insignificant, therefore, it barely indicated acceptance of Islamic micro finance in Kano State of Nigeria as to the development of the economy. Consequently, in a situation where interest charges are high, it is very difficult for the economy to progress and with small portion sum of loan related with the model (Dandago, Muhammad & Osein, 2013).

In addition, Service quality, corporate image in relation to acceptance of IMF remnants poverty alleviation machinery. Though, the conventional finance model in Nigeria is related with rise in poverty rate as can be seen as follows: in 1980 the poverty rate stood at 21%, in the year 1985 increased to 46.3

percent, in 1992 decreased to 42.7 percent, it also increased to 54.4% in 1996 and also increased in 2010 to 71.0 percent (National Bureau of Statistic, 2012). More so, Service quality, Corporate image as a model to acceptance of Islamic micro finance, but in Kano state, Nigerian situation conventional microfinance banks is yet to alleviate poverty, eradicate rural to urban migration, generate employment generation, in Kano state and Nigeria in general.

1.3 Objective of the study

Gap is found from the previous data that no study was significantly made in Kano State, Nigeria on the service quality, corporate image and customers' acceptance of Islamic micro finance: The moderating effect of religiosity. The study is principally aimed at probing the conduct of religiosity on acceptance of Islamic micro finance through the issues which are Service quality and corporate image as the variables to be considered towards the acceptance of Islamic microfinance in Kano State, Nigeria.

2.0 LITERATURE REVIEW

Many of literature was revised for this research on dependent variable known as acceptance of Islamic micro finance and service quality as well as corporate image as independent variables, religiosity served the position of moderating construct of this study, the literature used involve the following:

2.1 Acceptance of Islamic micro finance

Erol and El-Bdour (1989) studied attitude, patronage and behavior influences of bank customers to Islamic bank. The data was collected and analyzed using both multivariate and univariate statistical techniques, the result reveal that

individual effort and interpersonal contact played significant role in attracting customers. Amin, Abdul Rahman and Abdul Razak (2014) in their study collected data from customers of the bank and used ordered probit model, the result reveal that religion, occupation, marital status and ethnic are influential factors while academic qualification, monthly income and gender has little effect on acceptance.

Hadisumarto and Isma'il (2010) in their study of improving the effectiveness of Islamic microfinance, the outcome reveal that business control, selection process, incentive system and variable good relationship, is effect in improving household income and developing microenterprises.

2.2 Service Quality

Parasuraman et al. (1985, p.42) defined service quality as the contrast among customers perception and expectations of service. It is also regarded as the outcome of an assessment process, in which customer make comparison between his expectations with services received (Gronroos, 1984 p. 37). Du Plessis and Rousseau (2003) defined services as those essential intangible, separately identifiable actions which provide want satisfaction and which are not necessarily tied to the sale of a service or product. Bernot et al. (2010) describes quality degree of excellence; distinguishing characteristics quality; and superiority, due to its intangible features and subjective nature, is define.

Omar Ariffin and Ahmad (2016) clear services as the inconsumable or untouchable aspect of the dining out experiences. Similarly, service quality is regularly defined as the consumer's judgement of the overall superiority or excellence of the service (Zeithaml, 1988). Definitions differ depending on whose viewpoint is taken and within which context it is considered. Reed, David and Mero (2000) therefore defined service quality as "value"; conformance to requirement

(Sali, 2014); excellence (Zahorik & Rust, 1992); and fitness for use (Juran & Godfrey 1999). Service quality is also known as producing products with a predictable degree of dependability and uniformity at a cheaper cost and suited to the market. Mosadeghrad (2013) maintains that quality is meeting the agreed customers' requirements, informal and formal, at the lowest price, first time and all time”.

Additionally, the service quality is tested and modeled from data collected from organization, the result provided support for high order concept with suggestions for how service quality are measured, operationalized and defined in superior numerological models.

2.3 Relationship between Service Quality and Acceptance of Islamic micro finance

Adnan and Ajija (2015) examine that the provision of non-financial and financial services with spiritual development through internalizing Islamic moral value become vital tools in alleviating poverty. Jamal and Naser (2003) studied factors influencing customers satisfaction in retain banking and their findings show that most of the defendants were generally satisfied with most aspects of services and products of the First Women Banks.

Awan, Bukhari and Iqbal (2011) study service quality and customers satisfaction in banking sector. Their study outcomes validate the importance of service quality features for feeling or satisfaction of both Islamic and Conventional banks customers. Bashir, Machali and Mwinyi (2012) in their study on effect of service quality and government role on consumer satisfaction and the result of their study show that the effect of service quality on consumer satisfaction is positively significant. Cokro and Isma'l (2008) study improving the effectiveness of Islamic micro finance and the result of their study show that Baitul Mal Wat Tamwil (BMT) improve

household income and business performance of medium and small enterprises.

H1: There is relationship between service quality and Acceptance of Islamic micro finance in Kano State, Nigeria

2.4 Corporate Image

Stuart (1998) defined corporate image as picture that an audience has of an organization through the gathering of received messages. Corporate image is define as what people associate with an organization or refer to all information such as beliefs, perceptions and inferences people hold about it. Boulding (1956) and Kennedy, 1977 identified corporate image as an organizational concept with emotional and 'functional' meanings. Gunther (1959) captures corporate image as a feelings, composite of knowledge, beliefs and ideals associated with an organization as a result of the totality of its activities.

