

THE ROLE OF ISLAMIC MICROFINANCE BANKS IN PROMOTING THE SOCIAL WELFARE: A CASE STUDY OF YOBE MICROFINANCE BANK

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ABSTRACT

The study assesses the Islamic Microfinance Bank's role in promoting customers' social welfare, using the newly developed products of Yobe Microfinance Bank to encourage inclusion and alleviate poverty in the Yobe communities. Yobe State is ranked bottom as the poorest in the region and scores low on human development and poverty alleviation. It indicates low education rates, poor implementation of government policies on poverty, and a high financial exclusion rate. The study adopted a qualitative approach using random sampling to collect data from customers of Yobe Microfinance Bank. Using the acceptability of the newly introduced sharia complaint products of Yobe Microfinance among the people in Yobe state, using the Structural Equation Modelling, 300 respondents completed the survey using a Likert scale. The study employed Structural Equation Modeling to analyze and test reliability and validity to provide accuracy of respondents' information. The finding indicates the positive relationship between Islamic banking products and customer satisfaction. The study concludes that introducing and consistently managing Islamic products can improve social welfare and reduce poverty through financial inclusion in the state.

Keywords: Islamic microfinance, Social welfare, Products, Poverty.

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INTRODUCTION

World Bank considered Nigeria amongst the worst-hit poverty nations in the world. It is the most populated African country, with around 63% living below the poverty line. Most of the Nigerian population lived in rural areas depending largely on agriculture. Yobe is considered a state in Nigeria with a predominantly Muslim population. Many Muslims in the Yobe State influence the state's political system, which shows the emergence of Muslim political leaders occupying all the elected and non-elected political positions in the state. The Muslim population also influences the socio-cultural and economic lives of Yobe state communities. This situation is obvious, as economic and political systems often go hand-in-hand in determining the development of societies (Muhammad and Salisu, 2019). Yobe is among the 12 Nigerian states that declared the adoption of Shariah legal. The state is dedicated to a Ministry and shoulders it responsible for ensuring strict adherence to Sharia laws and practices (Muhammad *et al.*, 2019).

However, despite the adoption of the Shariah system of governance, a large Muslim population in the state, Yobe State, continued to be among the states that top the list of poverty prevalence in Nigeria (Hossain *et al.*, 2019). This study recognizes the contributions of microfinance banks to economic growth and development, especially in rural areas. Among the major roles microfinance institutions play is the promotion of financial development and intermediation. Various practices indicate that Islamic microfinance systems have contributed to motivating savers to meet financial needs, channeling savings to investors, broadening investment opportunities, increasing investment, and offering risk-sharing products, increasing the growth of the real sector. It also enables its customers to establish business entities and smoothly grow their income and consumption profiles over time; evidence indicates that the process of Islamic microfinance banking has led to economic development and has played a positive role in reducing poverty and income inequality (Mukhlisin and Laela, 2022). Although poverty alleviation does not necessarily reflect a high level of financial development in a country, other studies have confirmed some linkages between financial development and economic development. Thus, a

growing concern is that fostering financial development and increasing access to financial services can eradicate poverty (Muhammad and Mamman, 2017). Development economists insist that improving access to financial services and ensuring financial inclusion to all members of society should be a major aim of communities working on poverty reduction. Financial services should include but not be limited to the availability of credit, savings mobilization, insurance, and risk management to facilitate sustainable growth and productivity, especially for small and medium-scale enterprises (Demircuc-Kunt *et al.*, 2007; Muhammad and Bin Ngah, 2021). Recently, there has been a growing concern by Muslim communities on the roles of Islamic financial services that comply with the provisions of Shariah (Islamic Law) in the poverty reduction process established by Islam. Thus, exploring Islamic perspectives on financial inclusion and economic development would be worthwhile. It is a known fact that Islamic finance is growing fast all over the globe, and the quest for Islamic financial products and services compliant with Shariah keeps growing. However, more attention has been given to core banking and capital markets products without major recourse to the financial services microfinance banks offer to people experiencing poverty (Arner *et al.*, 2020).

