
AN EMPIRICAL ANALYSIS OF THE IMPACT OF INTEREST FREE BANKING ON THE GROWTH OF SMALL AND MEDIUM ENTREPRISES (SMEs) IN NIGERIA: A CASE STUDY OF SMEs WITHIN JOS METROPOLIS.

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ABSTRACT

Interest free banking has been in existence for over six decades but only became popular in Nigeria in recent times. Nigerians both Muslims and non-Muslims alike are gradually accepting the services provided by these banks after realising that the banks aim to deepen financial inclusion using Islamic tenets. Owing to the difficulties encountered by Small and Medium Enterprises (SMEs) in drawing loan facilities from the conventional banks, the interest free banking became good alternatives to securing finance for business establishment and/or expansion. The study adopts the survey method of data collection and primary data analysis in the study area of Jos metropolis to ascertain the views and perception of SMEs towards the services provided by interest free banks in the study area. Using Statistical Package for Social Sciences (SPSS), Cross tabulation of responses gotten from administered questionnaires shows that respondents are highly aware of the activities of the interest free banks, below average have patronised the bank for the several services they provide while a very large number of SMEs are willing to commit to the services the banks provide if they will not be discriminated because of religion. On the development of SMEs within Jos metropolis, 37.5% strongly disagreed that interest free banks have contributed to the development of SMEs while 43.8% of the respondents agreed that interest free banks have contributed to the growth of SMEs in the study area. The study recommends increase awareness among the general public and SMEs on the workings and principles of interest free banks for easy understanding and patronage among other recommendations.

Keywords: *Interest-free banking, Islamic financing, Small and Medium Enterprises, Profit and loss sharing.*

INTRODUCTION

The world is increasingly becoming complex making it almost impossible not to deal with money and financial institutions, the most common financial institutions around the world today are commercial banks and the central banks that operate based on interest charged on deposit and on borrowing (Abdullahi, 2010). In order to maximise profit, commercial banks charge interest rate, fees and commissions (Islam, 2015). The charging of interest however has excluded certain category of people from financial intermediation processes as the charging of interest otherwise known as 'Usury' is against the 'Shariah' principle in Islamic jurisprudence (Bebeji, Bala & Bala, 2020). It is as a result of this challenge that the concept of interest free banking was introduced to cater for the interest of those who do not wish to violate the principle of 'Shariah' as enshrined in the holy book of Koran and the 'Sunna' of Prophet Mohammed. Interest free banking is otherwise known as Islamic banking, the two concepts are often used interchangeably (see Central Bank of Nigeria (CBN), 2012; Abdullahi, 2016; CBN, 2016) whereas according to Ibrahim, Malami & Abdullahi (Undated) interest free banking and Islamic banking are similar but there is a technical difference between the two concepts, they maintained that not all interest free banking are Islamic banking but all Islamic banking are interest free. Islamic banking is a relatively new system compared to the conventional banking (commercial banking) that has been in existence since the twelfth century Al-Jarhi (2017). Islamic banking has its roots in Egypt in 1963 where the Mit Ghamre savings incorporated Islamic ideals in issuing out interest free loans to its members either directly or in partnership (Ilieva, Restovska & Kozuharov, 2017; Al-Jarhi, 2017; Egboro, 2014; Echekeba & Ezu, 2013; Abdullahi, 2016; Mahammed, 2017). Since then Islamic banking has continued to grow, spreading to the Middle East and Southeast Asian countries in the interim and subsequently to many countries around the world (Abdullahi, 2010; Bebeji et al., 2020). According to Jaiz bank (2022), interest free banking is practiced globally with over 70 countries involved including countries like the United Kingdom, United States of America, Canada, United Arab Emirates, Malaysia, China, Singapore, South Africa, Kenya etc. Another reason for the growth of Islamic banking is the high rate of population growth in Muslim countries (Obetta, 2018). Islamic finance is based on a simple rule of avoiding trading present for the future (Al-Jarhi, 2017). The system is hinged on the tenets of Islamic jurisprudence whose main ideal is the abolition of exploitation of others through the use of 'Riba' (interest rate) (Adekoya,

