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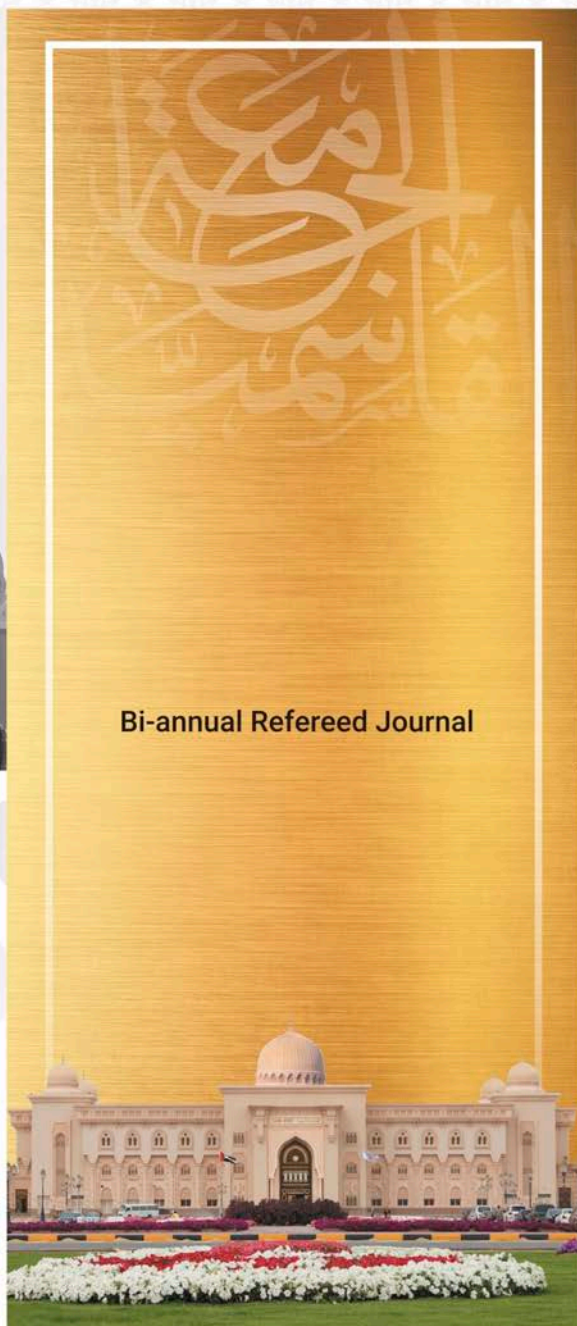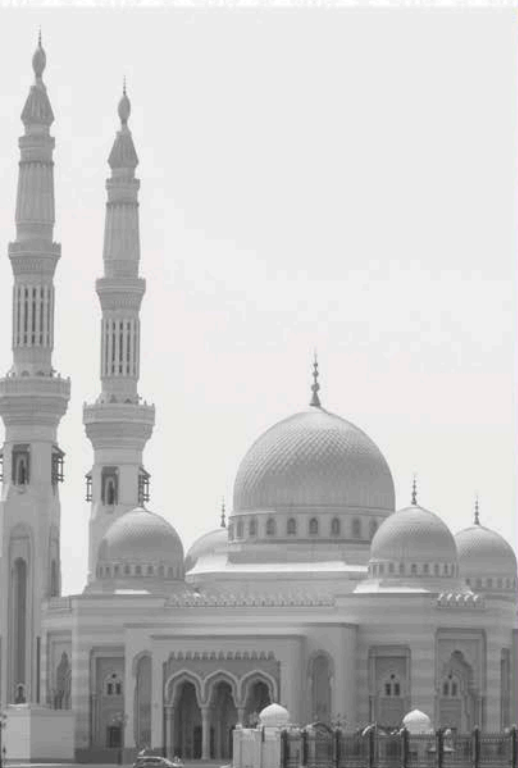
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دور الوعي والإدراك بالخدمات المصرفية الإسلامية في الشمول المالي في نيجيريا: دليل تجريبي

THE ROLE OF AWARENESS AND PERCEPTION OF ISLAMIC BANKING ON FINANCIAL INCLUSION IN NIGERIA: AN EMPIRICAL EVIDENCE[1]

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الملخص

في السنوات الأخيرة، شهدت نيجيريا تحولات كبيرة في قطاعها المالي، لا سيما مع إدخال الخدمات المصرفية الإسلامية. ويُنظر إلى هذا التحول نحو منصات مالية أكثر شمولاً على أنه أمر ضروري لزيادة المشاركة الاقتصادية والحد من الفقر. يتناول هذا البحث كيفية تأثير الوعي بالخدمات المصرفية الإسلامية وإدراكها على الشمول المالي في نيجيريا. باستخدام تصميم بحث استكشافي، والاعتماد على أساليب العينات الهادفة والعنقودية، جُمعت بيانات الدراسة من خلال الاستبيانات. استخدم التحليل نموذج تحليل المسار لاستكشاف العلاقات بين متغيرات الدراسة، وذلك بالاعتماد على طريقة المعادلات الهيكلية للمربعات الصغرى الجزئية (PLS–SEM) عبر برنامج SmartPLS الإصدار الرابع. تُظهر النتائج أن كلاً من الوعي (0.355=β، 0.00>p) والإدراك (0.476=β، 0.00>p) للخدمات المصرفية الإسلامية يرتبطان ارتباطًا وثيقًا بالشمول المالي. وبناءً على هذه الرؤى، تقترح الدراسة عدة استراتيجيات لتحسين الشمول المالي، بما في ذلك تعزيز الوعي العام بالخدمات المصرفية الإسلامية، وتقوية الأطر التنظيمية، وتعزيز الثقافة المالية، وتشجيع الشراكات لتعزيز الشمول المالي، والاستثمار في البحث والتطوير لمنتجات مالية مبتكرة.