Dowling (1986) view image as specific viewpoints towards a certain matter through memory, description, or other ways of association with such material. Corporate image is the combination of consumers' attitude and perception to a business entity (Gray, 1986). It results from the dealings among people's thoughts, impression, feelings and existing beliefs on such a thing. MacInnis and Price (1987) pointed out in their study that corporate image consequence from an evaluation procedure, which originates from previous consumption, thoughts, feelings, and experience in relation to a turning consumers', business entity, recollections into spiritual impression (Yuille and Catchpole, 1977).

2.5 Relationship between Corporate Image and Acceptance of Islamic micro finance

Erol, Kaynak and Radi (1990) examine patronage behavior conventional and Islamic Banks in Jordan. The findings of their study show that bank consumers do not distinguish between

the services presented by Islamic and conventional and banks. Therefore Islamic banks are not distinguishing themselves in terms of services they offer. Dasuki (2008) study the role of Islamic banking in Islamic micro finance initiatives. The result indicate benefit from spectrum of sources of moneys and offer a wide array of financing instruments catering different needs and demands of their clients. The study recommends the use of special purpose vehicle, SPV as one of the possible alternatives for channeling funds to the poor. With its single bankruptcy-remote feature, Islamic micro finance banks are fully protected from any failure of SPV that involves microfinance activities. Islamic banks can practice microfinance without bargaining with competitiveness, institutional viability and sustainability.

Hamada (2010) study commercialization of microfinance in Indonesian shortage of funds and linkage program and empirical results from the study indicate that commercial bank loans contribute positively to the growth of credit. Bank loans through linkage programs contribute more than bank loans alone, the study recommend emphasis on the two findings. One is that savings, which is an important source of moneys for banks, has a greater effect on credit growth. Another recommendation is on that government support or involvement should be utilized effectively by the management of micro finance banks and non-governmental subsidies such as donors' deposits are expected to be more effective in the expansion of credit

H2: There is relationship between corporate image and Acceptance of Islamic micro finance in Kano State, Nigeria.

2.6 Religiosity as a Moderator

Suci and Hardi (2019) examined literacy experiment of Islamic financing to non-Muslim small and micro business; data was collected and analyzed in relation to intention and literacy using comparative, descriptive and associative test. The

outcome indicated a significant increase on intention and literacy while religiosity does not influence intention and literacy and recommended for proper sharing of knowledge.

Islam and Ahmad (2019) explained applicability of musharaka and mudarabah as Islamic equity finance to underprivileged. Data was collected and analyzed by the researcher through the use of structural equation modelling (SEM), exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). Result of the study indicated that women entrepreneur desire those sharia principles that seem easy to preserve and comprehend their interest. Also recommend for the improvement in religiosity, knowledge of sharia and entrepreneurial skills.

Galbraith and Galbraith (2007) analyzed religiosity in their study and the outcomes reveal a positive relationship alongside believed presence sustainable economic growth (Galbraith & Galbraith, 2007). It is among the causal features to phases in the career maintenance of the people (Ismail et. al., 2004). Similarly, Vitell et. al. (2006) exposed in their study that religiosity internal orientation in esteem, self-determination, reassurance and esteem and to the real anticipated and entrepreneurial action. Terzi, Alserhan and Altunışik (2016) studied religiosity on Muslim customers' measurements and scales. The outcome discovered that the all items were resulting from the initial Muslim scholars' activities who remained within the period of 699 to 855 A. D.

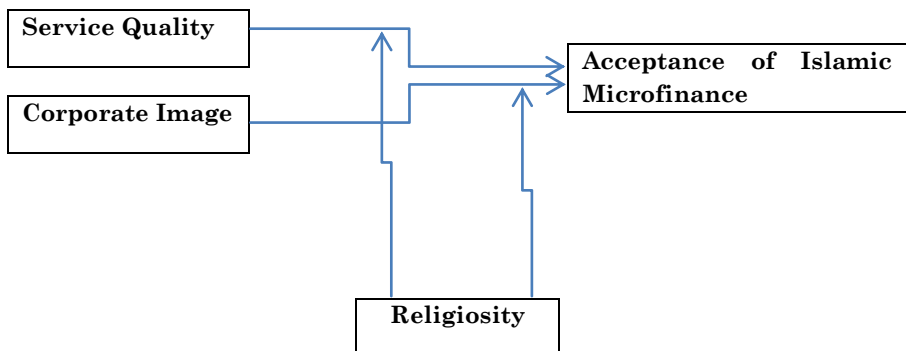
Galbraith and Galbraith (2007) similarly approve with the study carried out by the below scholars: Kwon (1997); Martes and Rodriguez, (2004); Honig and Hershatter (1988); Galbraith et al (2004), Woodrum (1985) Galbraith et al (2004); and Champion, (2003). Also, Woodrum (1985) showing that one on one partaking on the facet of religious in the side of religiosity is related positively with self-employment.