Yobe is a rural state with enormous resources; unfortunately, many citizens still live in poverty. To address this, the government formulated its microfinance bank in 2014. However, like many other government policies, Yobe Microfinance is undergoing its challenges as part of the challenges the Bank operates conventional services as licensed to operate in a conventional banking system (Dogarawa and Uthman, 2015). This is against the ethics, religion, and culture of the prospective customers of the Bank and, consequently, shies away from dealing with the Bank. With the recent achievement and soundness of Islamic finance opportunities, the Bank embarked on an alternative way of Islamic products for prospective customers and tackling the fundamental needs of ethical financing and product development. With new management, training in Islamic economics systems, and the introduction of ethical products into Yobe Microfinance, the Bank was able to attract more customers who were financially excluded and positively promote financial inclusion (Yobe State Government of Nigeria, 2009).

These products have provided viable alternatives and reliefs to conventional debt-based financing, which makes many people, especially Muslim communities, run to Islamic banks looking for sharia-compliant products. Although there is no concrete evidence as to the reason why many people in Yobe State are not patronizing conventional banks, the reasons may not be unconnected with the fact that Muslim communities all over the globe are known to be shying away from dealing with conventional banks based on religious reasons (Muhammad *et al.*, 2022). This assertion could be confirmed considering the large number of people that accept to start banking with Yobe Microfinance Bank after declaring some Sharia-compliant products.

Poverty has been identified as a worldwide phenomenon that affects most parts of the world, with over one billion poor people around the globe in 2001, and it rose to 3 billion in 2013. However, the increase in poverty in Nigeria has been moving steadily from 54.4% in 2004 to the projected record of 69.0% in 2011 (Sambo and Mshelia, 2019). Poverty has been more prevalent in the Northern part of Nigeria against the Southern part. The National Bureau of Statistics survey showed States in the South-East of Nigeria had a poverty rate of 26.7%, South-South 35.1%, South -West 43.0%, North-Central 67.0%, North-West 71.2%, and North-East 72.2% (Nwaneli *et al.*, 2020). Arner *et al.* (2020) indicate that the Northeastern region of Nigeria has the rate of poverty at a poverty rate of 74.3% in 2010; other reports also indicate that Yobe State ranked not only as one of the poorest in the region, but the whole country, with low scores on most aspects of human development indices. With the poverty rate standing at 71.9% in 1999 (CBN, 2005), as cited by Pate and Garba (2010), their study attributed the prevalence of poverty in Yobe State to environmental factors, uneven distribution of resources, absence of sound economic policies that will pave ways for productions, unimproved agricultural practices even though the state is largely rural. The inhabitants are mainly agrarian with minimal viable commercial activities despite their economic potential, especially in agriculture and solid minerals (Pate and Garba, 2010).

In its effort to address the reported poverty indices in the state and to achieve its goals of socio-economic transformation and planning, Yobe State Government commissioned a study that will help determine the actual issues affecting the state and the data of all indices to pave ways for economic planning and to guide in implementation. This study is named "Yobe State Poverty Mapping and Situational Analysis, 2017" The general findings indicate that government planning is haphazard, uncoordinated, and often short-term oriented. The study analyses many variables, including poverty, socioeconomics, education, etc. Among the major issues investigated by the study as determinants for poverty in the state includes the social well-being among the rural and urban sectors, male and female-headed households, and across the 17 local government areas. The findings indicate that 60% of the state's citizens are extremely poor. The poverty gap or depth is 43%, and 18% of the citizens are severely or chronically poor that require immediate attention. Similarly, the poverty headcount in the urban and rural areas indicates that poor households in rural areas represent 64% against urban areas, which is lower, representing 59%. The poverty ratio according to the household sex was disaggregated according to the sex of the household heads. The results show that 66% of female-headed households and 60% of male-headed households are poor. The study also checks the prevalence of poverty incidence among the three senatorial zones of the state, and the results show that poverty headcount is higher in Zone A (68%), followed by Zone B (60%), and then Zone C (58%). Conversely, the disaggregation of the poverty indices by LGAs revealed that poverty headcounts are higher in Gujba, Gulani, Geidam, and Fika, representing 71%, 70%, 69%, and 68% of their population, respectively. Poverty headcounts are lower in Nguru, Bade, Machina, and Jakusko, representing 49%, 50%, 52%, and 54% of the population. It is not coincident that the results revealed that LGAs were bordering Borno State, where the activities of Boko Haram were intensively poorer compared to the less affected LGAs. The survey also investigated the food security status of the state, revealing that 53% of the citizens of Yobe State are food insecure. On the socioeconomics