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Abstract

In recent years, Nigeria has seen significant transformations in its financial sector, notably with the introduction of Islamic banking. This shift towards more inclusive financial platforms is seen as essential for increasing economic participation and reducing poverty. This research delves into how awareness and perception of Islamic banking influence financial inclusion in Nigeria. Utilizing an exploratory research design and purposive and cluster sampling methods, the study gathered data through questionnaires. The analysis, conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS software version 4, applied Path Modeling to explore the

relationships among the study variables. Findings demonstrate that both awareness (β=0.355, p<0.00) and perception (β=0.476, p<0.00) of Islamic banking are significantly associated with financial inclusion. Based on these insights, the study suggests several strategies to improve financial inclusion, enhancing public awareness about Islamic banking, strengthening regulatory frameworks, promoting financial literacy, encouraging partnerships to drive inclusion, and investing in research and development for innovative financial products.

الكلمات الدالة: الوعي، الإدراك، التمويل الإسلامي، الشمول المالي، نيجيريا.

Keywords: Awareness, Perception, Islamic Finance, Financial Inclusion, Nigeria.

1.0 Introduction

The financial sector in Nigeria has undergone significant transformations over the past few decades, with Islamic banking emerging as a noteworthy development. This shift towards more inclusive financial systems is seen as a pivotal strategy for enhancing economic participation and reducing poverty levels. Islamic banking, known for its prohibition of interest (Riba) and its ethical investment principles, offers an alternative model to conventional banking, potentially appealing to Nigeria's substantial Muslim population and ethical-minded non-Muslims alike. The role of awareness and perception of Islamic banking in this context is crucial, as these factors significantly influence the adoption and utilization of financial services, thereby affecting financial inclusion (Amin, Rahman, Sondoh, & Hwa, 2011).

Nigeria, with its diverse socio-economic landscape and considerable unbanked population, presents a unique environment for studying the impact of Islamic banking on financial inclusion. Despite the introduction of Islamic banking services, such as those offered by Jaiz Bank PLC, the first to operate under Islamic banking principles in Nigeria significant portions of the population remain financially

excluded. This exclusion can be attributed to various factors, including limited awareness of Islamic banking principles and services, perceptions of Islamic banking, and the availability of these services (Abubakar & Handika, 2020).

Understanding the awareness level and perception of Islamic banking among Nigerians is critical for several reasons. First, it helps identify the gaps in knowledge that may hinder the adoption of Islamic banking services. Second, it sheds light on the societal attitudes towards Islamic finance principles, which can influence the demand for such services. Furthermore, enhancing the awareness and improving perceptions of Islamic banking can play a significant role in encouraging financial inclusion, particularly among those who are currently underserved or excluded from the conventional banking system due to religious beliefs, ethical considerations, or a lack of trust in conventional financial institutions (Khan, Hassan, & Shahid, 2008).

Moreover, the regulatory environment and the framework within which Islamic banking operates in Nigeria also affect the perception and awareness of Islamic banking. The Central Bank of Nigeria (CBN) has made efforts to create a conducive regulatory environment for Islamic banking to flourish. However, the effectiveness of these regulations in promoting understanding and acceptance of Islamic banking is an area that requires further exploration (Central Bank of Nigeria, 2013).

The study on "The Role of Awareness and Perception of Islamic Banking on Financial Inclusion in Nigeria" is not only timely but also essential for understanding the barriers to and opportunities for enhancing financial inclusion through Islamic banking. By examining how awareness and perception impact the adoption of Islamic banking, stakeholders can develop targeted strategies to increase the uptake of Islamic financial services, ultimately contributing to the financial inclusion agenda in Nigeria.

2.0 Literature Review

Bashir and Sulaiman (2023) investigate the influence of individual perceptions on the use of Islamic finance products and their role in promoting financial inclusion in Nigeria. Employing a quantitative methods approach and statistical analysis through STATA, the

research finds that individual perceptions significantly affect the adoption of Islamic finance products. However, perceived government benefits linked to these products negatively impact their usage. Surprisingly, the study also reveals that Islamic finance products do not significantly contribute to financial inclusion in the country. These findings suggest the need for targeted awareness campaigns to improve perceptions of Islamic finance and a reassessment of government incentives. Furthermore, for Islamic finance to effectively aid financial inclusion, a deeper understanding of the barriers to its use and how these products can be tailored to meet the needs of the broader population is essential.

Abdulhameed, Muhammad, Badamasi, Olufadi and Sulaiman (2023) focused on evaluating the impact of Qardul-Hasan, specifically through a case study of Akhuwat in Pakistan, on advancing financial inclusion. Utilizing a survey research design, the study gathered primary data through structured questionnaires. A purposive and clustered sampling approach was adopted, targeting a sample size of 380, from which 300 completed questionnaires were retrieved, marking a return rate of approximately 78%. The analysis employed both descriptive statistics (mean, standard deviation, and range) and inferential statistics, leveraging the Structural Equation Model (SEM) for deeper insights. The findings revealed that Akhuwat's Qardul-Hasan initiatives play a crucial role in fostering financial inclusion among its beneficiaries in Pakistan. Based on these results, the study advocates for the Pakistani government to direct its efforts towards integrating Government-to-Person (G2P) social cash transfers directly into the formal accounts of marginalized populations, including the poor, youth, women, and the elderly. This strategy is recommended as a means to motivate a broader segment of these vulnerable groups to engage with the formal financial sector by opening formal accounts, which in turn could leverage G2P benefits. Such a move is expected to significantly elevate financial inclusion rates among these critical groups, enhancing their access to financial services and support.