2022; Bebeji et al., 2020; Al-Jarhi, 2017; Ibrahim et al., Undated; Abdu, Jibir, Abdullahi & Rabi, 2018; Hakim and Razak, 2017, CBN, 2012, Ofurum, 2008). Islamic banking strictly forbids usury in business dealings because it believes that 'riba' is used to exploit businessmen in need of finances to start or expand their businesses (Al-Jarhi, 2017; Abdu et al., 2018; Egboro, 2014; Echekeba & Ezu, 2013; Islam, 2015). Charging of interest is against a common believe in Islam that "God has permitted trade, but forbids Riba" (Echekeba and Ezu, 2013), Riba or interest rate according to CBN (2012) is disallowed entirely in Islamic banking, money in Islam is not regarded as an asset and as such it is unethical to earn any direct return. Interest rate can lead to exploitation in the economy (CBN, 2012) it also makes money to be idle which in turn encourages laziness, promotes hoarding, aggravate inflation and may lead to eventual famine and scarcity of essential commodities in any given society (Ajani, Odowu & Olatubosun, 2013).

In attempt to provide alternative to charging interest, Islamic banks came up with Islamic instruments among which include Mudarabah', 'Musharakah', 'Mudabaha', 'Ijarah', 'Takaful' 'Wadiah' etc to promote businesses that will take care of the interest of all at the same time as against the interest of just a few enshrined in the principles of conventional banks. In particular, the 'Mudarabah' is based on a Profit and Lost Sharing (PLS) principle where depositors deposit their monies with the interest free banks after a mutual understanding and the banks in turn issue out facilities that are interest free on the basis of PLS to prospective business persons (Ibrahim et al, Undated; Ofurum, 2008; Islam, 2015). According to Al-Jarhi (2017) risk sharing is a basic feature of the Islamic financial system where households provide their funds to the financial intermediaries on a PLS basis and in turn the intermediaries supply funds to their users partly on PLS and partly on sale-finance basis. When the businesses succeed in making profit, the entrepreneurs and the banks share the profit and then the banks and the depositors share the profit. The vice versa occurs when losses are encountered (Ebor, 2014; Ajaghe & Brimah, 2013; Mohammed, 2017). According to Gbolagade et al. (2018), the PLS is based on the belief that providers of capital and the users of capital should equally share the risk of business ventures (Akintan, Dabiri & Sanyaolu, 2018). According to Abdullahi (2010) Islamic banking has come to stay in Nigeria, although with accompanying issues that bothers on religious sentiments and mutual suspicion since Nigeria is a secular state. So far Jaiz bank which is the first Islamic bank is

growing in leaps and bounds, having customers from people of different religion. Other Islamic banks in Nigeria include Taj bank, Lotus Bank and Alternative bank Ltd which is a subsidiary of Sterling bank Plc.

The role that Small and Medium Enterprises (SMEs) play in economic growth and development cannot be overemphasised, many developed countries today rode on the back of SMEs to get to the point they are today. SMEs remain critical to the development of any nation's economy as they are an excellent source of employment generation (Adisa et al. 2014). Despite their importance to economic growth of many nations, the SMEs have over the years faced the challenge of external financing. The external source of financing for SMEs is mostly from the financial institutions, they rely on conventional financial institutions for fund raising, undertaking of productive investments, business expansion and the acquisition of latest technology that ensures their competitiveness (Adekola, Lekan & Braide, 2018). Conventional banks however are not always ready to provide loan facilities to SMEs because of reasons like high risk, lack of collateral, poor book keeping etc on the part of SMEs, when they do give out loans to SMEs however, it is at a neck cutting interest rate (Rupeika-Apoga, 2014). There exist evidence of the increasing acceptability of Islamic financing among Muslim and non Muslim countries (Bananuka et al., 2019) and that in as much as borrowers abide by the tenets of Islam by not engaging in 'Haram' activities, Islamic finance does not discriminate based on religion (Echekoba & Ezu, 2013) therefore it could be an alternative to conventional financing that can be used to encourage the growth and development of SMEs in Nigeria.