situations in the state, the study revealed that 54.5% of the respondents are self-employed, 10.1% are government employees, 2.5% are employed in private establishments, and 35.8% are unemployed. The unemployment rate is highest in Damaturu (48%), LGA, followed by Potiskum LGA (47%), while the self-employed are highest in Nangere (60%) and followed by Yunusari LGA (57%). Government employees are concentrated mostly in urban LGAs such as Damaturu, Potiskum, Nguru, and Bade. Yobe State government considered the prevalence of poverty as a serious issue that needs to be addressed and thus engaged in many programs to reduce the widespread poverty among the communities in the state (Ishaku and Sheriff, 2022). From its inception, Yobe State has a record of participating in all the poverty reduction programs of the Federal Republic of Nigeria. It has paid all the supposed counter funding of poverty alleviation programs. However, most of these programs could not succeed nationally, as reported in the Federal Government of Nigeria Appraisal Report (2000) on Community-Based Poverty Reduction Projects. The report indicated that about 23 poverty reduction programs initiated by the Federal Government from 1985 to 1999 failed to meet its desired objectives (Ogunlusi *et al.*, 2018).

Failure of poverty reduction programs is a common phenomenon in Nigeria and is mostly attributed to political instability and minimal participation by stakeholders in their design, management, implementation, and evaluation. Other studies indicate that most previous poverty reduction programs failed due to wrong approaches, such as top-bottom, supply-driven, and non-participatory approaches to poverty reduction programs (Manpaa, 2018). Thus, many poverty reduction programs are designed without inventing the proactive means of ensuring the active participation of the primary targets of such poverty reduction interventions, which equally undermines the critical input of beneficiaries at policy formulation and implementation stages (Hassan *et al.*, 2012). These problems have been considered the major reasons contributing to the failure of important national poverty reduction programs such as Operation Feed the Nation (OFN), Green Revolution, Agricultural Development Projects (ADPs) Family Support Programme (FSP), among other issues attributed to these failures include diversion of resources, misappropriation, lack of involvement of beneficiaries in the design and implementation of programs, poor targeting of programs, lack of awareness and publicity to popularize the programs, frequent changes in government policies, poor implementation, and inadequate supervision, monitoring, and evaluation (National Bureau of Statistics, 2010).

The role of Islamic microfinance banks

Microfinance is a way of helping financially disadvantaged individuals to improve their economic well-being. Microfinance features include group-based lending, small loans, frequent periodic repayment, and collateral-free (Xalane and Salleh, 2019). A prospective borrower must join a microfinance recipient group to obtain a loan. The borrower receives a small loan and agrees to shoulder a monetary penalty in the case of default by a peer (Abdul Rahman, 2010). Under such group-based lending arrangements, the group members have incentives to monitor each other for the greater good (Muhammad, 2014). Studies conducted on the benefits of Microfinance banking in Nigeria are unanimous that there are many opportunities in the microfinance subsector in Nigeria is unarguable that there exists a largely untapped market for microfinance banks. This has been confirmed by (Olaitan, 2006; Oluyombo and Ogundimu, 2006), pointing out that about 70% of the Nigerian population is engaged in the informal sector or agricultural production. With more than 64% of the population in Yobe dwelling in rural areas, it is unarguable that more than 70% of the population relies on agriculture as sustenance. In the same line though differing in figures. Mohammed and Hassan (2009) held that microfinance banks in Nigeria only serve <1 million people against the over 40 million that require their services. The gap in this subsector was further demonstrated by CBN (2005) when it showed that microcredit facilities in Nigeria account for about 0.2% of GDP and <1% of total credit to the economy. Although microfinance has been widely recognized as a poverty alleviation tool, some scholars criticized interest-based

microfinance as exploitative (Hudon and Sandberg, 2013). Ahmed (2002) pointed out that the borrowers of conventional microfinance often take additional loans from other sources to pay the instalments and thus become trapped in a vicious debt cycle. Furthermore, Ahmed (2002) noted that microfinance has a high dropout rate and rate of non-graduation from poverty. This view is supported by other researchers such as Abdul Rahman and Dean (2013) and Smolo and Ismail (2011).