Bashir and Sulaiman (2023) examine the Individual attributes as determinants of financial inclusion and role of Islamic finance in Nigeria, the study utilized a quantitative research method, incorporating both primary sources of data. Through statistical

analysis conducted with STATA, it investigated the factors influencing financial inclusion. The findings indicated a positive correlation between Islamic finance and financial inclusion, as evidenced by both qualitative and quantitative evaluations. The research identified key determinants of financial inclusion, including gender, age, income, and education level, and how they impact an individual's access to financial services. Specifically, it was found that older individuals, males, and those with higher incomes and education levels are more likely to be financially included. However, when examining the usage of Islamic finance products (IFPs), the study noted a divergence regarding educational attainment; higher education levels were associated with a decreased likelihood of using IFPs, contrary to the other factors which maintained their influence. This observation aligns with the study's theoretical framework.

Jibril, Hamid, Muhammad, & Rabi'u, (2021) provides a comprehensive examination of existing empirical research concerning the awareness and perception of Islamic banking products and services. By meticulously reviewing and synthesizing previous research focused on customers' understanding and viewpoints regarding Islamic banking, this analysis sheds light on the pivotal role that public awareness and positive perception play in the growth and development of the Islamic banking and finance sector. The findings from this extensive review indicate that a robust awareness and favorable perception of Islamic banking products and services among the general public are indispensable for the sector's expansion. Notably, the study underscores the strides that have been made in both Muslim-majority and non-Muslim countries, highlighting the sector's potential to challenge and possibly surpass conventional banking practices in certain regions in the foreseeable future.

Given these insights, the study strongly advises that both practitioners and regulatory bodies within the Islamic banking sector give paramount importance to improving public awareness and shaping positive perceptions. This strategic focus is essential for increasing the use of Islamic banking products and services, thereby enabling Islamic banks to stand as formidable competitors against the traditional banking system that has long been dominant. In conclusion, the study posits that through targeted efforts to educate the public and

dispel misconceptions about Islamic banking, the sector can achieve enhanced customer engagement and loyalty. Such initiatives are crucial for Islamic banking institutions to harness their full potential and secure a significant position in the global financial landscape, offering a viable, ethical alternative to conventional banking systems.

Yahaya, Shinkafi and Haji-Othman (2020) explore the problem of financial exclusion, which affects many underprivileged and religiously observant individuals, poses a significant barrier to their financial participation, particularly with conventional financial institutions. This exclusion hampers the potential contributions these groups could make to the economic growth and development of developing nations like Nigeria. Traditional financial intermediaries often view low-income households as too poor and unable to meet the stringent requirements set by commercial banks for financial transactions, thereby limiting their access to financial services. Moreover, a considerable number of these individuals avoid dealing with commercial banks due to the banks' failure to meet their specific needs, whether for religious reasons or because of issues like accessibility and distance, further alienating them from financial inclusion. Through a questionnaire survey and descriptive analysis utilizing SPSS, this study identifies key factors contributing to financial exclusion and demonstrates how Islamic banking can offer a viable alternative. Islamic banking not only provides access to finance but also ensures compliance with Shari'ah law, offering a more inclusive financial environment for these marginalized groups.

Muhammad, Dauda and Mamman (2018) delve into the exploration of perceptions and awareness levels of both Muslim and non-Muslim citizens regarding Islamic banking in Tanzania. It aims to assess their familiarity with Islamic banking products and services and identifies the factors influencing their choice of Islamic banking. Additionally, the research seeks to uncover any prevailing similarities or differences in attitudes between Muslim and non-Muslim citizens towards Islamic banking. Employing the snowball sampling technique, the study gathered data from a balanced sample of 660 participants, evenly split between Muslims and non-Muslims. A chi-square test was applied to determine the existence of significant differences in perceptions towards Islamic banking between the two

groups. The results indicate a notable divergence in perceptions between Muslims and non-Muslims concerning Islamic banking in Tanzania. Moreover, the study reveals a disparity in awareness levels: approximately two-thirds of Muslim respondents were familiar with Islamic banking, in contrast to just one-third of non-Muslim citizens. The primary sources of information about Islamic banking products and services were identified as friends and Islamic banks themselves. Furthermore, the research highlights that Muslim and non-Muslim citizens exhibit distinct factors that either encourage or deter their utilization of Islamic banking services.

Mustafa, Baita and Usman (2018) conducts an impact analysis of Islamic Finance (IF) on economic growth and financial inclusion across nine principal Islamic finance markets: Saudi Arabia, Malaysia, UAE, Kuwait, Qatar, Turkey, Indonesia, Bahrain, and Pakistan. These countries were selected due to the significant role and supportive environment IF has within their economies. The study aims to provide insights for Nigeria on leveraging Islamic Banking and Finance (IBF) to boost financial inclusion and spur economic growth, drawing on the wealth of experiences from these nations. Employing a Simultaneous Equations Model (SEM) with panel data spanning from 2011 to 2014, the findings reveal a positive and significant relationship between IF and economic growth. While IF also shows a positive effect on financial inclusion, the impact is not marked as significant. Based on these outcomes, the study recommends that the governments of the countries examined should further enhance the development of IF to unlock more opportunities for inclusive economic growth. Specifically, it advises the Nigerian government to solidify support for IBF through comprehensive institutional frameworks and consistent political support, enabling Nigeria to tap into the benefits of IBF for economic expansion and improved financial inclusion. These measures are crucial for fostering economic development in developing nations and the nine core markets of Islamic Finance.

Hypothesis Development

In order to achieve the objectives of the study, the following hypotheses are formulated in null form to serve as guide:

H_{01} The awareness of Islamic banking does not significantly influence financial inclusion among Nigerians.

H_{02} The perception of Islamic banking does not significantly influence financial inclusion among Nigerians.

3.0 Methodology

The study embarks on an exploratory investigation to understand the connections between Islamic banking and sustainable development within Nigeria, marking a pioneering effort due to the limited existing research in this area. It specifically addresses the gap in literature concerning the awareness and perception of Islamic banking and its potential impact on financial inclusion in Nigeria. Previous studies by Ringim (2013) and Adam (2015) have focused on perceptions and awareness of Islamic banking respectively, but this study seeks to delve deeper into these aspects.