The study has the main objective of empirically analysing the impact of interest free banking on the growth of SMEs in Nigeria using Jos metropolis as a case study in order to close the gap in the area of Islamic financing of SMEs in Nigeria. The specific objectives of the study are to ascertain the awareness of interest free banking amongst SMEs within Jos Metropolis, to determine the willingness of SMEs to patronise interest free banks if they meet the right conditions, to assess the level of satisfaction among SMEs who have patronised interest free banks and to recommend on how interest free banks can improve its services and attract more customers amongst SMEs in Nigeria. The research work is divided into five sections. Section one is the Introduction, section two is the Literature Review, section three is the Materials and Methods, section

four is the Data Analysis and Interpretation and section five is the Conclusion and Recommendations.

LITERATURE REVIEW

Islamic financing believes in giving equal opportunity to entrepreneurs to promote their businesses, It is built on the principles of Islamic law which prohibits the charging of interest rate so as to discourage exploitation of businesses and welfare of others especially those with business ideas but without sufficient funds to execute their ideas. It is gradually becoming popular that even countries that are traditionally non-Islamic are keying into it. The growth of Islamic banking across the globe is as a result of economic growth in many Islamic countries fuelled primarily by oil wealth which created a growth in middle-wealth segment and hence made banking a necessary service to larger segment of the population rather than a service for a few as had to be the case some 10 to 15 years earlier Echekoba & Ezu, (2013). According to Mutallab (2004) as cited in Oluyombo (2005), Akintan et al. (2018), Adekoya (2022) and Abdullahi (2016) interest free banking is now a growing phenomenon all over the world. It is emerging as a rapidly growing financial services industry worldwide, obviously as an answer to the crippling effects of the predominantly interest based financial industry of today. Islamic banking and finance according to the World Bank (2015), Adekoya (2022), Bebeji et al. (2020) has shown remarkable global success in terms of growth expansion and institutional and product diversification. Over the past five years, the Islamic banking and finance had grown by a compound annual growth rate of about 17%, reaching more than \$1.87 trillion in total assets by the first half of 2014. Islamic banking and finance industry is backed by almost 400 Islamic financial institutions operating in more than 70 countries including countries outside the Organisation of Islamic Cooperation (IOC). A research conducted by Acher and Ahmed (2003) cited in Oluyombo (2005) reveals that more than 200 Islamic financial institutions in over 45 countries practice some form of profit sharing finance and the industry is growing at the rate of between 12 and 15 % annually. Similarly, the Economist (2014) cited in Abdullahi (2016) maintained that more than 105 countries operate Islamic banking with a global market size of more than \$2 trillion of assets, with a growth rate of 17-20% per annum. Similarly, according to Ibrahim et al. (Undated) within a span of five decades, interest free banking is successfully developing into a viable alternative banking framework over the world. According to Echekoba & Ezu (2013) the Islamic banking industry

manages approximately \$180 billion growing at approximately 15% per annum. Based on forecasting, it is maintained that the asset worth of Islamic banking will be around \$4 trillion in the year 2020 (Ibrahim et al., Undated).

Islamic banking revolution has seen the acceptance of the system by conventional banks in many countries through the financial windows (Abdulahi et al, 2021: Ibrahim et al., Undated) where commercial banks offer services that are in line with Islamic principles to accommodate those that may not want to patronise commercial banks for religious reasons Jaiz Bank (2022). In Nigeria the defunct Keystone bank adopted interest free window (Ibrahim et al., Undated) in its operations while Stanbic IBTC in Nigeria currently operates interest free window (CBN, 2012). Among other banks that operate Islamic windows around the world include Citi Bank of USA, JP Morgan, Goldam Sach of USA, Hongkong and Shanghai banking corporation, Union bank of Switzerland, Girozentale of Australia, Societe general of France (Ibrahim et al., ND, Jaiz Bank, 2022). Indications abound that the United Kingdom, Germany, France, Ireland and Luxemburg have started amending their tax laws to accommodate Islamic financial arrangement while growth potentials exist in eastern European countries like Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Russia (Abdullahi, 2016; World Bank, 2015).