H3: Religiosity moderates the relationship between service quality and Acceptance of Islamic micro finance in Kano State, Nigeria

H4: Religiosity moderates the relationship between corporate image and Acceptance of Islamic micro finance in Kano State, Nigeria

2.7 Research Framework

This section will present the framework which will guide the component of this study. The below framework defines the relationship among acceptance of Islamic micro finance and service quality, corporate image as well as religiosity that will moderate the existing relationship among the independent variables. The concept of this study is in line with the theory of human behavior (THB) that clarified behavior of consumer on certain commodities (products). Hence, the human behavior theory (THB) has designated that human systems interact with one another and with their environments through constant and dynamic transactions of Islamic financial products (Islamic Micro finance). In addition, Glanz and Rimer, (1995) argued that an individual's should straight result through intention which determine the variables. The following Figure 3.1 presents the explanation of the concept.



The above theoretical framework illustrates the possible existence of direct relationship among independent and dependent variables. The framework shows that service quality and corporate image could be the predictors of the acceptance of the Islamic micro finance while religiosity intend to serve as the moderating variable based on the review of related literature such as (Thambia, Muthaiyah & Jun, 2015; Mamman & Ogunbado, 2016) and the underpinning theory of the present study (Theory of human behavior).

3.1 Methodology

This study adopted a quantitative research approach to assess the relationship between service quality, corporate image and acceptance of Islamic micro finance where religiosity is to moderate the relationship between the variables. Data was collected and analyzed by using partial least squares (Smart PLS) for structural equation modeling (SEM) and tested hypotheses framed from reviewing the literature as suggested by (Hair et al., 2014). Consequently, target population of this study is 1,808 SMEs (SMEDAN, 2012) in Kano State, which is one of the advanced commercial States in Nigeria.

4.1 Results and Discussions

Reliability analysis

Reliability.

Reliability is defined as the degree in which the items that make the scale hang together to indicate that all items are measuring the same underlying variable. It also indicates the level in which is free from random error. The reliability scales are test and retest which is also referred as temporal stability and internal consistency. Even so, as drawn by George (2003) the value for Cronbach's alpha is 0.60.

Cronbach's coefficient is most frequently used in SPSS. It provides a suggestion of an average correlation among each

and every item that constitute the scale. The ranging of value from 0 to 1 with a higher values showing better reliability and outcome better than 0.70 shows the good reliability and validity of measures. The below table 1 designates the value of Cronbach's alpha of all the variable ranging from 0.8 and composite reliability of 0.8 and above which is close to 1 meaning the scale used measured is highly reliable for this study.

	Items	Cronbach's Alpha	Composite Reliability	Average Variance Extract (AVE)
Acceptance	27	0.87	0.90	0.50
Service Quality	22	0.72	0.82	0.54
Corporate Image	11	0.80	0.85	0.51
Religiosity	22	0.83	0.87	0.50

From the above table, all the research variables have acceptable Cronbach's alpha. Acceptance of Islamic microfinance institution has Cronbach's alpha value of 0.87 and Composite Reliability of 0.90. While, service quality has Cronbach's alpha of 0.72 and Composite Reliability of 0.82, corporate image has Cronbach's alpha of 0.80 and Composite Reliability of 0.85. On the other hand religiosity as moderating variable has Cronbach's alpha value of 0.83 and Composite Reliability of 0.87. Additionally, all variables have acceptable average variance extract of more than 0.4.

Correlation analysis

Correlation is utilized to analyze the degree to which constructs are related with each other's and stipulated the way of relationship that exist among the constructs. The above table reports the outcomes of correlation that are calculated using SPSS software. Two tailed test has been conducted to

determine the significance level of the current study is 0.01. The results indicate that all independent constructs (variables are highly correlated). It displays that service quality and corporate image contribute toward acceptance of Islamic micro finance in Kano State, Nigeria.

Regression analysis

After inspection the correlation among the constructs the regression analysis is used to approximate the relationship among dependent and independent construct(s). It is also utilized for the forecasting and prediction and it discover the form of the relationship between the dependent and the independent variables. The variables in the regression analysis indicate as---

4.2 Findings

Results of this study show that there is a positive relationship between the service quality, corporate image and acceptance of Islamic micro finance. It is also analyzed by the results that service quality and corporate image have high impact on the customer acceptance of Islamic micro finance.

4.3 Conclusion and Implication

The findings of this study would contribute to the following manners; such as Stakeholders corporate bodies and financial institutions and can benefit from the results to recognize the suitable determinants of IMF as service quality and corporate image are considered in the study as the factor that could determine the acceptability of Islamic micro finance. Moreover, foreign and local stockholders would benefit from the study by considering the most appropriate factor that could make customers accept the Islamic micro finance. In addition, stockholder or investors can consider this study to serve as guidance before they could invest their savings on IMF so that

they maximize their outcome (returns) and as well minimize risk. Policy makers such as security and exchange commission (SEC), Central Bank of Nigeria (CBN) as well as government can use the results to make clear economic policies on financial sectors derived from the study.

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