To gather the necessary data, the research employs purposive sampling across six geopolitical zones of Nigeria, selecting Kaduna, Bauchi, Abuja, Lagos, Rivers, and Anambra to represent each zone. The study's methodology involves the use of questionnaires as the primary data collection tool, distributed and collected with the help of appointed coordinators and research assistants who underwent training to ensure the efficient administration of the questionnaires.

Cluster sampling was utilized to manage the geographically dispersed population effectively, treating each geopolitical zone as a distinct cluster for comprehensive coverage. This sampling strategy was deemed most suitable for the study's aim to capture a wide range of opinions and characteristics across Nigeria.

For the analysis of the collected data, the study adopted Path Modeling within the Structural Equation Modeling (SEM) framework. This approach allows for the visualization and examination of the hypothesized relationships among the study variables, using constructs and measurable indicators to illustrate these relationships and their directional flow. In these models, directional arrows are used to indicate the nature of relationships among constructs and between constructs and their indicators, as delineated by Hair et al. (2012). These single-headed arrows, characteristic of Partial Least Squares Structural Equation Modeling (PLS-SEM), represent the directionality

of the relationships. PLS-SEM is composed of two primary elements: the measurement model, also referred to as the outer model, and the structural model, or inner model. The measurement model describes the association between indicators and their corresponding constructs. In contrast, the structural model examines the interactions among latent variables.

Table 1: Distribution Table of the Respondents

%	Geopolitical Zone	Languages							
		English		Hausa		Yoruba		Igbo	
		Bank	Public	Bank	Public	Bank	Public	Bank	Public
60% 1080	North-West 540 (50%)	86	22	346	86				
	North-East 324 (30%)	91	23	168	42				
	North Central 216 (20%)	86	22	86	22				
40% 722	South-West 432 (60%)	173	43			173	43		
	South-East 116 (16%)	46	12					46	12
	South-South 174 (24%)	70	17					70	17

Source: Developed by the Researchers

Table 1 presents distribution of the respondents across the six-geopolitical zones of Nigeria. It shows that 1802 questionnaire were distributed out of which 1080 or 60percent was in the North where majority are Muslims and the remaining 722 or 40 percent was in the south with majority Christians. In addition to the English version, the questionnaire was translated into three major Nigerian languages vis-à-vis Hausa, Yoruba and Igbo. The respondents were targeted at Islamic banks or in public places like markets.

Response Rate

Table 2 presents information on the response rate for the study. During the conduct of this study, 1,802 questionnaires were distributed to the sampled individuals. Out of this figure, 1,352 questionnaires were duly collected back from the respondents. This represents about 75 percent of the total questionnaires distributed. However, out of the total number of the returned responses, only 1203 questionnaires representing about 67 percent of the total distributed were found to be usable.

Table 2: Response Rate of the Questionnaire Distributed

Questionnaire	Frequency	Rate
Questionnaires distributed	1802	100%
Unreturned questionnaires	345	19%
Returned questionnaires	1352	75%
Unusable Questionnaires	149	8%
Usable Questionnaires	1203	67%

Source: Field survey (2021)

Data Cleaning and Screening

It is important to clean and screen data before conducting any statistical analysis in order to detect any error that may occur in the data collection process. It also helps to detect the presence of outliers in the recording process. This is considered to be a very important step in data analysis, as the distribution of data can influence the outcome of the result.

Missing Data Analysis

Missing data originate as a result of failure of some respondents to fill some entries in the questionnaire administered to them. Missing data of up to 5% is considered tolerable. However, when the proportion of missing data is large, it could affect the validity and reliability of the instrument of enquiry. For instance, missing data of up to 50% may lead to a questionnaire to be deleted as it may affect the result adversely (Sekaran, 2009). In this study, some missing data were recorded, specifically, the geo-political zone of respondents recorded three (3) missing observations, the perception variable had three (3)

missing values, awareness had one (1) and financial inclusion had two (2). However, since the number of missing observations was bearable (9 representing less than 1 percent), the values were replaced by of their medians. Table 3 shows the total number of missing values in this study.

Table 3: Analysis of Missing Items

Variables	No of Missing Items
Geo-political Zone of Respondents	3
Awareness	1
Perception	3
Financial Inclusion	2
Total	**9**

N=12

Outliers are values lying outside the normal range of the data and they may cause inflation of sums or distortion of the estimate and its statistical significance. Outliers can be detected effectively using Z scores and Mahalanobis distance. A Z-score of more than 3.29 warrants removal of the item from further analysis (Tabachnick & Fidell, 2006). The study used the Mahalanobis analysis, to treat the outliers. Hence any observation with a Mahalanobis distance value above 0.3 was considered an outlier and was subsequently deleted from further analysis. Hence, based on the assessment, 12 multivariate cases of outliers were removed as recommended by Tabachnick and Fidell (2006).

Data Coding

Data coding is characterized by first asserting the items to conform with the constructs in a study, indicating that each construct is assigned to a different section that asks questions about it and the secondly by providing each item in a construct a code number for easy identification and analysis. Therefore, the constructs are coded as shown in Table 4.

Table 4: Data Coding

Variables	Code
Awareness	AWR
Perception	PCT
Islamic Bank Financial Inclusion (F-Inclusion)	**IB&FI**

Source: Field survey (2021)

Descriptive Information of Respondents

Descriptive information on respondents was collected via the survey instrument administered. This information includes the gender, age, marital status, occupation, average monthly income, education, religious, geo-political zone of residence and location of residence. The analyzed data using frequency and percentages are presented as follows.

Table 5 presents information on the gender of the research respondents. It indicates that male respondents outnumbered the female counterpart. Out of 1203 respondents, 780 representing 64.8% are males while the remaining 423 respondents are females, constituting 35.2% of the total respondents. This result is not surprising as most of the respondents are from the northern part of the country where economic activity among female is relatively low. Hence their participation in the mainstream banking sector is also relatively low.