The basic elements of Islamic finance or banking are primarily four: risk sharing, materiality, no exploitation and no financing for sinful activities (Abdullahi, 2016), Islamic banking must not charge interest, conform to Shariah principles and promote Islamic ideals. Islamic financing also forbids other activities apart from charging of interest, these activities include Alcohol, pork business, gambling, pornography, gossip columns in the media etc (Llieva et al., 2017; Egboro, 2014; Abdullahi, 2016). The then Habib bank was the first to introduce the concept of Non-interest banking after it was approved by the CBN in 1998, the main purpose was to encouraged entrepreneurs who were profit –oriented and profit motivated rather than interest oriented as is the practice in conventional banks (Oforum, 2008). An attempt to register an interest free bank in Nigeria was made before 2004 but was not successful because of the financial sector reform, however, the process pulled through in 2011 when Jaiz bank was registered by the CBN under the Nigerian bank regulations act (Ibrahim et al., Undated). Today, Jaiz bank is growing its

operations in major commercial cities in Nigeria, it started with three branches in Abuja, Kaduna and Kano (Vrajlal, 2015), as at 2020 it has one branch within the Jos metropolis.

Apart from its PLS concept interest free banking also encourage fair distribution of resources through the encouragement of Zakat which is a form of alms giving to the poor and needy in order to reduce poverty (Abdullahi, 2019) and the Awquaf which is a form of trust contributed by influential people and managed by the bank for the educational and health interest of the masses (Al-Jarhi, 2017). The World Bank shows that access to finance improves performance; it not only facilitates market entry, growth of companies and risk reduction, but also promotes innovation and entrepreneurial activities (Dalberg, 2011, World Bank, 2015). According to John-Akamelu & Muogbo (2018) for SMEs to perform their role in the economy, they need adequate funds in terms of short and long term loans, it is pertinent to note that financing strength is the main determinant of SMEs growth in developing countries. About 55-68% of SMEs in developing countries are either financially underserved or not served at all, resulting in lost opportunities to develop their SMEs. According to the Small and Medium Enterprises Development Agency (SMEDAN), (2013) cited in Gumel (2017) small businesses employ 80% of the Nigerian workforce. SMEs constitute about 90% of total business units in Ghana and account for 60% of Ghana's employed force (KDI, 2008 cited in Ackah & Vuvor, 2011) and globally, SMEs contribute 43.5% total employment and are responsible for 57.8% of total new jobs created (Ayygan, Demirguc-Kunt & Maksimovic, 2010 cited in World Bank, 2015) The Organisation of Economic Cooperation and development (OECD) reports that more than 95% of enterprises in the OECD area are SMEs and that they account for almost 60% of private sector employment, make a large contribution to innovate and support regional development and social cohesion.

The term "Islamic banking" refers to a system of banking or banking activities that is consistent with Islamic law and guided by Islamic economics (Egboro, 2014). The term SMEs encompasses a broad spectrum of definition. Different organisations and countries set their own guidelines for defining SMEs often based on headcount, sales or asset (Dalberg, 2011). SMEs are seen in different ways by different countries, however there are two major criteria that guide the definition of SMEs in most countries, these are based on the number of employees in an

enterprise and/or the enterprises fixed assets (Ackah & Vuvor, 2011) while some base it on annual turnover (Bazza et al., 2014). The definition of SMEs in Nigeria follows that which is set by the CBN (2003) cited in Bazza et al. (2014) where it maintained that micro enterprises are categorised as industries with a labour size of not more than 10 workers or total cost of not more than ₦ 1.5 million including working capital but excluding cost of land. It viewed small scale industry as an industry with a labour size of 11-100 workers or a total cost of not more than ₦50 million including working capital but excluding cost of land, medium scale industry was considered as an industry with a labour size between 101-300 workers or a total cost of over ₦ 5 million but not more than ₦ 200 million including working capital but excluding cost of land. The World Bank defines SMEs as those enterprises with a maximum of 300 employees, \$15 million in annual revenue and \$15 million in assets (Dalberg, 2011).