Yobe state has only two Microfinance Banks; State licensed Yobe Microfinance Bank and Unit Microfinance Bank in Bade named Gashua Microfinance. Although there is no specific figure on the number of customers dealing with the banks, it is clear that both banks serve <200,000 customers. The scenario above indicates an enormous market that microfinance banks can exploit. This largely untapped market in the microfinance subsector is further enhanced by the fact that over 65% of the entire population of Nigeria has no access to banking services CBN (2005). To say that this leaves much room for existing microfinance banks to expand their scope of operations and for new ones to enter will be stating the obvious. In a similar scenario to Yobe, Muslim communities in Bangladesh developed a banking system that is believed to be in tandem with the Muslim cultures and provisions of promoting social welfare in the name of Grameen Bank, paving the way for many Islamic banking practices to be performed without giving necessary recourse to Islamic terminologies and inscriptions, this system has contributed in reducing the level of poverty in Bangladesh.

Noreen *et al.* (2022) demonstrated efforts to ensure financial inclusion and promote access to financial services among the Muslim communities in Pakistan. The study is focused on customers of Islamic Microfinance Institutions in Pakistan. The study focused on the four most prominent Islamic financial institutions: Akhwat, Islamic Relief, Wasil Foundation (formally CWCD), and Naymat Microfinance. One hundred and twenty samples were selected and divided into two (60/60) between the customers and the employees. The questionnaires developed for the study are distributed among members dealing with the Islamic products offered by the selected Islamic Microfinance Banks. The study findings are categorized according to the two sources of data; the employees and the customers. The results indicated that two major factors motivate young persons to work with Islamic Financial institutions in Pakistan; the first is that the salaries of the Islamic Financial institutions are relatively competitive with other institutions. In addition, the staff earns special regard and respect from the management of the institutions. The second factor was that the staff were confident about the religious aspect of their jobs. They have the feeling that they are avoiding riba. The findings added that the customers of Islamic Microfinance Institutions, even though they adhere strictly to the Islamic instructions against a riba-based transaction, still run successful small-scale businesses and can afford basic life needs. Noreen *et al.* (2022) analysis indicates that Islamic microfinance institutions play important roles in poverty alleviation by improving the living standard of the poor people, raising their per capita income, creating awareness levels, boosting ethical values, increasing profitability, provision of infrastructure, providing employment and very helpful in controlling inflation and unequal distribution of wealth. Thus, the study recommends that banks owned by Muslim-majority states should focus on innovating products that support Islamic financing to motivate people, including non-Muslims interested in dealing with such institutions.

Ethical products of Yobe microfinance bank

Yobe Microfinance Bank Limited is among the institutions established by Yobe State Government to promote financial inclusion and reduce poverty prevalence in the State. The Bank was formally incorporated as Yobe Savings and Loans Limited on September 28th, 1992. In June 2014, the Bank obtained permission to convert to a Microfinance Bank with State Authorization from the Central Bank of Nigeria. Yobe Microfinance Bank Limited has been providing financial services using qualified, well-trained, experienced staff in Microfinance and other Banking activities. The Bank currently operates three Branches; damaturu as headquarters and two branches in Potiskum and Geidam.

With more than 100,000 active accounts across 17 LGAs and districts in Yobe State, Yobe Microfinance Bank could be considered the Bank with the largest share of rural customers in the State. The Bank has been offering payment services to 2,600 civil servants and contract staff of various agencies, including the Yobe State Government and Yobe State University.

As stated earlier, Yobe is a predominantly Muslim State with a population of more than 99% Muslim population; thus, the people's ideological beliefs refrain from dealing with conventional banks, having believed that it deals with riba, which Islam prohibits. This situation further complicated the poverty incidence in the State. However, the management of Yobe Microfinance Bank reviewed the guidelines for establishing Microfinance Banks and Nigeria and found a niche that allowed Microfinance Banks to introduce new products that promoted banking services and increased the profitability of the Bank in line with the provisions of the law. This provision is found in items L and M of the permissible activities of the revised regulatory and supervisory guidelines for Microfinance Banks (MFBS) in Nigeria, which are mentioned as parts of the allowable activities that Microfinance banks can:

1. Pay and receive interests as may be agreed upon between the MFB and its clients following existing guidelines; Operation of micro leasing facilities, microfinance-related hire purchase, and arrangement of consortium lending as well as supervision of credit schemes to ensure access of microfinance customers to inputs for their economic activities; CBN (2012). Similarly, the Bank's management argues that they could not find any provision that restricts the Bank from inventing a legal product based on sharing profits or losses between the Bank and its customers. Using this window of opportunity, the Bank introduces its five major products named; (a) Social Group Insurance Financing, (b) Business Capital Participatory Financing, (c) Small-scale farmers' sharecropping financing, and (d) Purchase order. These products have been warmly accepted by the community and increased the popularity of the Bank in the State. Since introducing these products, the Bank has grown its customer base from 6400 to 92,000 within 1 year. The Bank's newly introduced Sharia-compliant products are explained in the following:

Business capital partnership financing

This is a new product recently introduced by the Yobe Microfinance Bank. The Bank offers cash as capital to partner with the entrepreneur in a selected business. At the end of the tenor, the profit generated will be shared between the customer and the Bank.