Table 5: Gender of the respondents

Gender	Frequency	Percent	Cumulative %t
Male	780	64.8	64.8
Female	423	35.2	100
Total	**1203**	**100**	

Source: Field survey (2021)

Table 6 presents information on the age distribution of the sample. It shows that 106 respondents representing 8.8 percent are below the age of 19. It is also recorded that 445 of the respondents' representing 37 percent are within the 20 to 29 age brackets. Similarly,

308 of the respondents representing 25.6 percent are within the 30 to 39 age brackets, 216 of the respondents' representing 18 percent are within the 40 to 29 age bracket and the remaining 99 of the respondents' representing 8.2 percent are within the 50 to 99 age brackets. This indicates that majority of the respondents are within the working-class age bracket. As expected, they constitute significant portion of the research respondents.

Table 6: Age distribution of Respondents

Age	Frequency	Percent	Cumulative %
Below 19 years	106	8.8	8.8
20-29 years	445	37	45.8
30-39 years	308	25.6	71.4
40-49 years	216	18	89.4
50-59 years	99	8.2	97.6
60 years and above	29	2.4	100
Total	**1203**	**100**	

Source: Field survey (2021)

Table 7: Marital Status of Respondents

Marital Status	Frequency	Percent	Cumulative %
Married	561	46.6	46.6
Single	519	43.1	89.8
Divorced	73	6.1	95.8
Widow	50	4.2	100
Total	**1203**	**100**	

Source: Field survey (2021)

Table 7 presents result of the marital status of the respondents. It shows that 561 respondents representing 46.6 percent are married, 519 respondents representing 43.1 percent are single, 73 respondents representing 6.1 percent are divorced and the remaining 50 representing 4.2 percent of the respondents are widow. This indicates that, most of the respondents are married and single individuals.

Table 8 presents information with respect of the occupation of the study's participants. 583 respondents representing 48.5 percent are self-employed, 192 participants representing 16 percent of the usable responses are civil servants, 263 responses representing 21.9 percent are responded by private sector workers, 21 participants representing 1.7 percent of the usable responses are retirees, 107 respondents representing 8.9 percent are unemployed and lastly 37 responses, which are equivalent to 3.1 percent are responded by others groups that are not mentioned in the study. Based on the above, it is clear that the self-employed and private sector workers constitute the majority of the respondents, followed by civil servants, unemployed, and others. This happened due to the facts that the study concerns the people that are capable of being included into the financial services

Table 8: Occupation of Respondents

Occupation	Frequency	Percent	Cumulative %
Self-employed	583	48.5	48.5
Civil servant	192	16	64.4
Private sector worker	263	21.9	86.3
Retiree	21	1.7	88
Unemployed	107	8.9	96.9
Others	37	3.1	100
Total	**1203**	**100**	

Source: Field survey (2021)

Table 9 presents result of the average monthly income of the research respondents. It shows that 243 respondents representing 20.2 percent earn below N10,000 on monthly basis, 314 respondents representing 26.1 percent earn between N10,000 to N49,999, 288 respondents representing 23.9 percent earn a monthly income of between N50,000 to N99,999, 196 respondents representing 16.3 percent earn between N100,000 to N149,999, 75 respondents representing 23.9 percent earn a monthly income of between N150,000 to N199,999 and the remaining 87 representing 7.2 percent of the respondents earn N200,000 and above on monthly basis. This indicates that majority of the respondents earn 10,000 to 49,900 per month then

followed by 50,000 to 99,999 and the result indicate few earn 200,000 and above per month, this result is commensurate with findings in Table 8 that reveal most of the respondents have occupations.

Table 9: Average Monthly Income of Respondents

Average Monthly Income	Frequency	Percent	Cumulative %
Below 10000	243	20.2	20.2
10000-49999	314	26.1	46.3
50000-99999	288	23.9	70.2
100000-149000	196	16.3	86.5
150000-199999	75	6.2	92.8
200000 and above	87	7.2	100
Total	**1203**	**100**	

Source: Field survey (2021)

Table 10: Educational Qualification of Respondents

Educational Qualification	Frequency	Percent	Cumulative %
Primary Certificate	71	5.9	5.9
Secondary Certificate	303	25.2	31.1
Diploma/NCE	356	29.6	60.7
Bachelor's Degree	359	29.8	90.5
Postgraduate Certificate	97	8.1	98.6
Others	17	1.4	100
Total	**1203**	**100**	

Source: Field survey (2021)

Table 10 presents information on the educational qualification of the respondents. The table reveals that out of 1203 respondents, 71 respondents representing 5.9 percent are primary certificate holders, 303 respondents representing 25.2 percent are secondary certificate holders, 356 respondents representing 29.6 percent are diploma/NCE holders, 359 respondents representing 29.8 percent are first degree holders, 97 respondents representing 8.1 percent possess post-graduate certificate and the remaining 17 respondents representing 1.4 percent

have other qualification. This indicates that majority of the respondents have qualifications that could enhance their decision-making process.

Table 11 presents information on the religion of the research respondents. It indicates out of 1203 respondents, 943 representing 78.4 percent are Muslims, 246 representing 20.4 percent are Christians, while the remaining 14 respondents constituting 1.2 percent are neither Muslims nor Christians. This result is not surprising as majority of the respondents are from the predominantly Muslim Northern part of the country.