According to Yussuf (2017) SMEs in Kenya are now scrambling for Islamic banking facilities because of their mildness of conditions than that of commercial banks, Islamic banks have played a major role in the growth of SMEs in Kenya where they have continually shape their growth. Yussuf further added that when practiced properly, Islamic banking can encourage SMEs that are engage in business activities that are not forbidden Islamically. Loans can be drawn from these interest free institutions to finance businesses for both Muslim and non Muslims (Abdullahi, Usman & Lawal, 2021). In a research conducted by Hove, Sibanda & Pooe (2014) they found out that Islamic banking had a positive and significant impact on both entrepreneurship and firm competitiveness in South Africa. They maintained that through Islamic banking SMEs were able to access interest free credit through customer relationship management and profiling. Using the survey method Ellahi, Bukhari & Naeem (2010) seek to find the role of Islamic models of financing in SMEs growth and expansion, the study found that 40% of clients use Islamic instruments because of lack of elements of riba, 40% prefer it because funds are not available through conventional sources while remaining 20% attribute it to other reasons like PLS. Their findings also showed that 40% of the SMEs use Islamic modes for imports-export financing, raw materials financing while the rest of the financing is done by using conventional modes of financing. Adekola et al. (2015) carried out a comparative analysis using data from Usury and 'Mudarabah' with result showing that SMEs are exploited due to high interest rate charged

by commercial banks. The results further showed the inhibition of growth and development enterprises and worsen debt burden under usury. Similarly, using the Net Present Value (NPV) technique to compare conventional banks interest rate and the Islamic banks 'Mudarabah' instrument Gbolagade et al. (2008) found that conventional banks exploit SMEs by overcharging them while the 'Mudarabah' leaves the SMEs with net balance that can be utilise by them for the growth of their enterprises. (Hove et al., 2014), using the survey method and a sample of 150 SMEs in South Africa found that the availability of Islamic zero interest loans as a source of start-up capital to SMEs motivates the SMEs owners to achieve independence, become their own bosses as it were. Findings also reveal that SMEs that patronise interest free banks have competitive edge over their rivals using interest bearing loans as source of start up capital.

MATERIALS AND METHODS

Method of data Collection, Instrument and Procedure

The study adopts the survey method of data collection where a well structured questionnaire was used as an instrument for data collection. The survey method is ideal for this research because of the absence of data in the area of SME and interest free banks in Nigeria. The questionnaire was divided into four sections where the first section was the bio data of respondents, the second section collected information about the awareness and functions of interest free banks, the third section was on the level of patronage of interest free banks by SMEs, the last section has to do with the level of satisfaction obtained by SMEs that patronise the interest free banks. The research area was clustered because according to Singh and Masuku (2014), the cluster sampling method is generally used when the researcher cannot get a complete list of the units of a population they wish to study but can get a complete list of groups or 'cluster' of a population. The research area is therefore clustered into five parts, A, B, C, D and E. Cluster A consist of the Central Business Area (Terminus area), cluster B consist of Tudun Wada-Hwolshe-Janta-Rukuba Road Area, cluster C consist of Rayfield-Dadin Kowa-Abattoir-Angwan Rukuba-Lamingo area, cluster D consist of Gangare-Nasarawa Gwom-Bauchi Road-Angwan Rimi area and cluster C is the Bukuru area. The questionnaire was administered by identified research assistants living in each of the clustered areas. The respondents were randomly selected within the cluster areas where they were met in their business premises, offices or any place of their choice. The Statistical Package for Social Sciences (SPSS) was used for the analysis.