H1: Business capital partnership financing positively influence the welfare of the customers.

Social insurance group partnership financing

This is another type of newly introduced product by the Yobe Microfinance Bank that brings SMEs/Farmers together to apply for business capital as a group, the money is shared equally between the group members, and members pay jointly. Like Business Capital Partnership Financing, the business's dividend is shared between the Bank and members of the group. In cases of default by any member, members of the group ensure the company and pay on behalf of the defaulter, referred to as a group guarantee.

H2: Social insurance group partnership financing positively influences the welfare of the customers.

Small-scale farmers sharecropping financing

The Bank brings together a group of peasant farmers, assesses them based on their previous experiences and track records of integrity, and quantifies their farming size and capacity. The farmers collectively apply for a farm inputs and services loan as a group, and the money is shared equally between the group members, and members pay jointly. Like Business Capital Partnership Financing, the dividend of the farming is shared between the Bank and members of the group. In cases

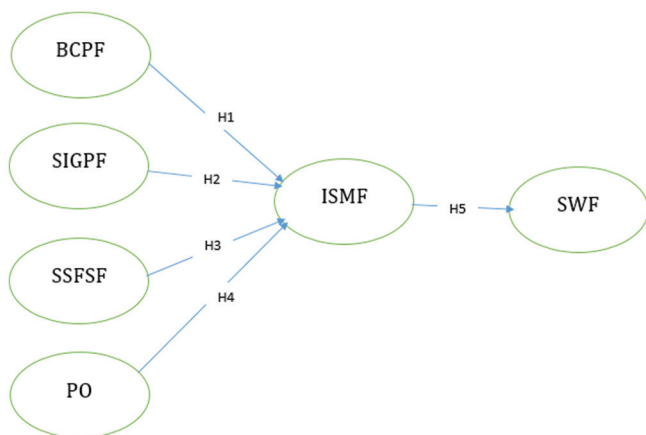


Fig. 1: Model development

of default by any member, group members ensure the business and pay on behalf of the defaulter, referred to as a group guarantee.

H3: Small-scale famers sharecropping financing positively influence the welfare of the customers.

Purchase order

A purchase Order is a form of business in which the potential buyer (purchaser/order) instructs the Bank to purchase a given asset/commodity according to pre-defined specifications. It is essentially a Sale of goods (cost plus profit) where a "deferred" element validates the profit earned from the sale transaction. To understand the difference, it is key to analyze the "deferred" elements and the risks associated with the moratorium.

H4: Purchase order positively influence the welfare of the customers.

METHODOLOGY

The study assesses the participants based on the developed products of Yobe Microfinance to test the acceptability and customer welfare for easy access to financial services based on convenience. The data were collected from 300 participants who were distributed to the Yobe Microfinance Bank with their respective branches in three cities of Yobe State: Damaturu, Gaidam, and Potiskum. The reason behind selecting these cities as a province of the sub-branch of Yobe Microfinance Bank. The current study was designed on the cross-sectional research approach based on quantitative research techniques and a self-reported survey questionnaire using the Likert scale. The analyzed data used confirmatory factor analysis (CFA) based on estimating the relationship between the variables using structural equation modeling. A pilot test was used to test validity and reliability to examine the consistency of each item under variables; Cronbach's alpha was also used for measuring internal consistency.

RESULTS

This section shows the factor analysis used to define Islamic microfinance products' role in promoting the customers' welfare. The CFA is performed to confirm the welfare of the customers based on the perceptions of Islamic microfinance clients as indicates in Figure 1.

Table 1 of the demographic analysis indicates the distribution of any categories related to the various aspect of the respondents. The gender shows that the male percentage is higher than the female gender; the marital status of the respondents shows the beneficiaries based on the respondents revealed the married people benefitted the same with age where middle age between 36 and 45 has a higher percentage of 50%. Subsequently, the religious wise Muslims have 97% of the respondents and 3% of Christians. Educational certificates show diploma category has 40% and the source income of the respondents majority of them are civil servants, followed by farmers, as indicated in Table 1.