Table 11: Religion of Respondents

Religion	Frequency	Percent	Cumulative %
Islam	943	78.4	78.4
Christianity	246	20.4	98.8
Others	14	1.2	100
Total	1203	100	

Source: Field survey (2021)

Table 12: Geo-Zone of Respondents

Geo Zone of Residence	Frequency	Percent	Cumulative %
North-central	99	8.2	8.2
North-east	220	18.3	26.5
North-west	345	28.7	55.2
South-east	24	2	57.2
South-west	372	30.9	88.1
South-south	143	11.9	100
Total	1203	100	

Source: Field survey (2021)

Table 12 shows that 99 of the respondents representing 8.2 percent reside in the North-central states of the nation. It is also recorded that 220 respondents representing 18.3 percent reside in the North-eastern states of the nation. Similarly, 345 of the respondents representing 28.7 reside in the North-western states of the nation. 24

of the respondents representing 2 percent reside in the South-eastern states of the nation. It is also recorded that 372 respondents representing 30.9 percent reside in the South-west states of the nation. The remaining, 143 respondents representing 28.7 reside in the South-southern states of the nation.

Table 13 provides an insightful overview of the descriptive statistics for the variables of Awareness, Perception, and Financial Inclusion, based on responses from a sample of 1203 participants, as per a field survey conducted in 2021. The data reveals a moderate mean score of 2.98 for Awareness, with a standard deviation of 1.16, indicating a moderate level of awareness about the topic at hand presumably Islamic banking among the survey participants. This level of awareness is coupled with a certain degree of variability in responses. Perception scores are notably higher, with an average of 3.53 and a standard deviation of 1.01, suggesting that respondents generally hold a positive or favorable view towards the subject, and do so with a slightly higher consistency compared to their awareness. Financial Inclusion is similarly rated highly, with a mean of 3.49 and the smallest variability among responses, as indicated by a standard deviation of 0.99. This suggests a relatively homogeneous and positive stance on financial inclusion among the surveyed group. Overall, the statistics underscore that while awareness about the subject matter is moderate, perceptions and attitudes towards financial inclusion are both positive and consistent, hinting at the potential for increased awareness to further bolster these positive perceptions and inclusion rates.

Table 13: Descriptive Statistics of Research Variables

| Variable	Sample	Mean	Std. Deviation
Awareness	1203	2.98	1.16
Perception	1203	3.53	1.01
Financial Inclusion	1203	3.49	0.99

Source: Field survey (2021)

Assessment of the Measurement Model

This study has assessed the reliability of individual items that measure the latent construct, the internal consistency reliability of the study variables (Hair et al., 2012). The study used the individual item reliability, internal consistency reliability, convergent validity and discriminant validity to assess the reliability and validity of the measurement model.

Individual Item Reliability Measurement Model

In order to ascertain the individual item reliability and other measurement model assessments, the study performed PLS algorithm (Geladi & Kowalski, 1986) as presented in Figure 1. The individual item or factor reliability of the constructs was determined using the outer loadings of each construct's indicators. Based on Hair's et al. (2012) rule of thumb, an indicator with 0.70 outer loading is reliable and acceptable for already developed scale. As such, to maintain a particular indicator, the loading must be up to 0.70. Hence, following Hair's et al. (2012) rule of thumb, out of 21 items measuring 3 reflective constructs of this study, 9 items (i.e., AWR5, AWR6, PCT1, PCT3, PCT5, PCT7, IB&FI3, IB&FI4 and IB&FI3) were deleted leaving the study with the remaining items that are considered acceptable for further analysis.

Figure 1: Individual Item Reliability
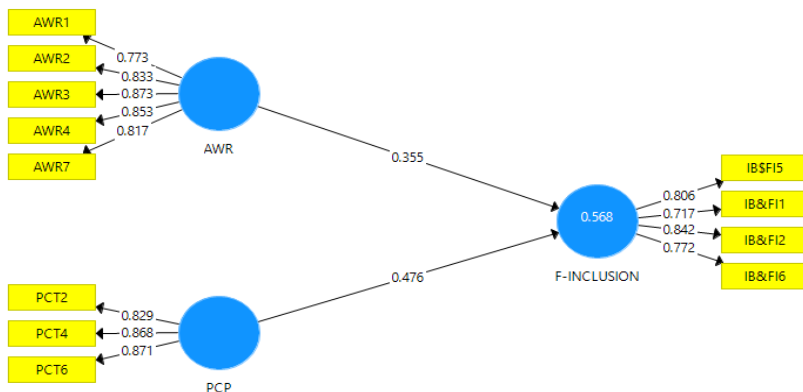
Internal Consistency Reliability of Measurement Model

Internal consistency reliability of measurement model refers to the internal consistency of various items or factors measuring the same reflective latent construct (Sun et al., 2007). This study used Cronbach's alpha coefficient to measure the internal consistency reliability of measurement model. Cronbach's alpha coefficient provides an estimate of the reliability based on the inter correlations among indicators. It checks whether the items that make up the scale actually measure the same underlying construct (Pallant, 2010). Pallant (2010) contends that a Cronbach alpha of 0.7 is regarded as most acceptable while Hair et al., (1998) concludes that a construct with a higher number of items may generate a higher level of Cronbach than an item with lesser numbers. Hence, this factor must be reflected upon when assessing the level of Cronbach alpha. For this study, "Cronbach alpha coefficient" is employed because; the existence of internal consistency indicates that the items would measure the same underlying construct. All the research constructs have coefficients of more than 0.7.

Table 14: Internal Consistency Reliability of Measurement Model

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
AWR	0.887	0.889	0.917	0.689
F-INCLUSION	0.792	0.798	0.865	0.617
PCP	0.818	0.825	0.892	0.733

Source: Field survey (2021)

Convergent Validity of Measurement Model

Convergent validity assesses how a particular measure of construct measures what it is intended to measure and correlates positively with other alternative measures of the same construct (Hair et al., 2012). The most common method of establishing the convergent validity of the reflective construct is the average variance extracted (AVE). The rule of thumb for AVE value is 0.50 which indicates that the construct has a convergent validity. As presented in Table 13, Awareness, Financial inclusion and Perception have AVE of 0.689, 0.617 and

0.733 respectively. This indicates that all the research constructs have an AVE of more than 0.50.