Sampling Technique and Population Sample

Determining the sample size is also very important, the use of inferential statistics enables the use of sample in order to make conclusion about the entire population. The use of Cochran (1963) cited in Israel (2003) was adopted. The formula is given as

$$n_0 = \frac{Z^2 Pq}{e^2}$$

Where n_0 is the sample size

z^2 is the abscissa of the normal curve that sets off an area α at the tails, $(1-\alpha)$ equals the desired confidence level, e.g. 95%

e is the desired level of precision

p is the estimated proportion of an attribute that is present in the population and q is $1-p$.

Given the table value of the abscissa of the normal curve, the confidence level of 95%, the estimated proportion of 5% and the desired level of precision of $\pm 10\%$,

$z=1.96$, $p=0.5$, $q=0.5$ and $e=0.1$

The $n_0 = 96.4$ approximately 96 respondents were determined.

The duration of the study is between November 2019 and February 2020. A total of 96 questionnaires were administered and 82 were returned which is 87.5% and 12 were not returned which is 12.5%. Two questionnaires were discarded after sorting as they were inappropriately filled.

Method of data analysis and research design

Given that the questionnaire combines the multiple choice and the Likert scale forms, the method of data analysis employed the use of cross tabulations tables and percentage for the multiple choice aspect of the questionnaire while the use of percentage and cumulative percentage was used for the Likert scale aspect of the questionnaire.

Data presentation and analysis

Data presentation

The bio data of response is presented in the table below

Table 1: Respondents Bio data

Bio data information	Frequency	(%)
Number of years in operation		
a. 1-5 years	12	14.6
b. 6-10 years	31	37.8
c. 11-15 years	23	28.0
d. 16-20 years	11	13.4
e. 21 and above	5	6.1
Total		100
Position in the business organisation		
a. Chief Executive officer	21	25.6
b. Managing Director	32	39.0
c. General Manger	21	25.6
d. Human resource manager	8	9.8
Total		100
Gender		
a. Male	57	69.5
b. Female	25	30.5
Total		100
Level of educational qualification		
a. Non formal	14	17.1
b. Diploma	22	26.8
c. Higher diploma	17	20.7
d. Bachelors degree	19	23.2
e. Masters	1	1.2
f. Others	9	11.0
Total		100
Category of business		
a. Retail trading	36	43.9
b. Export/Import	5	6.1
c. Manufacturing	12	14.6
d. Services	24	29.3
e. Farming	5	6.1
Total		100
Form of ownership		
a. Sole proprietorship	45	54.9
b. Partnership	13	15.9
c. Private limited liability	15	18.3
d. Family owned business	9	11.0
Total		100

Number of employees in the firm/organisation		
a. 1-10	65	79.3
b. 11-100	12	14.6
c. 101-300	5	6.1
Total		100
Average monthly turnover		
a. < 1.5 million Naira	62	75.6
b. > 1.5 but < 50 Million Naira	16	19.5
c. >50 million but < 200 Million	4	4.9
Total		100

Source: Author's Computation using SPSS

Test of Hypotheses

The following hypotheses are set and tested using percentage and tables in order to arrive at a conclusion. The hypotheses are

Hypothesis I

H_0 = SMEs in Jos metropolis do not significantly patronise interest free banks

Hypothesis II

H_0 = Interest free banks have not significantly contributed to the growth of SMEs within Jos metropolis

Hypothesis III

H_0 = SMEs are unwilling to patronise interest free banks in order to access interest free loans.

Inferential statistics results

General analysis

Here a general analysis for the entire 82 valid questionnaires is done. Cross tabulation of the variables that are in line with the hypothesis are presented below:

Table 2: Cross Tabulation 1

	Are you aware of the existence of any interest free bank anywhere in Nigeria		Total
	Yes	No	
Are you Aware of the concept of interest free/Islamic banking	30	32	62
Total	0	20	20
	30	52	82

Source: Author’s computation using SPSS

From table 2 above 30 respondents are aware of the concept of interest free banking and are aware of the existence of interest free bank in Nigeria; while 32 are aware of the concept but not aware of the existence of an interest free bank in Nigeria bring it to a total of 62. On the other hand 20 respondents are neither aware of the concept nor the existence of interest free banking anywhere in Nigeria.