Table 1: Distribution of the respondents

Description	Categories	Valid percentage
Gender	Male	63
	Female	37
Marital status	Single	39
	Married	61
Age	18-35	35
	36-45	50
	46-above	15
	Religion	Islam
Education	Christian	3
	Primary	9
Source of Income	Secondary	26
	Diploma	40
	Bachelor	11
	Postgraduate	14
	Farmer	15
	Civil servant	60
	Employee of Private company or organization	10
Student	9	
Housewife	6	

Table 2: Reliability and validity

Variables	Item	Factor loadings	AVE	Cronbach alpha
Business capital partnership financing	BCPF1	0.971	0.842	0.883
	BCPF	0.732		
Social insurance group partnership financing	SIGPF	0.678	0.772	0.820
	SIGPF	0.720		
Small-scale famers sharecropping financing	SIGPF	0.918	0.764	0.810
	SSFSF	0.721		
	SSFSF	0.732		
Purchase order	SSFSF	0.841	0.761	0.809
	PO	0.903		
	PO	0.679		
Islamic microfinance	PO	0.703	0.808	0.783
	ISMF	0.699		
	ISMF	0.813		
Social welfare	ISMF	0.912	0.835	0.913
	SWF	0.732		
	SWF	0.923		
	SWF	0.769		
	SWF	0.896		
	SWF	0.783		

In addition to achieving good metrics, reliability, convergence, and discriminant validity must be ensured when performing CFA. These validity values are shown in Table 2. All constructs had a confidence threshold >0.7, Cronbach alpha>0.7, AVE>0.5, and maximum common square variance <1. AVE.

The Chi-square is significant at 3.932 and fits the model, where the factors are correlated in fitness, indicating good agreement between the model and the data. The RMSEA is loaded below the threshold of 0.08. In addition to the increase in Chi-square in the higher-order factor model, the IFI, GFI, AGFI, NFI, and CFI are measured above 0.9 under weighted least Squares, indicating the model acceptability associated with their respective components. Comparing with maximum likelihood as supported by the theories.

In this study, hypotheses are mapped to the structural model. BCPF shows the estimated value at 0.320 and it standard error at 0.069, the

Table 3: Model of fit

Goodness-of-Fit	Maximum likelihood	Weighted least squares	Suggestion	Theories
CMIN/df	3.932	3.521	<5.0	Marsh and Hocevar (1985)
IFI	0.92	0.95	>0.9	Chau (1997)
RMSEA	0.39	0.35	<0.8	Byrne (2001)
GFI	0.94	0.97	>0.9	Grover (1994)
AGFI	0.89	0.90	>0.9	Byrne (2010)
NFI	0.81	0.95	>0.9	Byrne (2001)
CFI	0.88	0.96	>0.9	Hatcher (1994)

CR sum of 4.637, which the p-value significantly indicated at 0.000 and the path coefficients and statistical results based on maximum likelihood estimation accepted the hypothesis (H1). This means that Islamic Microfinance clients believe that Islamic Microfinance services offer affordable enjoys. The BCPF product is considered efficient in service delivery and competence. As such, these beliefs of BCPF positively influence Islamic microfinance and customer welfare. This result is consistent with previous studies (Hudon and Sandberg, 2013; Muhammad and Bin Ngah, 2021). This finding indicates that clients' perspectives on SIGPF may be determined and influence Islamic microfinance, therefore, the compatibility of religious beliefs, financial needs, and welfare significantly influenced and, therefore, H₂ supported. The SSFSF as H₃ and PO as H₄ were supported and appear to be a significant influence positive towards Islamic Microfinance correlation between customer perceptions and the customers' welfare. Therefore, the hypothesis indication suggests that you are aware of the financial instrument, and their attitude towards Islamic Microfinance in related welfare. The results of is in consistence with some studies that confirmed a positive relationship between individual awareness and attitudes toward welfare. Although this result supports H₃ and H₄ as indicated in Table 3.

The results of this study also supported H₅ showing that Islamic Microfinance has positively and significantly affected Social Welfare. This suggests that customers who provide good Islamic microfinance services and are familiar with Islamic finance products are more likely to accept Islamic microfinance and considered as social welfare as part of Islamic financial system.