Discriminant Validity of Measurement Model

Discriminant validity is the other type of construct validity of reflective construct, which concerns with the extent to which a particular construct is distinct from other constructs of the same model based on empirical standards (Hair et al., 2012). Therefore, when a latent reflective construct is unique and captures phenomena not represented by other latent reflective constructs, it implies that the discriminant validity is established (Barroso, Carrion, & Rolden, 2010; Hair et al., 2012).

Basically, there are two methods for assessing the discriminant validity (Hair et al., 2012). The first method employed in this study is what has been termed as Fornell & Lacker criterion. According to this method, a reflective construct has discriminant validity when the square root of its AVE is higher than its correlation with any other reflective construct in the same model (Fornell & Larcker, 1981). The square root of the Awareness, Financial inclusion and Perception as presented in Table 14 are 0.830, 0.786 and 0.857 respectively. Based on this, all the construct of the study has met the threshold of discriminant validity as the square roots of their respective AVEs are above their correlation with any other constructs as shown in Table 15 below.

Table 15: Fornell and Lacker

	AWR	**F-INCLUSION**	**PCP**
AWR	**0.830**		
F-INCLUSION	0.658	**0.786**	
PCP	0.636	0.702	**0.856**

Source: Field survey (2021)

Using cross-loading as second method of measuring the discriminant validity of a construct, the indicators loadings of each construct must be higher than their corresponding loadings (cross-loadings) on other constructs (see Chin, 1998). Based on this, all the latent construct used in this study have met the threshold of discriminant validity as the

indicators loadings of each construct is higher than their corresponding loadings (cross-loadings) on other constructs as presented in Table 16.

Table 16: Cross Loadings

	AWR	F-INCLUSION	PCP
AWR1	**0.773**	0.516	0.480
AWR2	**0.833**	0.515	0.462
AWR3	**0.873**	0.553	0.578
AWR4	**0.853**	0.582	0.504
AWR7	**0.817**	0.559	0.610
IB$FI5	0.546	**0.806**	0.618
IB&FI1	0.418	**0.717**	0.558
IB&FI2	0.552	**0.842**	0.569
IB&FI6	0.547	**0.772**	0.450
PCT2	0.453	0.537	**0.829**
PCT4	0.590	0.643	**0.868**
PCT6	0.580	0.615	**0.871**

Source: Field survey (2021)

Assessment of the Structural Model

This study assessed the influence of awareness and perception of the Islamic bank on financial inclusion. Data analysis was conducted using the structural equation model of the data analysis. Precisely, standard bootstrapping procedure was employed using a number of 5000 bootstrap samples for 1203 cases to assess the significance of the path coefficients of direct relationship (Hair et al., 2012).

Hypotheses Testing for Direct Relationships

This research examines the hypotheses that posit a significant direct correlation between awareness and financial inclusion, as well as between perception and financial inclusion. These hypothesized relationships are illustrated in Figure 2.

Figure 2: Direct Relationship
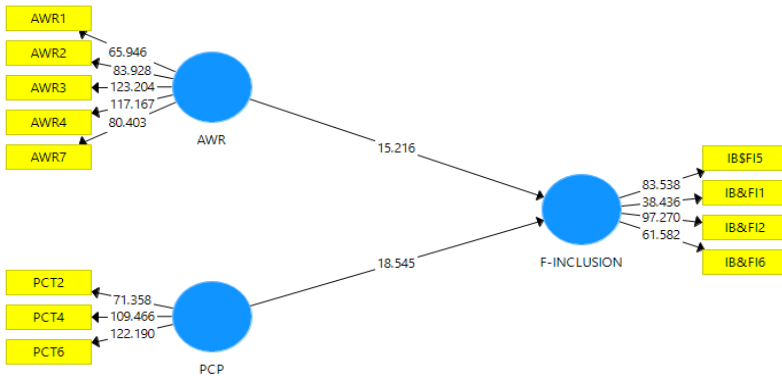

Figure 3: Bootstrapping

Table 17 reveals the results of the structural model based on the relationships between the awareness and perception on financial

inclusion. These results are interpreted using the coefficients (Beta) of the path relationship, the standard error (SE), and t-value (T Statistics). The results indicates that Awareness is significantly related to financial inclusion (β=0.355, p<0.00) and Perception is significantly related to financial inclusion (β=0.476, p<0.00). This indicates that all the study variable has statistically significant relationship with the financial inclusion.

Table 17: Structural Model Relationship

Hypotheses	Beta	Stan. Error	T Statistics	P Values
AWR -> F-INCLUSION	0.355	0.023	15.216	0.000
PCP -> F-INCLUSION	**0.476**	**0.026**	**18.545**	**0.000**

Source: Field survey (2021)

Coefficient of Determination for Direct Relationships

The R-square (R^2) is the measure of the predictive accuracy of a model, which is calculated as the squared correlation between the endogenous construct's actual and predicted value (Hair et al., 2012). It represents the total effects of the exogenous latent variables on the latent endogenous variable. Table 18 shows that the R^2 of this study is 57 percent. This indicates that awareness and perception account for up to 57 percent of the variation of financial inclusion, while other factors that were not included in the model account for the remaining 43 percent of the variation of financial inclusion.

Table 18: R Square

Construct	R Square
F-INCLUSION	0.568

Source: Field survey (2021)

Assessment of the Effect Size

Table 19 represents the effects size assessment of the independent and dependent variables in the direct relationships. Based on Cohen (1998) the F-Square (f^2) values of 0.02, 0.15, and 0.35, indicate small, medium, and large effects respectively. As presented, all the independent variables have a large effect on the dependent variable (i.e., financial inclusion)

Table 19: Effect Size

Construct	Included	F^2
AWR	0.568	0.173
PCP	**0.568**	**0.313**

Source: Field survey (2021)

*Predictive Relevance for Direct Relationships*

Table 20 represents the blindfolding result of the cross-validated redundancy (Q2) of the independent variable of the model of this study. As this cross-validated redundancy (Q2) is greater than zero, it clearly indicates the presence of path model predictive relevance (Chin, 1998).