Table 3: Cross Tabulation 2

	Have you patronised any interest free bank or commercial bank offering interest free window before		Total
	Yes	No	
Are you Aware of the concept of interest free/Islamic banking	10	52	62
Total	0	20	20
	10	72	82

Source: Author’s Computation using SPSS

From table 3 above, 10 respondents are aware of the concept of interest free bank and have patronised interest free bank or commercial bank offering interest free window while 52 are aware of the concept of interest free window but have not patronised any interest free bank or commercial bank offering interest free window, bringing it to a total of 62. On the other hand only 20 respondents do not know the concept of interest free banking and have not patronised any commercial bank operating an interest free window.

Table 4: Cross Tabulation 3

	Will you be willing to obtain an interest free loan or other facilities to expand your business		Total
	Yes	No	
Have you patronised any interest free bank or commercial bank offering interest free window before	10	0	10
Yes	55	17	72
No	65	17	82
Total			

Source: Author's computation using SPSS

From table 4 above, 10 respondent have patronised interest free banks but will be unwilling to collect a loan from the bank while 55 respondents are willing to collect a loan from the interest free bank if they met the requirement while 17 have responded by saying they will not be interested in collecting a loan from an interest free bank.

Table 5: Cross tabulation 4

Category of Business	Will you be willing to obtain an interest free loan or other facilities to expand your business		Total
	Yes	No	
Retail Trading	36	0	36
Export/Import	5	0	5
Manufacturing	12	0	12
Services	12	12	24
Farming	0	5	5
Total	65	17	82

Source: Author's computation using SPSS

From table 5 above, 36 SMEs that are into retail trading are willing to obtain loan from interest free bank, 5 that are into Export/Import are willing to obtain loan, 12 that are into Manufacturing are willing to obtain loan, 12 that are into service provision are willing to collect while 12 are not willing making a total of 24, none of the SMEs are into farming is willing to obtain loan facility from an interest free bank.

Table 6: Cross tabulation 5

		Will you be willing to obtain an interest free loan or other facilities to expand your business		Total
		Yes	No	
Form of Ownership	Sole Proprietorship	45	0	45
	Partnership	13	0	13
	Private Limited Liability	7	8	15
	Family Owned Business	0	9	9
Total		65	17	82

Source: Author’s computation using SPSS

From table 6 above, 45 respondents who are sole proprietors are willing to obtain loan from interest free bank, 13 respondents who are into partnership are willing to obtain loan from interest free banks, 7 respondents who are in private limited liability companies are willing while 8 are unwilling bringing it to a total of 15, no respondent within the category of family owned business is willing to obtain loan from interest free banks.

Sectional analysis

Analysis in this section is for only those who had an encounter with the interest free bank or commercial banks offering interest free window. This category of respondents is only 16.

The analysis is done in a tabular form showing the frequencies, valid percentage and cumulative percentage. The values are presented in the tables below

Table 7: Which service do you engage in that is offered by the interest free bank

	Frequency	Valid Percent	Cumulative Percent
Owning an account	9	56.3	56.3
Safe Keeping of valuables	3	18.8	75.0
ATM Services	2	12.5	87.5
Bank Overdraft	1	6.3	93.8
Other Banking services	1	6.3	100.0
Total	16	100.0	

Source: Author's computation using SPSS

From table 7 above, 9 respondents representing 56.3% own bank account, 3 representing 18.8% engage in safe keeping of valuables, 2 representing 12.5% are engage in ATM services and 1 representing 6.3% each engage in bank overdraft and other banking services respectively.

Table 8: Interest free banking has facilitated the growth of my business market share

	Frequency	Valid Percent	Cumulative Percent
Strongly Disagreed	6	37.5	37.5
Agree	7	43.8	81.3
Strongly Agree	3	18.8	100.0
Total	16	100.0	

Source: Author's computation using SPSS

From table 8 above, 6 respondents representing 37.5% strongly disagreed that interest free banks have contributed to the growth of their businesses, 7 representing 43.8% agree that interest free banks have contributed to the growth of their businesses and 3 representing 18.8 % strongly agree.