Table 4 shows that the strength of the correlation is independent of sign and direction rather than considering a threshold based on the power of the load with a limit of equal relevance of the measured variables = 0.50–0.90. A positive correlation coefficient indicates that an increase in the first variable corresponds to an increase in the second variable, implying a direct relationship between the variables. A negative correlation suggests an inverse relationship. As one variable increases, the second variable decreases. As with any statistic, the correlation coefficient is of little importance if it cannot be interpreted correctly. As with all scale values, correlation coefficients are difficult to interpret. To categorize those that show that all variables meet the basic requirements, except two that correlate PO with SIGPF at the 0.49 level and IsMF with SSFSF with a 0.48 correlation coefficient labeling system exists. A moderate correlation is meaningless, so 0.66–1.0 represents a strong correlation.

DISCUSSION

Although this study is a pilot study testing the effectiveness of Yobe Microfinance Bank in promoting social welfare from the customer's perspective. The study was done with positive results in other parts of the world. This study discovered that Islamic microfinance plays an important role in improving borrowers' economic well-being and living standards. This study is consistent with the study of Ahmed (2002), Hudon and Sandberg (2013), Abdul Rahman and Dean (2013) as well as Smolo and Ismail (2011). All believed that Islamic microfinance has been successful in helping to improve the lives of communities. However, an in-depth study is necessary to understand how people in Yobe could maximize the opportunities of the system. It is also crucial

Table 4: Hypothesis testing

Variables	Est.	SE	CR	P	Decision
BCPF ≥ IsMF	0.320	0.069	4.637	0.000	Accepted
SIGPF ≥ IsMF	0.400	0.192	2.083	0.004	Accepted
SSFSF ≥ IsMF	0.231	0.079	2.924	0.001	Accepted
PO ≥ IsMF	0.300	0.058	5.172	0.000	Accepted
ISMF ≥ SWF	0.210	0.073	2.876	0.003	Accepted

Table 5: Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)
BCPF	1					
SIGPF	0.67	1				
SSFSF	0.56	0.60	1			
PO	0.66	0.49	0.57	1		
ISMF	0.89	0.74	0.48	0.72	1	
SWF	0.68	0.95	0.89	0.88	0.78	1

to investigate the factors that lead to the successful implementation of Islamic microfinance banks in other communities to replicate its success in Yobe State.

The study analyses indicate the positive relationship between all variables Table 1 described the demographic distribution, which clearly defined the participants status. Table 2 shows the reliability and validity of the study which accepted the theories of the model test. Table 5 highlights the model fit and goodness of fit. Table 3 illustrates the hypotheses testing from H1, H2, H3, H4 to H5, all tested hypotheses supported the assumption as predicted. Finally, Table 4 describes the correlation matrix of the variable, which were perfectly loaded except for two as discussed in Table 4. It is also observed that young people have indicated more interest in dealing with Islamic products, which suggests that Islamic Microfinance banks should focus on the new generation for future exposure. With the high level of acceptance, the Yobe state government should be able to invest more in the Bank and strengthen its capacity to continue serving the public to complement its poverty reduction programs.

CONCLUSION

The main purpose of this study was to examine the factors influencing the role of Islamic microfinance in promoting social welfare from the customer's perspective. The model hypothesized that his four factors, BCPF, SIGPF, SSFSF, PO, and ISMF, influence client participation in Islamic His Microfinance for Social Welfare. The study confirmed that relative dominance significantly impacts Yobe Microfinance Bank and newly developed social welfare products. The study suggests that Islamic financial products and services offered by Islamic microfinance can remain competitive and efficient in service delivery and staff capacity. This is a plausible reason for customer attitudes toward Islamic microfinance and its products.

On the other hand, the survey results also show consistent positive and significant relationships between Islamic microfinance variables. Regarding social welfare, a positive relationship was also found between

BCPF, SIGPF, SSFSF, PO, and ISMF. From the perspective of Islamic financial institutions, customer participation in Islamic microfinance is gaining importance and is widely accepted.

AUTHOR CONTRIBUTIONS

Conceptualization, SMI and MT; Methodology, T.M. and SMI; Software, T.M.; Validation, T.M.; Formal Analysis, T.M.; Investigation, SMI and T.M.; Resources, SMI and T.M.; Data Curation, T.M. and SMI; Writing Original Draft Preparation, SMI and T.M.

CONFLICTS OF INTEREST

Authors declare no conflict of interest.

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