Table 20: Blindfolding

	SSO	SSE	Q^2 (=1-SSE/SSO)
F-INCLUSION	6492.000	4244.452	0.346

Source: Field survey (2021)

Figure 4: Blindfolding
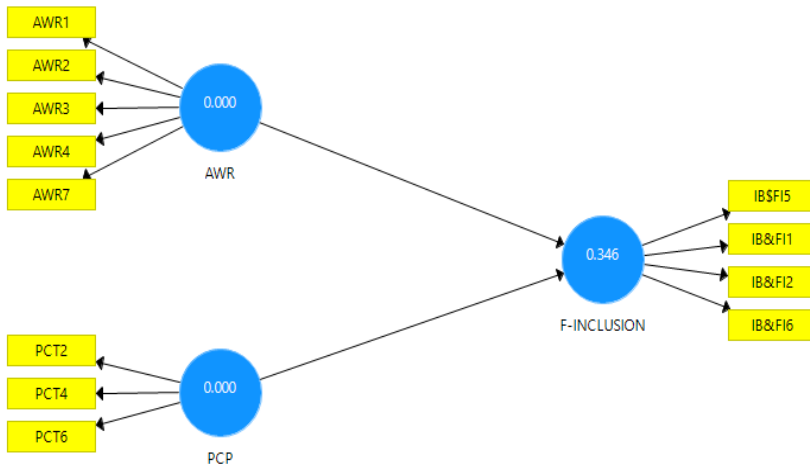
$$A = \pi r^2 \quad \text{(Equation 1)}$$

Table 21: Descriptive Statistics

Variable	Mean	Standard Deviation	Max	Min
A	1.0	0.5	2.0	0.7
B	1.1	0.6	2.2	0.8
C	1.2	0.7	2.3	0.9
D	1.3	0.8	2.4	1.0

4.0 Results and Discussion

The study's finding illuminates the critical roles that awareness and perception play in facilitating financial inclusion in Nigeria, especially through the lens of Islamic banking. The significant relationship between awareness and financial inclusion, highlighted by a beta coefficient of 0.355, underscores the foundational importance of making individuals aware of Islamic banking services. This relationship suggests that knowledge about the existence, principles, and benefits of Islamic banking is a crucial first step in drawing more individuals into the financial system. Essentially, the more people know about Islamic banking, the more likely they are to consider and use these services, thereby enhancing their financial inclusion.

Even more compelling is the stronger relationship between positive perceptions of Islamic banking and financial inclusion, as indicated by a beta coefficient of 0.476. This finding goes beyond the basic awareness of Islamic banking's existence and delves into how positive views and understanding of its ethical principles, product offerings, and service quality can significantly increase people's willingness to engage with these financial services. Positive perceptions can stem from various factors, including the alignment of Islamic banking principles with individuals' personal or religious values, the perceived fairness and transparency of its products, or satisfaction with previous interactions.

This relationship, however, highlights that merely knowing about Islamic banking is not enough; the perceptions and attitudes towards it play a more substantial role in determining whether individuals actually decide to utilize these services. It implies that

efforts to increase financial inclusion through Islamic banking must not only inform but also positively influence how people view and understand Islamic banking.

Therefore, the implications of these findings for policy-makers, financial institutions, and stakeholders are profound. To enhance financial inclusion, strategies must be multifaceted, focusing not just on spreading awareness but also on improving the public's perception of Islamic banking. This could involve educational campaigns that clarify misconceptions, highlight the ethical and social benefits of Islamic banking, and showcase success stories of customers who have benefitted from these services. Furthermore, ensuring that Islamic banking products are accessible, user-friendly, and tailored to meet the diverse needs of the population can also help improve perceptions and, by extension, financial inclusion rates.

In summary, the study underscores a layered approach to enhancing financial inclusion through Islamic banking in Nigeria, emphasizing that both awareness and positive perceptions are pivotal. It calls for concerted efforts from various stakeholders to not only educate the public about Islamic banking but also to actively shape positive perceptions and experiences with Islamic banking services.

5.0 Conclusion and Recommendations

The current study examines the role of awareness and perception in promoting financial inclusion in Nigeria. Interestingly, the finding show that awareness and perception both significantly influence financial inclusion in Nigeria. This underscores the importance of public advocacy, awareness creation towards Islamic banking among the public. The study concludes that Islamic banking can grow faster with increased public awareness and robust policies that will promote financial inclusion through Islamic banking. The following recommendations are therefore developed:

(i) Increase Public Awareness Campaigns: Financial institutions and regulators should invest in comprehensive public awareness campaigns to educate the Nigerian populace about the principles, products, and benefits of Islamic banking. This could involve utilizing various media platforms, community engagement programs, and collaborations with educational institutions.

(ii) Strengthen Regulatory Frameworks: The Nigerian government and financial regulators should continue to develop and strengthen the regulatory frameworks that govern Islamic banking. This includes ensuring that there are clear guidelines for the operation of Islamic banks, which can help improve public trust and perception.

(iii) Promote Financial Literacy: There should be an increased focus on financial literacy programs that include information on Islamic banking principles and practices. Financial literacy initiatives should target all segments of society, particularly in rural and underserved areas, to build a knowledgeable customer base.

(iv) Foster Partnerships for Financial Inclusion: Islamic banks should actively seek partnerships with government agencies, non-governmental organizations, and the private sector to drive financial inclusion initiatives. These partnerships could focus on developing financial products that address the needs of the unbanked and underbanked populations.

(v) Encourage Research and Development: Continuous research and development are crucial for innovating financial products that meet the evolving needs of consumers. Islamic banks should invest in R&D to develop new products and improve existing ones, ensuring they remain competitive and relevant.

Acknowledgement

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