Table 9: Interest free bank has shared profit with me at the end of financial year

	Frequency	Valid Percent	Cumulative Percent
Strongly Disagreed	10	62.5	62.5
Disagreed	3	18.8	81.3
Agree	2	12.5	93.8
Strongly Agree	1	6.3	100.0
Total	16	100.0	

Source: Author's computation using SPSS

From table 9 above, 10 respondents representing 62.5% strongly disagreed, 3 representing 18.8% disagreed, 2 representing 12.5% agreed and 1 representing 6.3% strongly agreed.

DISCUSSION OF FINDINGS

From the result analysis SMEs have shown significant interest in patronising the interest free banks if given the opportunity. The result shows that 75.6% are aware of the concept while 24.4% are not aware. Similarly 36.6% are aware of the existence of interest free bank in Nigeria while 63.4% are not aware of the location of interest free banks in Nigeria. Despite the high knowledge of the concept of interest free bank in Nigeria, data shows a low patronage of the bank by SMEs. Only 12.2% SMEs have patronised interest free banks in Nigeria while 87.8% have not patronise interest free banks in any way. In terms of patronage and willingness to obtain loan from the interest free banks SMEs have shown significant interest towards patronising interest free loans from interest free banks responses show that 79.3% have indicated that they will go for a loan facility if given the opportunity while only 20.7% maintain lack of interest in getting interest free loan from interest free banks.

The result also shows that respondents do not agree with one of the major principle of interest free banking, that is the profit sharing principle, this is because out of the 16 respondents with encounter with interest free banks 5 representing 31.3% said they have benefitted from shared profit while 11 representing 68.8% said they did not benefitted from shared interest with the interest free banks. Also, from the result analysis there is some level of satisfaction gained from interest free banks compared to the commercial banks by respondents as 18.8 % are very satisfied with the interest free banks, 56.3% are satisfied with the interest free banks and 25.0% showed no difference compared to the services

rendered by the conventional banks. On the development of SMEs within Jos metropolis, 37.5% strongly disagreed that interest free banks have contributed to the growth of their enterprises while 43.8% of the respondents agree that interest free banks have led to the growth of their enterprises, 18.8% strongly disagree that interest free banks have not led to the growth of their enterprises. On profit sharing at the end of financial year, 62.5% strongly disagreed that interest free banks share profit with them at the end of financial year, 18.8% disagree, 12.5% agree while 6.3% strongly agreed.

CONCLUSION AND RECOMMENDATIONS

In conclusion, we do not reject the first null hypothesis as results have indicated that despite the high knowledge of the existence of interest free bank and commercial banks offering interest free window, most SMEs do not patronise the interest free banks. Similarly, on the role of interest free banks in the growth of SMEs within Jos metropolis we do not reject the second null hypothesis as result showed that interest free banks have not significantly contributed to the growth of SMEs. We reject the third null hypothesis and conclude that SMEs within Jos metropolis are willing to patronise the interest free banks in order to access interest free loans to expand their enterprises.

The recommendations that this study is making include

1. Increase awareness on the workings and principles of interest free banks by the interest free banks among the generality of the public in general and the SMEs in particular so that interested SME and members of the public can easily approach the interest free banks without fear or doubt of being turn down due to short comings. These awareness can be organise in the form of advertisement in the media, interactive programmes on radio and television and promotion of the genuine principles of interest free bank in both the convention and social media.
2. Interest free banks should adopt or improve on the principle of profit and loss sharing (PLS) so that SMEs that are patronising them can work harder to gain profit which can be shared at the end of the business deal, this will encourage a lot of patronage from SMEs and will encourage businesses to plan and strategise towards making profit without loss.
3. Interest free banks should step up on their welfare effort of 'Sadakah' and 'Awquaf' that will be beneficial especially towards

the poor so as make the bank more popular even when this effort should not discriminate on religious basis.

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